

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17120

**Policy Proceeding - Utilization of Storage
Resources as Electric Distribution Assets**

**Public Meeting held April 4, 2024
3022877-LAW
Docket No. M-2020-3022877**

STATEMENT OF VICE CHAIR KIMBERLY BARROW

Since the beginning of electric competition in the Commonwealth, one of the goals of the General Assembly that the Commission has endeavored to carry out is to use the power of competition to minimize costs and risks that ratepayers bear, and instead allow generators to connect to the grid and compete to provide services to load.

The expansion of storage options presents difficult questions for the divested structure of our modern grid in Pennsylvania. Storage can clearly satisfy a distribution function. A storage facility can increase resilience and maintain temporary service to an area if a radial wire is knocked down. A storage facility can reduce needed peak transfer capability of a line, increasing load factor and reducing facility costs to ratepayers.

Storage facilities also have aspects that look more like generation. They can store energy when it is cheap, respond to higher locational prices to inject energy into the grid to resolve congestion, and serve load without building transmission facilities. PJM Interconnection LLC, the grid operator for the region, allows storage to participate in wholesale markets like standard generation to the greatest degree possible.

The storage policy statement offered today attempts to strike the balance between the features of storage that serve as a potential distribution asset and the features that look more like generation. I believe that storage should be considered a distribution asset under the Electric Choice Act,¹ in order for storage to be used by Electric Distribution Companies in this manner, they must serve a distribution purpose, not a purpose served by competitive generation.

The policy statement encourages the consideration of storage as a distribution asset. Such an asset is prudent *only when the competitive electricity markets are not reasonably or cost-effectively able to serve the function of the electricity-storage asset*. This is consistent with our legislature's conclusion that "Competitive market forces are more effective than economic regulation in controlling the cost of generating electricity."² A competitive storage facility which is not rate-based is preferable to a rate-based distribution facility, if it can serve the same purpose. The Independent Market Monitor (IMM) for PJM notes, "[i]n competitive markets, investors bear the risk. In the case of storage, the risk of technological obsolescence is extremely high as innovations are currently occurring at a rapid pace. Competitive power markets are essential to meeting the Commission's overriding goal to ensure that customer rates remain affordable."³ The IMM also notes that distributor-owned storage can act as a "significant barrier

¹ 66 Pa.C.S. § 2801 *et seq.*

² 66 Pa.C.S. § 2802(5).

³ IMM Comments filed August 21, 2020, at 2.

to the *competitive* participation of electric storage”.⁴ I agree that this outcome should be avoided. So too does the Office of Consumer Advocate (OCA) which comments in partial opposition to distributor-owned assets noting that “Some combination of third-party ownership and EDC ownership may turn out to be the model that provides the greatest level of flexibility in this area. In general, however, the OCA submits that the competitive market is likely to return the best outcomes in the way of products and services.”⁵

Some of these criticisms are particularly valid given the power of smaller distributed energy resources. While historically generation has operated at a very large scale, it is becoming more apparent that customers may have options to locate storage resources directly at their electric load. These distributed competitive markets have the opportunity to serve the same resilience or congestion mitigation functions as a distributor-owned asset, and the specific functions should be considered in whether a distributor-owned storage facility is performing an acceptable and cost-effective role.

Finally, I would emphasize that as a policy statement, our guidance here does not bind us. We will evaluate the prudence or legality of a distribution asset on an individual basis, and our encouragement here should not be read to displace competitive options.

April 4, 2024


Kimberly Barrow, Vice Chair

⁴ *Id.*

⁵ OCA Comments filed November 24, 2021, at 9.