



July 1, 2019

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

(Via E-Mail)

Re: Transmission Workshops

Chair Decker and Commissioners Bloom and Tawney:

I would like to thank you personally - as well as on behalf of the Northwest and Intermountain Power Producers Coalition (NIPPC) and its members - for your leadership in convening the planning committee to organize workshops on transmission topics for you, your fellow Commissioners and Oregon Public Utility Commission (OPUC or the Commission) staff. I was heartened by the level of engagement and thoughtful questions. The workshops should go far in helping de-mystify transmission issues that come before the Commission in the future and ensuring that utility transmission assets are used for the benefit of end use consumers.

I would also like the opportunity to highlight the major themes that NIPPC hopes you and your colleagues take away from these workshops.

First, we learned a little about how the grid works and the direction of the major flows on the system. We also learned that the electrons on the grid follow the rules of physics and that the contract rules governing access to the transmission grid are not a perfect match to what actually happens on the wires.

The Federal Energy Regulatory Commission (FERC) explained that it issued Orders 888 and 888-A because it found that undue discrimination in the provision of transmission service impeded development of a competitive power market. To accomplish the policy goal of a competitive wholesale market, FERC mandated that transmission providers adopt an Open Access Transmission Tariff which contains specific types of transmission products to meet the needs of different types of transmission customers. We also learned that even though BPA is not subject to FERC jurisdiction in the same way as other transmission providers, it offers

customers similar transmission products under an Open Access Transmission Tariff intended to incorporate as much as possible without conflicting with BPA's other statutory obligations.

We learned about the specific challenges of developers — and transmission providers — in navigating the interconnection process to get new generation connected to the grid. And we learned about the separate queue process needed to obtain transmission service, as well as the different transmission products available to customers, including firm point to point, conditional firm and network transmission services. We learned about the different federal and state interconnection policies. FERC's policy provides that any network upgrades are paid by all transmission customers because those upgrades benefit all users of the transmission system; this policy also prevents transmission providers from discriminating against generation not owned or developed by the transmission provider's merchant function. In contrast, Oregon's policies require interconnection customers to pay for network upgrades unless the interconnection customer can demonstrate that the upgrades benefit the system.

In the later workshops, we learned a little about how organized markets are different from the bilateral market. We learned about transmission planning and the long timelines associated with developing plans and the significant time lag in incorporating new information into transmission plans.

Enforcement of open access to the transmission system and the obligation to prevent undue discrimination is a responsibility of FERC. But even though FERC has the responsibility to ensure that transmission providers provide independent generation developers non-discriminatory open access to the transmission grid in order for them to compete with utility owned generation, the OPUC has its own responsibilities - particularly in overseeing the Integrated Resource Planning (IRP) and Requests for Proposals (RFP) - which require an understanding and reasonable application of the transmission issues covered in the workshops. The workshops should have made clear that greater transparency is possible and that with sufficient time and effort Commissioners and staff can be fully informed about the transmission issues that they must apply in the dockets that come before them. FERC is responsible (and its regulations intended) to make sure the playing field in the wholesale energy market is level, but too frequently in the IRP and RFP contexts, that field is covered in thick smoke and the investor owned utilities have made sure that only their team is equipped with thermal imaging goggles to the detriment of both the other players on the field (independent generation developers) and the officials responsible to ensure that the game is being played fairly (the Commissioners and OPUC staff).

Utilities should not be allowed to dismiss questions related to transmission by claiming the issue is "complicated" or that "no one knows our system better than we do." The workshops clearly demonstrated that each utility has taken very different approaches to various aspects of transmission service both within its own transmission tariff and how transmission issues are reflected in their Integrated Resource Plans. Utilities should be given the opportunity to explain their approach — but also required to defend their specific approach as superior to alternative approaches that are successfully implemented by other utilities. And utilities should be prepared to explain how the outcome of their "unique" approach is consistent with a competitive wholesale market and how their approach benefits their ratepayers.

And finally, the workshops should have made clear that transmission usage in the Pacific Northwest is changing. While the towers, wires and substations are still in the same locations, the types of generation units that are being connected to the grid operate much differently than the generation units that are being retired — and as a result the transmission system will have to be operated in a different way. The Energy Imbalance Market, or other flavors of organized markets, can facilitate this shift in operations, but the region will still be using the FERC mandated open access transmission tariff for some time. NIPPC's consistent position is that a

utility's transmission rights - the rights held by a utility's merchant function whether on its own transmission system or on a neighboring system - belong to, or at least must be used to benefit, the utility's customers. As the use of the grid changes, utilities should be expected to change how they use the grid and how they use their transmission rights. NIPPC believes that in evaluating potential generation additions, utilities should make their transmission rights available for all potential generation — not just to the generation projects the utility hopes to build, own and operate — so that the full potential of transmission resources are employable to the benefit of the ratepayer (and not artificially restricted in ways that limit competitive options and market creativity).

Ultimately, NIPPC and its members — and Oregon ratepayers — are counting on you, your fellow Commissioners and your staff to make sure that FERC's policy of a competitive wholesale market is implemented in the dockets that come before you — and that interconnection, transmission, and competitive procurement policies and rules are implemented in a manner that brings the full benefit of these resources to ratepayers and the market that serves them.

Very truly yours,



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