



February 18th, 2021

Pennsylvania Public Utility Commission
Attn: Rosemary Chiavetta, Secretary
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Policy Proceeding—Utilization of Storage Resources as Electric Distribution Assets Docket No. M-2020-3022877

Dear Secretary Chiavetta,

The Solar Energy Industries Association (SEIA) appreciates the opportunity to comment on the Pennsylvania Public Utility Commission's (PUC) Policy Proceeding--- Utilization of Storage Resources as Electric Distribution Assets, Docket No. M-2020-3022877. SEIA's comments focus on support of PUC's recommendations to explore the utilization of electric storage within electric utility distribution resource planning while emphasizing the importance of providing an open and competitive market for energy storage deployment.

Please find SEIA's comments enclosed.

If you have any questions, please feel free to contact me directly.

Sincerely,

A handwritten signature in black ink that reads "Scott Elias". The signature is written in a cursive style.

Scott Elias
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Solar Energy Industries Association
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516-286-6473

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Policy Proceeding—Utilization of Storage Resources as Electric Distribution Assets
Docket No. M-2020-3022877

**COMMENTS OF THE
SOLAR ENERGY INDUSTRIES ASSOCIATION**

I. INTRODUCTION

The Solar Energy Industries Association appreciates the opportunity to comment on the Pennsylvania Public Utility Commission’s (PUC) Policy Proceeding--- Utilization of Storage Resources as Electric Distribution Assets, Docket No. M-2020-3022877.

The Solar Energy Industries Association (SEIA) is the national trade association of the United States solar industry and is leading the transformation to a clean energy economy, creating the framework for solar to achieve 20% of U.S. electricity generation by 2030. SEIA works with its 1,000 member companies and other strategic partners to fight for policies that create jobs in every community and shape fair market rules that promote competition and the growth of reliable, low-cost solar power. Energy storage plays an important role in the further advancement of solar and SEIA increasingly represents solar companies that have installed, or are installing, energy storage assets within Pennsylvania.

SEIA applauds the Commission for exploring the viability of electric storage, and for starting a proceeding to inform the Commission on utilities’ and other stakeholders’ positions regarding utilization of storage resources as electric distribution assets. SEIA’s comments focus on support of PUC’s recommendations to explore the utilization of electric storage within electric utility distribution resource planning but emphasizes the importance of providing an open and competitive market for energy storage deployment.

SEIA does not object to electric distribution company ownership of storage if it is used exclusively as a distribution asset. However, there are serious pitfalls associated with allowing utilities to use rate-based storage assets for more than just distribution assets, including undermining competition in any market in which it also operates. As a result, SEIA recommends that any proposal for electric distribution company ownership of electric storage 1) show that it meets the standards to be in a distribution asset according to FERC’s uniform system of accounts (Account 363) and 2) be subjected to a Cost Benefit Analysis, comparing it to traditional infrastructure solutions as well as non-wires alternatives and a tariff-based program. This will ensure that Pennsylvania provides an open and competitive market for energy storage deployment.

II. RESPONSE TO COMMISSION INQUIRIES

- 1. What applications can electric storage provide as a distribution asset for utilities that would facilitate improved reliability and resiliency?**

Energy storage systems are critical to building a resilient, reliable, and sustainable electric grid, and Commissions across the country are investigating these uses¹. Energy storage can smooth electricity prices through arbitrage, manage evening energy ramps, mitigate the risk of curtailment, provide black start capability, and provide critical backup power when paired with distributed energy resources, such as solar. These enhanced services can provide cost savings associated with the deferral of distribution system infrastructure upgrades. However, SEIA maintains that a key relevant question around these enhanced services vis-à-vis the use of storage as a distribution asset is what level of reliability and resiliency all ratepayers should pay for and what types of reliability and resiliency customers should be allowed to decide whether or not they want to pay for.

When customers install solar + storage systems primarily for backup power, these systems also have an incredible amount of latent potential for offering grid services. Fortunately, power outages are relatively rare and in between such events, the battery can be enrolled in performance programs to provide the utility with services such as peak reduction or infrastructure deferral. Establishing performance programs, such as Massachusetts's "ConnectedSolutions" program, are key to unlocking this potential – and the savings that it can bring to utility customers.

Through smart inverters, solar systems can also provide improvements in reliability and power quality through frequency regulation, voltage ride-through and many other capabilities during both abnormal and normal operating conditions.

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?

