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VIA ELECTRONIC FILING

Oregon Public Utility Commission
Attention: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

Re: In the Matter of Portland General Electric Company Application for Waiver of the Competitive Bidding Guidelines – Docket UM 1892

Dear Filing Center:

Enclosed for filing are comments of National Grid USA on Portland General Electric Company's "Application for Waiver of the Competitive Bidding Guidelines" filed in the above-referenced docket.

Thank you for your attention to this matter. Please contact me with any questions or concerns.

Sincerely,

/s/ Chris D. Zentz
Chris D. Zentz

cc: Service List

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1892

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Waiver of the Competitive
Bidding Guidelines.

NATIONAL GRID'S COMMENTS
ON PORTLAND GENERAL
ELECTRIC COMPANY'S
APPLICATION FOR WAIVER OF
THE COMPETITIVE BIDDING
GUIDELINES

National Grid USA ("National Grid") hereby submits these comments ("Comments") on Portland General Electric Company's ("PGE's") Application for Waiver of the Competitive Bidding Guidelines ("Application").

I. Introduction

National Grid is interested in pumped storage projects and the ability of these large-scale energy storage projects to provide energy, capacity, and related services, including supporting the integration of renewable energy resources. National Grid is proud to be involved with the development of the two most promising pumped storage projects in the Pacific Northwest, the Swan Lake North Project in southern Oregon ("Swan Lake"), and the JD Pool Project in southern Washington ("JD Pool"). National Grid is jointly developing these projects with Rye Development, LLC.¹ Both projects will utilize environmentally-friendly "closed-loop" technology, are located near high voltage transmission corridors, and will each be capable of providing unmatched flexibility as a resource, serving multiple roles, and providing stacked energy, capacity, and other reliability and economic benefits on a utility and/or regional basis.

National Grid generally supports the request in PGE's Application to conduct bilateral negotiations with hydroelectric generating resources, but not the request in PGE's Application to bilaterally negotiate with thermal resources. PGE has not demonstrated that a waiver to bilaterally negotiate with thermal resources is necessary or appropriate.

¹ Although National Grid is the intervenor in this proceeding, Rye Development, LLC shares National Grid's concerns and fully supports these Comments.

II. Comments

A. *National Grid Supports the Portion of PGE’s Application Requesting Waiver to Allow Bilateral Negotiations with Hydroelectric Generating Resources.*

1. National Grid Supports PGE’s Application to Bilaterally Negotiate with Hydroelectric Generating Resources.

National Grid supports PGE’s Application to the extent that the Commission limits the scope of the requested waiver to allowing PGE to conduct bilateral negotiations with hydroelectric generating resources.

In its Application, PGE repeatedly states that a waiver of the competitive bidding guidelines is necessary to acquire capacity from existing hydroelectric generating resources. For example, PGE states that it “believes that bilateral negotiations currently may be the best, and possibly the only method of acquiring capacity from existing resources in the Pacific Northwest, particularly hydro.”² Further, PGE also notes that “owners of hydro resources . . . would be reluctant to participate in a traditional RFP process.”³ Similarly, PGE states that it confirmed that “due to the specific nature of the resource and seller entities, owners of existing hydro operations were reluctant to bid into a utility RFP—a fact which is borne out by PGE’s experience with past RFPs.”⁴ The Application and accompanying testimony of Brett Greene further support PGE’s claim that a waiver of the Commission’s competitive bidding guidelines is appropriate to bilaterally negotiate with existing hydroelectric generating resources.⁵

National Grid takes PGE at its word that, through past experience and current discussions with existing hydroelectric generating resource owners, a waiver of the competitive bidding guidelines may be the only method for PGE to obtain additional capacity from existing hydroelectric generating resources. Therefore, National Grid supports this portion of PGE’s Application.

2. PGE Has Not Demonstrated that a Waiver of the Competitive Bidding Guidelines is Necessary to Acquire Thermal Resources or Capacity.

National Grid does not support, however, PGE’s request for a waiver to bilaterally negotiate with thermal resources. PGE has not provided sufficient evidence that a waiver to negotiate with thermal resources is necessary or appropriate, particularly in light of the comments filed in response to PGE’s integrated resource plan (“IRP”),⁶ which almost uniformly opposed PGE’s desire to acquire or build new thermal resources.

² Application at 3.

