TAYLOR Annette M

From: Lynch, Kevin <Kevin.Lynch@iberdrolaren.com>
Sent: Tuesday, September 02, 2014 9:21 AM
To: PUC.FilingCenter
Cc: SADHIR Ruchi
Subject: UM 1690 Comments
Attachments: 140829.vretissues.pdf

Due to a technical error, comments of Iberdrola Renewables, LLC submitted Friday, August 29 in the above-referenced docket were not delivered to the filing center address. They were, however, received by the service list. The original comments are attached here.

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Implementation of HB 4126 – Voluntary Renewable Energy Tariffs (VRETs)
OPUC Workshop – August 12, 2014 – REVISED by PUC Staff 08/15/2014
Revised Draft Issues for Discussion

QUESTIONS RELEVANT TO ALL VRET MODELS

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I. How should a Voluntary Renewable Energy Tariff (VRET) be defined and designed?

- What are the essential features and design options of such a tariff? Would offering more than one type of tariff design help to satisfy diverse customer demands and program goals?
- How would a VRET product be distinguished from products that might already be available or able to be offered through affiliates or direct access?
- Are there any service requirements (such as transition charges, distribution service charges, etc.) applicable to direct access that would not be required in provision of service under a VRET? If there are, what is the rationale for differentiating between direct access and VRET?
- Should VRETs be considered for all non-residential customers or only a subset of non-residential customers? If not all, should non-qualifying non-residential customers be permitted to aggregate loads?
- Should a product under a VRET be delivered through an open transmission service in the form of a firm point to point contract, path, or similar mechanism?
- Should there be a goal for new renewable energy capacity or customer load served with incremental new renewable resources under a VRET?
- Should a VRET product provider be entitled to aggregate multiple renewable resources as one VRET product?
- Should there be a cap on the amount of load that can be served under a VRET, and, if so, why? How should the cap be determined?
- Oregon utilities are required to comply with the RPS law. For the VRET tariff, what should be the minimum renewable energy component above the RPS requirement?
- What flexibility should be included in the tariff to enable delivery of renewable energy given the variability of renewable energy generation? For example, should the tariff allow renewable energy deliveries to be firmed and shaped to accommodate variability?

II. Whether Further Development of Significant Renewable Energy Resources is Promoted? *(HB 4126 Section 3(3)(a))*

- What constitutes "further development of significant renewable energy resources"?
- Should "further development of significant renewable energy resources" mean buying the direct output from a *new* renewable resource power plant? How do you define *new*? From an *existing* renewable resource power plant? From a *recently constructed* renewable resource power plant (e.g. constructed since the start of the decade)?
- Should "further development of significant renewable energy resources" include buying the direct output and/or bundled RECs from an existing renewable resource power plant? If so, should there be a limit on how old the plant is?
- Should there be geographic limits on the source of eligible renewable energy (e.g. Oregon or the Northwest) to be considered "further development of significant renewable energy resources"?
- How do interactions between the RPS and a VRET influence whether the VRET promotes "further development of significant renewable energy resources?"
- How are renewable QF resources treated within the VRET?

Comment [kal1]: No change proposed here -- Inadvertent deletion/correction.

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III. What may be the Effect on Development of a Competitive Retail Market? *(HB 4126 Section 3(3)(b))*

- Is the competitive retail market harmed if a regulated utility, affiliate of a utility, ~~or~~ a customer, or another entity ~~(?)~~ is able to offer a VRET product and terms of a VRET product to a non-residential customer that a third party competitive supplier cannot provide?

IV. What may be the Direct or Indirect Impacts on Non-Participating Customers *(HB 4126 Section 3(3)(c))*

- How should the Commission ensure that the prices paid for products under a VRET reflect the full cost of providing that service and any requisite back-up/supplementary service without any subsidization from non-participating customers or competitive suppliers ~~(?)~~?
- How should the fixed costs of the existing rate-based system be allocated if VRET participants are "leaving" the rate-based system?
- Does ~~it~~ the issue of allocating costs matter if the load to be served by the VRET product is a new or expanded load, not previously served by the utility? Why should the policy be different from direct access?
- Is there any reason the assignment of costs to customers "leaving" a rate-based tariff should be different under VRET than direct access?
- How should the Commission ensure that non-participating utility customers are protected from cost shifts? Should products under a VRET include transition charges to mitigate potential impacts from cost shifting to non-participating customers? If so, should those transition charges be identical to the charges under the Direct Access programs?
- ~~The above bullets sound somewhat redundant to me now…should be consolidate?~~
- What VRET design criteria can help limit impacts to non-participating customers? Which designs best limit cost and risk shifting?

