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November 7, 2023

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

**Re: Proposed Policy Statement Order —Utilization of Energy Storage Resources
as Electric Distribution Assets
Docket No. M-2020-3022877**

Dear Secretary Chiavetta:

Pursuant to the Pennsylvania Public Utility Commission's ("Commission") Proposed Policy Statement Order adopted by the Commission on August 24, 2023, enclosed herewith for filing are the *Reply Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company*.

Please contact me if you have any questions regarding this matter.

Very truly yours,



Daniel A. Garcia

DAG/mlr
Enclosures

c: As Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Proposed Policy Statement Order :
Utilization of Storage Resources as :
Electric Distribution Assets : **Docket No. M-2020-3022877**
:
:

**REPLY COMMENTS OF METROPOLITAN EDISON COMPANY,
PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER
COMPANY, AND WEST PENN POWER COMPANY**

I. INTRODUCTION

On December 3, 2020, the Pennsylvania Public Utility Commission (“Commission”) issued a Secretarial Letter announcing its initiation of the above-captioned generic docket intended to explore whether policies should be adopted that would allow electric distribution companies (“EDCs”) the opportunity to substitute conventional distribution upgrades with alternatives, specifically, electric-storage, as a distribution asset in their effort to enhance or maintain distribution reliability. In its Secretarial Letter, the Commission invited interested parties to provide comments on this topic generally and in particular as to three specific questions:

1. What applications can electric-storage provide as a distribution asset for utilities that would facilitate improved reliability and resiliency?
2. What are the defining characteristics of electric-storage used for distribution asset planning as distinguished from generation resources? What thresholds, if any, would classify electric-storage as a generation resource and therefore outside permitted distribution ratemaking and recovery?
3. Is it prudent for utilities to include electric-storage in their distribution resource planning and, if so, where and under what circumstances? Further, is it appropriate for utilities to include such investments in rate base?

Following an extension of the established comment period via a Secretarial Letter issued on December 30, 2020, comments were filed by a number of interested stakeholders on or about February 18, 2021, including by Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric

Company (“Penelec”), Pennsylvania Power Company (“Penn Power”) and West Penn Power Company (“West Penn”) (collectively, the “Companies”). On August 12, 2021, the Commission issued a Secretarial Letter recognizing the substantial input received to date and seeking clarification and additional information related to that input which had already been provided. After requesting further clarification from the interested parties, the Commission received supplemental comments from Calpine; Clean Energy Advocates; Department of Environmental Protection; Duquesne Light; Energy Association of Pennsylvania; Edison Energy Institute; the Companies; Industrial Energy Consumers of Pennsylvania; Large Customer Groups; Office of Consumer Advocates (“OCA”); PECO Energy Company; PJM Power Providers Group (“P3”); PPL Electric Utilities Corp; Pennsylvania Utility Law Project (“PULP”); Solar Energy Industries Association; and UGI. On August 24, 2023, the Commission adopted a Proposed Policy Statement Order (“Order”) wherein the proposed Energy Storage Asset Policy Statement, set forth in Annex A of the Order (“Annex A”), was published in the *Pennsylvania Bulletin* on September 24, 2023 giving interested parties until October 24, 2023 to file comments with the Secretary.¹

On October 24, 2023, Advanced Energy United²; Clean Energy Advocates³; Duquesne Light⁴; Energy Association of Pennsylvania⁵; the Companies; OCA⁶; PJM P3⁷; PPL Electric

¹ *Utilization of Storage Resources as Electric Distribution Assets - Proposed Policy Statement Order*, Docket No. M-2020-3022877, adopted on August 24, 2023.

² *Proceeding on Utilization of Storage Resources As Electric Distribution Assets*, Docket No. M-2020-3022877, *Comments of Advanced Energy United on the Commission’s Proposed Policy Statement on Energy Storage Resources as Electric Distribution Assets* (filed October 24, 2023) (“*ADV Initial Comments*” or “*ADV Comments*”).

³ *Proceeding on Utilization of Storage Resources as Electric Distribution Assets*, Docket No. M-2020-3022877, *Comments of The Clean Energy Advocates* (filed October 24, 2023) (“*CEA Initial Comments*” or “*CEA Comments*”).

