



NEPR

Received:

Sep 2, 2019

6:43 PM

August 30, 2019

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

Nicolas P. Billeaud
CEO & Founder
DexGrid
Email: nicolas@dexgrid.io
Phone: (646) 322-7974
Mailing Address: PO Box 9023009
San Juan, PR 00902

Introductory Comments

We welcome the leadership assumed by the Energy Bureau under Act17-2019, in promoting the regulation on energy wheeling.

We appreciate that *"the Energy Bureau recognizes that the energy sector in Puerto Rico is changing and believes wheeling can and should act as a vehicle for positive change since wheeling has the potential to reduce energy costs and maximize energy efficiency, as well as to foster investment in Renewable Resources at competitive costs."*

Even though these regulations are a fundamental step to accelerate the growth of the necessary distribution of renewable energy, the reality makes it almost impossible for new entrants to achieve this objective as-is.



Under the Definitive Restructuring Support Agreement (the RSA), the drastic transition charges and other fees, imposed by PREPA and its bondholders, make it hard for new market entrants to interconnect through the **PREPA System** while running a profitable business.

Therefore, even though DexGrid, and other market entrants, will favor island-mode energy distributions, we believe it to be our duty and interest to try and clarify some points of concern as part of this Wheeling Regulation.

Critical points

PREPA as the Provider of Last Resort

A few definitions from the Regulation:

Wheeling is defined as "the transmission of electricity from an independent power producer to the end consumer through Puerto Rico's Electric Power Grid and which does not constitute distributed generation through any net metering mechanism."

The Electric Power Grid is defined as the electric power Transmission and Distribution system of Puerto Rico owned by PREPA.

Distributed generation is defined as "*an electric power generation facility in Puerto Rico connected to the Distribution System and producing power for self-supply or sale.*"

Under the terms of the RSA, the System, mentioned above, is defined as any PREPA owned part of the electric grid, including but not limited to, electricity generation, T&D and utility.

These so-called RSA charges are applicable to **all PREPA customers defined as:**

"A service location or premise that:

- 1. is connected to the System*
- 2. uses or leases any part of the System*



3. *is connected to a microgrid, municipal utility or electric cooperative that is connected or uses the System, or*
4. *benefits from any agreement that requires the System to provide the Customer electricity under any condition, including without limitation, an obligation to provide power on a standby, maintenance, emergency or similar basis.*

As an exception, **PREPA Customer shall NOT include** any permanently disconnected service location or premise that does not benefit from any agreement that requires the System to provide the Customer with electricity under any condition, including without limitation, an obligation to provide power on a standby, maintenance, emergency or similar basis.

However, a microgrid, municipality utility or electric cooperative permanently operating solely in island-mode shall NOT be considered permanently disconnected if it uses or leases any part of the System."

We strongly believe that this part needs to be clarified to avoid any confusion and potential financial litigation with PREPA.

It says that any energy consumer using PREPA's System will be impacted by the **charge increases, including but not limited to, transition charges and other charges, fees and assorted payments** increasing over the years until the bond expiration date 40+ years later.

These RSA charges are applied to all PREPA customers and gradually increase from an **additional \$0.01/kWh in 2019 to approx. \$0.091 by 2044.**

However, the Wheeling Regulation explicitly requests that **PREPA, or its successor, must be the Provider of Last Resort**, i.e. "*the entity responsible for providing Generation Service to any Wheeling Customer whose Competitive Electric Power Service Company (EPSC) has defaulted by either **failing to provide sufficient energy to meet the Wheeling Customers load for any given period, or by terminating the contract with the Wheeling Customer.***"

Therefore, a logical definition of "emergency" should be any outage or gap in generation service for any given period and for which, the Provider of Last Resort must, under the Wheeling Regulation, be responsible for providing Generation Service.



Therefore, a Wheeling Customer connected to an Electricity Provider on island-mode and net metered to PREPA in its role as the Provider of Last Resort, **should NOT** be considered a PREPA Customer even in case of “emergency”. This provision should also exempt the Wheeling Customer from any “*Non-Bypassable Charge*” defined under 1-33).

Furthermore, the Energy Bureau rightly incorporates, in the Wheeling Regulation, the fundamental necessity for a fair and reasonable Regulation in Section 2.01: “*The scope of authority of the Energy Bureau includes the following: Oversee wheeling to ensure that EPSC have full access to the Electric Power Grid, that there are **no unreasonable barriers to entry**, and that there is transparency in the availability of information, and to take whatever corrective actions are necessary...*”

A third-party analysis expert, the Center for a New Economy CNE20 and its Policy Director, Sergio M. Marxuach, also claims that “In our opinion, the application of the Transition Charge, as currently proposed, would essentially constitute a regressive tax on all customers. It will also discourage the installation of BTMG systems. Probably only up- per-middle class and wealthier customers, and those with a strong preference to disconnect completely from the PREPA system, will be able to afford to install behind the meter generation capacity. However, the majority of residential, and probably commercial, clients will be discouraged from installing their own generation capacity, a result that goes against the objectives stated in the recently enacted Puerto Rico energy policy.”

Technical points

Section 3.03 Wheeling Customers;

"Wheeling Customers shall be permitted to purchase Generation from EPSC through Power Purchase Agreements or any other legal transactions authorized by the Energy Bureau."

"Any other legal transactions" needs to be clarified.

How does the Bureau consider assessing the legality of a transaction? How should a Utility-type company promoting transparent, cost efficient, fast, Peer-to-Peer transactions have its billing and payment mechanism validated by the Bureau?



With the emergence of new technologies promoting the decentralization of payment systems, the need for the Bureau to understand and evaluate its many benefits is of the utmost importance for microgrids and other Distributed Energy Resources to thrive.

We, at DexGrid, are strongly committed to the future of the energy sector in Puerto Rico and would welcome any opportunity to go through our approach with the Bureau.

Similar comment for Section 4.09 "Balancing Price Mechanism"

"Letter of credit, or other guarantee" - This requirement is usually applicable to traditional Utilities operating under the Resale model. However, Virtual Utilities might not require this financial guarantee to operate. With electricity payments made as prepayments and the electricity passed through from the Generation Provider directly to the Customer, the consumption of electricity is always paid for in advance therefore eliminating any subsequent credit risk. Similarly, to the technical points listed above, we would welcome the opportunity to go through the mechanism and flows with the Energy Bureau.

Recommendation

We strongly recommend that the Energy Bureau establishes and appoints a Technical Commission to go through and design the frameworks for the *balancing price mechanism* and the *wheeling price and procedure*. If the Bureau decides to do so, DexGrid would be interested to participate and share its own approach and work on these two fundamental topics.

Contact details: nicolas@dexgrid.io