V. Whether VRETs should rely on a Competitive Procurement Process? *(HB 4126 Section 3(3)(d))*

- Should the Commission limit resource eligibility to renewable energy developed and supplied through a competitive procurement process? If yes, why? If no, how should the Commission evaluate renewable energy supplied through a competitive process?
- Should the PUC's existing processes for competitive bidding be adapted or used?
- How can a VRET program structure ensure that customers have access to the most competitively priced resources in the market and provide a level playing field for all market participants? What structure gives customers best access to the specific resources that they are interested in procuring?

VI. Other considerations *(HB 4126 Section 3(3)(e))*

- What would be the impact to RPS resource cost recovery and compliance requirements if a significant amount of VRET load leaves the rate-based system, which includes unrecovered investments in renewable and non-renewable resources? *(HB 4126 Section 3(6))*
- How will utilities and energy generator avoid over-generation issues if there are new renewable resources added to the system? How will those resources be integrated?
- What customer protections may be appropriate for a VRET program (e.g. Green-E certification? Commission or advisory group oversight?)? For which customer classes?

- How will resources developed for and whose environmental attributes are claimed by customers be represented in power mix disclosures to avoid double-claims?
- What other factors, if any, should the Commission consider in determining whether and how utilities should offer VRETs to non-residential customers? Are there other issues that may be pertinent to the study of VRETs in Oregon?

EXISTING DIRECT ACCESS COMPARISON TO POTENTIAL VRET MODELS – ESS CONTRACTS WITH NON-RESIDENTIAL CUSTOMER TO SELL ELECTRICITY SERVICES. ESS SCHEDULES ENERGY TO UTILITY, WHICH DELIVERS THE ENERGY TO THE CUSTOMER THROUGH THE DISTRIBUTION SYSTEM. AN AGGREGATOR MAY COMBINE CUSTOMER LOADS INTO A BUYING GROUP FOR PURCHASE OF ELECTRICITY AND RELATED SERVICES.

- ***Staff added this row at the suggestion of several parties as a backdrop to the VRET models evaluation to provide a comparison between potential VRET models and the existing direct access model – Please suggest specific questions, if you think they would help to compare with VRET Models below.***

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MODEL 1(B/X) – Third party owned renewable resource. Regulated Utility is the middleman between a 3rd party and customer(s) that are contracting for renewable energy. Customer and 3rd party negotiate for renewable energy service. Regulated utility takes ownership of power through contract with Third Party. Tariff is set for same price and duration as contract. Contract terminates if customer defaults. Utility remains primary point of contact for billing and (by customer choice) load management/ancillary services. Utility could credit customer bill for project ouput (at credit amount TBD - e.g. utility's wholesale avoided cost rather than retail rate) and service balance of customer's energy and capacity need (if any) at cost of service rate.

II. Whether Further Development of Significant Renewable Energy Resources is Promoted? *(HB 4126 Section 3(3)(a))*

- Will this model likely best promote "further development of significant renewable energy resources"?

III. What may be the Effect on Development of a Competitive Retail Market? *(HB 4126 Section 3(3)(b))*

- Should Electricity Service Suppliers (ESS) and Independent Power Producers (IPP) provide renewable energy through a utility as part of a VRET?
- How would the inclusion of ESSes and IPPs as suppliers of renewable energy through a utility under a VRET affect the competitive retail market?
- What should the role of the utility be in developing and offering a product or transacting between customers and an ESS or IPP under VRET?

IV. What may be the Direct or Indirect Impacts on Non-Participating Customers *(HB 4126 Section 3(3)(c))*

- What are all the utility costs likely associated with this model? How can the Commission ensure that these costs are not shifted to non-participating customers?

VI. Other considerations *(HB 4126 Section 3(3)(e))*

- Are there other factors the Commission should consider that may be pertinent to this VRET model?
- Is there a market for this model?

MODEL 1(C/D) –THIRD PARTY OWNED RENEWABLE RESOURCE. REGULATED UTILITY OR THIRD PARTY AGGREGATOR MATCHES VRET LOAD(S) WITH AGGREGATE VRET RE GENERATORS TO MITIGATE ISSUES OF TIMING AND RISK. REGULATED UTILITY OR THIRD PARTY AGGREGATOR COULD AGGREGATE CUSTOMERS INTO "VRET LOAD," PUT THAT AGGREGATED LOAD OUT FOR BID, AND CONTRACT WITH THIRD PARTIES TO SERVE THAT LOAD. AND/OR REGULATED UTILITY OR THIRD PARTY AGGREGATOR COULD AGGREGATE THIRD PARTY RE GENERATORS AND PURCHASE OUTPUT THROUGH FIXED PRICE, LONG TERM CONTRACTS; THE REGULATED UTILITY OFFERS THAT OUTPUT TO THE CUSTOMERS THROUGH A "SUBSCRIPTION" PROCESS.

