



IBD ENERGY NEPR
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IBD Energy LLC's Comments to Regulation on Wheeling Proposed by the Puerto Rico Energy Bureau:

TO THE HONOURABLE ENERGY BUREAU:

COMES NOW, IBD Energy LLC (hereinafter, "IBDE"), through the undersigned, and respectfully submits to the Puerto Rico Energy Bureau of the Public Service Regulatory Board (hereinafter "PREB"), its comments in connection with the above-referenced matter.

1. Introduction

At IBDE, we commend the diligent efforts of the Puerto Rico Energy Bureau in the monumental task of reforming the outdated legal and regulatory framework of the publicly operated electricity industry of the island, and appreciate the multiple factors, various stakeholders and unique considerations that must be taken into account when restructuring the industry, with the intent of improving electrical services for the citizens and businesses of the island, as well as attracting further investment to Puerto Rico. In this regard, IBDE is taking this opportunity to provide comments in connection with the proposed regulation on wheeling as we see it affecting our business operations.

Therefore, in compliance with PREB's Public Notice, IBDE hereby submits its comments in connection with the proposed wheeling regulation. We hope these comments go some way in aiding the transition to a modern and reformed electrical industry to the benefit of the entire island of Puerto Rico.

2. Description of IBD Energy

IBDE is a corporation that bid for the Request for Proposal issued by the Local Redevelopment Authority (LRA) of the Former Naval Station Roosevelt Roads to develop an electricity generation and distribution microgrid to serve the area of Roosevelt Roads. IBDE was selected as preferred bidder and are currently in pre-development stage of the project, working closely with the LRA to provide microgrid customers with a more reliable service than that provided by PREPA, at a rate that doesn't exceed PREPA, as per the terms of the RFP.

At IBDE we recognize the rather unique set of circumstances the Roosevelt Roads microgrid is in, being the only T&D system that is not operated by PREPA. IBDE intends to provide an electricity from reliable and renewable generation resources distributed over a reliable grid to customers across Roosevelt Roads, at a competitive electricity tariff rate, along with a fit for purpose customer service and maintenance team. At IBDE, we appreciate the duty we have to the LRA to provide electrical utility services that will allow Roosevelt Roads to become an economic hub and attract the much-needed foreign direct investment into Puerto Rico.

With that in mind, IBDE hereby submits its comments in connection with the proposed wheeling regulation. Our comments are directed towards supporting the public interest of Puerto Rico in enhancing the electricity service for the whole island.

3. General Comments

- A. The recent amendments to the Regulation on Energy Wheeling allow for there to be flexibility to the Operating Agreements between Electric Power Service Companies, Transmission and Distribution Provider, and the Provider of the Last Resort**

In the Executive Summary of the Regulation for Energy Wheeling, it states that,

“... wheeling has the potential to reduce energy costs and maximize energy efficiency, as well as foster investment in Renewable Resources at competitive costs. Further, wheeling has the potential to promote transparency, open access, and non-discrimination in the power sector.”

It is clear from this summary that the intention of the wheeling regulations is to enhance the electrical utility service marketplace for the residents of Puerto Rico. This can be done by: (a) Increasing competition in the marketplace between service providers; (b) Reducing electricity generation costs by investing in solar resources and reducing the dependence on expensive generation from non-renewable and polluting resources; (c) Developing energy efficient processes by deploying innovative disruption technologies, thereby reducing overheads and operational expenses; and (d) Providing a gateway for all residents equal access to alternative arrangements for the provision of electrical utility services.

Ultimately, the electrical utility service marketplace is best served to the residents of Puerto Rico if the regulatory framework allows Electric Power Service Companies (EPSCs) flexibility in their arrangements with the Transmission and Distribution Provider, and the Provider of the Last Resort, in the provision of electrical utility services. Throughout the revised draft of the wheeling regulations language has been incorporated which allows for flexibility in arrangements for EPSCs:

I. Section 6.03 – Metering and Billing

The revised draft includes the following:

“... In the event that a Competitive Electric Service Company seeks to offer a more advanced Metering and Billing options, such offering shall be subject to the approval of the Energy Bureau, and it shall be the responsibility of the Competitive Electric Power Service Company to install, maintain and manage such advanced Metering infrastructure, including any and all data management requirements, coordinate billing with the Transmission and Distribution Provider, in accordance with the Operating Agreements described in section 8.01 of this regulation. The Transmission and Distribution Provider may enter into a different arrangement for billing and metering with a competitive EPSC.”

The revised language regulation allows for flexibility in arrangements by allowing flexibility in the metering and billing offerings. This positively enhances the electrical service utility marketplace by providing EPSC alternative approaches to the provision of electrical utility services. This is welcomed by IBDE as it makes sense commercially, in so far as a power plant or solar farm may not have the capacity of resources to facilitate billing and metering systems, and as such it would be suitable for them to enter into an arrangement whereby the transmission and distribution provider takes control of metering and billing. This arrangement would ultimately allow the offer of the most competitive tariff rate available to potential customers through energy wheeling. As IBDE has a microgrid and will be overseeing the entire

energy exchange, it would make commercial sense for IBDE to provide metering and billing services to the customers as it is already doing so at Roosevelt Roads. This will benefit the marketplace as it will allow IBDE to offer the most competitive tariff rate by reducing outsourcing and allows IBDE to install the smart meter technology which provides an enhanced customer experience as they can track electricity usage and forecast upcoming bills.

