

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1934

In the Matter of

PORTLAND GENERAL ELECTRIC,

2018 Request for Proposals for Renewable  
Resources.

RENEWABLE NORTHWEST  
COMMENTS ON  
STAFF REPORT

**I. Introduction**

Renewable Northwest thanks the Oregon Public Utility Commission (“Commission”) for this opportunity to comment on the report that Commission Staff (“Staff”) filed on April 23, 2018 (the “Staff Report”). Renewable Northwest supports PGE’s decision to pursue renewable energy as a lowest cost, lowest risk path to meeting energy and capacity needs, as identified by its 2016 Integrated Resource Plan (“IRP”). Renewable Northwest supports Staff’s recommendation that the Commission approve Portland General Electric’s (“PGE’s”) Final Draft 2018 Request for Proposals (the “Final Draft 2018 RFP”) subject to Staff’s conditions and our additional modifications discussed in Sections II–IV.<sup>1</sup> Staff recommended the following conditions would help increase the competitiveness of the RFP:

- Either relax long-term firm transmission requirements or justify why they are necessary despite the associated cost savings;
- Allow for intra-hour scheduling;
- Either remove damages associated with missing Specific Energy targets or modify the benchmark bid to face similar risk;
- Remove redline penalties;
- Address competitive imbalance created by the possibility of dynamically transferring PGE generation;
- Publish benchmark bid balancing cost escalation rate; and
- Significantly increase the damage cap.<sup>2</sup>

We commend PGE for the changes to the draft 2018 RFP filed on March 9, 2018 (the “Initial Draft 2018 RFP”) that it outlined in its April 23, 2018 Reply Comments. Those changes addressed several of the issues that we and other stakeholders identified as obstacles to a

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<sup>1</sup> Staff Report at 1 (Apr. 23, 2018).

<sup>2</sup> *Id.* at 4.

competitive procurement process. However, like Staff, we remain concerned regarding provisions that could be detrimental to competition and that PGE has indicated it intends to keep in the Final Draft 2018 RFP. As a result, these comments recommend further modifications that, in addition to those in the Staff Report, are intended to ensure that the Final Draft 2018 RFP leads to a competitive process that achieves a least cost, least cost result for PGE’s customers.

Section II of these comments outlines how PGE’s proposed transmission and deliverability requirements continue to raise competition concerns. Section III reiterates our recommendation that PGE allows intra-hourly scheduling as part of the 2018 RFP. Finally, in Section IV we echo concerns raised by Staff and the Independent Evaluator (“IE”) regarding the fairness of PGE’s proposed compensation/penalty scheme for power purchase agreements (“PPAs”).

## **II. PGE’s Proposed Transmission and Deliverability Requirements Continue to Raise Competition Concerns.**

The transmission and deliverability requirements that we understand would be included in the Final Draft 2018 RFP show significant progress from those in the Initial Draft 2018 RFP. We are grateful to PGE for this progress. However, Renewable Northwest remains concerned about potential unjustified restrictions of the pool of potential bidders as a result of some of the transmission and deliverability requirements that PGE proposes to retain in the Final Draft 2018 RFP. Ultimately, the scarcity of available long-term firm transmission (“LTF”) rights to PGE’s Balancing Authority Area (“BAA”), combined with the inability of third-party bidders to rely on PGE’s LTF transmission rights, would likely severely restrict bidding into the 2018 RFP. As a result, we strongly encourage the Commission to direct PGE to consider our proposed solutions.

### A. PGE’s Reply Comments Move the Final Draft 2018 RFP in a Constructive Direction.

The various clarifications and changes that PGE identified in its Reply Comments address some of the concerns that we raised in our Opening Comments. For example, we appreciate and support PGE’s clarification that the “Benchmark Resource is not using PGE-M’s transmission and will be subject to the same bidding requirements.”<sup>3</sup> We also appreciate PGE’s willingness to support CREA’s recommendation that the Commission audit the application of PGE’s BPA transmission rights.<sup>4</sup> Such an audit could contribute to greater market confidence. Renewable Northwest similarly appreciates that “PGE will entertain bids that rely upon a Conditional Firm Bridge product.”<sup>5</sup>

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<sup>3</sup> PGE’s Reply Comments at 6 (Apr. 13, 2018).

