CSSB 1941: Improvements Needed to Thread the Needle On Getting Electric Storage Right inside of ERCOT

The Lone Star Chapter of the Sierra Club was supportive of SB 1941 as filed because we believe SB 1941 got 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.

Nonetheless, we are concerned that the Committee Sub went in the wrong direction in a couple of specific ways. Thus, while we continue to support the provision within CSSB1941 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, we are concerned that there is now a direct prohibition against TDU ownership of storage. As filed, interestingly the bill would have allowed, 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. We believe this provision or a similar provision should be added back into the bill.

To protect stakeholder interests, the PUCT would be required to adopt rules to implement the provisions of the bill so that TDU would not abuse this potential ownership.

The second specific change is we believe the 40 MW overall cap for energy storage for reliability purposes within ERCOT is too low. Thus, the bill would have the PUCT allocate the storage caps within each competitive TDU. Yet because this is a new technology, 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 either removing the cap, or a significantly higher cap such as 100 MWs or even 150 MWs.

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 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...
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.

**Other Improvements Should Be Considered**

In addition to energy storage, 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.

While the Sierra Club is generally supportive of SB 1941, we do believe these changes are needed to improve the bill. We ask the House to raise the cap to a higher amount -- such as 150 MWs - and to allow for ownership by TDUs in rare cases, where market forces can not provide such devices.

Cyrus Reed

Conservation Director

Lone Star Chapter, Sierra Club

Cyrus Reed, Conservation Director, cyrus.reed@sierraclub.org