



November 16, 2018

Via Electronic Filing

Commission Chair Megan Decker
Commissioner Stephen Bloom
Commissioner Letha Tawney
Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, Oregon 97301-3398

RE: Transmission Workshops

Dear Commissioners:

The Northwest and Intermountain Power Producers Coalition (“NIPPC”) appreciates that the Oregon Public Utility Commission (the “Commission”) intends to host a long-overdue series of transmission workshops to promote Commission education on and discussion of generic, foundational transmission topics. The Commission should use this as an opportunity to foster a better understanding of a critical, but often not fully appreciated aspect of the electric industry. This can only occur if the process is open to all stakeholders, and if the utilities provide transparent and open information on the fundamentals of the transmission system, how they operate their transmission systems, and how ratepayers can benefit from the least-cost and least-risk operation of the system.

The current transmission system is built upon arcane and outdated contracts and policies, most of which would be extinct if the Northwest had a regional transmission organization or independent system operator. In a system of organized markets, this conversation about how to better optimize efficiency and competition, and how to protect consumers and non-utility generators from the market power exercised by incumbent monopoly utilities would be unnecessary. NIPPC welcomes the Commission’s invitation to the Bonneville Power Administration (“BPA”) to join the process. BPA operates 75% of the region’s transmission; therefore, Portland General Electric Company (“PGE”), PacifiCorp and Idaho Power Company are all to greater or lesser degrees dependent upon BPA and influenced by BPA’s decisions.

The Commission’s proper understanding and regulation of transmission will become one of the most important factors in determining whether, and at what cost, Oregon is able to meet its climate and renewable energy goals. Transmission obstacles currently stand in the way of maximizing this state’s wealth of low-cost renewable energy, including preventing the cost-effective integration of renewable energy, and being a major and entirely unnecessary restriction on the ability of producers of low-cost energy from the eastern and southern parts of the state to sell power that can serve the

major metropolitan areas. The utilities' costly transmission assets, as well as underutilized contracts and reservations should be used as tools rather than barriers to the development of the least-cost and least-risk renewable resources of the future.

1. First Workshop Agenda

PGE, PacifiCorp, BPA and Renewable Northwest jointly suggested a first workshop on January 17, 2019 focusing on a subset of topics that would include:

- Overview of the regional transmission system and the current landscape
- Overview of the main entities and institutions and their roles and responsibilities
- Common transmission terminology and key concepts such as:
 - Open access
 - Available Transfer Capability¹
- Basics of transmission operations and planning, both at the regional and individual utility level including:
 - Transmission products
 - Transmission constraints
 - Costs and challenges associated with building new transmission

These are good starting points for regional transmission discussions, but the workshops should start at a more basic level. NIPPC recommends that the first workshop either be focused on or at least include an in-depth overview of the existing Pacific Northwest transmission system and a fact-based examination of how the system actually operates from a “single owner” perspective. This introduction should include a discussion of the operational realities of the transmission system and the reliability rules that govern its operation. Then the discussion can expand to include the regulations and commercial constructs that govern access to and use of the transmission system.

Some of the basic information that NIPPC believes is foundational to a good understanding of the transmission system and laws that hopefully will be considered at an initial workshop include:

- History of the Pacific Northwest transmission system, and why it looks the way it does today
- Review of actual historical power flows within the Pacific Northwest and between the Pacific Northwest and other regions

¹ PGE, PacifiCorp, BPA and RNW requested that the Commission better understand “Available Transmission Capacity”, which is not a common transmission term or concept. NIPPC assumes that this was a mistake and that they actually meant to include on the agenda “Available Transfer Capability” or ATC, which is a common transmission term and concept.

- In-depth review of reliability considerations to include regulatory requirements, nature and types of reliability events, planning requirements, and planning tools
- Transmission considerations associated with the transition from the current thermal based power system to one increasingly dependent on non-dispatchable renewable resources
- The nature and extent of existing transmission “congestion”, and the tools available to Balancing Authority Area operators to mitigate any constraints
- How transmission “scheduling” works, why it is critical to coordinated system operations, and why power does not actually flow as scheduled

2. Subsequent Workshop Agendas

Subsequent workshops should include a high-level examination of the contractual relationships between transmission providers in the Pacific Northwest, and an exploration of policy tools available to ensure the investor-owned utilities do not use their transmission rights to favor their own generation resources at the expense of consumers. Specifically, NIPPC supports the Commission’s two agenda items, which are to address:

- Understanding how and why utilities, third parties and customers hold transmission rights, how and why transmission rights may be repurposed or redirected, and tools for regulators to understand and evaluate transmission rights; and
- Interactions in timing and contracting commitments between utility resource planning and procurement and project interconnection agreements and acquisition of transmission rights.

NIPPC also suggests adding the following agenda item to subsequent workshops:

- Understanding the disconnect between transmission planning processes (both at the utility and regional level), Integrated Resource Planning, and generation resource procurement and exploring how this disconnect limits the generation resource options available to consumers.

