

GOVERNMENT OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION

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IN RE: REGULATION ON RETAIL WHEELING	CASE NO.: CEPR-MI-2018-0010 SUBJECT: Request for Public Comments
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MOTION SUBMITTING ANSWERS TO PREB QUESTIONS ON WHEELING

TO THE ENERGY BUREAU:

COMES NOW INSTITUTO DE COMPETITIVIDAD Y SOSTENIBILIDAD
ECONÓMICA DE PUERTO RICO (ICSE), through its counsel and respectfully alleges
and prays:

The Puerto Rico Energy Bureau ("PREB") is interested in receiving input from
entities with direct interest over the electric sector regarding the proposed rules that the
PREB should adopt to regulate retail wheeling in Puerto Rico. The PREB will consider
the received comments in drafting the proposed regulations. Comments were requested
to be filed on or before March 31, 2019.

In response to the PREB's request the Instituto de Competitividad y Sostenibilidad
Económica (ICSE) respectfully submits the comments below and congratulates the
Energy Bureau for such a comprehensive approach to regulate retail wheeling and open
access the transmission system of Puerto Rico.

Questions Regarding the Proposed Regulation

1. Are the proposed rules adequate to support non-discriminatory open access to the
transmission network in support of wheeling transactions?

Articles 7 and 8, especially Sec. 7.01, clearly states that it is the SO's responsibility
to ensure non-discriminatory access. The requirement for dissemination of
information (7.01,B,13), available to all market participants, (i.e., with information
of the availability of transmission capacity and cost) so market participants have
the same information that PREPA does at the same time; and the assuring that
information relating to Customer's Choice of Energy Service Companies is
conveyed in a timely manner (7.01,B), would further ensure non-discriminatory
access.

The daily publication on PREPA's website of statistical and numerical information of the Energy Control Center, to keep citizens constantly informed of energy affairs, including, but not limited to, the daily peak demand in Puerto Rico, the daily delivery of energy per electric power generation facility or plant, and any other necessary information or data in connection with the administration of the electric power grid and the operations of electric power transmission and distribution in Puerto Rico is a must and should be done now, to assure not only non-discriminatory access but also compliance with Act 57. 2014.

However, interconnection and transmission can be equally slow for all market participants and the incumbent utility – and qualify as non-discriminatory. At both the transmission and distribution levels, the SO and/or the TDP will need to redesign processes and acquire adequate staff and technical resources to evaluate interconnection requests timely.

2. Please comment on the overall industry structure outlined in Article 3 of the proposed rules. Are there key entities or elements missing? Are the roles and responsibilities of the proposed entities appropriate?

The overall industry structure outlined in Article 3, seems to be in accordance with general guidelines of industry standard. The Default Service Provider (DSP) will be critical. In accordance with the U.S. Census Bureau 44.9% of Puerto Ricans live under poverty levels. Low-income consumers will not be served well by the market and will continue to depend on the regulated utility, in accordance with the public policy of universal coverage.

However, the Transmission and Distribution Provider (TDP) and the System Operator (SO) at first sight seems redundant for a non-interstate small volume operation as Puerto Rico. One alternative to consider is to initially have one Transmission and Distribution regulated utility that has responsibility for both, T&D and SO.

Advanced grid planning methods (also known as Distributed Energy Planning) are also critical, and not addressed on this regulation, nor is an entity specifically delegated with such responsibility. See our comments in no. 7.

3. Is it appropriate that PREPA (or its successor(s)) continue to operate as the Default Service Provider? What responsibility should the Default Service Provider have to serve load in the event that an Energy Service Provider defaults?

As stated above, the Default Service Provider (DSP) is critical and must stand by to serve customers who are not served by the market. However, because this "supplier of last resort" obligation constitutes a financial "call" for market-based suppliers, regulation must establish specific limits on how it is used by market

participants (e.g., how frequently customers can switch from market-based suppliers to the DSP; and once they do, how long they must stay with the DSP). Otherwise, significant uncompensated risk can be transferred to the DSP.

4. What changes need to be made to the current transmission of information between PREPA and generators to support the SO's functions?