This issue has been debated at FERC, and through FERC Order 784, the FERC uniform system of accounts provides explicit standards of accounting applicable to battery resources. FERC requires energy storage to be classified as either distribution (Account 363), transmission (Account 351), or production (Account 348) depending on the services a battery provides.

SEIA believes that the appropriate threshold for classifying electric storage as a distribution asset is that it meets the standards to be in a distribution asset according to FERC.

Additionally, when the distribution service is procured from and provided by a third party there is no concern about utilities owning a generation asset. That is, rather than a utility buying a storage device and using it for a single service – and risking stranded costs and violation of generation ownership provisions – utilities should instead procure these distribution services from third parties. The benefit of utilities procuring distribution services from third party owned batteries rather than owning the batteries themselves is likely to show up in any Cost Benefit Analysis. We have seen ample evidence that utility ownership of batteries can create unnecessarily high costs and asset ownership complexities. Two recent examples are the residential pilot run by Liberty Utilities in New Hampshire where the utility has

¹ For example, see Massachusetts' State of Charge report under its Energy Storage Initiative. <https://www.mass.gov/doc/state-of-charge-report/download>

failed to meet commission mandated timelines for performance and deployment.² The second is National Grid in New York, which rate-based a battery to provide distribution services and is now petitioning the commission to use that battery in the wholesale market due to underutilization of the asset.³ If National Grid had procured the distribution service from a third party, then there would be no concern about utility participation in a competitive market.

The planned use of a storage system greatly affects the expected useful life of the asset. In the case where a utility proposes using storage to defer a distribution substation investment and also to offer frequency regulation services, the useful life is diminished vis-à-vis use solely as a distribution asset. The Commission must consider the depreciation rate assumed in the distribution ratemaking calculation as underestimation would lead to stranded distribution costs. Following SEIA's recommendation that the storage asset be used only as a distribution asset in accordance with FERC's uniform system of accounting and thus strictly prohibiting participation in competitive services would prevent the storage asset from prematurely reaching the end of its useful life.

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?

Whether or not it is prudent for a utility to include storage in their distribution resource planning is a question of economics relative to other alternatives. It is appropriate for utilities to include such investments in the rate base if it is used solely as a distribution asset. However, it is incumbent on utilities to show that it is prudent to include storage in their distribution resource planning through a thorough Cost Benefit Analysis that looks at traditional solutions, non-wires alternatives and a non-discriminatory tariff that is open to the competitive market.

Most importantly, however, it should be clear that utilities need not include utility ownership of storage in their distribution resource planning, but rather should include the provisioning of services from competitively owned batteries.

III. CONCLUSION

SEIA thanks the Commission for the opportunity to provide these comments regarding utilization of electric storage within electric utility distribution planning. Solar and storage has, and will continue to have, a symbiotic relationship. Ultimately, the wide-scale adoption of solar will lead to the wide-scale

² See New Hampshire Public Utilities Commission Docket No. DE 17-189; Liberty Utilities (Granite State Electric) Corp. Petition to Approve Battery Storage Pilot Program, <https://puc.nh.gov/Regulatory/Docketbk/2017/17-189.html>

³ See Petition of Niagara Mohawk Power Corporation d/b/a National Grid for Approval to Dispatch and Wholesale Market the Output from a Utility-Owned Energy Storage System Project in the NY State Public Service Commission Case No. 16-M-0411 - In the Matter of Distributed System Implementation Plans and Case No. 18-E-0130 – In the Matter of Energy Storage Deployment Program, <http://documents.dps.ny.gov/public/MatterManagement/CaseMaster.aspx?MatterCaseNo=16-M-0411>

adoption of storage, which will in turn lead to more opportunities to deploy solar. Many solar companies view storage as a business growth opportunity because solar and storage create business opportunities for each other. SEIA does not object to electric distribution company ownership of storage if it is used exclusively as a distribution asset. However, the applications energy storage provides should be open for competition. As a result, SEIA recommends that any proposal for electric distribution company ownership of electric storage both show that it meets the standards to be in a distribution asset according to FERC's uniform system of accounts and be subjected to a Cost Benefit Analysis, comparing it to traditional infrastructure solutions as well as non-wires alternatives and a non-discriminatory tariff that is open to the competitive market. SEIA looks forward to working with the PUC, utilities, and other stakeholders to maximize the potential for an open and competitive market for energy storage deployment in Pennsylvania.

Should you have any additional questions, please contact Scott Elias, Senior Manager, Mid-Atlantic State Affairs for SEIA by e-mail at selias@seia.org or by telephone at 516-286-6473.