<sup>4</sup> *Id.* at 7.

<sup>5</sup> *Id.* at 8.

We are particularly encouraged that PGE has agreed to consider any bid participating in the Bonneville Power Administration’s (“BPA’s”) 2016 Transmission Study and Expansion (“TSEP”) process.<sup>6</sup> We agree with PGE about potential timing issues associated with BPA’s TSEP process that could make it difficult to align time-sensitive procurement decisions. In the context of an increasingly congested regional transmission grid, both BPA’s TSEP process and Oregon investor-owned utilities’ planning and procurement processes need to take steps to synchronize with each other, better aligning their respective timelines, milestones, and off-ramps. Renewable Northwest is actively advocating for BPA to move in this direction and supports PGE’s consideration of bids participating in the 2016 TSEP process.

B. The Transmission and Deliverability Requirements that PGE Proposes for the Final Draft 2018 RFP Would Still Unreasonably Restrict Participation from Resources Outside of PGE’s BAA.

As our Opening Comments highlighted,<sup>7</sup> well-known transmission-system constraints would limit the ability of resources outside of PGE’s BAA to participate in PGE’s envisioned Final Draft 2018 RFP. Indeed, and as we highlighted in our Opening Comments, although BPA is not currently selling LTF transmission service across the South of Allston (“SOA”) Flowgate,<sup>8</sup> most resources seeking new LTF transmission into the Portland area will require capacity over the SOA Flowgate and would not be able to procure it in time to meet the Final Draft 2018 RFP timeline. BPA does not currently have a set timeline for providing additional LTF service over that path.

Given this constraint, Renewable Northwest continues to recommend that the Commission direct PGE to allow either of these two options in the Final Draft 2018 RFP in order to increase the competitiveness of this procurement process:

- 1) PGE could allow bidders to rely on a mixture of conditional firm, short-term firm, and non-firm transmission over the SOA Flowgate until upgrades and/or operational tools allow BPA to convert that transmission mix to long-term firm.
- 2) Until that additional LTF capacity is available over SOA, PGE could use its existing BPA transmission rights as a “portfolio,” delivering its existing resources and market purchases, plus new resources from this RFP, as necessary to meet PGE’s peak load and regulatory requirements.

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<sup>6</sup> *Id.* at 10.

<sup>7</sup> Renewable Northwest Comments at 2-3 (Mar. 30, 2018).

<sup>8</sup> See Technical Conference: Interim Response for Service over the South of Allston Path (2018), available at <https://www.bpa.gov/transmission/CustomerInvolvement/TSRStudyExpansionProcess/Documents/022218-SOA-Technical-Conference.pdf>

*B.1. Further Discussion is Needed On Third Parties' Inability to Rely on PGE's LTF Transmission Rights in the 2018 RFP.*

Regarding whether PGE's LTF transmission rights should be made available to third parties in the 2018 RFP, PGE's Reply Comments do not address the most important component of this policy question: whether the resources procured through this RFP will contribute to PGE's ability to meet demand during a 1-in-10 peak load event.

If the answer is affirmative, then it would appear that the transmission requirements to meet the 1-in-10 planning standard are not incremental to the transmission necessary to support the 2018 RFP, and that, as a result, all of PGE's transmission rights should be incorporated into the RFP. If the answer is negative, we need a greater understanding of the interactions between the 1-in-10 planning standard and the planning standard used in the 2016 IRP. If the answer is that PGE is reserving its LTF transmission rights to access the market during extraordinary load events, PGE should explain why it would use *firm* transmission to access *non-firm* market resources while not allowing *variable* energy resources to use *non-firm* transmission to meet energy, capacity, and regulatory requirements. These arguments and positions seem inconsistent and could adversely affect the competitiveness of this RFP.

