

## Northwest and Intermountain Power Producers Coalition Brief Statement of VRET Principles

The Northwest and Intermountain Power Producers Coalition (“NIPPC”) is a coalition of generator and energy service suppliers seeking to provide consumers with choice in their energy supply for low cost, reliable power, including opportunities to acquire energy with a low-carbon footprint. NIPPC provides the following response to Staff’s request for a brief statement of principles with respect to whether utilities should be allowed to offer a voluntary renewable energy tariff (“VRET”) to non-residential customers. As addressed below, NIPPC supports allowing the utilities to offer a VRET provided it meets two overarching principles: A VRET must offer a fair and level playing field where all parties – whether IPP, ESS or utility – can compete fairly to provide the new service; and a VRET must not create any unfair cost shifts from one group of customers to another. NIPPC believes implementation of a VRET can be accomplished through the existing direct-access regulations, and/or through a transmission-only VRET under which all parties have an equal opportunity to serve prospective customers, provided that the utility would serve customers through an affiliate (henceforth, a “Transmission VRET”). A more detailed proposal is set out in Attachment 1.

Although NIPPC believes a Transmission VRET may prove feasible, we also stress that the onus in this proceeding must be on the utilities to demonstrate that some form of VRET is appropriate. The legislature directed the Commission to conduct a study *to consider* the impact of allowing electric companies to offer a VRET, and to consider *whether* to allow VRETS at all, not to decide “how to” allow VRETS. The utilities apparently requested the ability to offer VRETS. The burden is on the utilities to demonstrate that a VRET (whether a Transmission VRET or one in any other form) will promote further development of significant new renewable energy resources without impacting other customers, harming development of the competitive retail market, or otherwise causing market disruption.

The burden is also on the utilities to demonstrate that existing direct access regulations -- which already allow a utility to serve (through an affiliate) any non-residential customer with renewable energy – are insufficient to meet these goals. If the utilities are unable, or unwilling, to make these showings, then the Commission can safely conclude that a VRET is not in the public interest. It is not incumbent on the utilities’ customers, competitors, or regulators to make this showing for them.

### **What would make a VRET viable/unacceptable?**

1. A Viable VRET must offer something not available under the current regulations.

The basis for this proceeding appears to be due to a representation by the utilities<sup>1</sup> that customers desire to purchase renewable power, and therefore the Commission should conclude, pursuant to the direction in HB 4126, that they should be allowed to offer voluntary incremental levels of green power to customers who desire a higher level of green energy.

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<sup>1</sup> NIPPC recognizes that the utilities have not yet made any formal representations in this docket, and is responding to its understanding of the utilities’ positions based on informal conversations. As noted above, NIPPC believes it is incumbent upon the utilities to take a position in this proceeding to which other interested parties, such as NIPPC, can react.

According to the WRI Study,<sup>2</sup> in addition to the desire to be perceived as a green company, commercial entities seeking a VRET desire price certainty, electricity cost savings, REC ownership, preservation of capital, and certain other business advantages. The WRI Study goes on to clearly articulate that states that provide retail choice are in the best position to meet those needs. Specifically, the WRI Study finds:

“To date, the models that give companies the broadest access to these energy services and hedges are primarily available in markets with some retail choice and flexible net metering approaches. In 17 states, for example, large customers can sign direct power purchase agreements (PPAs) with suppliers other than the utility managing the wires to their facilities. \* \* \* In many states, however, companies cannot pursue these strategies. They have to find other options that fit within a traditional utility model—or, as some are doing, seek to open the markets to allow third parties and the approaches they have found so useful.”

WRI Working Paper at 3 (internal citations omitted). Of course, Oregon is one of the noted 17 states offering retail access, pursuant to Division 38 of the Commission Regulations (the “Direct Access Regulation”). As such, industrial customers *already* have the opportunity to purchase renewable power on the open market, both from ESS entities as well as from affiliates of the utilities.

2. A viable VRET must be open to competition and present a level playing field.

To the extent a VRET is adopted, it must ensure a level playing field for non-utility suppliers to have an opportunity to offer service on an equivalent basis. The utilities should not be able to create terms and conditions under which they can provide service but an ESS provider can not. By way of example, PacifiCorp’s main Direct Access program is limited to serving customers that have exceeded 30kW at least twice over the past 13 months. Creating a second system whereby a utility could cherry pick industrial customers for service through a VRET, while limiting ESS providers from serving the same load, would unquestionably harm the continued development of a retail market and should not be contemplated. Similarly, customers desiring service from ESS providers are currently forced to pay substantial transition costs that the utilities claim are required to prevent cost shifting to other customers. There is no basis for allowing a utility competing for the same customers to receive an exemption from such costs.

3. A viable VRET must not shift costs to non-participants or make use of facilities or services paid for in rate base.

NIPPC believes that the costs of providing VRET service to specific customers should be entirely borne by the customers desiring such service, and not subsidized by other customers. NIPPC submits that the best – and perhaps the only -- way to meet this goal is to require the utility to provide any VRET service through an affiliate, that would bear the costs of such service to the same extent as any third-party.

Specific tariff principles for a Transmission VRET are set out in Attachment 1 below.

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<sup>2</sup> World Resources Institute- Working Paper, “ Above and Beyond: Green Tariff Design For Traditional Utilities” January 2014. (“WRI Working Paper”)

NIPPC  
ATTACHMENT 1  
Transmission VRET Tariff Principles

- (1) VRET is a Transmission Service. VRET is transmission-only service modelled on the Federal OATT.
- (2) VRET Renewable Threshold. VRET service is limited to power supplied to load that meets a specific threshold of renewable power content. Some power supplied under the VRET may be non-renewable to the extent needed to accommodate the intermittent nature of Variable Energy Resources, including balancing energy and ancillary services.
- (3) Rate. The VRET rate shall include all costs of providing VRET services without shifting costs to non-participants.
- (4) No Limitation on Customer Size. VRET is available to any non-residential customer regardless of load size.
- (5) Sole Supplier for Selected Meters. A customer may select VRET service for some or all of its load, provided, all load at the same meter must be served by the same supplier.
- (6) No Transition Charges. To encourage the development of new renewable resources, no transition charges shall be applied for any VRET service for new or expanded load that did not exist prior to January 1, 2013.
- (7) Utility Participation Through Affiliate. A utility may not directly offer power to customers through its VRET tariff. However, a utility may utilize an affiliate to offer such service on its own system or on the system of another utility. Such affiliate shall be subject to standard affiliate restrictions.<sup>3</sup>

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<sup>3</sup> See, e.g., OAR 860-038-0560, Treatment of Competitors; 860-038-0580 Prevention of Cross-subsidization Between Competitive Operations and Regulated Operations

## UM 1690 - CERTIFICATE OF SERVICE

I hereby certify that, on this 16<sup>th</sup> day of June, 2014, I served the foregoing **NIPPC Brief Statement of Principles** 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.

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(C denotes service of Confidential material authorized)

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