GOVERNMENT OF PUERTO RICO
PUBLIC SERVICE REGULATORY BOARD
PUERTO RICO ENERGY BUREAU

IN RE: REGULATION ON WHEELING	**CASE NO.: CEPR-MI-2018-0010** Subject: Request for Public Comments

Motion to Submit AES Puerto Rico, LP, Comments to the Notice of Proposed Rulemaking on Wheeling

COMES NOW, AES Puerto Rico, LP (**"AES-PR"**) through its Legal Consultant, and respectfully states and prays:

1. On March 1, 2019, the Puerto Rico Energy Bureau (**"Energy Bureau"**) requested Public Comments to the Notice of Proposed Rulemaking (**"NOPR"**) regarding the latest published version of Regulation on Wheeling (**"RW"**) of Puerto Rico, to be filed on or before March 31, 2019.
2. The contact information for Mr. Alberto Ríos, AES's Commercial Vice-President for Mexico, Central America and the Caribbean, whom files these comments through the undersigned Legal Consultant, is the following:

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3. In accordance with the filing requirements established by Resolution and Order issued by the Energy Bureau on March 1, 2019, in this Case; please find enclosed comments of AES-PR to this regard.

General Comments

AES PR's Background, Interest an Initial Reaction to this Proceeding.

Firstly, as a prelude to the enclosed comments, we want to share a brief introduction and overview of AES-PR.

AES-PR was inaugurated in 2002 and established Puerto Rico's first and only coal-fired power plant. By utilizing clean coal technology, known as fluidized bed boilers, AES-PR processes coal in accordance with environmental regulations, and generates electricity in an economical and reliable manner. AES-PR provides reliable baseload power, supplying approximately 17% of the electricity consumed on the island. AES-PR is also the lowest cost provider of electricity on the island, saving PREPA and its customers roughly $2 billion to date. We have a broad understanding of the Puerto Rican electricity sector and are committed to the integrity of the island's electricity grid.

AES-PR is a subsidiary of The AES Corporation (NYSE: AES) a Fortune 500 global power company with assets in 15 countries. Founded in 1981 and headquartered in Arlington, VA, AES owns a diverse portfolio of distribution businesses as well as thermal and renewable generation facilities and has driven energy sector growth and pioneered advances in many markets. AES's global team shares a passion to help meet the world's current and increasing energy needs, while also providing communities and countries the opportunity for economic growth due to the availability of reliable and affordable electric power. AES is dedicated to improving lives by accelerating a safer and greener energy future.

As a part of a strong and expansive energy organization, AES-PR is extremely invested in the complete and serious evaluation and modernization of Puerto Rico's existing energy

generation, transmission, and distribution infrastructure. AES-PR also strongly agrees with Energy Bureau's objectives of establishing a RW that is a key element in the process of transforming Puerto Rico's power system into one that is modern, efficient, resilient, environmental – friendly, customer centric, financially viable, reliable, sustainable, and that fosters an economic growth engine for the country.

Therefore, AES PR submits these Initial Comments to the NOPR issued as the first step in the process of transformation Puerto Rico's power system, however, it would have been advisable to implement previously informative workshops with the different aspects that the proposal addresses for a better understanding and conceptualization.

As an initial observation, AES PR notes that the NOPR sets forth a very ambitious schedule and addresses a comprehensive set of issues surrounding wheeling rates and customer choice of electricity suppliers, many of which are extremely complex. AES PR compliments the Energy Bureau on its goals and hopes that every effort will be made to move forward as swiftly as possible. In this regard, the Bureau has one advantage conferred by time – many of issues that the Energy Bureau will need to address have been previously debated and addressed by the United States Federal Energy Regulatory Commission (FERC), individual U.S. States and regulatory commissions, and the regulatory authorities of many other countries throughout the hemisphere. It is also noteworthy that the initial legislative enactment authorizing the Energy Bureau to investigate wheeling dates back to 2008 and there was a proposed wheeling tariff drafted by a Wheeling Committee that was issued December 30, 2009. So, there is a wealth of relevant information available that can benefit the Energy Bureau as it moves forward on the NOPR provisions.

In summary, based on our understanding of the proposed RW and the different concepts it addresses, AES-PR's comments and considerations can be consolidated as follows.