II. Section 8.01 – Proposed Operating Agreements between the CEPSC, the DSP and the Transmission and Distribution Provider

The revised draft includes the following:

“The proposed agreement shall be fair and reasonable and shall not discriminate against any Competitive Electric Service Power Company and shall be designed so as to protect the electric system without creating barriers to wheeling.”

Allowing EPSCs flexibility in their operating arrangements with the T&D Provider and the Provider of Last Resort, as well as flexibility in the billing and metering arrangements, ultimately has great benefits to the electrical utility marketplace of Puerto Rico. A one size fits all approach to energy wheeling regulation is not suitable as there are a variety of potential EPSC with different resources and structures, and the optimal electricity generation and distribution for each EPSC could take the form of a variety of commercial arrangements. Limiting the commercial arrangement to one generation resources within the proposed regulations.

It is clear that the operating arrangements should function in an open manner and not be discriminatory to the ESPC. The wheeling regulations go some way in providing non-discriminatory opportunities for EPSCs to participate in energy wheeling by facilitating open and equal access to all. Proposed operating agreements by PREB allow for a template of terms and conditions which the parties can tailor to their suit their own commercial requirements. Whilst it is up to the parties to come to their own arrangements, PREB must approve of any proposed arrangement, thereby providing regulatory oversight to proceedings and ensuring that an open, innovative and competitive marketplace is facilitated.

B. The Monopoly Service Provider Requirements should be removed as the regulations on microgrid development already provide a suitable and coherent legal framework to abide by.

Whilst the proposed operating arrangements operate in an open matter and are non-discriminatory to the EPSC, with regard to the unique circumstances IBDE finds itself in in relation to all other EPSCs in Puerto Rico, the requirements under the proposed wheeling regulations restrict IBDEs ability to be commercially competitive as an EPSC.

As far as we are aware, the Roosevelt Roads microgrid is the only Monopoly Service in Puerto Rico, defined as:

“... any electric service function for which there is only one entity providing that service and for which a Customer has no alternative option for the provision of that service.”



IBDE is the only entity providing an electric service function at Roosevelt Roads, and there is no other alternative for customer at Roosevelt Roads. As such, IBDE comes under the definition of Monopoly Service Provider as we are providing what is defined as a monopoly service to the customers of the Roosevelt Roads microgrid, known as captive customers.

As IBDE comes under the definition, to participate in energy wheeling, an Affiliate Service Provider must be incorporated, and the relationship between the two entities must adhere to the Code of Conduct under section 9.04.

As section 9.04 puts rigorous requirements for IBDE to participate in energy wheeling, to such an extent that it makes it commercially unviable for IBDE energy to participate in energy wheeling, to the detriment to the electricity marketplace of Puerto Rico. The reasons for such arrangements is to, “... *protect the captive customer from subsidizing the affiliate operation.*”

In the case of the Roosevelt Roads microgrid, IBDE will suggest a tariff rate to the LRA for the customers at a rate that doesn't exceed PREPA, as per the requirements of the RFP, and the Regulations for Microgrid Development. The tariff structure must be agreed upon for the execution of the Microgrid Management Agreement (MMA), and must also be approved by PREB. Once approved it must not be revised until the third anniversary of the approval by PREB, and any amendments to the tariff must also be approved by PREB. Therefore, the tariff customers pay at Roosevelt Roads must have consent from the LRA for the execution of the MMA, abide by the Regulations for Microgrid Development, and be approved by PREB. There is simply no way for the Roosevelt Roads customers to subsidize the affiliate operation. It is in fact the case that by allowing a microgrid developer to wheel energy directly, rather than through an affiliate, would drive the tariff down for captive customers, through basic economies of scale.

It was always intended by IBDE and the LRA that the opportunity to provide electrical utility services to customers outside Puerto Rico would remain a possibility. The current language relating to the Monopoly Service Provider in the Code of Conduct would not allow this to happen in the way that the parties had intended.

By requiring an Affiliate Service to wheel energy, creates barriers for wheeling for IBDE, in contradiction to the purpose of the regulations. It enforces an inefficient and inflexible legal process which will lead to a lack of participation from microgrid developers. The wheeling regulations should enable transparent and open access to the marketplace and facilitate a variety of business models for EPSCs. The regulations restrict microgrid developers, such as IBDE, from participating in energy wheeling, thereby being counterproductive to the intention of creating a competitive marketplace.

Therefore, IBDE respectfully requests that the Honorable Puerto Rico Energy Bureau takes into consideration the above-indicted comments, and that its proceeds accordingly to the goals of the Regulation for Energy Wheeling.