³ *Id.*

⁴ *Id.* at 5.

⁵ *Id.* at 10; *see also* PGE/200, Greene/4.

⁶ *See* Docket No. LC 66.

PGE's Application does not demonstrate that a waiver is justified for the acquisition of additional thermal resources or capacity. As noted above, the Application states that hydroelectric generating resources would not participate in a request for proposals ("RFP") and, therefore, a waiver is necessary to acquire additional capacity from these resources through bilateral negotiations. For thermal resources, however, the Application instead claims that a waiver is appropriate due to the limited exclusivity periods for some of the offers.⁷ This is an insufficient basis for granting such a waiver.

As PGE correctly notes, the Commission should grant a waiver from the RFP requirements only when there is a "time-limited resource opportunity of unique value to customers."⁸ PGE has not demonstrated that the thermal resource offers it received present a "unique value" to its customers, nor has it demonstrated that the offers are truly "time-limited." To the contrary, PGE notes that it received 17 indicative offers totaling approximately 2,450 MW of capacity.⁹ From this, PGE put together a final shortlist representing over 1,100 MW of capacity, which is approximately three times the capacity identified in PGE's IRP as necessary to meet PGE's future capacity needs.¹⁰

The sheer number of proposals received and amount of capacity offered for purchase strongly suggest that thermal resource capacity is readily available from the market, and therefore, does not necessarily represent "time-limited" or "unique value" offers to PGE's customers.

3. The Parties to PGE's IRP Proceeding Supported PGE's Request for a Waiver to Bilaterally Negotiate with Existing, Hydroelectric Generating Resources.

The parties to PGE's IRP proceeding primarily supported PGE's request for a waiver to bilaterally negotiate with existing, hydroelectric generating resources. However, in its Application, PGE states that the "Commission and parties have endorsed PGE's approach" regarding bilateral negotiations.¹¹

Parties to the IRP proceeding supported PGE's conducting of bilateral negotiations with hydroelectric generating resources;¹² however, PGE now seeks a waiver to bilaterally negotiate with both hydroelectric generating resources and thermal resources. In its reply comments in the IRP docket, PGE recognized that the Commissioners, Staff, and other stakeholders "encouraged

⁷ See *id.* at 9-10.

⁸ Application at 9 (citing Order No. 14-149, App'x A at 1 (Guideline 2)) (emphasis added).

⁹ *Id.* at 6.

¹⁰ *Id.* at 7.

¹¹ *Id.* at 10-11.

¹² See, e.g., Final Comments of Renewable Northwest at 13-14, Docket LC 66 (May 12, 2017); Final Comments of the NW Energy Coalition at 1, Docket LC 66 (May 12, 2017) ("We strongly support PGE's commitment, as expressed in reply comments, to pursue bilateral negotiations for hydropower resource contracts currently available in the region.").

PGE to explore whether there are any opportunities to acquire capacity in the marketplace from existing resources, in particular existing hydro generation.”¹³ With this factual background in mind, National Grid supported PGE’s efforts to bilaterally negotiate for existing capacity to meet its future needs.¹⁴

National Grid is supportive of grid-scale opportunities that are environmentally-friendly and that cost-effectively support grid reliability, such as pumped storage. However, National Grid, and many of the parties in the IRP proceeding, rejected PGE’s arguments that new thermal facilities were the best method to meet PGE’s future capacity needs. As a result, PGE proposed bilateral negotiations, particularly with existing hydroelectric generating resources, as an alternative to a new thermal facility, which most parties supported as a welcome alternative to further acquisition or development of thermal facilities.

Therefore, to now grant PGE a waiver of the competitive bidding guidelines to bilaterally negotiate with thermal resources—which PGE acknowledges potentially includes purchasing existing thermal resources¹⁵—would have the effect of circumventing the IRP process, where parties were largely opposed to PGE acquiring a new thermal facility.

