



GOVERNMENT OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION

IN RE: REGULATION ON RETAIL
WHEELING

CASE NO.: CEPR-MI-2018-0010

SUBJECT: Request for Public Comments.

RESOLUTION AND ORDER

I. INTRODUCTION

The Puerto Rico Energy Commission ("Commission"), pursuant to Act 57-2014,¹ has the power and duty to develop and regulate a wheeling mechanism.² In so doing, the Commission has the responsibility to "establish the rules and conditions to ensure that wheeling does not affect in any way whatsoever (including technical problems and rate increases) nonsubscribers of wheeling services."³

Act 57-2014 states that, in regulating wheeling, the Commission must consider, among others, the following factors:

- a. The state of the transmission and distribution infrastructure, the loss of energy related to this stage of operations, and the cost thereof.
- b. The reasonable conditions that must be established to guarantee the protection and the proper and efficient maintenance of the transmission and distribution infrastructure.
- c. The criteria that must be considered in determining the rates to be charged for transmission and distribution services, so that the costs remain at a reasonable level, thus making the use of this mechanism feasible, and promoting production of energy and the competitiveness of Puerto Rico in terms of service costs and availability, thus safeguarding the interests of the People, including the distance between the electric power company and energy subscribers without adversely affecting wheeling nonsubscribers.

¹ Puerto Rico Energy Transformation and RELIEF Act, as amended.

² *Id.* § 6.3(g). Act 57-2014 defines Wheeling as "the transmission of electricity from one system to another through Puerto Rico's electric power grid, according to the wheeling provisions of Act No. 73-2008, as amended, known as the 'Economic Incentives Act for the Development of Puerto Rico.'" *Id.* § 1.3(tt).

³ *Id.* § 6.30.

- A
- b
- d. In determining wheeling rates there shall be included a contribution from power producers for grid maintenance, as well as ancillary services in proportion to the amount of energy injected into the grid, the distance between the producer and the private customer, and any other necessary technical considerations recognized worldwide that make wheeling feasible taking into account the particularities and geographic and physical limitations of the electric power infrastructure of Puerto Rico.
 - e. The best practices of other jurisdictions that have implemented the wheeling mechanism and the convenience of applying them in Puerto Rico.⁴

The Commission is in the process of developing regulations to govern the wheeling mechanism. These regulations will be released for public comment at a later date.

II. REQUEST FOR COMMENTS ON RETAIL WHEELING

The Commission is interested in receiving input from the general public, in particular, from persons and entities with direct interest over the electric sector, regarding the rules that the Commission should adopt in order to regulate retail wheeling in Puerto Rico. **Exhibit A** of this Resolution and Order includes a set of questions and topics for which the Commission is particularly interested in receiving public comments at this juncture. The Commission encourages any person or entity interested in assisting the Commission's efforts, to file their comments in response to the specific issues identified in Exhibit A. Response to all questions is not required.

The Commission will consider the received comments in drafting the proposed regulations. Once the draft regulations are completed, the Commission will publish them and issue an order establishing a procedure to provide interested parties with an opportunity to comment on the proposed regulations.

The Commission requests all comments be filed **on or before August 27, 2018**. Comments may be filed through any of the following means:

- a. By email to the following address: comentarios@energia.pr.gov.
- b. By postal mail addressed to the Puerto Rico Energy Commission's Clerk's Office, at World Plaza Building, 268 Muñoz Rivera Ave., Suite 202, San Juan, PR 00918.
- c. In person at the Commission's Clerk's Office, located at the address set forth above.

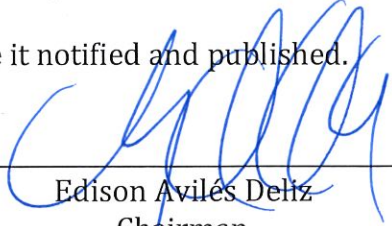
Finally, due to the possible impact of this proceeding on the Puerto Rico Electric Power Authority ("PREPA") operations, the Commission **ORDERS** PREPA to provide responses to the questions contained in Exhibit A, on or before August 27, 2018.

⁴ *Id.*



For the benefit of all parties involved, the Commission publishes this Resolution and Order in both Spanish and English. Should any discrepancy arise between these two versions, the provisions of the English version shall prevail.

Be it notified and published.



Edison Avilés Deliz
Chairman



Ángel R. Rivera de la Cruz
Associate Commissioner

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Commission has so agreed on August 1, 2018. I also certify that on this date a copy of this Resolution and Order regarding the Case No. CEPR-MI-2018-0010 was notified by electronic mail to the following: n-vazquez@aeepr.com, jorge.ruiz@prepa.com and astrid.rodriguez@prepa.com.