Responses to Specific Questions and Topics Set forth in the NOPR

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

A. The NOPR Correctly Prioritizes the Creation of an Unbundled Rate Structure.

The NOPR correctly recognizes that a prerequisite for any open access and customer choice process is an unbundled set of rates. Both Energy Service Companies ("ESCOs") and their potential customers need to know PREPA's embedded costs of generation, which should become the "price to compare" that ESCOs competes against. Similarly, it is necessary to know the embedded costs and the resultant rates for PREPA's transmission and distribution functions, which is the price that would be charged for open-access transmission and distribution services from the supply source to the end-use customer's meter.

AES PR has no specific recommendations with respect to the process of establishing unbundled rates that is set forth in Article 4, which appear to be comprehensive and procedurally appropriate. Based on experience that other AES entities have with respect to other unbundling proceedings, AES PR does note a few areas in which special attention may be warranted:

- In establishing open-access transmission and distribution rates, the rates should vary depending on the voltage level at which the end-use customer is served. For example, a large industrial customer served at high-voltage levels should not be charged a

Transmission and Distribution charge that includes the costs associated with the low voltage distribution system.

- Certain types of customer-related costs are incurred almost exclusively to serve residential customer and the unbundled rates should reflect that.
- Any claim for generation stranded costs should be carefully scrutinized. In some proceedings that have taken place in various U.S. States, the amount of stranded costs initially established was much higher than what was necessary. Those initial amounts were often based on unrealistic expectations of how quickly generation prices would fall as new entrants came into the market. It is certainly true that over time, U.S. utilities have experienced a large decrease in the value of their generation fleets and many have divested or retired older plants. But that process often became manifest only 10 or more years after customer choice began. Our kindly recommendation is to do detailed analysis to set up the associated period taking into consideration the situation of Puerto Rico where there are efficient plants that could still operating in an efficient manner fulfilling the regulatory environmental standards.

B. Section 8.02 Should Be Limited to Generator Interconnections.

AES PR recommends that the final rule identify Section 8.02 as "Terms and Conditions for Generation Interconnections" and that language within the existing Section 8.02 that is not directly relevant to Generation Interconnections be moved to other Articles. Language relating to Integrated Resource Planning ("IRP") in section 8.02(B) and (C) and the detailed Energy Bureau review of alternatives within 8.02(C) should not be intertwined with the standards established for Generation Interconnections.

A prime objective of this NOPR should be to design a regulatory structure that would promote competition in open markets by allowing new sources of generation to enter the market relatively quickly and allow ESCOs to begin serving willing customers that want to lower their electricity spend. In this regard, AES PR applauds the Energy Bureau's approach in Section 8.02(E) where Generation Interconnection agreements are to be filed, can be reviewed and approved on request, but are not specifically required to be approved. That approach would promote the objective of attracting new generation sources to market relatively quickly.

Section 8.02(C), in contrast, is likely to be an impediment to that objective and is highly likely to be the source of delays and confusion because it is doing the following triple-duty in establishing rules applicable to: 1) generation interconnections; 2) transmission upgrades for wheeling services and congestion mitigation; and 3) consideration of every alternative approach that might be undertaken in areas such as demand side management, distributed generation, and energy storage. In practice, this seems likely to cause delays even for small scale solar and battery installation that needs only a connection to PREPA's system. Such delays could arise from requirements on developers with cost saving alternatives to seek Energy Bureau´s review of whether those alternatives may be lower cost.

AES PR supports the inclusion within section 8.02(C)(1) of cost responsibility rules. Disputes about cost responsibility is another source of potential delays and clear rules help avoid such disputes. AES PR does suggest, however, that explicit time periods be added with respect to each step in the generation interconnection process. There should be deadlines under which PREPA is required to perform any studies; design, engineer, and/or construct the interconnection facilities and any upgrades, if needed, to PREPA's existing transmission and distribution facilities.

Absent specific time periods, it would be nearly impossible to establish whether the delays in processing interconnection requests were reasonably justified or the result of discriminatory treatment.

