

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

NEPR

Received:

Aug 26, 2019

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IN RE: REGULATION ON WHEELING

CASE NO.: NEPR-MI-2018-0010

Subject: Notice of Proposed Regulation and
Request for Public Comments

**Motion to Submit AES Puerto Rico, LP, Comments to the Notice
of New Proposed Regulation**

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 of Puerto Rico ("**RW**"), to be filed on or before March 31, 2019.
2. On March 29, 2019, **AES-PR** filed several recommendations regarding the latest published version of **RW** in order to make modifications 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.
3. On April 15, 2019, **AES-PR** appeared before the Energy Bureau as deponent in the Public Hearing regarding the Proposed Wheeling Regulation. As well as, on May 7, 2019, **AES-PR** filed before the **Energy Bureau** Additional/Miscellaneous Comments to this particular.

4. On July 23, 2019, the **Energy Bureau** issued a Resolution where requested Public Comments to the Notice of New Proposed Rulemaking ("**NONPR**") regarding the latest published version of **RW** to be filed on August 24, 2019. (*Or since it is a Saturday, the next working day where such comments could be file is Monday, August 26, 2019*).
5. After review of **NONPR** regarding the latest published version of **RW**, **AES-PR** identified that many of the recommendations that were filed regarding the previous version were not included in the new version. In that sense, in accordance with the filing requirements established by Resolution, issued by the **Energy Bureau** on July 23, 2019; respectfully please find enclosed comments of **AES-PR** to this regard.
6. The contact information for Gustavo Giraldo, AES's Marketing & Origination Director for Central America and Puerto Rico, whom files these comments through the undersigned Legal Consultant, is the following:

Business Park II, Torre V, Piso 11, Paseo Roberto Motta,
Costa del Este, Panamá
Phone: (+507) 69278691
gustavo.giraldo@aes.com

Comments

- A. On Section 1.10, a transition charges and stranded costs are defined, and any reference is made later in the document. Respectfully, we understand that any claim for transition charge or stranded costs should be carefully scrutinized. In some proceedings, the transition charges and stranded costs initially established was much higher than what was necessary and were often based on unrealistic expectations of how quickly prices would fall as new entrants came into the market.

- B. On Section 3.02, the Electric Power Generation Companies shall be permitted to engage in the generation of electric power to be sold through a Power Purchase Agreement (“PPA”) but does not mention the energy off-taker for example, the Wheeling Customer. Nevertheless, on Section 3.03, it states that the Wheeling Customers shall be permitted to purchase energy generation from “Electric Power Service Company” through a PPA but not from Electric Power Generation Companies. On the other hand, on Section 3.04, it is interpreted that PREPA, the Transmission & Distribution Provider and the Third-Party Administrator shall be deemed to be the only ones “Electric Power Service Companies”. In that sense, respectfully we suggest changing the wording clearly and specifically to avoid misunderstandings.
- C. On Article 4, respectfully we understand that the RW should be design as a regulatory structure that would promote competition in open market by allowing new sources of generation to enter the market relatively quickly and allow Electric Power Generation Companies to begin serving Wheeling Customers that need to lower their electricity spend. In this regards the following features needs to be implemented:
- a) Generation interconnection agreements must require to be approved;
 - b) Include economic dispatch scheme according to merit order in function of generation production variable cost (US\$/MWh);
 - c) Include the figure of a market operator, independent of the transmission and distribution operator, replicating the best international practices in terms of transparency, efficiency and avoiding potential conflicts of interest;

d) 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.

e) Include detailed considerations of every alternative approach that might be undertaken in areas such as demand side management, distributed generation, and energy storage;

f) Establishment of a Technical 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 (**Energy Bureau**). The Technical Operating Committee must be constituted of the market operator and representatives from the generation, distribution and transmission sectors, and from the large clients (Wheeling Customers).

On the other hand, on Section 4.08, regarding Reports, respectfully we understand that the information should be available on a daily and monthly basis as well as must be publicly accessible to all market players through a web platform.

D. On Article 6, there are no references regarding nodal factors nor the implementation of different rates according to the interconnection voltage levels 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. Likewise, respectfully we understand that it must be established that the costs associated with the expansion of the

Transmission System must be recognized in the tariff and transferred to the end users completely. As well as, we suggest that a separate billing system should be implemented for industrial and commercial customers.

- E. On Section 7.01, respectfully we understand that PREPA should not operate as the Provider of Last Resort and should not have the obligation to provide power to any Wheeling Customer in case a Competitive Electric Power Service Company fails to provide enough energy to meet the Wheeling Customer load for any given period, because we understand that this practice does not encourage the opening of a competitive generation market (Wholesale Market). This **RW** should implement an occasional market in which, for any reason, a Competitive Electric Power Service Company with whom there is an agreement signed, fails to provide enough energy to meet the Wheeling Customer load for any given period, another Competitive Electric Power Service Company available could provide the energy at market price (Spot Price). That is why we have recommended that the dispatch of the generation units should be implemented in a merit order way, where the units with the most economical variable costs are first dispatched and the last unit dispatched to supply the demand should establish the market price. On the other hand, on Section 7.02, the minimum period for a Wheeling Customer to return from the Provider of Last Resort to a Competitive Electric Power Service Company is six (6) months which is too long. Our recommendation should be just one (1) month subject to the corresponding agreements and procedures in place.

In conclusion, **AES PR** appreciates the opportunity to submit its comments and respectfully urges the **Energy Bureau** to take in account this suggestions and to make modifications in its final rules of **RW** 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.

CERTIFICATION

I certify that today, August 26, 2019, I have proceeded with the electronic 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. NEPR-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. Vazquez 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 August 26, 2019.



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

- Bo. Jobos
Carr. 3, Km. 142.0
Guayama, Puerto Rico 00785
- P.O. Box 1890
Guayama, Puerto Rico 00785

Tels. 787-866-8117 x. 2219, 787-686-0151
Email: axel.colon@aes.com