PGE argues that these LTF transmission rights are utilized to "provide access to regional power markets."<sup>9</sup> However, such a use does not preclude the delivery of variable energy resources. For example, PGE could make a deal with a resource that has LTF transmission to Mid-C, use its existing rights from Mid-C to PGE to deliver that variable resource when it is producing, and retain its transmission access to the Mid-C market when it is not.

Ultimately, and as we highlight below, it appears that either the resources procured through the 2018 RFP are contributing to meeting demand during a 1-in-10 peak load event, and thus represent an appropriate use of PGE's LTF transmission rights, or they are not, and thus should not be required to utilize LTF transmission to participate in the 2018 RFP.

*B.2. Deferral Status of Some of PGE's Transmission Rights Should Not Weigh Against Incorporating Those Rights in the 2018 RFP.*

PGE states that 675 MW of its transmission rights are inactive because they are in deferral<sup>10</sup> under BPA's Open Access Transmission Tariff ("OATT").<sup>11</sup> It is unclear how this deferral status would limit incorporating those transmission rights into the 2018 RFP. The time to get a transmission contract released from deferral status ("commencement of service") depends on the

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<sup>9</sup> PGE's Reply Comments at 5.

<sup>10</sup> Although PGE uses the term "deferral," it appears from context that PGE means its transmission rights are subject to extensions that have been granted at PGE's election under section 17.7 of the OATT.

<sup>11</sup> PGE's Reply Comments at 5.

length of the deferral requested by PGE. However, according to BPA OATT section 17.7, and supporting business practices, the maximum amount of time it can take from the date of PGE's request for a deferral is one year.<sup>12</sup> Because PGE's transmission rights are already subject to deferral, the actual length of time before service may commence must be less than one year. This timing is well within the targeted Commercial Operation Date date (by the end of 2020) in this RFP and would therefore not be inconsistent with incorporating those transmission rights into the 2018 RFP.

PGE also argues that it will “layer in” these deferred transmission rights as existing rights begin to expire.<sup>13</sup> Renewable Northwest is curious why PGE would let existing LTF transmission rights, with indefinite rollover rights, expire before determining if they can be redirected to a different point of receipt on BPA's system or before considering whether bidders in this RFP could deliver energy to PGE over those rights.

### *B.3. PGE Should Consider Bids with Less than LTF Transmission Rights in order to Run a More Competitive Process While Fully Exploring Cost and Risk Tradeoffs*

Renewable Northwest agrees with Staff's assessment that there is a tradeoff between the certainty associated with LTF transmission and the cost. We also agree with Staff's position that PGE should explain how the 2018 RFP is striking the optimal balance between those two important values.<sup>14</sup> This question is particularly important in the context of a resource acquisition with diverse goals: energy, capacity, regulatory (RPS) compliance, and financial leverage (PTC).

Given PGE's statements about the need to hold particular levels of transmission rights to meet demand during a 1-in-10 peak load event, it is less clear to Renewable Northwest that there is a tradeoff between “reliability” and cost. Either the resources procured through this RFP are contributing to meeting demand during a 1-in-10 peak , and thus represent an appropriate use of PGE's LTF transmission rights, or they are not, and thus should not be required to utilize LTF transmission to participate in the 2018 RFP.

Importantly, requiring the use of LTF transmission rights in the 2018 RFP raises more than just a *cost* question. Such a requirement also impacts the competitiveness of this procurement process. Indeed, the lack of *available* LTF transmission to PGE's system (beyond what PGE is holding) would severely restrict the number of participants that could even submit qualifying bids into the 2018 RFP.

