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November 7, 2023

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

VIA ELECTRONIC FILING

RE: Proposed Policy Statement Order – Utilization of Storage Resources as Electric Distribution Assets; Docket No. M-2020-3022877

Dear Secretary Chiavetta:

Attached for filing with the Pennsylvania Public Utility Commission are the Reply Comments of the Pennsylvania Energy Consumer Alliance ("PECA"), Met-Ed Industrial Users Group ("MEIUG"), Penelec Industrial Customer Alliance ("PICA"), Philadelphia Area Industrial Energy Users Group ("PAIEUG"), PP&L Industrial Customer Alliance ("PPLICA"), and West Penn Power Industrial Intervenors ("WPPII") (collectively, "Large Customer Groups"), in the above-referenced proceeding.

Thank you.

Sincerely,

A handwritten signature in black ink that reads 'Charis Mincavage'.

Charis Mincavage
MCNEES WALLACE & NURICK LLC

Counsel to the Pennsylvania Energy Consumer Alliance,
Met-Ed Industrial Users Group, Penelec Industrial
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Proposed Policy Statement Order :
Utilization of Storage Resources as Electric : **Docket No. M-2020-3022877**
Distribution Assets :

**REPLY COMMENTS ON BEHALF OF PENNSYLVANIA ENERGY CONSUMER
ALLIANCE, MET-ED INDUSTRIAL USERS GROUP, PENELEC INDUSTRIAL
CUSTOMER ALLIANCE, PHILADELPHIA AREA INDUSTRIAL ENERGY USERS
GROUP, PP&L INDUSTRIAL CUSTOMER ALLIANCE, AND WEST PENN POWER
INDUSTRIAL INTERVENORS**

I. INTRODUCTION

Pennsylvania Energy Consumer Alliance ("PECA"), Met-Ed Industrial Users Group ("MEIUG"), Penelec Industrial Customer Alliance ("PICA"), Philadelphia Area Industrial Energy Users Group ("PAIEUG"), PP&L Industrial Customer Alliance ("PPLICA"), and West Penn Power Industrial Intervenors ("WPPII") (collectively, the "Large Users Groups")¹ submit these Reply Comments in response to select Comments filed by other parties regarding the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Proposed Policy Statement Order set forth in the above-captioned proceeding (hereinafter, "Proposed Policy Statement").²

Specifically, on December 3, 2020, the Commission initiated a proceeding related to Electric Distribution Companies ("EDCs") utilizing electric storage to address reliability and resiliency issues. The Commission received initial Comments from numerous parties, including the Large Users Groups, resulting in the Commission issuing a subsequent Secretarial Letter posing several follow-up questions. Various parties, including the Large Users Groups, submitted

¹ The Large Users Groups are associations of large commercial and industrial energy consumers taking service from regulated utilities in Pennsylvania, including Metropolitan Edison Company ("Met-Ed"); PECO Energy Company ("PECO"); Pennsylvania Electric Company ("Penelec"); PPL Electric Utilities Corporation ("PPL"); and West Penn Power Company ("West Penn").

² See Utilization of Storage Resources as Electric Distribution Assets, Proposed Policy Statement; Docket No. M-2020-3022877 (Aug. 24, 2023) (hereinafter, "Aug. 24 Order").

Supplemental Comments. As a result of those Comments, the PUC decided to move forward with an Energy Storage Asset Policy Statement. The Commission set forth the draft Proposed Policy Statement as part of its Aug. 24 Order, with parties submitting Comments on October 23, 2023.

Although the Large Users Groups did not submit Comments to the Aug. 24 Order, the Large Users Groups reviewed the Comments filed by the following parties: FirstEnergy Companies ("FE"); Advanced Energy United ("AEU"); Duquesne Light Company ("Duquesne"); Clean Energy Advocates ("CEA"); Energy Association of Pennsylvania ("EAP"); Office of Consumer Advocate ("OCA"); PPL Electric Utilities Corporation ("PPL"); Pennsylvania Utility Law Project ("PULP"); and PJM Power Providers Group ("P3"). Based upon that review, the Large Users Groups submit the following Reply Comments to respond to specific issues raised in the Comments of EAP, PPL, Duquesne, and P3.

II. REPLY COMMENTS

A. Any Definition of "Non-Wires solution" Should Include a Cost Metric.

In the Proposed Policy Statement, the Commission defines a "Non-Wires solution" as "[a]n EDC investment and operating practice that can defer or replace the need for specific transmission and/or distribution projects, at lower total resource cost, by reliably reducing transmission congestion or distribution system constraints at times of maximum demand in specific grid areas."