AES PR further recommends that there be at least three forms of Standard Generation Interconnection Agreements. There should be a very abbreviated form for solar and battery system installations that are smaller than 20 MW. A second abbreviated form may be appropriate for small installations using diesel fuel or natural gas (including gasified LNG) that are under a defined threshold capacity. A more extensive form would apply to new larger installations. And finally, special provisions need to be included to address the specialized needs of wind installations.

C. The Codes of Conduct Section Should Include Sub-Sections Specific to Generation Interconnections and Transmission Service.

Article 11 provides a lengthy and nearly comprehensive set of requirements on a "Monopoly Service Provider" and its interactions with an Affiliated Energy Service Provider. A close review of those provisions reveals, however, that they are nearly all focused on interactions that arise in the context of supplying energy to a retail customer. There are no specific requirements set forth relating to the potential for discrimination to arise between a Transmission and Distribution Provider and its generation facilities relative to an independent generation owner. AES PR recommends that the final NOPR contain additional provisions to address this:

- In preparing studies, designing interconnection facilities or identifying any additional transmission facilities that are needed to facilitate a generation interconnection

request or a request for transmission service, the Transmission and Distribution Provider (TDP) shall not discriminate in favor of the generation owned by the TDP or an affiliate or give any preferential treatment to such affiliate. As examples, but not as limitations, the TDP shall process requests in a first-come, first-serve manner without giving its own generation or an affiliate's generation a priority; the TDP shall not require safeguards and protection equipment for a requesting entity that is in excess of the safeguards and protection equipment that it imposes with respect to its own generation facilities or those of an affiliate.

- In daily scheduling, outage scheduling and other operational matters, the TDP shall not discriminate in favor of its own generation or generation owned by an affiliate. Instead, the TDP shall accommodate all power flows from all generation sources in a non-discriminatory manner, and, to the extent that system constraints or emergency conditions arise, shall take steps that are consistent with good utility practice without regard to the ownership of the generation source.

2. <u>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?</u>

The term Default Service Provider ("DSP") covers two types of services that could be properly refined separately for clarify. For customers who have not chosen to be served by an Energy Service Company ("ESCO"), there should be an entity that is serves them under a tariff referred to in many U.S. States as the Standard Offer Service ("SOS"). This is also often referred to as the "price to compare" because an ESCO generally will need to beat this price to compare in order to persuade a customer from leaving SOS to become a customer of the ESCO. The term

"Default Service Provider" is probably better limited to instances where a customer has elected to be served by an Energy Service Company, and that ESCO then defaults on its obligations. At that point, the customer must be able to access the DSP. The DSP and the SOS provider are typically the same entity, but that is not necessarily required. And even if the DSP and SOS provider are the same entity, the rate charged to customers may differ: relative to customers who merely stay on SOS or who return after some proper notice period and the expiration of their contract with an ESCO, there is an added element of cost necessary to stand ready to serve a customer who is suddenly without an ESCO due to an ESCO default.

The System Operator areas of responsibility must include:

- Delegating the coordination of the operation in real time of its functions or part of them of an area for a defined period due to catastrophe or impossibility of communications to the TDP. The delegation must be clearly registered by the issuer and the receiver;
- Directing the restoration of the system after a disturbance
- Making an economic dispatch according to merit order in function of its production variable cost (US$/MWh). A section must be created that defines the methodology of how the economic dispatch will be carried out. This section should consider the use of a Dispatch Model that will be replicable by any market participant, AES -PR suggests the use of the SDDP model which is being used by many Wholesale Electricity Market in the region.
- It is critical the strict separation of the SO and the Transmission & Distribution Company, we suggest the confirmation of an Independent System Operator

replicating the best international practices in terms of transparency, efficiency and avoiding potential conflicts of interest.

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 noted above, AES PR recommends that the term "Default Service Provider" be split into two components: A Standard Offer Service ("SOS") provider and a Default Service Provider ("DSP"). The former service would be provided to all customers who do not choose to procure their energy requirements from an Energy Service Company either by never selecting an ESCO or returning from ESCO service after the contract has expired normally. The DSP service, in contrast, would be defined as service provided to a customer who is suddenly without energy service due to an ESCO default. In some markets this is also known as the provider of last resort.

