



HB 1672: Getting Electric Storage Right inside of ERCOT as a Non-Wires Alternative

The Lone Star Chapter of the Sierra Club is supportive of HB 1672 because we believe in our energy-only market within ERCOT, energy storage should be owned by third-party generators, while allowing TDUs to utilize storage through contracts.

Thus, we continue to support the provision within **HB 1672** to create a competitive procurement process so that a transmission and distribution utility could contract for energy storage services from a Power Generation Company (PGC) if construction of traditional distribution facilities is not cost effective compared to use of energy storage.

To protect stakeholder interests, the PUCT will be required to adopt rules to implement the provisions of the bill so that TDU would not abuse these potential contracts, but they would be able to put these contracts into rates.

A few improvements that we would like to see in SB 415.

While the Sierra Club continues to support SB 415 as is as a great first step, we do hope the legislature will consider raising the maximum 40 MW amount which we believe is very low. We would suggest a higher amount, such as 100 MWs. In addition, in the bill there is currently a direct prohibition against TDU ownership of storage. We would welcome a provision that would allow the utility to own and operate an energy storage facility for reliability purposes if no competitive bid can be reasonable procured. If the contracts with third-parties are not successful, the legislature could revisit the potential for TDU-ownership in the future. Finally, we hope the legislature will consider other Non-Wires Alternatives like demand response and small-scale generation as a reliability tool for utilities.

If the provisions of the bill are very successful, then the legislature should revisit the 40 MW overall cap for energy storage for reliability purposes within ERCOT. While this is a good first step, we believe it may be too low. Thus, , it is unclear whether we will need 40 MW or significantly more given the growing issues of subsynchronous resonance, low inertia and other stability issues that could impact the ERCOT grid. We would suggest a significantly higher cap such as 100 MWs or even 150 MWs, but we believe we can wait two years to see how the market reacts.

Why Energy Storage is so Vital in ERCOT

Energy storage is growing in and outside ERCOT even without the passage of a bill. However, without clear rules on who can own and operate energy storage both for generation and reliability purposes, the market is in essence waiting for a decision by policy-makers. Some progress has been made, mainly in the vertically-integrated municipal utilities, but aside from a few project connecting storage facilities to renewable projects, energy storage growth has been relatively low, and there are not clear rules about using storage for reliability transmission purposes.

The Sierra Club believes energy storage can play a vital role, not only in reducing the need for the most inefficient peaker plants, which can have air quality impacts, but also to help provide a balance to the growth of renewable energy, which by its nature is variable in its production. This variability has led to the need to reformulate our ancillary services, increasing certain products during shoulder months, and consider new products like fast-acting regulation and responsive services that can be provided by energy storage. Thus, allowing storage to play in the generation market, ancillary service market, and provide reliability services will capitalize the full value stream of these exciting technologies and serve our market well. The legislature should adopt **HB 1672** as a first step toward realizing the full potential of energy storage.