

Sr. Edison Avilés Deliz, et al
Chairman, Puerto Rico Energy Commission
Re: Regulation on Wheeling
Case No: CEPR-MI-2018-0010
Response to Request for Public Comments
Transmitted by e-mail and uploaded

Respondent

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Introductory Comments

We laud the determination of the Energy Bureau to seek public comment on the potential shape of the market and regulation of energy wheeling. We also believe that sending a transparent and reasonable signal to the market regarding not only future rules, but also process, in advance of finalizing the same is a worthwhile undertaking that will support market transformation and speed economic recovery. In that spirit, we have provided summary comments and recommendations in response to the Notice of Proposed Rulemaking issued on or about July 27, 2019.

Critical Issues

Th Energy Bureau gives PREPA as System Operator the responsibility for establishing the design of the *balancing price mechanism*. PREPA has neither the resources, competency, or proper alignment of interest to successfully and reasonably complete this task and the initial draft proposal often constrains the discussion. Puerto Rico needs a much BROADER, and less self-interested perspective.

Additionally, while the Energy Bureau reserves for itself the task of setting *wheeling rates and procedures*, it is far from certain that the Bureau will have the appropriate and necessary resources to complete it.

Furthermore, ***neither Section 4.09C or Section 11 set any timeframes or processes*** for establishing the final regulations. Establishing the wheeling regulations is absolutely critical for the investment in energy infrastructure and the economic recovery of Puerto Rico – speed, transparency, and accountability are paramount.

Recommendation. As has been done to good effect in other jurisdictions, we strongly recommend that the Energy Bureau establish and appoint a standing Commission to create the frameworks for the *balancing price mechanism* and the *wheeling price and procedure*.

The Commission should be comprised of a wide range of stakeholder interests, and given the task of designing a report that lays out a series of recommendations for the market rules, the technical standards, the governance and committee structure and very important a built in requirement to consistently and constantly be held to evaluation of how the platform is meeting goals and objectives, enacting mid-course corrections, and creating a market that constantly evolves the products and services, efficiency, and scope over time.

The Commission must include PREPA who must be enjoined to actively participate and provide information to the Commission in a complete and timely manner.

A good precedent to follow for the Commission is the Market Design and Platform Technology (MDPT) Working Group commissioned by the New York State Public Service Commission. The MDPT Working Group and advisors comprised a wide range of industry experts from across New York and across the nation. While the process facilitated by the team looked for common ground on many issues, it did not seek consensus nor have a formal process for resolving non-consensus issues. Instead, the report attempted to capture key themes and areas of non-consensus and, in many cases, suggest next steps in the process to address them.

We hope the Energy Bureau will see the wisdom and benefit in establishing such a commission to address the frameworks for the *balancing price mechanism* and the *wheeling price and procedure*. If you do, the Borincana Foundation would be proud to participate.

Material Issues

Section 11. This section is at this point just an enormous black hole. Will such rates be differentiated by nodal differences, use or non-use of high voltage systems? Will there be fees payable to participants for contribution to low voltage stability, regional resiliency, etc.? A community solar provider or a customer generating and consuming from multiple locations within a single substation node and in amounts less than say 5 MW should not be paying wheeling charges anywhere comparable to a generation service provider producing 100 MW and moving the power to customers through the high-voltage network. They should also be receiving credit for local stability and resiliency provided. Proper differentiation will recognize the different costs and risks incurred by the SO and the T&D provider(s) and can serve to incentivize the development and investment in distributed generation.

The definition of distributed generation seems insufficient. It might at times, for example, include energy storage and could produce power for self-supply and/or sale and/or wheeling.

The definition of Electric Power Generation Company seems insufficient. It may at times for example include Energy Storage Providers. It also might not be party to a power purchase agreement. It could be merchant or more likely may simply be wheeling power to itself at other locations on the grid.

A far more expansive and detailed definition of Monopoly Service Provider is clearly warranted. Other than PREPA in its current configuration, no other contemplated arrangement adequately satisfies the

definition. For example, a micro-grid operator or an electric cooperative might easily be caught in this definition and in most but not all cases they should be excluded.

How is the amount of “security” to be determined? A community solar provider for example must be treated differently than a utility-scale generator connected to HV transmission system. Proper differentiation will recognize the different costs and risks incurred by the SO and the T&D provider(s) and can serve to incentivize the development and investment in distributed generation.

There should be a definition of Distribution Service Customer that tracks the definition of Transmission Service Customer. The term is actually used as a defined term in section 6.02 though it is not a defined term. Energy will be wheeled (and balanced) between and among low-voltage, geographically/nodally proximate customers as well as through the high-voltage system. Regulation of the emerging market in Puerto Rico must be prepared to recognize this. Coverage of this activity through regional net metering or virtual net metering arrangements is likely to prove woefully insufficient for the market that is emerging but may serve in the short term.

The broadly outlined concept for wheeling regulation fails to anticipate certain realities of emerging energy markets in Puerto Rico. For example, it is entirely likely that new market entrants will be occupying, simultaneously or sequentially, multiple roles – Generation Service Provider, Electrical Power Service Company, Energy Storage Provider, micro grid operator, Distribution Service Customer, Transmission Service Customer, Monopoly Service Provider, Customer, etc. all rolled into one. Separation and ring-fencing are only partial and blunt force solutions and risk undermining the efficiency of the market and stagnating development, investment, and growth.

3.03. How does the Energy Bureau propose to manage customers/generation providers/electric service companies that generate at one or more locations and consume at one or more different locations? This is in essence self-generation (so no power purchase agreement or any agreement at all) but does rely on the electric power grid to conduct its operations.

4.10. C & D there should be a threshold expressed in terms of megawatt hours generated below which electric power service companies are exempt from the obligations under these clauses. We suggest the equivalent of 40 GWh per year.

Section 9. There should be a threshold expressed in terms of megawatt hours generated below which service companies are exempt from some of the obligations under these clauses. We suggest the equivalent of 40 GWh per year.

Clean-up Issues

It would be prudent to add definitions for ancillary services, ancillary services provider, demand management, demand management provider and others.

Does the definition of customer extend beyond those listed or can it only be defined in relation to those subcategories listed? Usage is not defined. Presumably generation service can be provided and received for any part of a wheeling customers usage. Please confirm.

The definition of power purchase agreement is incomplete.



The provider of last resort is PREPA or its successor, but it cannot be providing generation service to customers that are not served because it must divest its generation. Please confirm that in this capacity PREPA will in fact be operating as an electrical power service company.

4.09D. Confirm that the system operator is seeking variable costs as reported by generators and demand side resources and is not seeking proprietary information on operations.