**ITEM NO. RA3**

**PUBLIC UTILITY COMMISSION OF OREGON**
**STAFF REPORT**
**PUBLIC MEETING DATE: April 21, 2020**

**REGULAR __X__ CONSENT ____ EFFECTIVE DATE ______April 22, 2020______**

**DATE:** April 9, 2020

**TO:** Public Utility Commission

**FROM:** Scott Gibbens

**THROUGH:** Bryan Conway, Michael Dougherty, and John Crider **SIGNED**

**SUBJECT:** PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1105/Advice No. 20-06)
Makes revisions to Rule C on Emergency Curtailment & Updating the Short-Term Emergency Curtailment Plan and makes housekeeping changes to Schedule 689.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission suspend Portland General Electric's (PGE) revisions to Rule C, Section B regarding Emergency Curtailment of electric service and Short Term Emergency Curtailment Plan for a period not to exceed nine months, and investigate the Company's proposed tariff changes.

**DISCUSSION:**

Issue

Whether the Commission should approve Advice No. 20-06 and allow PGE's updated Emergency Curtailment plan and revisions to Rule C and Schedule 689 to take effect April 22, 2020.

Applicable Rule

The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. *See* ORS 757.210. ORS 757.325 prohibits unjust discrimination, and ORS 757.310(2) prohibits a public utility from charging a customer a rate or an amount for service that is "different from the rate or amount the public utility charges any other customer for a like and contemporaneous service under substantially similar circumstances."

Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules. Filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change. *See* ORS 757.220; OAR 860-022-0015.

ORS 757.600 to 757.689 authorize and regulate the provision of the "direct access" (Direct Access) option in Oregon. The Commission's rules implementing these statutes are set forth in OAR Chapter 860, Division 038.

## Analysis

### *Background*

Commission Order No. 20-002 (Order) approved in part PGE's proposed New Load Direct Access (NLDA) tariff, filed as Advice No. 19-02. In the Order, the Commission denied PGE's request to impose a resource adequacy charge and instead invited "PGE to propose changes to its curtailment schedules applicable to NLDA customers,"[1] as the Commission and parties reviewed resource adequacy for all direct access customers in Docket No. UM 2024. Specifically, the Commission directed the Company to file revised curtailment protocols which would describe when and how NLDA customers would be curtailed, "so that cost-of-service (COS) customers are less likely to face cost shifts when ESSs supplying NLDA customers fail to perform."[2]

On March 20, 2020, PGE filed Advice No. 20-06, proposing amendments to Rule C regarding emergency curtailment and updating the Short-Term Emergency Curtailment Plan. In addition, Advice No. 20-06 proposes applicable updates to Schedule 689, New Large Load Cost-of-Service Opt-Out, as well as a few housekeeping changes to the schedules. PGE has proposed these changes as an interim solution to limit the risk to COS customers as NLDA customers join the program until a more permanent solution is arrived at in UM 2024. As such, the Commission should consider any permanent amendment to Rule C following the resolution of UM 2024.

### *Curtailment Plan Design Changes*

The Company's proposed mechanism relies on the North American Reliability Corporation (NERC) standards as a means to identify curtailment events for NLDA customers. NERC Standard EOP-011-1 defines the Energy Emergency Alert (EEA) levels that a Reliability Coordinator (RC) may issue for a Balancing Authority (BA). As a

[1] Commission Order No. 20-002, at 1.
[2] *Ibid, at 8.*

BA, PGE works with the regional RC, RC West, who may issue three different levels of EEA's based on the criteria defined by NERC.

- EEA 1 indicates that all available generation resources are in use and non-firm wholesale energy sales have been curtailed. This lowest level of emergency reflects that the BA is concerned about sustaining its required Contingency Reserves and may struggle to meet load requirements.

- EEA 2 indicates that load management procedures are in effect. This reflects a scenario where the BA is no longer able to provide its expected energy requirement, but able to maintain minimum Contingency Reserves. Firm load has not been curtailed, but the BA may be taking other steps to reduce load or otherwise meet demand. These steps include: public appeals to reduce demand, voltage reduction, emergency interruption of non-firm end use loads, and demand-side management.

- EEA 3 indicates that firm load interruption is imminent or in progress. This occurs when the BA is unable to meet minimum Contingency Reserve requirements and firm load must be curtailed for the safety of the system.

PGE proposes to curtail all NLDA customer load in the event of an EEA 2 or EEA 3. As noted in the Company's opening testimony, EEA events do not necessarily occur in sequential order, however the Company has committed to notifying NLDA customers if it believes that curtailment may be imminent, following the declaration of an EEA if time permits. It is important to note, that if there is energy available in the wholesale market, PGE would first exhaust all available sources, regardless of price, prior to the curtailment of NLDA customers. NLDA customers may be required to pay for distribution equipment to allow PGE to implement the emergency curtailment plan.

*Other Advice No. 20-06 Changes*
In addition to the proposed curtailment plan changes, PGE proposes the following changes as a part of Advice No. 20-06:

Schedule 689
- Clarification on the calculation of customer load.
- Ten business day deadline to return the NLDA service agreement.
- Notice of potential distribution equipment costs for curtailment.
- Notice of curtailment following the declaration of an EEA 2 or higher.

