
OLR Bill Analysis

HB 5327 (as amended by House "A")*

AN ACT CONCERNING ENERGY STORAGE SYSTEMS AND ELECTRIC DISTRIBUTION SYSTEM RELIABILITY.

SUMMARY

This bill sets more requirements for electric distribution companies (EDCs, i.e., Eversource and United Illuminating) seeking to build, own, or operate energy storage systems (see BACKGROUND). It also requires the Public Utilities Regulatory Authority (PURA) to direct the EDCs to submit up to three proposals for an energy storage pilot program.

Current law generally allows (1) EDCs to build, own, or operate storage systems and (2) PURA to authorize an EDC to recover from ratepayers prudently incurred costs and investments related to these systems, first through a fully reconciling component of ratepayer bills, and then, at the company's next rate case, through base distribution rates. The bill limits this provision to energy storage systems that enhance distribution reliability or resiliency. It also requires, rather than allows, PURA to authorize EDCs to recover their prudently incurred costs and investments for these systems. Under the bill, PURA must do so through a contested case during the company's next rate case, rather than allowing the company to recover its costs through a fully reconciling rate component.

For completed systems, both generally and under the pilot program, the bill requires the company to maximize the value from the system's participation in wholesale electricity, capacity, or other markets, as applicable, while maintaining distribution system reliability. Under the bill, companies must credit any net revenues the system generates through market participation to ratepayers to offset the completed system's cost.

*House Amendment "A" (1) eliminates provisions in the underlying bill (a) requiring the Division of Emergency Management and Homeland Security to include emergency or backup power for critical infrastructure facilities in its civil preparedness plan and (b) creating a preauthorization process for utility-owned energy storage systems; (2) requires, rather than allows, PURA to authorize EDC cost recovery for energy storage systems; (3) extends the requirement that EDCs maximize an energy storage system's value to apply to the pilot program; and (4) caps the number of pilot programs proposals at three per company.

EFFECTIVE DATE: October 1, 2022, except provisions on the pilot program are effective upon passage.

ENERGY STORAGE PILOT PROGRAM

The bill requires PURA to direct each EDC to submit up to three proposals by January 1, 2023, for a pilot program for each company to build, own, and operate energy storage systems to demonstrate and investigate how these systems can improve critical infrastructure resiliency and electric distribution system reliability. It requires PURA to approve or modify an EDC's proposal if it concludes that investment in energy storage systems under the proposal is reasonable, prudent, and provides value to ratepayers.

The bill allows EDCs to recover prudently incurred costs associated with the pilot program, first through a fully reconciling component of electric rates for all customers and then, at the company's next rate case, through base distribution rates. The bill specifies that the pilot program requirements do not limit or cap provisions described above generally allowing EDCs to build, own, or operate energy storage systems.

BACKGROUND

Energy Storage Systems Defined

By law, an "energy storage system" is any commercially available technology capable of absorbing energy, storing it for some time, and then dispatching it (e.g., a battery). It must also be able to:

1. use mechanical, chemical, or thermal processes to store electricity generated at one time for use later on;
2. store thermal energy for direct use for heating or cooling at a later time in a way that avoids the need to use electricity later on;
3. use mechanical, chemical, or thermal processes to store electricity generated from renewable energy sources for use later on; or
4. use mechanical, chemical, or thermal processes to capture or harness waste energy and store this electricity generated from mechanical processes for delivery later on (CGS § 16-1(a)(48)).

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable

Yea 26 Nay 0 (03/22/2022)