B. *Allowing Bilateral Negotiations with Thermal Resources Will Result in an Increase in Greenhouse Gas Emissions.*

In the testimony supporting its Application, PGE states that acquiring additional thermal capacity or resources will not increase greenhouse gas (“GHG”) emissions. Specifically, the testimony of Brett Greene asserts that, “Existing regional thermal projects also provide potential solutions to PGE’s capacity shortfall and support long-term regional reliability without increasing the regional [GHG] footprint.”¹⁶ This assertion is misplaced for each of the following reasons:

- (1) PGE’s acquisition of capacity from a thermal resource likely means that the resource will be dispatched more frequently, thereby *increasing* the amount of GHG emissions;
- (2) The existing baseline in PGE’s IRP assumes that coal is phased out; however, adding any additional fossil fuel generators to that baseline would *increase* GHG emissions over currently-assumed levels; and
- (3) Recent media reports suggest that there is an over-abundance of thermal resources around the country,¹⁷ so much so that many of these resources are struggling financially

¹³ PGE Reply Comments at 11-12, Docket LC 66 (March 31, 2017).

¹⁴ National Grid’s Final Comments in Response to PGE’s Reply Comments at 5, Docket LC 66 (May 12, 2017).

¹⁵ PGE/200, Greene/7 (Describing the “Asset Purchase and Sale Term Sheet” that was presented only to thermal resources.).

¹⁶ PGE/200, Greene/5.

¹⁷ See, e.g., ‘Gas Apocalypse’ Looms Amid Power Plan Construction Boom, Bloomberg News (May 23, 2017), available at: <https://www.bloomberg.com/news/articles/2017-05-23/-gas-apocalypse-looms-amid-power->

and may be required to shutter, in which case, acquiring capacity from these facilities could forestall the closure of some thermal plants, thereby ensuring they continue to produce GHG emissions when they would otherwise cease operations entirely.

Therefore, the assertion that acquiring existing thermal resources or capacity would not increase GHG emissions because those resources already exist is mistaken. Rather, in all likelihood, acquiring any capacity from existing thermal resources is much more likely to *increase* GHG emissions. National Grid does not believe such an outcome is desirable or inevitable, particularly when other long-term options exist—such as pumped storage—that are environmentally-friendly and that are capable of providing greater benefits to PGE’s customers than a thermal resource.

C. *National Grid Supports PGE’s Efforts to Acquire Additional Hydroelectric Capacity, and the Flexibility these Resources Provide, to Meet Short-Term Capacity Needs, Although Better Options Exist to Meet PGE’s Medium- and Longer-Term Needs.*

As stated above, National Grid supports PGE’s efforts to acquire additional hydroelectric capacity, particularly because these resources offer significant flexibility and are well-suited to meet PGE’s short-term needs. However, in the medium- and long-term, PGE has more attractive options available that are better suited to the future of the electric grid and to maintain reliability, such as pumped storage.

Pumped storage resources are capable of providing unparalleled energy, capacity, flexibility, and ancillary services to the electric grid. For example, in addition to providing carbon-free energy and capacity, closed-loop pumped storage can provide services such as energy shifting and arbitrage, ancillary services, avoided renewable curtailment, system peaking value, locational value, and distribution and transmission system upgrade deferral.

In addition to these benefits, closed-loop pumped storage is indifferent to natural gas prices, is flexible, supports further renewable energy integration, leverages existing resources, provides added reliability through portfolio diversity, and is uniquely capable of providing reg up and reg down capacity on a nearly-instantaneous basis. Furthermore, unlike many of the existing hydroelectric generating resources in the Pacific Northwest, which have less operational flexibility than pumped storage projects due to constraints associated with fish passage and protection, flow and flood control requirements, and preference power obligations, National Grid’s Swan Lake and JD Pool projects would not be subject to similar operational constraints and, therefore, would provide greater flexibility to the electric grid. Thus, pumped storage projects like Swan Lake and JD Pool provide an unmatched level of flexibility to meet changing energy and capacity needs, including the increasing demands associated with integrating renewable energy resources.

[plant-construction-boom](http://www.chron.com/business/energy/article/Calpine-posts-significant-losses-confirms-it-is-11587238.php); see also *Calpine Posts Significant Losses, Confirms It is Negotiating a Sale*, Houston Chronicle (July 28, 2017), available at: <http://www.chron.com/business/energy/article/Calpine-posts-significant-losses-confirms-it-is-11587238.php>.

Additionally, due to some of the recent developments in the Pacific Northwest, particularly including implementation of the energy imbalance market (“EIM”), the high voltage transmission interties with California experience frequent (*i.e.*, hourly or daily) interchanges of energy and capacity between the Pacific Northwest and California, which differs from the operational paradigm in existence when these transmission lines were conceived and constructed. As a result, resources like pumped storage, which can provide significant operational flexibility to the electric grid, are best suited to meet the changing demands brought about by recent developments such as the EIM and more frequent exchanges of energy and capacity with California.

