

PROJECT NO. 39917

RULEMAKING ON ENERGY § PUBLIC UTILITY COMMISSION
STORAGE ISSUES §
§ OF TEXAS

**PROPOSAL FOR PUBLICATION OF AMENDMENTS TO §25.192 AND §25.501
AS APPROVED AT THE DECEMBER 8, 2011 OPEN MEETING**

The Public Utility Commission of Texas (commission) proposes amendments to §25.192, relating to Transmission Service Rates, and §25.501, relating to Wholesale Market Design for the Electric Reliability Council of Texas. The proposed amendments would provide that energy storage equipment or facilities would be settled at the node when charging, and that such transactions would be considered wholesale transactions and would generally not be subject to ancillary costs. Project Number 39917 is assigned to this proceeding.

Temujin Roach, Economist, Competitive Markets Division, has determined that for each year of the first five-year period the amendments are in effect, there will be no fiscal implications for state or local government as a result of enforcing or administering the amendments.

Temujin Roach has determined that for each year of the first five years the amendments are in effect, the public benefit anticipated as a result of the amendments will be to facilitate the deployment and use of energy storage facilities in the Electric Reliability Council of Texas. There will be no adverse economic effect on small businesses or micro-businesses as a result of enforcing the amendments. Therefore, no regulatory flexibility analysis is required. There are no economic costs to persons who are required to comply with the amendments.

Temujin Roach has also determined that for each year of the first five years the amendments are in effect, there should be no effect on a local economy, and therefore no local employment impact statement is required under Administrative Procedure Act (APA), Texas Government Code §2001.022.

The commission staff will conduct a public hearing on this rulemaking, if requested pursuant to the Administrative Procedure Act, Texas Government Code §2001.029, at the commission's offices located in the William B. Travis Building, 1701 North Congress Avenue, Austin, Texas 78701. The request for a public hearing must be received within 20 days after publication.

Initial comments on the proposed amendments may be submitted to the Filing Clerk, Public Utility Commission of Texas, 1701 North Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326, within 20 days after publication. Sixteen copies of comments on the proposed amendments are required to be filed pursuant to §22.71(c) of this title. Reply comments may be submitted within 30 days after publication. Comments should be organized in a manner consistent with the organization of the amended rules. All comments should refer to Project Number 39917.

The commission also requests comments on the following questions:

1. How should the amendments address the situation where there is retail load or other generation facilities behind the transmission system point of delivery at which energy storage equipment or facilities are located?

2. Does the proposed rule strike the appropriate balance between removing barriers to storage technologies and ensuring that storage technologies pay their share of ancillary services costs?
3. Should the rule require storage facilities to pay additional ancillary services costs? If so, which ancillary services costs should they be required to pay?
4. Should the rule allow ERCOT to establish pilot projects for storage facilities and other new technologies? If so, what safeguards should the rule include to ensure that pilot projects do not impose undue costs on other market participants?

The amendments are proposed under the Public Utility Regulatory Act, Texas Utilities Code Annotated §14.002 (West 2007 and Supp. 2011) (PURA), which provides the commission with the authority to make and enforce rules reasonably required in the exercise of its powers and jurisdiction, and specifically, PURA §§35.001-35.008, which grants the commission authority over wholesale transmission service and rates; and PURA §39.151, which grants the commission oversight and review authority over independent organizations such as ERCOT.

Cross Reference to Statutes: PURA §§14.002, 35.001-35.008, and 39.151.

§25.192. Transmission Service Rates.

- (a) (No change.)
- (b) **Charges for transmission service delivered within ERCOT.** DSPs shall incur transmission service charges pursuant to the tariffs of the TSP.
- (1) A TSP's transmission rate shall be calculated as its commission-approved transmission cost of service divided by the average of ERCOT coincident peak demand for the months of June, July, August and September (4CP). A TSP's transmission rate shall remain in effect until the commission approves a new rate. The TSP's annual rate shall be converted to a monthly rate. The monthly transmission service charge to be paid by each DSP is the product of each TSP's monthly rate as specified in its tariff and the DSP's previous year's average of the 4CP demand that is coincident with the ERCOT 4CP. For an owner or operator of electric energy storage equipment or facilities described by §25.501(m) of this title, a TSP shall charge the owner or operator for transmission service in the same manner as a DSP.
- (2) (No change.)
- (c) – (h) (No change.)

§25.501. Wholesale Market Design for the Electric Reliability Council of Texas.

(a) – (l) (No change.)

(m) Energy Storage. The purchase of electricity by an owner or operator of electric energy storage equipment or facilities is a wholesale market transaction if the electricity is separately metered and converted to another form of energy and stored by electric energy storage equipment or facilities solely for later re-generation and re-sale as energy or ancillary services. For the settlement of such purchase, ERCOT shall use the nodal energy price at the electrical bus that connects the electric energy storage equipment or facility in accordance with subsection (f) of this section. Such purchase shall not be subject to retail tariffs, rates, and charges or fees assessed in conjunction with the retail purchase of electricity. Such purchase shall be subject to ERCOT settlement but shall not be subject to ERCOT charges or credits associated with ancillary service obligations, except if such purchase occurs during a system emergency declared by ERCOT and ERCOT did not direct that such purchase occur. ~~Development and implementation. ERCOT shall use a stakeholder process to develop a wholesale market design that complies with this section. ERCOT shall also contract for an independent cost benefit analysis of options. These options may include an option, or options, that would involve modification of the existing ERCOT wholesale market design. For each of the options, the cost benefit analysis shall include the estimated net benefits of the option in comparison to the current market design. The cost benefit analysis shall be prepared with sufficient detail to provide the stakeholders and the commission with the necessary information to modify or delete specific items or categories of expenses. The cost benefit analysis shall be filed by ERCOT by December 31, 2004. ERCOT shall also file with the~~

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~~commission draft protocols that implement an option analyzed in the independent cost-benefit analysis and draft energy load zones that comply with subsection (h) of this section by March 18, 2005. ERCOT shall fully implement the requirements of this section by October 1, 2006.~~

This agency hereby certifies that the proposal has been reviewed by legal counsel and found to be within the agency's legal authority to adopt.

**ISSUED IN AUSTIN, TEXAS ON THE 9th DAY OF DECEMBER 2011 BY THE
PUBLIC UTILITY COMMISSION OF TEXAS
ADRIANA A. GONZALES**