II. Whether Further Development of Significant Renewable Energy Resources is Promoted? *(HB 4126 Section 3(3)(a))*

- Will this model likely best promote "further development of significant renewable energy resources"?

III. What may be the Effect on Development of a Competitive Retail Market? *(HB 4126 Section 3(3)(b))*

- Should ESSes and IPPs provide renewable energy through a utility as part of a VRET?
- How would the inclusion of ESSes and IPPs as suppliers of renewable energy through a utility under a VRET affect the competitive retail market?
- What should the role of the utility be in developing and offering a product or transacting between customers and an ESS or IPP under VRET?
- Should a VRET allow a regulated utility to aggregate load(s), creating competition with existing aggregators?
- How does the utility manage the risk and timing of the matched VRET load and/or the obligations to aggregated RE Generators?

IV. What may be the Direct or Indirect Impacts on Non-Participating Customers *(HB 4126 Section 3(3)(c))*

- What are all the utility costs likely associated with this model? How can the Commission ensure that these costs are not shifted to non-participating customers?

VI. Other considerations *(HB 4126 Section 3(3)(e))*

- Are there other factors the Commission should consider that may be pertinent to this VRET model?
- Is there a market for this model?

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MODEL 2 – REGULATED UTILITY OWNS AND OPERATES THE RENEWABLE RESOURCE(S) AND DELIVERS POWER TO CUSTOMER. REGULATED UTILITY AND CUSTOMER(S) NEGOTIATE LONG-TERM CONTRACT(S) FOR NON-SYSTEM RENEWABLE ENERGY.

II. Whether Further Development of Significant Renewable Energy Resources is Promoted? *(HB 4126 Section 3(3)(a))*

- Will this model likely best promote "further development of significant renewable energy resources"?

III. What may be the Effect on Development of a Competitive Retail Market? *(HB 4126 Section 3(3)(b))*

- If a competitive supplier is able to provide the same or similar product under a VRET, should a utility be able to provide such a product? If so, why and under what conditions should a utility be able to provide that product under a VRET?
- If there is a negative effect on the ability of competitive suppliers to operate in Oregon, should the ability to offer products under a VRET be limited to affiliates of Oregon utilities? If not, how should the Commission ensure that competitive suppliers are protected and continue to operate in Oregon?

IV. What may be the Direct or Indirect Impacts on Non-Participating Customers *(HB 4126 Section 3(3)(c))*

- What are all the utility costs likely associated with this model? How can the Commission ensure that these costs are not shifted to non-participating customers?
- How should the Commission ensure that the utility's cost of providing VRET service and any requisite back-up/supplementary service is separate from the utility's existing rate-based system resources? Should the utility have a separate set of resources used for VRET customers in a "VRET rate base" for which the costs and rate of return are regulated by the PUC?

V. Whether VRETs should rely on a Competitive Procurement Process? *(HB 4126 Section 3(3)(d))*

- Is there any room for a competitive procurement process in this model? How should the Commission ensure that a utility-owned resource fairly competes in a competitive procurement process?
- How would this model square with the Commission's rules for significant resource procurement?

VI. Other considerations *(HB 4126 Section 3(3)(e))*

- Are there other factors the Commission should consider that may be pertinent to this VRET model?
- If a utility is only allowed to offer a VRET product through an affiliate, what rules should govern interaction/communication between the utility and the affiliate?
- Is there a market for this model?

MODEL 2(C/D) – REGULATED UTILITY OWNS AND OPERATES THE RENEWABLE RESOURCE(S), WHICH COULD BE ELIGIBLE TO COMPLETE IN AN RFP FOR SUPPLYING AGGREGATED VRET LOAD (AS DESCRIBED IN MODEL 1(C/D). REGULATED UTILITY COULD AGGREGATE CUSTOMERS INTO "VRET LOAD," PUT THAT AGGREGATED LOAD OUT FOR BID, AND CONTRACT TO SERVE THAT LOAD. AND/OR REGULATED UTILITY COULD AGGREGATE THIRD PARTY RE GENERATORS AND PURCHASE OUTPUT THROUGH FIXED PRICE, LONG TERM CONTRACTS; THE REGULATED UTILITY OFFERS THAT OUTPUT TO THE CUSTOMERS THROUGH A "SUBSCRIPTION" PROCESS.

