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") 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 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

[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

consumers as competitive suppliers, and own generation assets, including storage assets, in the Commonwealth.

In these comments, P3 addresses 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 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.

Energy Storage is a Growing Resource with Potential to Improve the Efficiency of the Grid

P3 agrees with the Commission that electric storage is an important and significant advancement in the bulk electric system. P3 members are actively pursuing ways to utilize this new and exciting technology to meet the evolving needs of the grid.[2] P3 appreciates the Commission

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

reviewing this timely issue. It is important to note that as the Commission reviews electric storage, that it appreciates the proper role that electric storage can play in the overall electric system. As the grid evolves to include more intermittent resources, electric storage can play a role in improving reliability and resiliency, provided it is properly treated. Storage is 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. As the PJM Independent Market Monitor ("IMM") recently has pointed out, 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]

[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 PJM's current proposal presented at the PJM Markets and Reliability Committee on January 27, 2021, storage is prohibited as a transmission asset ("SATA") from participating in the generation market. *See* https://www.pjm.com/-/media/committees-groups/committees/mrc/2021/20210127/20210127-item-07a-07b-1-storage-as-a-transmission-asset-presentation.ashx at p 7.

Advancements, Investments and Integration of Storage Are Currently Being Made

P3 agrees with the PA PUC that advances in technology in energy storage can provide an opportunity for enhancing and maintaining reliability. Competitive pressure has driven technological improvements that have significantly reduced the cost of storage resources and there is every reason to believe this trend will continue. As PJM stated in 2019, "PJM Interconnection has long recognized the unique value of energy storage technology, welcomed its development, and is working to make sure that storage can become an integral part of a more reliable, cost-efficient grid with ever-more renewable resources."[5] In 2019, PJM stated that PJM's queue of new planned generation included approximately 2,000 MW of stand-alone energy storage and 4,000 MW of resources that package together both energy storage infrastructure and renewable resources.[6] Based on the review of the queue, PJM reveals a very positive outlook on energy storage, stating that "[t]his level of interest serves as a clear indication that the PJM markets are attracting new, innovative clean-energy resources and that the opportunities for energy storage through the PJM market are growing. The economic signal being sent by PJM's system needs will spur the market to develop longer-duration batteries. In fact, [PJM is] already seeing the development of those technologies. Storage developers are also finding ways to meet PJM requirements through aggregation, combining with other resources, or providing additional revenue streams through 'value-stacking.'"[7] Similarly, as reported in February 2020, "annual deployments of energy storage resources in the United States have

[5] *Energy Storage In PJM: A Perspective*, September 16, 2019. *See* https://insidelines.pjm.com/energy-storage-in-pjm-a-perspective/

[6] *See Id.*

[7] *See id.*

increased from nearly 350 MW in 2018 to approximately 774 MW in 2019, with pipeline estimates indicating annual additions of approximately 1,400MW in 2020 and more than 4,000MW by 2023."[8]

It is important to realize that the above stated advancements of energy storage 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 three 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.

Pennsylvania Law Prohibits Utilities from Owning Rate Based Generation

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

[8] *All Signs Point to Energy Storage's Rapid Growth Beyond 2020*; Energy Storage News, February 17, 2020, *See* https://www.energy-storage.news/blogs/all-signs-point-to-energy-storages-rapid-growth-beyond-2020

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.

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.

Respectfully submitted,

On behalf of the PJM Power Providers Group

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