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| NPRR Number | [1194](https://www.ercot.com/mktrules/issues/NPRR1194) | NPRR Title | Wholesale Storage Load Auxiliary Netting |
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| Date | September 7, 2023 |
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| Submitter’s Information |
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| Cell Number |  |
| Market Segment | Not applicable |

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| Comments |

ERCOT submits these comments to express its opposition to Nodal Protocol Revision Request (NPRR) 1194, submitted by South Texas Electric Cooperative, Inc. (STEC).

In the Revision Description and Business Case for NPRR1194, STEC represents that NPRR1194 is needed to “[correct] current Protocol language that incorrectly allows netting of auxiliary Loads at storage facilities that avail themselves of Wholesale Storage Load (WSL) treatment.” STEC argues that 16 Texas Administrative Code (TAC) § 25.501(m) defines “wholesale storage” to occur only when electricity that is later stored in the battery is “subsequently re-generated and sold at wholesale as energy or ancillary services.” STEC concludes that this language categorically requires ERCOT to treat auxiliary Load as retail Load even when the site is exporting to the grid.

STEC’s Business Case for the NPRR is based on an incorrect interpretation of state law. Interpreting 16 TAC § 25.501(m) to require ERCOT to assign retail treatment to auxiliary Load when an Energy Storage Resource (ESR) site is exporting to the grid would inappropriately treat ESRs differently from Generation Resources, contrary to the mandate of the Public Utility Regulatory Act (PURA).[[1]](#footnote-1)

PURA § 35.152(a) provides that “[e]lectric energy storage equipment or facilities that are intended to be used to sell energy or ancillary services at wholesale **are generation assets**.” Section 35.152(b)(3) further provides that the owner or operator of ESR equipment or facilities is entitled to “use the equipment or facilities to sell electricity or ancillary services at wholesale in a manner consistent with the provisions of this title and commission rules **applicable to a power generation company or an exempt wholesale generator**.” These requirements are consistent with PURA’s broader anti-discrimination mandate in § 39.151(a)(1), which requires ERCOT to “ensure access to the transmission and distribution systems for all buyers and sellers of electricity on nondiscriminatory terms.” Consequently, as the PUC determined in its Order adopting 16 TAC § 25.501(m), “a storage facility is entitled to be treated like other generation facilities in the *sale* of energy and ancillary services at wholesale.”[[2]](#footnote-2)

ERCOT Protocols provide for the netting of auxiliary Load with generation when a Generation Resource or ESR is exporting to the grid. *See* paragraphs (1) and (2) of Protocol Section 11.1.6, ERCOT-Polled Settlement Meter Netting.[[3]](#footnote-3) The decision to allow ESRs to net their auxiliary Load with exported energy was deliberate; ERCOT proposed such netting in comments that it submitted to NPRR461, Energy Storage Settlements Consistent With PUCT Project 39917, on June 20, 2012 based on its review of the PUC’s Order adopting 16 TAC § 25.501(m). No Entity challenged the Board approval of that NPRR, including STEC, who voted in favor of the NPRR as a Technical Advisory Committee (TAC) Representative at the November 29, 2012 TAC meeting. Likewise, auxiliary Load that is consumed when a generation site is importing from the grid is settled as retail Load, regardless of whether the site includes a Generation Resource or ESR. *See* paragraphs (1) and (2) ofProtocol Section 11.1.6. In this way, the Protocols ensure that ESRs are settled in the same way as Generation Resources, consistent with PURA’s mandate. Settling auxiliary Load of ESR sites as retail Load even when exporting, as this NPRR proposes, would treat ESRs differently from Generation Resources in a manner inconsistent with PURA’s mandate.

The identical treatment of ESRs and Generation Resources with respect to auxiliary Load aligns with the technical reality that when an ESR discharges stored energy, it generates power like any other generator. Electrical energy imported from the grid must be converted to chemical energy for storage in an ESR, and later must be “regenerated” (converted back to electrical energy) to be exported to the grid. If Generation Resources are permitted to serve their auxiliary Load as an incident to the process of generating electric power, then ESRs, like all other generators, should be afforded the same treatment.

There are currently 42 ESR sites in the ERCOT Region. At each of these sites, ESRs have been permitted to net auxiliary Load with generation when exporting energy to the grid. NPRR1194 is not only inconsistent with state law, but would also create needless disruption of an established practice in the ERCOT market, as it would invalidate this netting practice.

For the foregoing reasons, ERCOT believes that STEC’s proposed NPRR, if adopted, would conflict with state law and introduce an inappropriate distinction in the settlement of different Resource classes. On this basis, ERCOT opposes NPRR1194 and requests that PRS reject it.

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| Revised Cover Page Language |

None

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| Revised Proposed Protocol Language |

None

1. While ESRs do have some characteristics that materially differentiate them from Generation Resources—such as limited duration—these characteristics do not have any material bearing on the issue in this NPRR, which is whether ESRs should be entitled to the same Settlement treatment as Generation Resources when exporting to the grid. [↑](#footnote-ref-1)
2. *Rulemaking on Energy Storage Issues,* PUC Project 39917, Order Adopting Amendments to § 25.192 and § 25.501 as Approved at the March 7, 2012 Open Meeting at Page 12 (Mar. 29, 2012). [↑](#footnote-ref-2)
3. Protocol Section 3.8.5, Energy Storage Resources, provides that requirements that apply to Generation Resources (and Controllable Load Resources) likewise apply to ESRs. [↑](#footnote-ref-3)