NIPPC understands that these topics will include the key issues that NIPPC and other independent power producers have been raising at the Commission for the past few years regarding utility actions that have used transmission as an important tool to favor utility-owned rather than purchased generation. Some of these include:

- In PGE’s 2016 integrated resource plan (“IRP”), NIPPC explained that PGE failed to put forth a transmission plan and did not analyze the costs and benefits of converting its BPA transmission service to BPA’s network service. NIPPC also pointed out that PGE reserved significant amounts of transmission that made it

difficult for independent power producers to sell power to PGE. The IRP was not a contested proceeding, and PGE refused to provide information that would allow Staff or the stakeholders to evaluate the full extent of PGE's transmission reservations or how they could be used to favor PGE's own resources.

- In PacifiCorp's 2017 Renewable Request for Proposal ("RFP"), NIPPC pointed out that interconnection and transmission requirements, as well as restrictions on the location (Wyoming) and type of power (wind), would significantly limit the number of potential bids. While the Independent Evaluator concluded that the best projects that were able to compete fairly won under the terms of the RFP, different interconnection and transmission requirements would have resulted in a broader group of bids, some of which were lower cost.
- In PGE's 2018 Renewable RFP, NIPPC again pointed out that interconnection and transmission requirements would significantly limit the number of potential bids. PGE declined to, and the Commission did not require PGE to, provide accurate information regarding its own transmission rights. Due to PGE's RFP transmission requirements, some projects were excluded. Ultimately, the best projects that were able to compete under the Commission approved terms fairly won the RFP and the Commission should acknowledge PGE's RFP, but a broader group of projects could have bid into the RFP with different requirements.
- Transmission issues are preventing qualifying facilities ("QFs") under the Public Utility Regulatory Policies Act ("PURPA") from selling their power to PGE and PacifiCorp. PacifiCorp claims that nearly its entire Oregon service territory is made up of areas with low loads and that the addition of new non-utility owned generation will result in generation surplus conditions.² Despite concerns being repeatedly made in generic Commission dockets, the Commission allows PacifiCorp to use these alleged concerns to refuse to enter into contracts with QFs even when there is more than sufficient transmission to wheel the power to load. QFs in the sunny, windy and hydroelectric rich parts of the state are also experiencing significant road blocks selling power to PGE based on transmission and scheduling issues, as well as the small size threshold for standard contracts and rates which makes it difficult for smaller projects to purchase the expensive transmission necessary to reach PGE's service territory.

3. Stakeholder Participants

The Commission requested that stakeholders nominate speakers who can present on relevant subject areas. NIPPC recommends that the Commission look to independent expertise outside of the three investor-owned utilities to provide a fresh and more objective perspective. There are transmission experts, operators and consultants that do

² PacifiCorp calls these "load pockets," but a more accurate term would be "generation surplus" conditions.

not have direct (or at least not significant) financial ties to any of the regional stakeholders, and they should be sought out for their expertise in this process.

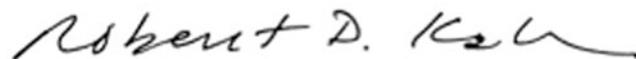
NIPPC also recommends that the Commission seek FERC's assistance in providing a summary of transmission system "basics", including a general overview of FERC regulation of Transmission in the U.S. This could cover the fundamental regulatory policies of open access, types of transmission service that utilities offer and their characteristics, how the Generator Interconnection Process works, the Scope of the Pro-Forma Interconnection Agreement, and the difference between Energy Resource Interconnection Service (interconnection only) and Network Resource Interconnection Service (extended studies that identify any network upgrades required to obtain transmission service as a designated network resource).

NIPPC recommends that the Commission seek participation from consumer advocates and independent power producers with transmission expertise, and nominates Henry Tilghman to provide the perspective of Northwest independent power producers. Mr. Tilghman's experience includes working at PacifiCorp on administration of PacifiCorp's portfolio of transmission contracts as well as Federal transmission regulatory compliance and policy issues, working as an Assistant General Counsel at BPA advising the Agency on transmission policy, strategy and compliance, and leading the Government Relations team at Vestas Americas with a substantive focus on transmission policy. Mr. Tilghman currently represents renewable energy developers, investors and generator owner/operators as well as regional and national trade organizations on energy market design, transmission and BPA issues. Irion Sanger will be NIPPC's legal counsel during these workshops.

4. Conclusion

NIPPC looks forward to working with all stakeholders on the critically important issue of transmission operations and planning. Its importance cannot be understated in terms of ensuring that captive consumers are only responsible for paying for the least cost and risk generation resources that the utilities ultimately select.

Respectfully submitted,



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NIPPC Executive Director

cc: Michael Grant, Executive Director
Elaine Prause, Deputy Director, Utility Program
Sarah Rowe, Administrative Law Judge