Transmission of information between PREPA and generators, including the operating status and characteristics of generators needs to be communicated in near real time to the System Operator.

5. Prior to the development of an independent monitor and monitoring plan, what specific actions or oversight activities should the Energy Bureau undertake to ensure the reasonableness of the market structure to be set up under the SO Protocols?

This regulation is intended to implement wheeling for power producers to serve industrial and large commercial customers in an initial first stage; and it is expected to be expanded to enable power producers to serve other commercial and residential customers in a later date. **Because of the proposed staggered implementation, a specific timeline needs to be established for each phase of the regulation.** The Energy Bureau must set specific timelines and eligibility criteria for access to wheeling services for the initial phase of large commercial and industrial customers, and for the wheeling of aggregated residential and commercial loads.

By doing as suggested above, the Energy Bureau will send adequate signals that will assist on the planning process, including the current Integrated Resources Plan review process, so the utility (PREPA or its successor) do not exceed or lack generation in the new marked environment that is proposed through this regulation.

6. What additional customer protection measures should be included in the proposed rules?

(See No 2.)

7. The Energy Bureau envisions integrated resource planning to evolve to focus on both wholesale-level resources as well as distribution-level distributed energy resources. This would occur through a collaborative effort between the TDP and SO, as described in Article 7.05 of the proposed regulations. Are there any good examples of this process from other jurisdictions that Puerto Rico should consider?

Although smaller and with different characteristic than Puerto Rico, Hawaii, another island system, is at the forefront of implementing advanced grid planning methods, also known as Distributed Energy Planning. In Hawaii, both wholesale and distribution-level planning are conducted by one organization, Hawaiian Electric Company. In Puerto Rico, having two distinct organizations, one responsible for wholesale planning and another for distribution, presents additional challenges. Simply directing these organizations (TDP and SO) to coordinate may not be enough to ensure good outcomes. The Energy Bureau should undertake a second proceeding to work through how advanced grid planning methods can be integrated within the current Integrated Resource Planning review process.

8. It is possible that in the near-term, the SO will not be completely independent from other system components. This is especially true during the time that the SO is still embedded in PREPA, where it will have some affiliation with generation assets. Please comment on how the proposed rules address this issue.

As stated on No. 2 and No. 7, having the TDP and the SO as one organization might not be an issue, especially on this initial phase. This issue is less relevant as current trends, premised on integration of distributed resources, are increasing and centralized generation becomes less dominant.

9. If the SO and TDP are the same entity, the proposed rules would require corporate or functional separation between the SO and any other part of the organization that has an interest in any generation facility or other resource on the grid. Please comment on how the proposed rules address this issue.

No comment.

10. The proposed rules require PREPA to file an embedded cost of service study, a marginal cost of service study, and a total system long-run incremental cost (TSLRIC) study. The purpose of the embedded cost of service study is to ensure that historical costs are allocated across classes in an equitable manner. The purpose of the marginal cost of service study is to ensure that rate designs provide efficient price signals. The purpose of the TSLRIC study is to ensure that services are priced competitively. Please comment on this proposal and the associated provisions of the proposed rules.

The economic theory and the concept of conducting these studies seems to be correct. However, the Energy Bureau should consider the most cost-effective way in conducting such studies due to the costs and effort associated to these.

11. Are the proposed sections regarding Terms and Conditions for Transmission Service and Initiating Transmission Service reasonable and comprehensive?

No comment

12. Should the generation sources related to wheeling be limited to renewable sources?

No. In the interest of reliability, all resources should have access to wheeling services. To do otherwise would be to violate the principle of non-discriminatory access.

UNSOLICITED COMMENTS:

1. Within the proposed regulation, the regulatory body should not give the appearance that it assigns itself authority. Language in Sec. 2.01 should refer to the Authority delegated by the legislature, through Act 57 of 2014.
2. It is unclear to whom this Regulation will apply. In Sec. 1.04 A) it states all companies offering electric service. Sec. 1.04 E) indicates Commercial Customers and Large Industrial Customers and “may apply to other customer classes” at a later date. **As stated before, the Energy Bureau needs to establish a clear time line and eligibility criteria for implementation of the regulation per customer classes.**
3. The regulation needs to clearly establish who is the Default Service Provider, and its associated responsibilities; who is the T&D Provider, and its associated responsibilities; and who is the System Operator, and its associated responsibilities.