AES PR recommends that PREPA be designated as the SOS Provider and the Default Service Provider for a period of four years and that the Energy Bureau revisit this issue at that time. Currently, because only AES PR and a handful of other entities own any local generation, PREPA is the only entity that could realistically provide these services in the near-term. That could change over time as new generation is sited, constructed, and goes into service. Additionally, because PREPA is and will likely remain the entity sending out bills to end-use customers for distribution and transmission services, it has the billing systems largely in place that would be necessary to bill large numbers of customers who remain as SOS customers or who are suddenly returned to DSP service.

AES PR would note that some U.S. States have considered the possibility of having the SOS or DSP service be provided by an entity other than the incumbent electric utility. AES PR,

however, is unaware of any U.S. State that has actually taken this step. Even in States where the local utility has transferred all of its generation to an affiliate or to third parties, the local utility has generally remained the SOS Provider; obtaining its supply via a competitive auction from wholesale energy suppliers.

Lastly, AES PR notes that there are a large number of issues that must be resolved in short order for wheeling and customer choice to be implemented in any form. The question of whether or not to select an entity other than PREPA for SOS and DSP services is not in that category. This is an issue that could be deferred for four years and revisited at that time once some experience has been had with how wheeling and customer choice is working.

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

The island energy system should be converted into an open Wholesale Energy Market regulated by the Energy Bureau to monitor and pursue the customer's best interest. With such Wholesale Energy Markets, it is essential that the System Operator dispatched the plants by order of merit reflecting the real operating cost of the system and creating enough transparency to attract private investment in the electricity market.

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?**

It is essential to define the structure of the Wholesale Energy Market, where the Market Participants are properly defined, where their rights and obligations to be defined. In addition, it must be reflected how will be the remuneration of the different services that the generators will contribute, for example AES-PR recommends the creation of structured ancillary services and

firm capacity markets in which the power plants are remunerated by the products/services that they deliver to the market pursuant to the reliability and resilience of it. The Energy Bureau should also determine the methodology and calculate capacity charges for Generators and other charges needed to operate the system such as: fees to finance the SO, fees to finance Energy Bureau itself. By the other side, it is critical a specific regulation to rule all the energy transactions among all market participants (ISO/Generator/Distributer/Transmission/Customers-end users). It is not recommendable that these rules will be developed in protocols made by the SO, these rules need to be developed by the Regulator.

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

AES-PR recommends that there be a spot market which allows the construction of generation and transmission expansion plan signals, and that there be a contract market, where energy generators can enter into bilateral contracts with specific clients to remotely supply their energy needs while paying a wheeling tariff rate to use the utility's transmission and distribution infrastructure. These mechanisms are critical to secure a competitive and efficient market and may be reflected in a more competitive energy tariff. At the same time, is it important to the market development the possibility to aggregate load points of many client located in different points of the island, accelerating the efficiency and competitiveness of the market and lowering the associated energy bills for the end users. In order to simply the market structure and the size of the island we recommend the development of a single node market facilitating the commercial energy exchanges among the generators and client. This mechanism is using in many Latam markets like Colombia and Panama with high rate of success.

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?**

There is an inherent conflict between free and open markets and the heavily centralized decision-making process of integrated resource planning ("IRP"). AES PR urges the Energy Bureau to implement those aspects of the NOPR that promote free and open markets, including the proposals with respect to generation interconnections, open transmission access, and customer choice, initially for larger customers and eventually for all clients above a reasonable threshold (e.g. 100kW demand).

While an IRP process could be implemented in parallel, the IRP process should not act to bar or unduly delay construction of new independent generation sources. In this regard, the Energy Bureau should consider how some aspects of the NOPR could be used as a weapon to oppose a competitor's plans. For example, suppose an entrepreneur identifies an opportunity to build a 400 MW solar and battery installation in a town that has relatively weak interconnections with the rest of PREPA's transmission system and, as a result, has experienced below average reliability of supply. Additionally, the entrepreneur has lined up private financing and has gotten interest from several local industrial and large commercial customers in obtaining service from the new generation facility. There would be some required additional transmission facilities to be constructed in order to accommodate the interconnection and transmission service and those additional transmission facilities were not contemplated or planned in the latest IRP.