Rule C

- Removal of reference to Willamette Valley/Southwest Washington Area regional standards, as the Company no longer adheres to them, in favor of NERC and Wester Electricity Coordinating Council (WECC).
- Changing “Operating Procedures” to Plan to better reflect the nature of the Curtailment Plan.
- Grammatical Changes.

*Analysis*

In reviewing the Company’s application and Commission direction, Staff has several questions and concerns, which lead to its recommendation that the Commission suspend and investigate PGE’s proposed changes to allow for further analysis of PGE’s proposal. Preliminarily, Staff’s concerns include: the disparate treatment of NLDA and long-term direct access (LTDA) customers, the potential failures of the plan to improve system reliability, and the potential shift of unwarranted risk to NLDA customers.

First, Staff is concerned about the disparate treatment of NLDA and LTDA customers. As established on the record in UE 358, Staff does not believe there are any unique characteristics of NLDA customers which would cause a greater impact to resource adequacy compared to LTDA customers, such that NLDA customers should solely bear the burden of PGE’s proposed changes to curtailment. Specifically, Staff’s concern is that the curtailment of NLDA customers and not LTDA customers in an emergency event could be deemed as discriminatory when both sets of customers affect the system in a substantially similar manner.

Staff understands that the Commission directed the Company to make proposed changes to its curtailment plan regarding NLDA customers, and did not direct the Company to make changes for LTDA customers; however, PGE’s interpretation and proposed implementation of this directive, as discussed more fully below, raises concerns that its proposal may be discriminatory. It can be assumed a majority of customers enrolling in the NLDA program will require that distribution services be built, making the implementation of the curtailment requirements potentially simpler. However, it is more likely that LTDA customers will have established distribution systems, and the cost of a temporary RA solution may seem be less economic to implement.

Still, neither LTDA nor NLDA customers currently pay PGE for RA capacity obligations outside of transition adjustment charges. Following the failure of an ESS to provide sufficient energy to meet a customer’s demand, both types of customers will pose a similar risk to the system.

Staff's second concern is that the proposal does not directly address the issue at hand, and therefore is inconsistent with the Commission's direction in Order No. 20-002. The risk to COS customers occurs "when ESSs supplying NLDA customers fail to perform"; however, PGE's plan does not consider this metric. Ideally, NLDA customers would only be curtailed when they posed a risk to system RA. This requires two simultaneous events, the first is that an ESS cannot provide sufficient power to the NLDA customer and PGE is required to serve that NLDA load. The second is that system resources and regional energy markets are so constrained that providing NLDA customers with power puts system reliability at risk.

PGE's proposal only considers the second event, one in which PGE is resource deficient and the market is unable to make up for the deficiency. In opening testimony, the Company argues that ESS scheduling practices are insufficient to identify the ESS's ability to meet load. If this is the case, it may be understandable to determine curtailment on PGE's own ability to meet load. However, Staff believes that ESS's have an inherent incentive to modify their scheduling practices if the result is a more reliable product for its customers. If the Company and ESSs can work together to establish a way of verifying the ability of the ESS to meet its customer's load in real-time, the mechanism would work better overall and NLDA customers would have their load curtailed less often. Staff notes that it is highly likely that PGE's inability to meet load requirements will be somewhat correlated with the ESS's inability to meet load.

Staff's third concern follows from its second. As a result of the Company's inability to identify in real-time an ESS's ability to meet demand, the Company's protocol may cause the inverse issue as it is trying to solve, which may raise other legal and policy concerns. Currently, the Company's argument for the changes to the curtailment plan is that an ESS failure puts COS reliability at risk. In other words, PGE argues that COS customers are subsidizing NLDA customers in terms of RA. However, if the curtailment plan is implemented as proposed, PGE's failure to meet demand puts NLDA reliability at risk and appears to effectively turn NLDA customers into PGE interruptible customers. NLDA customers may very well have a reliable source of energy from their ESS, but following curtailment, PGE's tariff would allow that energy to go to COS customers. While this may address COS reliability, it impinges NLDA customers' reliability. Such an outcome raises questions and concerns about the Commission's authority to approve such a curtailment proposal. Both legal and policy issues should be further investigated.

<u>Conclusion</u>

Due to the concerns regarding discriminatory rates, consistency with the Commission's order, potential shifts in risk, and legal and policy concerns as discussed above, Staff recommends that the Commission suspend and open an investigation into the

Company's proposed changes to its curtailment plan. This will allow parties to discuss potential alternatives and to develop a record by which the Commission can make a determination to move forward on an interim basis, pending the outcome of UM 2024. Staff also notes that there may be additional issues for consideration, which may be brought up by intervenors and additional Staff review.

**PROPOSED COMMISSION MOTION:**

Suspend PGE's advice No. 20-06, for a period not to exceed nine months, and open an investigation into PGE's proposed changes to its Rule C and Short-Term Emergency Curtailment Plan.

ADV 1105/Advice No. 20-06.