⁴ *Proceeding on Utilization of Storage Resources As Electric Distribution Assets*, Docket No. M-2020-3022877, *Comments of Duquesne Light Company* (filed October 24, 2023) (“*Initial Comments*” or “*Comments*”).

⁵ *Proceeding on Utilization of Storage Resources As Electric Distribution Assets*, Docket No. M-2020-3022877, *Comments of the Energy Association of Pennsylvania to the Proposed Policy Statement Order* (filed October 24, 2023) (“*Initial Comments*” or “*Comments*”).

⁶ *Proceeding on Utilization of Storage Resources As Electric Distribution Assets*, Docket No. M-2020-3022877, *Comments of the Office of Consumer Advocate* (filed October 24, 2023) (“*OCA Initial Comments*” or “*OCA Comments*”).

⁷ *Proceeding on Utilization of Storage Resources As Electric Distribution Assets*, Docket No. M-2020-3022877, *Comments of the PJM Power Providers Group (P3)* (filed October 24, 2023) (“*P3 Initial Comments*” or “*P3 Comments*”).

Utilities Corp⁸; and PULP⁹ each submitted individual *Initial Comments* in this proceeding regarding the *Energy Storage Proposed Policy Statement* Order. Through these *Reply Comments*, the Companies will now respond.

II. REPLY COMMENTS

A. Storage as a Distribution Asset

In its Proposed Policy Statement Order, the Commission recognized energy storage assets as distribution assets, presenting energy storage assets as another tool for EDCs to employ to maintain or improve reliability. The Commission further “encourage[d] the consideration of such assets when cost effective and proper, specifically as an alternative non-wires solution” and that “EDCs may consider using electricity-storage and would need to justify the costs like any other traditional infrastructure upgrade.” The Commission additionally “encourage[d] EDCs to consider electricity-storage assets as part of their system planning.”

Advanced Energy United, OCA, and P3 appear to eschew the Commission’s deliberate and mindful reasoning for recognizing energy storage assets as being a tool for EDCs to maintain or improve the reliability or resilience of their respective electric distribution systems.

In their comments, Advanced Energy United believes that “customers and third parties will play a critical role in the advancement of battery storage and other non-wires solutions, and that the Commission should thus amend its definition of “Non-Wires Solution” to avoid any suggestion that EDCs should unilaterally and in every circumstance be the owners and operators of non-wires solutions. To support this argument, Advanced Energy United invokes the language of the 1996

⁸ *Proceeding on Utilization of Storage Resources As Electric Distribution Assets*, Docket No. M-2020-3022877, *Comments of PPL Electric Utilities Corporation on the Proposed Policy Statement* (filed October 24, 2023) (“*Initial Comments*” or “*Comments*”).

⁹ *Proceeding on Utilization of Storage Resources As Electric Distribution Assets*, Docket No. M-2020-3022877, *Comments of Pennsylvania Utility Law Project* (filed October 24, 2023) (“*PULP Initial Comments*” or “*PULP Comments*”).

Electricity Generation Customer Choice and Competition Act (the “Act”), which “deregulated the Commonwealth’s energy market by allowing for competition in electric generation services to Pennsylvania electric consumers”, and, therefore, EDCs should not be allowed to own and operate electric generation assets. Here, Advanced Energy United relies on snippets of the Act to imply that energy storage assets discussed by the Commission would generate electric energy and, therefore, EDCs should not own or generate electric energy. As such, Advanced Energy United recommends to the Commission an amendment to the definition of “Non-Wires Solution” that encourages private sector investment and requires utilities to procure grid services solutions that are competitively sourced.

Advanced Energy United’s comments blatantly ignore the Commission’s recognition that certain energy storage assets can be effective tools for EDCs to improve reliability by implying these energy storage assets would somehow upend the competitive energy market as electric generation owned by the EDCs. By doing so, Advanced Energy United also implies that the Commission runs afoul of the Act by acknowledging the potential efficacy of these certain energy storage assets in the distribution realm.

