The Lone Star Chapter of the Sierra Club is supportive of SB 1941 as filed. We believe that SB 1941 gets the issue of electric storage essentially right in our energy-only market within ERCOT, while allowing more “traditional” development of energy storage in areas of the state that vertically-integrated, including in non-ERCOT utilities and also in municipal and cooperative areas.

More specifically, within ERCOT, SB1941 would set forth 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.

But interestingly the bill would allow, with approval by the PUCT, the utility to own and operate an energy storage facility for reliability purposes if no competitive bid can be reasonable procured.

To protect stakeholder interests, the PUCT would be required to adopt rules to implement the provisions of the bill.

**Why Energy Storage is so Vital in ERCOT**

Energy storage is growing in and outside ERCOT even without the passage of a bill like SB 1941 or rulemaking at the PUCT, such as was contemplated

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in Project No. 48023. 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 muted.

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.

Two Improvements Needed

First, we believe the bill should authorize that reliability contracts for energy storage can be capitalized and included in rate base. Unless the contracts are included in rate base, utilities will be prone to only relying on traditional methods of providing reliability, and customers may end up paying for more expensive solutions.

Second, the bill should consider other technologies to compete to provide reliability services (“non-wires solutions”). Thus, reliability services could be provided by other types of distributed energy resources (DERs) such as demand response, distributed generation, or combinations of technologies. One approach would be to require ERCOT to consider non-
wires alternative in the transmission planning process, but also allow PUC to approve NWAs as alternatives to wires and poles.

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