STATE OF NORTH CAROLINA
UTILITIES COMMISSION RALEIGH

DOCKET NO. E-100, SUB 158

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION:

In the Matter of: Biennial Determination of Avoided Cost Rates for Electric Utility Purchases from Qualifying Facilities -- 2018	**REPLY COMMENTS OF CCEBA**

NOW COMES the Carolinas Clean Energy Business Association ("CCEBA") in accordance with the North Carolina Utilities Commission's ("Commission") *Order Approving SISC Avoidance Requirements and Addressing Solar-Plus-Storage Qualifying Facility Installations* issued on August 17, 2021 ("August 17, 2021 Order") and the Commission's *Order Granting Extension of Time* issued on September 15, 2021, and submit the following comments.

I. PROCEDURAL BACKGROUND

On April 15, 2020, the Commission issued an *Order Establishing Standard Rates and Contract Terms for Qualifying Facilities* in Docket No. E-100, Sub 158 ("April 15, 2020 Order") in which it found, among other things, that the output of an energy storage system that is added to an existing QF should be paid at the then-current avoided cost rate. The Commission also directed Duke Energy Progress, LLC and Duke Energy Carolinas, LLC (together, "Duke") to organize a virtual stakeholder process to address other issues related to the addition of energy storage systems at existing qualifying facilities ("QFs").

On September *16*, 2020, Duke and Dominion Energy North Carolina ("Dominion") filed a Storage Retrofit Stakeholder Meetings Report in Docket No. E-100

Sub 158 ("Storage Retrofit Report"). In the Storage Retrofit Report, Duke discussed the process and results of the stakeholder process that had taken place following the April 15, 2020 Order, *including* areas in which stakeholder consensus had and had not been reached.

On November 20, 2020, CCEBA,[1] the North Carolina Sustainable Energy Association ("NCSEA"), and the Southern Alliance for Clean Energy ("SACE") filed Reply *Comments* to the Storage Retrofit Report. On December 16, 2020, Duke and Dominion, and the Public Staff filed Reply Comments.

In the August 17, 2021 Order, the Commission found, among other things, that it was *appropriate* for Duke to allow existing QFs to add storage that would be eligible to receive Duke's then-current avoided cost rates for the remainder of the QF's existing PPA. The Commission ordered Duke to file 1) a comprehensive waiver request reflecting all waivers that are needed from the North Carolina Interconnection, in order to comply with the Commission's directive to move ahead with an enrollment window for the ESS Retrofit Study Process; and 2) the procedure for how a QF establishes eligibility for the avoided cost rate or methodology applicable to the output of the energy storage addition.

On September 29, *2021*, Duke filed an ESS Retrofit Compliance Filing in accordance with the requirements of the August 17, 2021 Order ("Retrofit Compliance Filing").

II. COMMENTS

1. Duke's Proposed Eligibility Limits on ESS Retrofits and Available Rates

a. <u>ESS Retrofit Eligibility</u>

[1] CCEBA filed the November 20, 2020 reply comments as the North Carolina Clean Energy Business Alliance ("NCCEBA"), prior to the formation of CCEBA and merger with NCCEBA.

In its Retrofit Compliance Filing Duke proposes that a QF's "eligibility for a New ESS retrofit avoided cost rate shall be limited to existing QFs that established either a legally enforceable obligation ("LEO") or entered into a PPA…on or before November 15, 2016, and shall extend only for the term of the QF's PPA…"[2] Duke states that it will publish "2, 3, 4, 5, 6, 7, 8, 9, and 10-year New ESS retrofit avoided cost rates available until November 1, 2023" and that "[t]hese published rates will remain available until the earlier of November 1, 2023 or when 100 MW of incremental ESS retrofit additions have submitted Notice of Commitment Forms under the new rates."[3] Duke further proposes that "[a]fter November 1, 2023 or after 100 MW of incremental ESS retrofit additions have been submitted, any further eligible ESS retrofits will be provided a negotiated rate commensurate with their LEO."[4] Duke asserts that these proposed limitations are necessary "[d]ue to the administrative burden of a potentially large volume of existing solar QF Interconnection Customers seeking to retrofit an ESS at an existing generation site in the near future."[5]