In AES PR's view, the interconnection and open access transmission rules should be designed to allow a project such as that described above to move forward with minimal red tape and delay. Under Section 8.02(C); however, potential competitors could file protests before the Energy Bureau stating that they have a demand-side management concept that could be a substitute project; or PREPA itself could argue that it could upgrade an even larger portion of its transmission system and increase reliability that way. Section 8.02(C) would throw the entire solar and battery project into limbo for however long it took for the Energy Bureau to sort through the merits of competing proposals and issue an order.

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.**

During that interim period, the Energy Bureau should impose additional safeguards by establishing clear rules on how PREPA is to compute its internal costs of performing any of the studies that SO performs under Section 8.03 and charges to the Transmission Service Customer. However, PR should consider a model where the SO is a totally independent entity.

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.**

As noted above in response 1.B., additional Standards of Conduct provisions are appropriate to bar discriminatory treatment of the TDP relative to generation it or an affiliate might own versus the generation from an Energy Service Provider. The TDP should perform interconnection and other studies on a first-come, first-serve basis; it should not require

interconnection and protective equipment for others that it does not require for its own generation; and all operational decisions relating to scheduling, curtailments and other matters should be done in a non-discriminatory manner.

However, for greater transparency, AES-PR recommends that SO and TDP are completely different entities.

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.**

See response to Question 1.

Basics guidelines for the methodology to calculate Transmission and Distribution charges are not clear on the document. At least, the document should specify key aspects such as the regulated rate of return to be used to calculate these charges, considering O&M costs as well as existing and new T&D Assets. Please confirm whether to incorporate the assets value into the tariffs is being used a net replacement value annuity methodology.

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

See the responses to Questions 1 and 2.

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

No. The goal of this NOPR should be to enhance competition and promote economic growth by allowing electric services to be provided to Puerto Rican consumers in the most cost-

effective manner possible. AES as a corporate entity is a world-leader in solar and batteries technologies. But AES PR is also the owner of Puerto Rico's more cost-effective large generation plant – the coal-fired Guayama facility. That plant is already subject to comprehensive environmental requirements that ensure that its emissions are within legal limits. It would be counter-productive to the goals of the NOPR to exclude Puerto Rico's least expensive supplier of electricity from reaching customers who could increase their own manufacturing output and hire more employees if their costs for electricity went down.

Miscellaneous Comments

A. In Order to Implement Open-Access Transmission and Customer Choice Quickly the Bureau Should Consider Splitting this Proceeding into Two Regulatory Proceedings.

Page 1 of the NOPR states that: "The Energy Bureau aims to implement wheeling for power producers and ESCOs to serve industrial and large commercial customers as soon as possible this year." The NOPR further anticipates that wheeling may be expanded to serve other commercial and residential customers at a later date.

AES PR agrees with this approach and recommends that the Bureau should consider establishing a separate proceeding that would address at a later date all the issues in the NOPR that are not directly related to the goal of implementing wheeling this year for industrial and large commercial customers.

For example, much of Article 13 "Regulation of Energy Service Companies" is dedicated to regulating the behavior of ESCOs in their marketing and other interactions with residential customers. Sections 13.04 through 13.12 could be split off into a second proceeding that would

be dedicated to the future expansion of wheeling and customer choice to residential customers. Large commercial and industrial customers do not need such protections since they have the capacity to protect themselves in the bilateral contractual process.

Similarly, as discussed above in AES PR's response to Question 3, the question of whether PREPA or some other entity should be the Standard Offer Service/Default Service Provider is not an issue that is necessary to resolve at this time in order to implement wheeling and customer choice for industrial and large commercial customers. That issue could be sent to a separate proceeding for resolution at a later date.

B. The Bureau Should Consider as an Interim Step: Separate Billing by ESCOs and PREPA.

Experience in other jurisdictions has shown that one of the most difficult aspects of implementing customer choice is that the incumbent utility almost always has had to acquire or develop a completely new billing system. The front-end process of exchanging information between an ESCO and the PREPA in order for PREPA to prepare a joint bill is only the first step. Beyond that, the billing system needs to be able to handle partial payments, late payments, any low-income bill assistance programs that may exist, payment plan payments by those who have larger outstanding bills from prior months, transfers from one ESCO to a different ESCO, the treatment and reconciliation of billing errors whether arising from incorrectly calibrated meters or other sources of error, and a host of other billing-related issues.