P3, like Advanced Energy United, encourages the Commission to “remain mindful of Pennsylvania’s restructured electricity markets...” by implying that the energy storage assets discussed in the Order are “generation technology” that should not be owned by utilities nor should EDCs be allowed to include associated costs for recovery in a rate base. P3 asserts that “grid scale storage assets that inject power into the bulk power system provide a much different service than distribution level batteries that can help stabilize local power systems” and that “[energy] storage is not a utility distribution asset if it can sell into the wholesale market. They correctly state that in those very specific circumstances where energy storage asset is “injecting power into the bulk power system” or selling into the wholesale market, then those assets should not be considered part of the distribution system. However, the P3 comments on energy storage as a generation asset

are a *non-sequitur*, as all discussions by both Commission and the EDCs have been related to using the energy storage assets strictly as distribution assets.

B. Energy Storage Assets are Not Electric Generation

In its December 3, 2020 Secretarial Letter, the Commission posed a series of questions to identify what areas, if any, could benefit from electricity-storage on the distribution grid and to understand what issues or concerns may occur as a result of the deployment of electricity-storage on the distribution grid. EDC commenters argued that EDCs are best positioned to determine the parameters on how the electricity-storage systems are used and that classification of electricity-storage systems as either distribution, generation, or transmission is a fact-intensive inquiry that should be resolved on a case-by-case basis, taking into consideration the location and use of the systems. In other words, if the electricity-storage system is used by an EDC to solve distribution challenges, provide benefits to distribution customers, and support the provision of safe and reliable service at a prudent and reasonable cost, then it should be considered a distribution asset. Nearly all commenters agreed that the Commission should avoid narrow definitions of electricity-storage and that “every project that may be suitable for electricity-storage should be assessed and reviewed on its individual merits”.¹⁰ Those same commenters also agreed that electricity-storage should be considered as another tool for EDCs to use to solve an issue. The Commission agreed and went as far as allowing EDCs to consider using electricity-storage with the caveat that EDCs would need to justify the costs like any other traditional infrastructure upgrade. As such, energy storage assets, as discussed in the Order, are not electric generation assets, as the Advanced Energy United and P3 comments describe, but rather these assets have consistently been discussed as specific tools to be used to improve reliability and resiliency of distribution systems.

¹⁰ *Utilization of Storage Resources as Electric Distribution Assets - Proposed Policy Statement Order*, Docket No. M-2020-3022877, adopted on August 24, 2023, page 12.

C. Third Party Ownership of Energy Storage Assets

In their comments, both the OCA and Advanced Energy United express concerns that the Commission's proposed definition of for "Non-Wires Solution" implies that only EDCs are capable of owning non-wire solutions. OCA posits that "a variety of third-party developers or customers would be capable of owning storage assets" and that reliability does not depend "on EDC ownership of the asset but rather the EDC's ability to utilize, dispatch, and coordinate storage for reliability purposes." For the OCA, ownership is merely a question of convenience rather than operational necessity for reliability purposes. Advanced Energy United recommended the Commission amend its definition of "Non-Wires" solution to avoid suggesting EDCs "should unilaterally and in every circumstance be the owners and operators of non-wires solutions."

The OCA's comments regarding energy asset ownership are shortsighted. The OCA's proposed request for the "PUC to clarify that reliability improvements do not depend on EDC ownership of the asset" invites the unpredictability of third-party ownership of an asset designed to provide service to customers when the service is needed most. The Commission purposefully addressed third-party and customer involvement by excluding the possibility of electricity storage being provided by customers or third-party vendors because the "purview of this proceeding is electricity-storage on the distribution grid for the purposes of reliability and resiliency.

The Commission also did not provide EDCs unilateral and "in every circumstance" ownership of these energy storage assets, as argued by Advanced Energy United. The Commission was quite clear in its language that the electrical storage assets being discussed are specifically those that can be used by EDCs to solve electric distribution system challenges and that only EDCs know best the challenges and opportunities that exist on the systems they own and operate.

III. CONCLUSION

The Companies appreciate being given this opportunity to address the initial comments submitted in this proceeding regarding the utilization of energy storage resources as electric distribution assets. For the reasons stated herein, the Companies respectfully request that the Commission reject comments made by Advanced Energy United, OCA, and P3.

Respectfully submitted,

Dated: November 7, 2023



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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

Service by electronic mail, as follows:

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