

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Policy Proceeding: : **Docket No. M-2020-3022877**
Utilization of Storage Resources :
As Electric Distribution Assets :

Comments of the PJM Power Providers Group (P3)

The PJM Power Providers Group (“P3”) appreciates the opportunity to submit comments regarding the Pennsylvania Public Utility Commission’s (“Commission” or “PA PUC”) August 12, 2021, Policy Proceeding on the Utilization of Storage Resources as Electric Distribution Assets – Additional Questions. P3 previously submitted comments in this proceeding on February 18, 2021, to the Commission’s original December 3, 2020, request for comments. P3 respectfully submits these comments in response to the PA PUC August 12, 2021, Additional Questions.

P3 is a non-profit organization dedicated to promoting properly-designed and well-functioning competitive wholesale electricity markets in the 13-state and Washington, DC region served by PJM Interconnection, L.L.C. (“PJM”). Combined P3 members own more than 67,000 megawatts of generation assets in PJM and produce enough power to supply over 50 million

homes.¹ P3 member companies are active in Pennsylvania's electricity market, serve consumers as competitive suppliers, and own generation assets, including storage assets, in the Commonwealth.

In P3's previous comments, P3 addressed the issues and questions put forth by the PA PUC in its December 3, 2020, Policy Proceeding on the Utilization of Storage Resources as Electric Distribution Assets Docket No. M-2020-3022877 ("December 3 Storage Policy Proceeding"). P3 appreciates that improved technology has created new opportunities to examine important details of Pennsylvania's policies. P3 again encourages the Commission, as part of this proceeding, to remain mindful of Pennsylvania's restructured electricity markets and the decision of the General Assembly to remove Pennsylvania's electric utilities from the generation market. Investments in generation technology in Pennsylvania are driven by competitive market signals and to the extent that storage resources are providing generation service they should not be owned by utilities or allowed recovery for in rate base. If the Commission were to consider proposals from utilities to deploy storage assets, it must be mindful of the impact these assets could have on the competitive generation market and ensure that utilities remain in their proper role consistent with Pennsylvania law and policy. P3 therefore appreciates the Commission posing additional questions with this emphasis.

¹ The views expressed in these comments represent the views of P3 as an organization and not necessarily the views of individual members with respect to any issue. For more information see www.p3powergroup.com

Energy Storage is Not a Utility Distribution Asset If It Can Sell Into the Wholesale Market. Storage Assets Selling into the PJM are Generation Resources and Should Not be Permitted Distribution Ratemaking and Recovery

P3 agrees with the Commission that electric storage is an important and significant advancement in the bulk electric system. As previously noted, P3 members are actively pursuing ways to utilize this new and exciting technology to meet the evolving needs of the grid.² However, storage is not a utility distribution asset if it sells energy, capacity, or other ancillary services into the wholesale market. Rather, in these circumstances, electric storage is a generation resource, and therefore should not be permitted distribution ratemaking and recovery. As the PJM Independent Market Monitor (“IMM”) pointed out last year, PJM market rules treat electric storage facilities, primarily batteries, as comparable to generation in wholesale power markets.³ In addition, the IMM has observed that the Federal Energy Regulatory Commission (“FERC”) “has made and is making a special effort to ensure the viability of the participation model for electric storage in PJM and other RTO markets.”⁴

² Combined, P3 members have over 1000 MW of storage projects in the PJM queue.

³ *American Electric Power Service Corporation*, Comments of the Independent Market Monitor for PJM, Docket No. EL20-58-000, August 24, 2020, at p. 4. The IMM’s comments were in a proceeding in which AEP filed a petition for declaratory order at FERC that its energy storage project is eligible for cost-of-service recovery through its FERC approved transmission formula rates. FERC rejected AEP’s petition finding that the storage project was not appropriately classified as a transmission asset eligible for recovery through AEP’s transmission formula rate. FERC stated that it would determine whether storage facilities are appropriately classified as transmission on a case-by-case basis, and so doing would consider whether the storage facility in question performs a transmission function. See 173 FERC ¶ 61,264 (December 21, 2020) at PP 34, 35.