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<sup>12</sup> BPA Extension of Commencement of Service (“Deferral”) Business Practice: <https://www.bpa.gov/transmission/Doing%20Business/bp/tbp/Deferral-Service-BP-V18.pdf>

<sup>13</sup> *Id.*

<sup>14</sup> Staff Report at 6.

*B.4. PGE May Be Able To Address the Risks of Making its Transmission Available to All Bidders.*

PGE’s Reply Comments identify a number of risks that PGE believes would befall its customers should the Company make its transmission rights available to all bidders as part of the 2018 RFP.<sup>15</sup> Clarification of the following may address some of PGE’s concerns: (1) the type of commercial arrangement that would be necessary should PGE make its transmission rights available; and, (2) the timing of such an arrangement between PGE and a bidder seeking to utilize some portion of PGE’s LTF transmission rights that are being held to meet demand during a 1-in-10 peak load event.

For example, PGE is concerned about the financial risks that would result should PGE commit to a five-year transmission renewal contract with BPA on behalf of third parties.<sup>16</sup> Renewable Northwest would like to clarify that under the type of arrangement that we are advocating, PGE would maintain ownership of its transmission rights and use them to facilitate delivery with the least-cost bids. With respect to timing, Renewable Northwest expects that PGE would make a decision to “commence” its transmission contract with BPA once a bidder has been selected and has met certain conditions.

Finally, PGE expresses concerns that its LTF transmission rights “are not broadly redirectable” and therefore identifies “redirect risk” as one that would be “unnecessarily place[d] on PGE and its customers.”<sup>17</sup> However, Renewable Northwest understands that with publicly available information from BPA’s transmission queue, Available Transfer Capability (“ATC”) methodology, and the Power Transfer Distribution Factor (“PTDF”), experts—such as PGE—can routinely and accurately assess the likelihood of being able to redirect from one Point of Receipt/Point of Delivery combination to another.<sup>18</sup>

**III. PGE Should Allow Off-System Resources to Use 15-Minute and Dynamic Schedules.**

Renewable Northwest supports Staff’s recommendation that the Final Draft 2018 RFP should allow off-system resources to use 15-minute and dynamic schedules. PGE has a history of being ahead of the curve on flexible scheduling requirements; in fact, in October 2014, PGE became the first BPA customer to schedule energy in 15-minute increments. These 15-minute scheduling increments not only help remove barriers to integrating renewable energy resources but also mesh well with the EIM, which schedules in 15-minute increments.

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<sup>15</sup> PGE’s Reply Comments at 6.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> See relevant BPA Business Practices at:

<https://www.bpa.gov/transmission/Doing%20Business/ATCMethodology/Documents/ATCID.pdf>  
And, <https://www.bpa.gov/transmission/Doing%20Business/bp/tbp/Redirects-BP-V19.pdf>

As our Opening Comments highlighted, projects using hourly schedules will generally result in higher integration costs than those using 15-minute or dynamic scheduling.<sup>19</sup> PGE’s Reply Comments expressed a concern that allowing for “a scheduling duration shorter than 60 minutes for off-system resources will shift costs from a project owner to PGE.” Our Opening Comments recognize that the PGE BAA would take on increased integration responsibility if the Final Draft 2018 RFP allows for intra-hourly scheduling. However, PGE’s concern appears to assume that bidders would not adjust bid prices if able to use intra-hourly schedules. Importantly, PGE could address its concern in scoring by accounting for any of its increased integration responsibility. As a result, we reiterate our recommendation that the Commission direct PGE to allow dynamic and 15-minute schedules in the Final Draft 2018 RFP.

PGE argues that the charges or credits that could be assessed to PGE as a result of schedule changes after the EIM base schedule submission deadline weigh in favor of not allowing intra-hourly scheduling. While we recognize that risk, PGE should address it contractually instead of with a requirement that could be less economically efficient due to the potential for overall higher integration costs.