In their Comments on the Proposed Policy Statement, EAP, PPL, and Duquesne removed the references regarding "at lower total resource cost."³ PPL's reasoning to support its proposal is to (1) retain the prudent investment standard applied to all other distribution system upgrades; (2) ease concerns regarding how cost-effectiveness should be considered; and (3) provide for

³ See *Comments of the Energy Association of Pennsylvania to the Proposed Policy Statement Order*, p. 5; *Comments of the PPL Electric Utilities Corporation on the Proposed Policy Statement Order*, p. 7; *Comments of Duquesne Light Company*, p. 4.

consistent treatment between investments in capital projects intended to improve electric distribution system safety and reliability.⁴ Similarly, Duquesne has concerns that the language at issue implies the use of a Total Resource Cost test, as used in Act 129 Programs.⁵ EAP contends that removing the "lower total resource cost" standard makes the language in the Proposed Policy Statement Order consistent with the language set forth in Annex A, "because § 69.XXX2 already identifies that an electricity-storage asset must be cost justified, utilizing language that is consistent with the Commission's traditional approach for assessing the inclusion of infrastructure in rate base."⁶

The Large Users Groups respectively disagree with the aforementioned proposals to remove the PUC's language referring to a "lower total resource cost." As noted by the PUC in its Aug. 24 Order, the Commission declined to adopt a specific cost-effectiveness test or methodology in this proceeding, but rather, indicated that EDCs would need to justify the costs like any other traditional infrastructure upgrade. While the Large Users Groups have not advocated specifically for the "lower total resource cost" language, the Large Users Groups submit that the Proposed Policy Statement should contain some type of metric that enables an objective standard of review with respect to cost.

Without the language referring to the lower resource cost, the Proposed Policy Statement would be without any metrics that would ensure a measure of objectivity and consistency regarding cost causation. Because electric storage solutions may eventually be incorporated into an EDC's rate base, some type of methodology must be present to ensure that the costs of utilizing this type of asset do not outweigh the benefits. For that reason, the Large Users Groups submit that changes

⁴ See *Comments of the PPL Electric Utilities Corporation on the Proposed Policy Statement Order*, p. 7.

⁵ See *Comments of Duquesne Light Company*, p. 4.

⁶ See *Comments of The Energy Association of Pennsylvania To The Proposed Policy Statement Order*, p. 5.

proposed by EAP, Duquesne, and PPL to the PUC's proposed definition of "Non-Wires solution" be rejected.

B. Any Policy Classifying Electricity Storage as a Distribution Asset Should Impact Solely Distribution Issues.

As part of the PUC's Energy Storage Asset Policy Statement the Commission provides an overarching directive encouraging EDCs to consider electricity-storage assets as part of their system planning.⁷ In response, P3 noted that "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."⁸ P3's proposed solution is to add language to the Policy Statement that would: (1) define the "grid" as "the distribution system managed by the EDC and shall not mean the interstate transmission system managed by PJM;" and (2) add language that qualifies electricity-storage assets to be "small in scale and narrowly tailored to address distribution level reliability concerns."⁹

The Large Users Groups agree with the concerns raised by P3 and support P3's proffered language. While supporting electricity-storage technologies provides another avenue for EDCs to address customer reliability and resiliency concerns, such support must not disrupt the wholesale market. Specifically, if EDCs were to extend energy storage solutions beyond distribution functions and into generation functions, the result could be an inappropriate reinstatement of vertical-integration and an unreasonable undoing of the functional unbundling of services resulting in adverse impacts to competition in Pennsylvania's retail electricity industry. As P3 observes,

⁷ See Aug. 24 Order, Annex A, § 69.XXX2

⁸ Comments of the PJM Providers Group, p. 3.

⁹ *Id.* at 5.

such a result runs counter to the goals of the Electricity Competition and Customer Choice Act.¹⁰
For those reasons, P3's proffered language should be considered and implemented by the PUC.

III. CONCLUSION

PECA, MEIUG, PICA, PAIEUG, PPLICA, and WPPII appreciate the opportunity to provide these Reply Comments and respectfully request that the Commission take these Reply Comments into consideration in the development of its final regulations.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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Dated: November 7, 2023

¹⁰ See generally *id.* at 3-4. ("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.")