Such a billing system is almost certainly necessary once customer choice comes to residential and small commercial customers; however, an energy choice market for residential end users should remain with the DSP. It is not essential, however, to the quick implementation

of customer choice and wheeling to industrial and large commercial customers. For those customers, the interim step of separate billing would be much easier to implement and would not be an undue burden on the customer, the ESCO, or PREPA. Once unbundled rates are established, and it is clear what the Generation component of rates would be avoided could be deferred to a later proceeding. PREPA's billing system would only need a relatively modest change to insert a zero for the generation component of the bill it sends to a customer who has chosen an ESCO. The ESCO would be responsible for sending out its own bill to the customer for the energy component and for any collection related activities.

C. Additional Comments

To facilitate additional comments, AES-PR suggests the evaluation of these observation and recommendations:

1. A time period for filing the information described in Section 8.03(H) should be established. It is not clear whether the five-year forecast is required to be provided as part of the initial request for service, or if that to be provided at some later point in the process.
2. In the Section 1.09.- Definitions, AES-PR recommend review the following:
    - Large Commercial Customer (Definition 30): It would be advisable to use active energy to define this limit (KW) and include an expeditious mechanism to determine the maximum monthly demand during the rolling last 12 months of usage. In addition, a Large Commercial Customer could be connected to any voltage level, not only at the transmission level but also at the distribution level.

- Market Monitor (Definition 31): This definition does not contribute to the document. The relevant definition is contained in number 27 "IMM". If it is the same entity, then they recommend that they be integrated into a single definition.

3. In the Section 3.03.- System Operator, areas of responsibility should consider including:
    - To delegate to the TDP, the coordination of the operation in real time of its functions or part of them of an area for a defined period due to catastrophe or impossibility of communications. The delegation must be clearly registered by the issuer and the receiver;
    - Direct the restoration of the system after a disturbance.
    - The SO must be totally transparent in the processes, for which it must present on its Web page all the information of the market operation, which includes but is not limited to daily dispatch, market prices, operational reports, availability, etc.
    - An audit section should be included for the SO.
4. In the Section 7.01.- System Operator, SO Budget (F), it is highly important that this type of organization (SO) has the necessary resources to carry out the tasks assigned to it. The SO´s actions should be based on technical and economic criteria, to effectively fulfill its task of operating the transmission system of a reliable, safe and efficient.

5. Section 7.05.- Continued Obligation to Conduct Integrated Resource Planning, include in the projections of the literal "C" the following:
    - Expected Energy Not Served
    - Average fuel consumption, generator fuel consumption per month
    - New Generation: description and Commercial Operation Date (COD)
    - Provide yearly a 10-year SDDP run considering forward fuel prices, hydrology scenarios, expansion plan, demand growth, etc. to have a better Resource planning.
6. Section 8.02.- Terms and Conditions for Transmission Service "Construction of new facilities", establish as an alternative, for the construction of transmission facilities associated with a generation project, the possibility of these being developed by the Generation company and repayable through an agreement with TDP.
7. Section 8.03.- Initiating Transmission Service "Transmission Service Customer facilities", it is convenient to specifically define this border point between the Customer's and the Transmission System.
8. Section 10.01.- Proposed Operating Agreement between the Energy Service Companies and the Default Service Provider and the Transmission and Distribution Provider, in the literal (3) must define magnitude of the letter of credit (for example equivalent to 2 months of billing).
9. Basics guidelines for the methodology in order to calculate Transmission and Distribution charges are not clear on the document. At least, the document should

specify key aspects such as the regulated rates of return to be used to calculate these charges, considering O&M costs (see comment above). Will they use a net replacement value annuity methodology to incorporate assets value into the tariffs?