⁴ *Id.* PJM is currently conducting an ongoing stakeholder process regarding the issue of how and when a storage project should be included in the Regional Transmission Expansion Plan (“RTEP”). PJM has acknowledged the market impact of storage as a transmission asset. In the proposal approved by the PJM Planning Committee storage as a transmission asset (“SATA”) would be prohibited from participating in the generation market. The issue has currently been deferred pending other PJM stakeholder discussions. See <https://www.pjm.com/committees-and-groups/issue-tracking/issue-tracking-details.aspx?Issue=%7BB435C39B-D4BB-4C3C-ADA9-8EFBC0E52246%7D>

Utility Owned Energy Storage Should Be Limited to Providing Distribution System Services to Address Specifically Identified Reliability Concerns

As P3 previously stated, advances in technology in energy storage can provide an opportunity for enhancing and maintaining reliability. Competitive pressure has driven technological improvements and innovations that have significantly reduced the cost of storage resources and there is every reason to believe this trend will continue. However, advancements in energy storage, as highlighted in P3's previous comments, would be hindered if energy storage is inappropriately classified in Pennsylvania by the Commission as a distribution asset for utilities rather than a generation asset competing in the regional market. In response to the Commission's specific questions in this proceeding, it is not proper or prudent for utilities to include electric storage in their distribution resource planning unless those resources are small in scale and exclusively dedicated to supporting distribution systems to meet a defined reliability concern. In the limited instances where storage enhances distribution system reliability, those storage assets should not be participants in the wholesale market but rather remain dedicated to their limited role in the distribution system. For the PA PUC to allow anything beyond this limited deployment would have a chilling effect on the utilization and deployment of energy storage in the wholesale market, an effect that is presumably not the intended goal or desired outcome of the Commission.

and <https://pjm.com/-/media/committees-groups/committees/mrc/2021/20210224/20210224-item-02a-and-02b-1-storage-as-a-transmission-asset-presentation.ashx>

Pennsylvania Law Prohibits Utilities from Owning Rate Based Generation

In the Additional Directed Questions posed by the Commission, the Commission asked, “Who should own an energy-storage asset?” The Commission acknowledged, “[t]hose that view electric storage as a generation-only asset cite the legal framework that Pennsylvania uses that deregulates the generation and sale of electricity, particularly, the Electricity Generation Customer Choice and Competition Act [(“Choice Act”)]. Thus, they question the legality of EDC ownership.”⁵ P3 again reiterates, Pennsylvania restructured its electricity markets in 1996 following the passage of the Choice Act. Prior to 1996, decisions about the location and financial support for power generation were made by the Commission after a lengthy planning process and extensive regulatory proceedings. Following the passage of the Choice Act, the decision to build or not build a generation facility was shifted to the marketplace allowing consumers to effectively shed the risks associated with power generation construction and financing. Because utilities are prohibited from owning generation, utilities are therefore prohibited from including electric storage in their distribution planning or including them in rate base if those storage facilities are used to provide generation service.

Moving forward, P3 encourages Pennsylvania to pursue its goals through means that do not undermine the benefits of competitive markets. This includes properly characterizing and appropriately understanding that energy storage is predominantly a generation resource that will continue robust growth and technological advancements while pursued in a competitive wholesale market. This is especially important for Pennsylvania at a time when other

⁵ PA PUC August 12, 2021 Additional Questions, p. 5.

surrounding states and national policies are challenging competitive markets. Policies regarding storage should not be another hinderance to Pennsylvania's successful competitive markets.

Conclusion

The Commission as a matter of policy and law should reject treating electric storage as distribution asset for utilities, prohibit utilities from including electric storage in their distribution resource planning, and forbid utilities from including such investments in rate base unless the storage assets are small in scale and narrowly deployed to remedy a discrete distribution level reliability concern. P3 appreciates the opportunity to submit these additional comments and welcomes the opportunity to work with the Commission to accomplish its goals of advancing electric storage while preserving the benefits of electric competition and wholesale markets for Pennsylvania homes and businesses.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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