



City of San Antonio

Agenda Memorandum

File Number:20-5096

Agenda Item Number: 20.

Agenda Date: 9/17/2020

In Control: City Council A Session

DEPARTMENT: Finance

DEPARTMENT HEAD: Troy Elliott, Deputy Chief Financial Officer

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Approval of an updated CPS Energy Wholesale Transmission Customer Primary Distribution Voltage Service Rider No. E14 and renaming of the rate schedule to Wholesale Distribution Service (WDS) Rider No. E14.

SUMMARY:

The Public Utility Commission of Texas (PUCT) requires Transmission Service Providers like CPS Energy to offer wholesale distribution access to its transmission system, if requested by an electric power generator. This item updates the existing Wholesale Transmission Customer Primary Distribution Voltage Service Rider No. E14 ("Rider") to better reflect costs associated with usage of CPS Energy's distribution system by customers. The rate schedule is also renamed as the Wholesale Distribution Service, WDS Rider No. E14 ("WDS Rider") for the same reasons.

BACKGROUND INFORMATION:

Among other functions, the Electric Reliability Council of Texas (ERCOT) manages the State-wide electrical transmission grid and operates the wholesale power market. Transmission Service Providers like CPS Energy are required to provide generators access to the transmission system. This allows electric power generators to sell power into the ERCOT wholesale market.

The State-wide transmission grid is comprised of the high voltage power lines (60 kV (kilovolts) or above) that move bulk electricity across the State from generating units to utilities, who lower the voltage and distribute the power to customers through their distribution power lines (below 60 kV). The State-wide vs. utility systems are called the transmission system and distribution systems, respectively.

Any electric power generator can participate in the ERCOT wholesale market, provided it meets the ERCOT and PUCT registration requirements and adheres to applicable rules. Most electric power generators connect to the transmission system directly; however, PUCT Rules specify that transmission service at distribution line voltage must be provided upon request. CPS Energy must comply with PUCT rules and thus, provide transmission service at distribution level voltage.

New types of customers, such as battery storage operators, are seeking to access the CPS Energy distribution grid to buy and sell power into the ERCOT wholesale market. Through the updated WDS Rider, CPS Energy will enable midscale battery storage on its distribution system, and will help customers meet climate goals, promote grid resiliency, and align with community objectives for diverse electrical sources. With the advancement of battery technology, CPS Energy expects adoption of this service on its distribution system.

The updated WDS Rider better reflects different cost recoveries based on where an entity buying and selling power into the ERCOT wholesale market attaches to the CPS Energy distribution system. The current Rider has a single “one size fits all” rate assessed for the use of CPS Energy’s distribution system. The new, updated WDS Rider uses a more tailored, stratified approach and contains three different rates assessed to the customer based on how much of CPS Energy’s distribution assets they use.

The rates in the updated WDS Rider were developed using standard cost allocation principles and a recent cost of service study that was validated by an external expert. This is an evolution of an existing rider, not a general rate increase. It has a narrow focus on a new type of customer. As such, it does not impact customers broadly, other than creating a new revenue stream which helps defray system costs, keeping rates down.

Under existing legislation, CPS Energy maintains the exclusive right to provide retail electric service within its service territory. The WDS Rider allows wholesale, not retail, transactions and accordingly does not conflict with CPS Energy’s franchise authority.

Lastly, the regulatory approval process for the WDS Rider is slightly different than it is for CPS Energy’s other rates since it must comply with PUCT rules and ERCOT protocols. Following approval by CPS Energy’s Board of Trustees and San Antonio City Council, the WDS Rider will be filed with the PUCT for administrative approval.

ISSUE:

Whether to update the current Rider and allow CPS Energy to assess rates based on distribution system usage by the entity buying and selling power in the ERCOT wholesale market.

ALTERNATIVES:

If the update is not approved, CPS Energy may not fully recover the cost of providing the service.

FISCAL IMPACT:

The WDS Rider is expected to generate approximately \$20,000 in City Payment annually for FY2021.

RECOMMENDATION:

The Supervisor of Public Utilities and City Staff recommend approval of the updated CPS Energy Wholesale Distribution Service, WDS Rider No. E14.