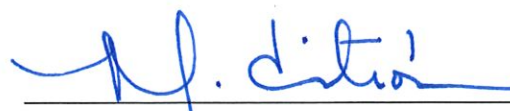
María del Mar Cintrón Alvarado
Clerk

I certify that today, August 1, 2018, I have proceeded with the filing of the Resolution issued by the Puerto Rico Energy Commission and I have sent a true and exact copy to the following:

Puerto Rico Electric Power Authority

Attn.: Astrid I. Rodríguez Cruz
Jorge R. Ruíz Pabón
Nitza D. Vázquez Rodríguez
PO Box 363928
San Juan, PR 00936-4267

For the record, I sign this in San Juan, Puerto Rico, today August 1, 2018.



María del Mar Cintrón Alvarado
Clerk

**GOVERNMENT OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION**



IN RE: REGULATION ON RETAIL WHEELING

CASE NO.: CEPR-MI-2018-0010

SUBJECT: Request for Public Comments.

Exhibit A

Request for Public Comments

This request for public comments is issued pursuant to Article XV of Regulation No. 8543. All public comments must be filed with the **Commission on or before August 27, 2018.**

I. General Instructions

1. Any party filing public comments shall use the case heading identified above.
2. Any party filing public comments shall provide their names, the name of their representative (if any), and their contact information, consisting of postal address, email and telephone number.
3. If filing supporting documents along with any comments, the party shall identify the document, including a description of its nature. The party shall also identify the person that prepared the document and for what purposes. The document shall reference the question or topic identified herein to which such document relates to.
4. When responding to the questions and topics identified herein, parties should identify the specific question or topic being addressed using the number of the question as listed herein. General comments not specifically related to the questions and topics identified by the Commission are permissible but shall be identified under a separate section titled "General" or "Miscellaneous".
5. For immediate assistance regarding the filing of comments or any of the instructions provided herein, please contact the Commission's Clerk at 787-523-6262.

Appendix I

Retail Wheeling Questions

1. General Questions Regarding the Regulations

- 1.1. Should PREPA continue to own generation, or should PREPA divest all of its generation assets?
- 1.2. How should supply be procured? Should it be procured through bilateral contracts, or through a centrally dispatched wholesale market?
- 1.3. Given that wheeling would allow more buyers of electricity than PREPA, should there be an independent system operator to ensure reliability and administer financial transactions?
- 1.4. How would you recommend that the Commission ensure non-discriminatory open access to the grid?
- 1.5. Should the wheeling mechanism include PREPA (or any successor entity) as a default supplier for retail services? Or should all customers be required to choose a supplier?
- 1.6. Should there be reporting requirements to enable customers to have accurate comparisons between other suppliers and PREPA?
- 1.7. Should the same consumer protection requirements for PREPA apply to suppliers/Energy Service Companies? What new consumer protections should be implemented for Energy Service Companies?
- 1.8. Should there be collars on contract lengths?
- 1.9. Should suppliers have a limit on market share?
- 1.10. Should community choice aggregation be permitted?
- 1.11. Does integrated resource planning (IRP) continue to occur after wheeling is implemented? If so, what is the best way to ensure a meaningful IRP in the context of retail competition? What parties, if any, should have responsibility for “procuring” resources identified in the IRP? What happens if the resources identified in the IRP are not being procured? What parties should be responsible for procuring energy efficiency resources and demand response resources?

- 1.12. What are the best ways to level the playing field for distributed energy resources to compete with traditional generation resources?
- 1.13. Who should be responsible of stranded assets, if any?
- 1.14. Are there any particular considerations regarding microgrids that should be considered in the development of wheeling regulations?
- 1.15. How will the implementation of wheeling impact the plans to privatize PREPA? What are some of the factors the Commission should take into consideration in drafting wheeling regulations?
- 1.16. How should the Commission address the issue of a supplier default? Who should be responsible to serve the customers of a defaulting supplier? Should customers be allocated to remaining suppliers or should PREPA or its successor entity be responsible?
- 1.17. How should the Commission address firm point-to-point wheeling in the event that the transmission system cannot accommodate this without further upgrades? Will the reconstruction of new transmission post-Hurricane Maria allow for firm service?
- 1.18. What financial or credit requirements should be in place for suppliers/Energy Service Companies?

2. Cost Recovery and Allocation

- 2.1. What regulations and mechanisms need to be in place to ensure viable revenue and business models for the owner/operator of the transmission and distribution network?
- 2.2. Should debt service (e.g. collected through a specific charge) for outstanding PREPA debt be a non-bypassable charge, paid by all customers who engage in wheeling? If so, do you have a recommendation as to how such charge should be structured?
- 2.3. Should there be an "exit fee" to enable PREPA or its successor to recover any potential stranded generation costs resulting from the loss of customers to competition? If so, do you have a recommendation as to how it should be structured? What other mechanisms should be implemented to prevent shifting of costs to customers who do not choose a competitive supplier?



- 2.4. How is the revenue requirement for the owner/operator of the transmission and distribution network best determined? Should there be a supply and delivery component to the rates?
- 2.5. How should the transmission costs to connect new generation to the grid be treated? Should the cost be socialized among all customers and included in the transmission rate or should it be allocated to the generator? What should be done with respect to network investments/upgrades that cannot be attributed to one particular generator or end-user, and should these be allocated?