CCEBA notes that the August 17, 2021 Order did not impose or consider such limitations on the eligibility of existing QFs to add storage, and CCEBA is not aware of prior filings or proposals by stakeholders participating in the ESS retrofit process that suggested the imposition of such eligibility limitations. CCEBA further notes that Duke's concern about the "potentially large volume" of existing QFs seeking retrofits will depend largely on the applicable avoided cost rates included in Duke's November 2021 avoided cost filings in Docket E-100, Sub 175, which will allow QF owners to determine whether

[2] Retrofit Compliance Filing, Attachment C p. 1.
[3] Attachment C, p. 2.
[4] Attachment C, p. 2.
[5] Attachment C, p. 2.

the addition of storage to an existing QF is economically feasible. Duke's proposal to include interconnection requests for ESS retrofits in the general DISIS process under queue reform will also mitigate the additional administrative resources required to process ESS retrofit requests.[6]

Notwithstanding these concerns, CCEBA does not oppose Duke's proposal to (1) limit the initial availability of ESS retrofits to QFs that established a LEO or entered into a PPA on or before November 15, 2016 and (2) limit the availability of the avoided cost rates to be filed on November 1, 2021 to the earlier of November 1, 2023 or when 100 MW of incremental ESS retrofit additions have submitted Notice of Commitment Forms under the new rates. However, CCEBA requests that following the expiration of the availability of the New ESS Retrofit avoided cost rates, the Commission require Duke to submit a report in this docket updating the Commission regarding the number of projects that have submitted a Notice of Commitment to add storage, the status of ESS retrofit interconnection study processes, and any other information the Commission determines is appropriate for Duke to provide. CCEBA also requests that at that time, the Commission require Duke to expand the eligibility of ESS retrofits to QFs with LEOs established or PPAs executed after November 15, 2016 as well as before, consistent with the Commission's directive in the August 17, 2021 Order.

b. ESS Retrofit Rates

Regarding the avoided cost rates available to QFs adding storage after the initially-published ESS avoided cost rates are no longer available, CCEBA does not object in

[6] Duke proposes that ESS facilities that plan to export outside of the hours of 9:00 am to 5:00 pm will be studied as part of the DISIS process. In order for ESS retrofits to be economically feasible, CCEBA anticipates that ESS facilities would need to export outside of the 9:00-5:00 window in order to provide output during Duke's peak hours of energy and capacity need.

principle to Duke providing QFs a "negotiated rate commensurate with their LEO" as proposed by Duke; however, CCEBA requests clarification regarding Duke's proposal with respect to such negotiated rates and with respect to the "New ESS retrofit avoided cost rates." Specifically, CCEBA requests clarification from Duke regarding the methodology it will use to calculate the New ESS retrofit avoided cost rates, including for energy delivered outside the 9am-5pm solar window, and whether they propose that this methodology will be different than the methodology used to calculate the negotiated avoided cost rate after the expiration of the initial New ESS retrofit rates. The August 17, 2020 Order stated:

> Like the Public Staff, the Commission recognizes that energy storage can provide benefits to ratepayers by enabling more dispatchable solar facilities, shifting energy from off-peak to on-peak hours, avoiding new peaking capacity, and reducing solar intermittency. <u>Similarly, with the exception of compensation for dispatchability, a solar plus storage facility would presumably be compensated for those benefits through rate structures and tariffs, including, for example, higher on-peak pricing, capacity payments, and the avoidance of the SISC charge. The Commission encourages the parties to continue to investigate these issues, including term and rate design, to incent the addition of storage to uncontrolled generating facilities in the interest of providing value to the utilities' systems.</u> Further, the Commission directs the utilities and interested parties to address this issue in their filings in the 2021 biennial avoided cost proceeding, Docket No. E-100, Sub 175, so that the Commission may revisit the issue, if necessary.[7]

The Commission specifically addresses the development of avoided cost rates that consider and incorporate the unique attributes of ESS. However, Duke's Retrofit Compliance Filing states that with respect to the negotiated rates available to QFs adding storage after the initial New ESS retrofit rates are no longer available, "[t]he methodology

[7] August 17, 2021 Order, p. 10 (emphasis added).

used to calculate these negotiated rates will be the same as negotiated rates calculated for new Interconnection Customers proposing to interconnect a new QF."[8]

CCEBA requests clarification from Duke that the negotiated rates available to ESS retrofits will be based on the Commission-approved ESS rates. In other words, for negotiated ESS retrofit rates, Duke would update its New ESS retrofit avoided cost rate using the same Commission-approved methodology, and not the methodology applicable to non-ESS QFs (to the extent the methodology is different). CCEBA understands that the avoided cost methodology and rates, both for New ESS retrofits and new QFs, will be filed by Duke on November 1, 2021 and will be litigated in Docket E-100, Sub 175, and therefore CCEBA does not intend to presently address the question of the appropriate avoided cost methodology for ESS retrofits but rather seeks to clarify the issue described above.

