

**Explaining HB 2020 Amendments
Leveraging Competition to Reduce Carbon Emissions
Northwest & Intermountain Power Producers Coalition (“NIPPC”)**

Generating electricity with fossil fuels is a major source of carbon emissions. PacifiCorp and Portland General Electric (PGE), and three “independent power producers” (IPPs) produce Oregon’s “thermal” electric power.¹ The utilities are regulated monopolies and are guaranteed rates of return while the IPPs and competitive Electricity Service Suppliers (“ESSs”) are entrepreneurial companies and operate entirely at their own risk. Current state law requires competition between the utilities and IPPs/ESSs so ratepayers get the lowest prices for the electricity they use.² Price competition between utilities and IPPs/ESSs has benefitted Oregon by reducing the costs to serve customers and by encouraging the development of wind, solar and other carbon-free renewables within the state.

As currently drafted, HB 2020 will thwart rather than support competition by giving an allocation of free allowances to the utilities with no limitation on how the utilities use the value of such allowances, while not providing similar treatment to their competitors. This disparate treatment would tilt the playing field to favor out-of-state coal generation and utilities’ gas generation over lower-emitting, and potentially lower-cost, IPP generators or ESS power suppliers, while raising the cost of power to retail ratepayers. This treatment would have the unintended effect of threatening good-paying jobs in rural communities, limiting carbon reductions available from the program, and could even have the perverse effect of increasing, instead of decreasing, the use of coal for power generation. In addition, certain provisions of HB 2020, such as the proposal to exempt emissions for one half of an existing gas fired power generation plant for power delivered out of state, could seriously undermine program integrity and threaten program linkage to the WCI cap and trade market.

The amendments to HB 2020 proposed by the Northwest & Intermountain Power Producers Coalition (NIPPC) would correct these oversights without any fundamental change in the program while advancing the bill’s overall objectives to decrease carbon emissions without unnecessarily raising power costs to Oregon consumers. Specifically, the amendments:

- Direct the PacifiCorp and PGE to include the full value of their allowances in all their power delivery decisions, bids into competitive procurements and investment decisions;
- Require the utilities to use the value of the free allowances exclusively for the benefit of their Oregon ratepayers, and not for the benefit of shareholders, to subsidize wholesale sales, out of state power sales or power sales outside of their service territory, or otherwise used in a manner that does not return the value to their ratepayers;
- Assure the value of free allowances granted to the utilities are not used to skew Oregon’s competitive power markets as mandated by the Direct Access laws;
- Strike language in Section 10(2)(c) that would eliminate a compliance obligation for a utility-owned portion of a natural gas fired generation plant that delivers power out of state, as this is discriminatory and could disrupt Oregon from successfully linking to California’s established carbon market.

NIPPC would be pleased to support HB 2020 provided it can be revised to protect competitive policies, which play a significant role in protecting ratepayers and promoting innovation and carbon reduction in the power industry.

Finally, NIPPC strongly supports maintenance of at least the 8% offset usage limit in Section 19.2(a). Offsets provide a key source of cost containment for compliance entities, while creating revenue earning opportunities for sectors that are not subject to cap.

¹ The three independent power producers are: Avangrid; Calpine; Perennial Power.

² By law, Oregon’s electric generation industry is intended to be a competitive market where commercial and industrial retail customers are entitled to directly purchase power in the open market from third- party electricity service suppliers to the same extent as purchasing power from their local utility. This law, known generally as the Direct Access, has been in place since 1999, and is codified in Chapter 17, Section 757.600 through 757.689 of Oregon’s Revised Statutes. The Oregon legislature declared that the Direct Access program is of critical import to the economic health of the state. This competition between utilities and third parties has benefitted Oregon by introducing significant price competition into the power market. And it is the competitive power providers that have driven towards low carbon power, being the primary developers of wind, solar and other renewables within the state.