



# Citizens' Utility Board of Oregon

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July 25, 2014

Ruchi Sadhir, Senior Policy Advisor  
Oregon Public Utility Commission  
PO Box 1088  
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## **Re: UM 1690 - Comments on Initial Staff Outline on VRET Structure**

Dear Ms. Sadhir:

CUB appreciates the opportunity to comment on Staff's initial outline of a potential Voluntary Renewable Energy Tariff (VRET). These comments are intended to support next steps in the development of the future Commission report on the potential appropriateness of a VRET and also to highlight what ratepayers advocates will be considering as the process moves forward.

### Overview

CUB believes this docket has two distinct paths. First, the Commission is required by statute to provide an analysis of whether a Voluntary Renewable Energy Tariff is warranted, how it might work and what use it might have in the marketplace. If there is a determination that VRET may have a role, the Commission would also need to outline the safeguards that would need to be in place to ensure that nonparticipating customers are not subsidizing products offered under such a tariff and that such a tariff would not interfere with other market options.

The second path, while somewhat dependent on the first, will also influence the development of the first path. CUB is not clear how the theoretical exercise of the first path can be accomplished without some kind of parallel discussion of a specific proposal or proposals. While a VRET may not be a one-size-fits-all proposition, CUB believes it will be difficult to even outline an initial size for an initial VRET without some idea of what utilities and customers are thinking in terms of product needs and the like. CUB believes that Staff is pursuing the correct course of action regarding the first path. We also believe that the proposed chart is a useful tool. But we also hope that some specifics are offered by some party that is advocating for creation of VRETs to inform the theoretical process. Otherwise, the case for a potential VRET may be difficult to make.

The remainder of these comments will focus on particular issues within the Basic Structure section of Staff's proposed framework.

### General Approach of the Basic Structure Section of the Framework

CUB appreciates the Staff's work in outlining the basic structure and believes that the sections of Resource Owner, Utility Role, and Relationships are the appropriate areas of consideration of

this part of the framework. These correctly identify the key areas and resulting connections that need to be understood in the development of any VRET.

#### Issues Related to Third Party (ESS, IPP) as Resource Owner

1.a) CUB is not clear what a utility “pass-through” of renewable energy might look like. It seems that it might resemble the transmission tariff outlined by NIPPC at the first workshop of this docket. But would that then really be a VRET? We had essentially the same question as Staff posed in the Notes/Comments section: would this really be just a transmission tariff instead? CUB needs more information about what the market players (ESS/IPP and customers) would really need from the utility to offer more insight.

1.b) The question that Staff poses in the Notes/Comments section of this item is an interesting one: does the utility become a marketer because it is taking ownership of renewable energy. CUB believes that it would depend on whether a customer and a third-party ESS/IPP would be bringing a proposed tariff to the utility or whether the utility was acquiring or building resources with the intention of pursuing business development activities. If indeed the proposal was “customer/ESS-driven,” and those parties needed the utility to facilitate a transaction, that is one dynamic. But if the utility was seeking this as a business line to generate revenues, that is quite another and one that would require more scrutiny.

1.c) In addition to the wholesale/FERC jurisdictional issues raised by Staff, CUB would also question the long-term implications of this approach. How much aggregation of a “VRET load” becomes more than a de minimus factor in the operation of the system? That is, how many aggregated “VRET loads” essentially become a separate system from the utility’s non-VRET customers? How are costs identified and handled? While a VRET system may start out small, some parties have made it clear that the approach could have the potential to substantially expand the market. Therefore, CUB believes this process should anticipate not just minor participation but potentially large numbers of megawatts at stake and debate the issues accordingly.

1.d) Similar issues can be raised here as those in 1.c.

#### Issues Related to Regulated Utility as Resource Owner

The Staff questions raised are the key ones for this area of consideration. In addition, CUB also wonders if there should be some kind of administrative fee for such arrangements as contemplated under this section and, if so, what levels those fees would be and how those fees would affect the pricing structure. This is the area of consideration where parties should deeply examine the current functioning of direct access and identify what is working and what is not working with that structure, thus requiring the need for this kind of utility involvement in developing a VRET.

#### Issues Related to a Utility Affiliate as Resource Owner

The issues raised as part of this area of consideration mirror those identified under Section 1 and the involvement of ESS/IPPs. Here, the utility affiliate would simply be taking the place of the

ESS/IPP in the discussion. Again, as in the Regulated Utility Section, the deep examination of direct access would prove beneficial so that we can understand how any difficulties with direct access could be addressed with this type of utility affiliate structure.

#### Issues Related to the Customer as Resource Owner

CUB is confused as to why a customer-owned resource would be considered as part of a separate tariff process. The Staff inquiry regarding on-site and off-site resources could be particularly important in this discussion as would the issues of net metering and the related issues also identified by Staff. But, it seems as though the potential for a VRET is coming from customers who are seeking a way to cover their load with renewable energy that they are not able to afford or secure themselves. If a customer owns a resource, why would a VRET be needed?

#### Issues Related to a Market-Based (REC) Product

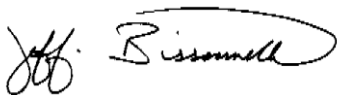
CUB wonders if this area of consideration may be superfluous. Don't most, if not all, customers have this option now? Isn't the point of a VRET to provide power to a large customer and have that power tied to specific resources? Otherwise, a customer could just buy RECs today. If a VRET is nothing more than a big REC purchase, CUB proffers that the ability to do that exists today.

#### Issues Related to a Third-Party Transmission VRET

As noted above, CUB wonders if this area of consideration is close enough to the area of consideration outlined in Section 1 (ESS/IPP) that there is really no distinction. Again, the role of the utility would need to be defined by third party players and a prospective customer.

CUB appreciates the opportunity to offer comments and looks forward to continuing discussions in this docket.

Sincerely,



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## UM 1690 – CERTIFICATE OF SERVICE

I hereby certify that, on this 25<sup>th</sup> day of July, 2014, I served the foregoing **CUB's Comments on Initial Staff Outline on VRET Structure** in docket UM 1690 upon each party listed in the UM 1690 PUC Service List by email and, where paper service is not waived, by U.S. mail, postage prepaid, and upon the Commission by email and by sending one original and one copy by U.S. mail, postage prepaid, to the Commission's Salem offices.

**(W denotes waiver of paper service)**

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