In addition, CCEBA requests that after the expiration of the initial New ESS retrofit avoided cost rates, in addition to allowing QFs to negotiate ESS retrofit avoided cost rates for individual projects, Duke continue to calculate and offer a standard ESS retrofit avoided cost rate. CCEBA acknowledges that the substantial value ESS can provide may be based on location- and project-specific characteristics, and for that reason, negotiated rates above the ESS retrofit rate for individual projects that can capture those unique characteristics and values are appropriate. However, CCEBA notes that the availability of standard ESS retrofit avoided cost rates will provide a more efficient means for QF owners to participate in an ESS retrofit process without being required to engage in the resource-intensive process of rate and PPA negotiation with Duke.

[8] Retrofit Compliance Filing, Attachment C, p. 3.

Finally, the Retrofit Compliance Filing proposes that the New ESS retrofit avoided cost rates "will correspond to the amount of time left on the QF Interconnection Customer's generation site's current PPA as of January 1, 2023" but that "in the rare case that an ESS retrofit Interconnection Customer has more than 10 years left on its existing PPA as of January 1, 2023, that Interconnection Customer will receive the 10-year published New ESS retrofit avoided cost rate but will secure the 10-year rate for the remaining life of the existing PPA."[9]

The August 17, 2021 Order states that "the Commission agrees with NCCEBA, NCSEA, and SACE that offering storage the term that remains on the PPA is reasonable at this time."[10] NCCEBA, NCSEA, and SACE recommended that "the term offered for the energy storage output should be the remainder of the PPA term, such that the fixed-price term available to the retrofit storage would be available for as long as the term remaining available to the generating facility."[11] Duke's proposal to limit the ESS Retrofit avoided cost rate to the 10-year rate for QFs with greater than 10 years remaining on their PPA is therefore inconsistent with the August 17, 2021 Order. CCEBA requests that in the event that a QF with greater than 10 years on its existing PPA seeks to add storage as contemplated in the August 17, 2021 Order, Duke provide the QF with an ESS retrofit avoided cost rate that corresponds to the remaining duration of the PPA (e.g. if the QF had 12 years remaining on its PPA, Duke would calculate a 12-year ESS retrofit avoided cost rate for that QF).

c. Additional Issues

[9] Attachment C, p. 2.
[10] August 17, 2021 Order, p. 10.
[11] August 17, 2021 Order, p. 9. *See also*, NCCEBA, NCSEA, and SACE Reply Comments, p. 5 (November 20, 2020).

Duke proposes that ESS facilities that plan to export outside of the 9:00 am to 5:00 pm window would be studied as part of the DISIS process rather than being eligible for the ESS Retrofit Expedited Study Process. For QFs adding ESS that would be studied as part of the DISIS process, CCEBA requests that Duke be transparent and involve stakeholders in developing in the standards and parameters used in that study, particularly as to ESS dispatching outside the 9:00 am to 5:00 pm window.[12]

CCEBA notes that it anticipates that Duke's November 1, 2021 avoided cost filing in Docket E-100, Sub 175 will address additional issues the Commission identified in the August 17, 2021 Order that CCEBA expects to address during that proceeding. Those issues include but are not limited to:

1. Avoided cost methodology and rates applicable to ESS retrofits;
2. The evaluation and quantification of ancillary services that ESS are able to provide, including the appropriate inclusion of ancillary services in rates; and
3. The application of the SISC to QFs with co-located storage.

[12] For example, will Duke assume that the ESS will provide maximum output during all 24 hours of the day, or will it model and evaluate such QFs over selected shorter periods?

WHEREFORE, CCEBA respectfully requests that the Commission grant the relief requested in these reply comments and any further action the Commission determines is appropriate.

Respectfully submitted this 21st day of October 2021.

CAROLINAS CLEAN ENERGY
BUSINESS ASSOCIATION

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CERTIFICATE OF SERVICE

I hereby certify that all persons on the docket service list have been served true and accurate copies of the foregoing document by hand delivery, first class mail, deposited in the U.S. Mail, postage pre-paid, or by email transmission with the party's consent.

This the 21st day of October 2021.

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