If the regulation assumes entities do not exist today, no one may be responsible for all the enumerated duties. The regulation needs to be more explicit in assigning duties to organizations that exist today.

4. To the extent the Default Service Provider (DSP) proves to be a restructured utility (i.e., a “wires-only” utility with no generation assets of its own). The Regulation should define an auction procedure by which the DSP can procure power supplies, to be approved by the Energy Bureau.
5. If the proposed regulation makes the System Operator (SO) responsible for filing the Integrated Resource Plan (IRP) (Sec. 7.05), the regulation should specify who is responsible for approving the IRP and implementing the IRP over time.

In addition, the proposed regulation needs to explain why the SO is required to file the IRP, and not the Default Service Provider (Sec. 7.05). Normally, the incumbent utility develops and implements the IRP, subject to regulatory oversight and approval.

6. Advanced grid planning is not considered within the proposed framework. The Energy Bureau needs to incorporate advanced grid planning as part of the proposed framework and, as indicated in No. 7 above, the Energy Bureau should undertake a second proceeding to work through how advanced grid planning can be integrated into the current Integrated Resource Planning review process.
7. Retail Services, as described in Sec. 4.03 C) 6) are generally not part of cost of service. These are custom services which the utility may provide on an unregulated/less regulated basis, assuming unregulated third parties can provide them too.
8. Additional description and guidance on what should be included in the System Operator Protocols (Sec. 5.03 A)) would be beneficial. This could include how would MiniGrids and MicroGrids be activated and how will MiniGrids be coordinated with operation of the main grid.
9. Since Wheeling is a kind of transmission service, to avoid any confusion, Sec. 6 and Sec. 8 should both refer to Wheeling
10. As part of the Unbundling Rates Application (Sec. 5.02), the Applicant should define what kinds of transmission services it is offering, including point to point or network in addition to related tariffs and further requirements.
11. Although within the regulation, the "Aggregator" is defined as a Municipality or a Person Certified by the Energy Bureau to contract with multiple retail Customers and to combine said Customers' electric load for the purpose of purchasing Energy Service on an aggregated basis, the regulation should make specific reference to the retail reseller or intermediary, in terms of the aggregation of smaller residential and commercial loads.
12. The proposed regulation defines "Transition Charges" as to those charges defined in Chapter 31(6) of Act 4- 2016, known as the Revitalization Act. The Energy Bureau should not give the impression that the approval of this regulation authorizes the implementation of Transition Charges beyond the current Federal Court proceedings under Title III of PROMESA.

WHEREFORE, ICSE respectfully requests that this Energy Bureau receive the submittal of ISCSE's answers.

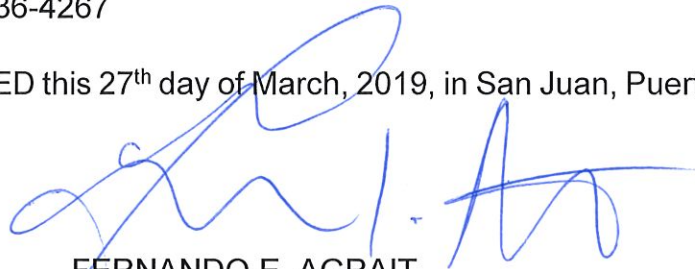
CERTIFICATION

I also certify that on this date a copy of this motion regarding the Case No. CEPR-AP-2018-0001 was notified by electronic mail to the following: n-vazquez@aeep.com, jorge.ruiz@prepa.com and astrid.rodriguez@prepa.com. I certify that today March 27,

2019, I have proceeded with the filing of the motion by the Puerto Rico Energy Commission and I have sent a true and exact copy to the following:

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RESPECTFULLY SUBMITTED this 27th day of March, 2019, in San Juan, Puerto Rico.



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