10. The document should establish if there is the possibility of several transmission companies or only one; likewise establish clearly the concession of areas for the Distribution companies to operate efficiently.
11. Section 4.07 establishes that the "sum of all unbundled charges for the Customers served by the DSP shall not be greater that the rates currently in effect". What happens if the current rates do not incentivize investment or do not compensate costs?
12. System Operator should also plan and coordinate together with TDP and Generators, the annual major maintenance plan, manage "flexible" offers (demand and supply), the Non-Served Energy and other outage penalties among the market participants.
13. Distributed Generation higher than ~10MW should be under the control and dispatch of the SO for reliability and security issues.
14. System generation shall provide power for a customer when the Energy Service Provider does not provide enough amounts of energy to meet its Customer demand purchased at spot market prices and when the amount of energy provided by the Energy Service Provider is higher, will be liquidated in spot market? (regulation should consider also negative deviations).

15. AES-PR recommends that Energy Bureau carry out Workshops where explain Regulation on Wheeling to the interested parties know details of the applicability of the new regulation in PR.

16. Payment Guaranties. A system of guaranties should be established where the guidelines for the determination and administration of deposit of guaranties must be presented by all the participants of the PR Wholesale Electricity Market, both for the occasional market (Spot Market), as well as the market through a contract market (PPAs). In the case of the occasional market, such guaranties deposits shall be sufficient to cover any non-payment of the economic transactions of the occasional market, which must be administered through a Bank of Settlement and Collection following the instructions of the commercial operator of the market, and must carry out its activity with neutrality, efficiency and transparency complying with the norms and procedures that are defined in the commercial rules. In the case of the contract market, the Buyer shall constitute in favor of the Seller an irrevocable warranty of payment of at least two (2) months of invoicing of energy supply.

17. It Is important that an Operating Regulation will be developed, which establishes the set of principles, criteria and procedures to undertake the planning, coordination and implementation of the integrated operation of the PR electricity grid, which compensates for energy exchanges between market participants, where energy and power exchanges are determined and valued, resulting from the integrated operation of generation and transmission resources, following an clear set of dispatch criteria. Compliance with the provisions contained in the Operating Regulation is compulsory

for all market participants. It Shall be up to the regulator to approve these provisions and their modifications, and to the Operator of the market the application. On the other hand, there must be a Commercial Rules that define the commercial administration of the wholesale electricity market, which includes the administration of occasional market economic transactions and principles of administration of the contract market.

18. All operating and commercial rules must be developed by the regulator. Once these rules have been implemented, any modification must be approved by the regulator, however the regulator must carry out public hearings to give the opportunity to market participants to be informed on the modifications of such regulations and its justification, and to submit observations, comments or own proposals. Also, we recommended that these rules establish an Operating Committee, which will have the responsibility to develop or modify the methodologies necessary to ensure the proper operation of the PR system and the administration of the Wholesaler Market of Electricity, in accordance with the operating and commercial rules developed by the regulator. This Operating Committee must be constituted of the market operator, and representatives from the generation, distribution and transmission sectors, and from the large clients

In conclusion, AES PR appreciates the opportunity to submit its initial comments to the NOPR and urges the Energy Bureau to make modifications in its final rules consistent with the recommendations made above, to which are intended to facilitate the modernization of Puerto Rico's power supply and delivery infrastructure to ensure the future resilience, reliability and

stability of Puerto Rico's electric grid, settled on premises of highly transparency and information availability. As well as, we reiterate our desire and intent to participate actively, as deponents, in the public hearing scheduled to debate and analyze the proposed Wheeling Regulation.

CERTIFICATION

I certify that today, March 18, 2019, I have proceeded with the filing of this Motion before the Puerto Rico Energy Bureau and also I certify that on this date a copy of this motion regarding the case No. CEPR-MI-2018-0010 was notified by electronic mail to the following: Astrid I. Rodríguez: astrid.rodriguez@prepa.com, Jorge R. Ruiz Pabón: Jorge.ruiz@prepa.com and Nitza D. Vázquez Rodríguez: n-vazquez@prepa.com, and I have sent a true and exact copy to the following:

Puerto Rico Electric Power Authority
Attn: Nitza D. Vázquez Rodríguez
Astrid I. Rodríguez Cruz
Jorge R. Ruíz Pabón
PO Box 363928
San Juan, Puerto Rico 00936-3928

RESPECTFULLY SUBMITTED, in San Juan, Puerto Rico, today March 29, 2019.

Axel Eugenio Colón Pérez
AES-PR's Legal Consultant
"TSPR RUA" No. 19699
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