#### **IV. PGE’s Proposed Compensation/Penalty Scheme for PPAs Remains Unfair.**

In our Opening Comments, we raised concerns regarding elements of PGE’s Form PPA that would penalize projects for failing to meet defined “Specified Energy” requirements.<sup>20</sup> We also highlighted that bidders could not address these penalties through redlines without potentially undermining their bid scores.<sup>21</sup>

In its Reply Comments, PGE disagreed with our concerns, writing that “it is unreasonable to require PGE to bear the costs related to the intra-year variability of third-party owned renewable resource generation.”<sup>22</sup> PGE said that it “carefully drafted the form PPA to fairly assign costs of project variability utilizing the terms and conditions related to ‘Specified Energy.’”<sup>23</sup> PGE did not offer a substantive response to our criticism but instead noted that “PGE has recently signed PPAs with developers of renewable resources including these very same provisions” and suggested that “bidders are welcome and encouraged to redline the form PPA and offer alternative terms and conditions.”<sup>24</sup> However, the fact that some developers have been willing to accept those terms does not demonstrate that those terms are fair or appropriate. Additionally, as

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<sup>19</sup> Renewable Northwest’s Comments at 9–10.

<sup>20</sup> *Id.* at 12.

<sup>21</sup> *Id.* at 13.

<sup>22</sup> PGE’s Reply Comments at 21.

<sup>23</sup> The Independent Evaluator’s Assessment of PGE’s Final Draft 2018 RFP for Renewable Resources at 6 (Apr. 6, 2018).

<sup>24</sup> *Id.*

we discussed in our opening comments, bidders’ ability to redline the Form PPA is tempered by the reduction in bid score that would result from bidders’ proposed redlines.

Notably, both the Independent Evaluator (“IE”) and Staff also agreed PGE’s Form PPA was potentially unfair to third-party bidders. The IE wrote that the terms of the Form PPA “would appear to be ... an extreme penalty to place on a PPA bidder and could serve to bias bidders into offering utility ownership options.”<sup>25</sup> The IE explained that “[u]nder PGE’s PPA the seller is ... penalized for what they cannot control,” and observed that this is the type of performance issue that is normally subject to damages rather than penalties.<sup>26</sup> To remedy its concern, the IE “recommend[ed] removal of the penalty for under-delivery and replacing this with liquidated damages for any availability shortfall.”<sup>27</sup> Staff noted that “the issues raised by stakeholders and the IE are real, and present a competitive imbalance between PPA and self-build options.”<sup>28</sup> As a remedy for these issues, “Staff support[ed] the IE’s recommendation that the only payments required should be from missing availability targets.”<sup>29</sup>

Renewable Northwest supports the IE’s and Staff’s recommendations that the RFP be approved subject to the condition that PGE’s Form PPA eliminate the Specified Energy penalty. We also agree with Staff that PGE’s proposal to penalize bid scores for redlining of the Form PPA “is directly in conflict with Guideline #6 of Order No. 14-169” and that “[a]ny reduction for negotiating and then changing the terms of the contract should be removed.”<sup>30</sup>

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<sup>25</sup> *Id.*

<sup>26</sup> *Id.* at 7.

<sup>27</sup> *Id.*

<sup>28</sup> Staff Report at 10.

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*



## V. Conclusion

Renewable Northwest is grateful to the Commission for this opportunity to comment on PGE’s draft 2018 RFP. We are also grateful to Staff, the IE, and other stakeholders for their comments and to PGE for its responsiveness.

We make the recommendations in these comments with the aim of contributing to the development of a fair, transparent, and competitive 2018 RFP that will enable the pursuit of least cost, least risk resources. Renewable Northwest supports Staff’s recommendation that the Commission approve Portland General Electric’s (“PGE’s”) Final Draft 2018 Request for Proposals (the “Final Draft 2018 RFP”) subject to Staff’s conditions and our additional modifications discussed above.

Respectfully submitted this 30th day of March, 2018.

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