II. Whether Further Development of Significant Renewable Energy Resources is Promoted? *(HB 4126 Section 3(3)(a))*

- Will this model likely best promote "further development of significant renewable energy resources"?

III. What may be the Effect on Development of a Competitive Retail Market? *(HB 4126 Section 3(3)(b))*

- If a competitive supplier is able to provide the same or similar product under a VRET, should a utility be able to provide such a product? If so, why and under what conditions should a utility be able to provide that product under a VRET?
- If there is a negative effect on the ability of competitive suppliers to operate in Oregon, should the ability to offer products under a VRET be limited to affiliates of Oregon utilities? If not, how should the Commission ensure that competitive suppliers are protected and continue to operate in Oregon?

IV. What may be the Direct or Indirect Impacts on Non-Participating Customers *(HB 4126 Section 3(3)(c))*

- What are all the utility costs likely associated with this model? How can the Commission ensure that these costs are not shifted to non-participating customers?
- How should the Commission ensure that the utility's cost of providing VRET service and any requisite back-up/supplementary service is separate from the utility's existing rate-based system resources? Should the utility have a separate set of resources used for VRET customers in a "VRET rate base" for which the costs and rate of return are regulated by the PUC?
- Should a VRET allow a regulated utility to aggregate load(s), creating competition with existing aggregators?
- How does the utility manage the risk and timing of the matched VRET load and/or the obligations to the aggregated RE generators?

V. Whether VRETs should rely on a Competitive Procurement Process? *(HB 4126 Section 3(3)(d))*

- How should the Commission ensure that a utility-owned resource fairly competes in a competitive procurement process?

VI. Other considerations *(HB 4126 Section 3(3)(e))*

- Are there other factors the Commission should consider that may be pertinent to this VRET model?
- Is there a market for this model?

MODEL 4(A/X) – CUSTOMER OWNED RENEWABLE RESOURCE. REGULATED UTILITY ROLE DEPENDS ON THE CUSTOMER'S SPECIFIC LOAD AND RESOURCE. COULD INVOLVE DISTRIBUTION AND BACK/SUPPLEMENTAL SERVICES ("FIRMING/SHAPING"). IF CUSTOMER SELF-GENERATES RENEWABLE ENERGY ON SITE, THEN LIKELY REQUIRES OTHER REGULATED UTILITY SERVICES. COULD BE DISTINCT FROM NET-METERING IF REGULATED UTILITY CREDITS CUSTOMER BILL FOR PROJECT OUTPUT (AT CREDIT AMOUNT TBD - THE UTILITY'S WHOLESALE AVOIDED COST RATHER THAN RETAIL RATE) AND SERVES BALANCE OF CUSTOMER'S ENERGY/CAPACITY NEEDS (IF ANY) AT COST OF SERVICE RATES. UTILITY COULD REMAIN PRIMARY POINT OF CONTACT FOR BILLING AND (BY CUSTOMER CHOICE) LOAD MANAGEMENT AND ANCILLARY SERVICES.

II. Whether Further Development of Significant Renewable Energy Resources is Promoted? *(HB 4126 Section 3(3)(a))*

- Will this model likely best promote "further development of significant renewable energy resources"?

III. What may be the Effect on Development of a Competitive Retail Market? *(HB 4126 Section 3(3)(b))*

- If a customer owned renewable resource is off-site, should it be treated as a third party (similar to **Model 1.b/x (Third Party (IPP, ESS)**)? If not, how should it be treated?
- How would the inclusion of customer-owner off-site renewable resources supplied through a utility under a VRET affect the competitive retail market? What should the role of the utility be in developing and offering a product or transacting like this under a VRET?

IV. What may be the Direct or Indirect Impacts on Non-Participating Customers *(HB 4126 Section 3(3)(c))*

- What are all the utility costs likely associated with this model? How can the Commission ensure that these costs are not shifted to non-participating customers?

V. Whether VRETs should rely on a Competitive Procurement Process? *(HB 4126 Section 3(3)(d))*

- Is there any room for a competitive procurement process in this model? How should the Commission ensure that a customer-owned resource fairly competes in a competitive procurement process?

VI. Other considerations *(HB 4126 Section 3(3)(e))*

- If a customer owned resource is on-site, should it be part of a VRET or be part of the existing Net Metering program? Does its inclusion in the Net Metering program depend on if any excess energy generation is anticipated? If a customer owned resource is on-site, but operated and managed by the regulated utility, should it be distinguished from the Net Metering program?
- Are there other factors the Commission should consider that may be pertinent to this VRET model?
- Is there a market for this model?