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November 7, 2023

VIA eFILING

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

Re: **Proposed Energy Storage Asset Policy Statement**
Docket No.: M-2020-3022877

Dear Secretary Chiavetta:

Enclosed for filing in the above-captioned proceeding are the **Reply Comments of PECO Energy** in response to the Commission's August 24, 2023 Order.

If you have any questions or concerns, please feel free to contact me directly at 267-533-1999.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jack R. Garfinkle". The signature is written in a cursive, slightly slanted style.

Jack R. Garfinkle

Enclosure

cc: via email w/enclosure:
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

POLICY PROCEEDING – :
UTILIZATION OF STORAGE : **DOCKET NO. M-2020-3022877**
RESOURCES AS ELECTRIC :
DISTRIBUTION ASSETS :

**REPLY COMMENTS OF PECO ENERGY COMPANY TO THE COMMISSION’S
PROPOSED ENERGY STORAGE ASSET POLICY STATEMENT**

I. INTRODUCTION

On August 24, 2023, the Pennsylvania Public Utility Commission (the “Commission”) issued an Order in the above-referenced docket setting forth proposed guidelines for the usage of electricity-storage assets as electric distribution assets (the “Energy Storage Asset Policy Statement”). On October 23, 2023, the Energy Association of Pennsylvania submitted comments on behalf of its members, including PECO Energy Company (“PECO” or the “Company”), proposing certain modifications to the definition of “non-wires solution” and statement on Electricity-Storage as a Distribution System Asset (the “October 2023 EAP Comments”). First Energy, Advanced Energy United (“United”), Duquesne Light Company, the Clean Energy Advocates (“CEA”), Pennsylvania Utility Law Project (“PULP”), PJM Power Providers Group (“P3”), the Office of Consumer Advocate (“OCA”), and PPL Electric Utilities Corporation also submitted comments to the Energy Storage Asset Policy Statement. *See* Docket No. M-2020-3022877.

PECO hereby submits Reply Comments in response to the P3, United, OCA, CEA, and PULP filings.

II. COMMENTS

As stated in the Energy Storage Asset Policy Statement, and reiterated in the October 2023 EAP Comments, electric distribution companies (“EDCs”) must be afforded the appropriate flexibility to manage and utilize energy storage resources. For this reason, PECO does not believe that the prescriptive guidance and additional proceedings suggested by P3, United, OCA, CEA, and PULP are necessary.

A. Distribution Asset Recovery

P3 states in its comments that “[i]t 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.” P3 Comments at 3. If electric storage resources can sell into the wholesale market, P3 believes they are more appropriately categorized as generation resources, which are not subject to distribution ratemaking and recovery. *Id.* at 2–3.

As PECO has stated in its prior comments in this proceeding, the Commission should classify energy storage applications based on the asset’s primary function, rather than unilaterally categorizing them as generation assets. *See* PECO’s November 29, 2021 Comments in Response to the Commission’s August 12, 2021 Secretarial Letter (“PECO’s November 2021 Comments”) at 8. The multi-functional capabilities of energy storage mean that not all of its applications fit neatly in traditional generation, transmission, or distribution classifications. *See* PECO’s February 18, 2021 Comments in Response to the Commission’s December 3, 2020 Secretarial Letter at 7–8. Given the nuance in technical characteristics of energy storage assets, PECO reiterates that such assets should be classified on a case-by-case basis depending on the purpose they serve in the EDC’s system. *Id.* Accordingly, PECO believes the Commission

should not adopt the changes proposed by P3, which would prematurely limit when or how an EDC should utilize energy storage assets.

B. Energy Storage Ownership

United and OCA propose changes to the Energy Storage Asset Policy Statement to eliminate any suggestion that EDCs be sole owners and operators of non-wires solutions. *See* United Comments at 2; OCA Comments at 7–9. They specifically seek amendments to encourage third-party investment and ownership of non-wires solutions. *See* United Comments at 2; OCA Comments at 8.

As an initial matter, PECO does not interpret the Energy Storage Asset Policy Statement, as currently written, to restrict third parties from owning storage assets. Because the Commission only has jurisdiction over public utilities, the Energy Storage Asset Policy Statement would apply to EDCs and not private entities. Third parties could still own storage assets and non-wires solutions.

Indeed, PECO has previously indicated that it supports a mix of ownership models between EDCs and third parties for energy storage assets. *See* PECO’s November 2021 Comments at 8–9. Diversity of ownership models encourages innovation and the development of cost-effective resource alternatives. *Id.* That said, the Energy Storage Asset Policy Statement clearly notes the Commission’s view that electricity storage is intended to act as a tool for EDCs to use to increase reliability and resiliency of the electric distribution grid—a view that PECO fully supports. *See* Energy Storage Asset Policy Statement at 12. This perspective affords the proper level of flexibility for EDCs to develop energy storage solutions in line with these goals, including the development of an asset ownership system. It also acknowledges that EDCs, and not third parties, are the ones that manage the distribution systems. *Id.*

For these reasons, PECO does not believe the Commission needs to make changes to the Energy Storage Asset Policy Statement expressly permitting or encouraging third-party asset ownership.

C. Integrated Distribution Planning (“IDP”)

CEA and PULP recommend that EDCs develop and implement an IDP process that incorporates non-wires solutions. *See* CEA Comments at 1–2; PULP Comments at 2–3. CEA further requests the initiation of a separate proceeding to develop a mandatory IDP process. *See* CEA Comments at 2, 5. PECO, however, does not believe an IDP is necessary because its planning process already incorporates several aspects of an IDP, including the consideration of non-wires alternatives.

PECO has an obligation to deliver safe, reliable, and cost-effective electric service to its customers, and its current planning process is designed to achieve those objectives efficiently and effectively. The Company utilizes traditional methods to maintain its system, such as aging equipment replacement and equipment hardening, while incorporating new technologies that are necessary to support energy storage. Examples of non-wires solutions that PECO’s system already accommodates includes demand response or energy efficiency measures, distributed solar power, back-up generation, and battery storage.

The Company has also taken steps to prepare for greater use of non-wires alternatives given possible changes to Pennsylvania’s regulations. Specifically, PECO previously performed a technical review to evaluate using energy storage systems to provide system support and replace or defer other capital investments. In addition, PECO participated in a collaborative with industry groups and other interested stakeholders to discuss non-wires alternatives in planning processes.

D. Equity Considerations

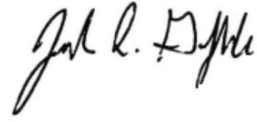
CEA and PULP both seek to integrate equity considerations into the implementation of energy storage projects, emphasizing the importance of energy access and affordability for low-income communities. *See* CEA Comments at 3–4; PULP Comments at 3. CEA has also requested additional proceedings to codify equity requirements and metrics for energy storage deployment as a distribution asset, ostensibly as part of an IDP process. *See* CEA Comments at 4.

As with the IDP, PECO does not believe that equity considerations need to be the subject of another proceeding. The Company understands that low-income customers generally lack the financial resources to install back-up power or energy storage systems and are often more vulnerable to power interruptions. PECO is open to continue working with stakeholders and the Commission to explore opportunities to develop enhanced reliability and resiliency projects in support of low-income and energy justice communities, obviating the need for a formal proceeding.

III. CONCLUSION

PECO appreciates the opportunity to provide additional comments on this matter and looks forward to continuing to work with the Commission and interested stakeholders on the Commission’s proposed Energy Storage Asset Policy Statement.

Respectfully submitted,



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