- D. *National Grid Supports PGE’s Acquisition of True Short- and Medium-Term Hydroelectric Generating Resources. PGE, However, Has Sought a Waiver to Enter into Contracts of up to 20 Years, Which is Not a Short- or Medium-Term Resource.*

National Grid supports PGE’s acquisition of hydroelectric generating resources for the short- and medium-term, which would include contract terms of less than seven years. PGE, however, is requesting permission to bilaterally negotiate contracts up to 20 years in duration, which does not qualify as “short-term” or “medium-term.” Therefore, National Grid requests that the Commission establish a term-limited duration for any resources acquired through bilateral negotiations.

PGE should not lock in long-term financial obligations for resources that are not well suited to the future needs of the electric grid, or which may include thermal resources. In the IRP proceeding, many parties expressed concerns with allowing PGE to construct a new thermal resource, which would result in a long-term commitment of capital at a time when the needs of the regional electricity grid are rapidly changing and which many parties felt was imprudent. Instead of building a new thermal resource, PGE now seeks permission to enter into contracts to purchase thermal capacity or resources for a term of up to 20 years. This duration is neither short- nor medium-term, and allowing the acquisition of such long-term resources would contravene the numerous concerns raised by parties to the IRP proceeding with allowing PGE to commit to thermal resources for such a long term.

Therefore, PGE’s waiver is too broad and the Commission should limit any waiver of the RFP requirements to acquiring resources to meet PGE’s most pressing capacity needs—that is, those within the next seven years.

- E. *PGE’s Acquisition of Longer-Term Resources (i.e., Greater than Seven Years) Should be Limited to Resources Such as Pumped Storage that are Carbon-Free, Highly Flexible, Environmentally-Friendly, and Well-Suited to Meet Future Needs.*

Considering the numerous challenges facing the regional electric grid, PGE’s acquisition of longer-term resources (*i.e.*, resources with a term greater than seven years) should be limited to resources such as pumped storage that are carbon-free, highly flexible, environmentally-friendly, and well-suited to meet the future needs of the electric grid. Granting PGE’s requested

waiver, which would permit PGE to acquire thermal resources under contracts of up to 20 years, would be both imprudent and ignore the operational challenges faced by today's regional electric grid.

The regional electric grid is undergoing rapid changes and facing significant challenges, such as the proliferation of renewable energy resources as a significant component of the regional energy supply, the implementation and early successes associated with the EIM, proposals to expand the CAISO beyond California, and changes to various states' renewable portfolio standards ("RPS"). These challenges emphasize that system planning and acquisition of resources should focus on resources that are best-suited to cope with these (and other) challenges that the regional electric grid is likely to face in the longer-term. Pumped storage is well-suited to meet the future needs of the regional electric grid because it is uniquely capable of providing the necessary operational flexibility and grid services these future challenges will likely require.

As noted in Section II.C above, pumped storage resources are uniquely capable of providing numerous grid services that make these resources well-suited to accommodate the future demands of the regional electric grid, while also ensuring continued reliability. For example, in addition to the benefits noted above, pumped storage will also help the region meet its climate policy goals—such as Oregon's 50% RPS by 2040 and California's 50% RPS by 2030. Projects like JD Pool and Swan Lake would significantly aid in RPS compliance by, at minimum, facilitating the integration of additional renewable generation and providing additional, carbon-free energy and capacity to the electricity grid.

Therefore, based on the changes to the regional electric grid, and the likely challenges it will face in the future, PGE's ability to acquire long-term (*i.e.*, resources with a term greater than seven years) should be limited to resources that are carbon-free, highly flexible, environmentally-friendly, and well-suited to meet the future needs of the electric grid, such as pumped storage.

III. Conclusion

National Grid supports the Commission's granting of the portion of PGE's Application requesting a waiver to allow bilateral negotiations with hydroelectric generating resources for the reasons set forth above; however, PGE has not provided sufficient evidence that a waiver of the Commission's competitive bidding guidelines is warranted for thermal resources.

Dated this 14th day of September, 2017.

Respectfully submitted,

/s/ Chris D. Zentz

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