

**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”) Proposed Policy Statement Order adopted on August 24, 2023, and published in the Pennsylvania Bulletin on September 23, 2023 (“Proposed Policy Statement Order”). P3 previously submitted comments on February 18, 2021, and November 29, 2021 in this Docket No. M-2020-3022877 regarding the Commission’s December 3, 2020 Policy Proceeding on the Utilization of Storage Resources as Electric Distribution Assets. 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 83,000 megawatts of generation assets in PJM

and produce enough power to supply over 63 million homes.<sup>1</sup> P3 member companies are active in Pennsylvania's electricity market, serve consumers as competitive suppliers, and own generation assets, including storage assets, and are developing new storage assets, in the Commonwealth.

In these comments, 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. Therefore, P3 has a specific revision, as detailed below, for the Commission's consideration to the Annex A Energy Storage Asset Policy Statement.

P3 members continue to actively pursue ways to utilize storage technology to meet the evolving needs of the grid. However, it is important that the Commission recognize the distinction between the resources P3 members are deploying versus the ones that may be deployed by distribution utilities. 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. Commission policy must recognize this important difference. Storage is

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<sup>1</sup> 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](http://www.p3powergroup.com)

*not* a utility distribution asset if it can sell into the wholesale market. Rather, in these circumstances, electric storage is a generation resource, and therefore should not be permitted distribution ratemaking and recovery.

It is important to realize that advancements of energy storage would be hindered if energy storage is inappropriately classified and treated in Pennsylvania by the Commission as a distribution asset for utilities rather than a generation asset competing in the regional market. 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.<sup>2</sup> 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.

As this Commission is aware, Pennsylvania restructured its electricity markets in 1996 following the passage of the Electric Competition and Customer Choice Act (“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

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<sup>2</sup> P3 agrees that the examples cited in the Proposed Policy Statement Order from UGI and PPL would constitute projects that are small in scale and exclusively dedicated to supporting distribution systems to meet a defined reliability concern.

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. Upsetting this careful balance of roles by allowing utilities to deploy generation-scale storage that is then included in rate base would shift the risks inherent in developing any resource back to consumers, likely raising their costs, while dulling important market signals not only for generation-scale storage but other forms of competitive generation in the Commonwealth.

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 when pursued in a competitive wholesale market. This is especially important for Pennsylvania at a time when other surrounding states and national policies are challenging competitive markets. Policies regarding storage should not be another hinderance to Pennsylvania's successful competitive markets.

#### **Proposed Addition to Annex A Energy Storage Asset Policy Statement**

While P3 appreciates the desire of EDC's and the Commission to allow for flexibility to consider proposals on a case-by-case basis, P3 is concerned that the proposed policy statement does not provide any distinction between what would be the proper deployment of distribution level storage assets versus the rate basing of assets that are competing in the wholesale market. As the Commission stated in the Proposed Policy Statement Order, "EDCs are uniquely

positioned to best ensure that the *distribution grid* is properly managed. . . .”<sup>3</sup> P3 believes that it is important to specify in the proposed definitions, the term “grid”, to clearly mean “distribution grid”. Therefore, P3 respectfully requests that the Commission add a definition of “Grid” and further clarification of the Commission’s policy to the Annex A Energy Storage Asset Policy Statement as follows:

### **§69.XXX1. Definitions**

**Grid.** For purposes of the section, “grid” shall mean the distribution system managed by the EDC and shall not mean the interstate transmission system managed by PJM.

### **§ 69.XXX2. Electricity-Storage as a Distribution System Asset**

The Commission acknowledges that electricity-storage assets can assist in various engineered reliability solutions. As such, the Commission recognizes that electricity storage assets can be used by EDCs to maintain or to increase the reliability or the resilience of the electric distribution system. The Commission encourages the consideration of such assets when cost effective and proper, specifically as an alternative non-wires solution. The Commission encourages EDCs to consider electricity-storage assets **that are small in scale and narrowly tailored to address distribution level reliability concerns** as part of their system planning.

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<sup>3</sup> Pennsylvania Public Utility Commission, Proposed Policy Statement Order, Docket No. M-2020-3022877, September 23, 2023, at p. 12 (*emphasis added*).

## 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 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. With the changes offered above, P3 submits that this goal can be achieved.

Respectfully submitted,

On behalf of the PJM Power Providers Group

By: *Glen Thomas*

Glen Thomas  
Diane Slifer c/o  
GT Power Group  
101 Lindenwood Drive, Suite 225  
Malvern, PA 19355  
gthomas@gtpowergroup.com  
610-768-8080

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