BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

Docket No. UM 2032

In the Matter of THE PUBLIC UTILITY COMMISSION OF OREGON, Investigation into the Treatment of Network Upgrade Costs for Qualifying Facilities.	Staff Opening Comments

I. Introduction.

As part of the UM 2032 investigation into the allocation of interconnection costs for qualifying facilities (QFs), the Oregon Public Utility Commission (Commission) examined "whether QFs should interconnect with host utilities using Network Resource Interconnection Service (NRIS) or Energy Resource Interconnection Service (ERIS)."[1] They concluded, "QFs should interconnect with NRIS with a limited exception."[2] The Commission determined there was value in "some experience with allowing QFs to utilize ERIS under certain circumstances." This approach could lead to more efficient optimization of the transmission system.

The Commission also stated that total flexibility regarding QFs using ERIS was likely to run afoul of current practices. That is, there would likely be inconsistencies with issues such as standard contracting process, terms, conditions, and rates. As a result, the Commission decided to adopt a suggestion put forth by NewSun allowing on-system QFs to choose both ERIS and NRIS studies, at the QF's expense. The host utilities were directed to negotiate non-standard contracts with any QFs electing to use ERIS, "so long as the QF voluntarily commits to allow curtailment that obviates the need for the Network Upgrades otherwise identified in a NRIS report."[3]

The Commission directed the utilities to make filings that would allow the process to move forward. In the event the utilities did not file timely, the Commission invited other participants to submit any tariffs or contracts that would accomplish the goals outlined in Order No. 23-005. On September 12, 2023, PacifiCorp, Portland General Electric Company (PGE), and Idaho Power Company (Idaho Power), together the "Joint Utilities or "JU," submitted compliance filings to address the requirements and filed errata on November 8, 2023. There was a workshop held on October 25, 2023, for the JU to present their filing, as well as offer an opportunity for

[1] See Order No. 23-005, page 2.
[2] Ibid.
[3] Ibid.

stakeholders to ask questions. The comments below discuss Staff's review of the JU compliance filings.

II. Compliance filing

The compliance filing made by the JU includes modifications to multiple documents relating to interconnection, such as the large generator interconnection procedures (LGIP), large generator interconnection agreements (LGIA), small interconnection agreements (SGIA), as well as utility schedules (Idaho Schedule 85, PGE Schedules 201 and 202, and PacifiCorp's Schedules 37 and 38). With respect to the LGIP, the JU add a definition for Energy Resource Interconnection Service in Article 1, as well as options for QFs to request studies for both NRIS or ERIS resource in Article 3.2. The QF is required to select either NRIS or ERIS service prior to executing the Facilities Study (FaS). Article 11.3 calls for QFs electing the ERIS option to sign a negotiated non-standard contract prior to executing a QF LGIA.

For small generators, the JU propose revisions to the small generator interconnection study agreements to allow small generators to request studies for both ERIS and NRIS. As with the LGIP, the revisions require that the small generator select either ERIS or NRIS prior to the final interconnection study, the FaS and require the QF to attest it has executed a PURPA PPA before it is eligible to execute a SGIA.

On its initial review, Staff identified concerns with the requirement to elect either NRIS or ERIS prior to the FaS and the requirement of an executed PPA as a criterion for a LGIA.

With respect to the later concern, Staff understands the JU rationale underlying the requirement for a QF to execute a non-standard PPA in which the QF agrees to curtailment as a condition of eligibility for an interconnection agreement for ERIS. The JU do not want to be in a position where they execute interconnection agreements requiring fewer system upgrades assuming, but not knowing, a QF will be curtailable. If the QF ultimately does not execute a non-standard PPA with curtailment provisions, and instead executes a standard PPA, the required system upgrades to ensure deliverability could be quite expensive for the utility without an ability to curtail.

The JU requirement for an executed PPA prior to eligibility for an IA for ERIS is further supported by the Commission's order that a QF is eligible for ERIS as "long as the QF voluntarily commits to allow curtailment that obviates the need for the Network Upgrades otherwise identified in a NRIS report."

While Staff understand the rationale for the requirement, Staff is concerned about the risk to the QF associated with a requirement to execute a PPA before it is eligible for an IA. Generally, a QF is not able to unilaterally terminate a PPA once it is executed. Accordingly, to be eligible for an IA for ERIS, the QF must commit itself to a 20-year PPA the QF cannot terminate. In the event the project becomes infeasible in the time between PPA execution and IA execution, the QF is on the hook for damages under the executed PPA.

Without some sort of solution to the competing concerns above, it seems that one party is likely to bear an increased level of financial risk. Staff does not believe this is what the Commission intended, rather in light of HB 2021 and small-scale renewable requirements, the Commission was looking for a solution to the network upgrade problem that does not require ratepayers subsidizing network upgrades costs but avoids their need altogether.

Staff believes a potential solution to the competing QF and utility concerns is to allow a QF an opportunity to voluntarily terminate the PPA within a specific amount of time after execution in the event the QF believes the costs of interconnection make the project uneconomic. Under this option, there would be a grace period for the QF to back out of a PPA without facing financial penalties.

Staff is also uncertain about the JU requirement that a QF elect either NRIS or ERIS before the FaS. Currently, a generation interconnection customer interconnecting under the FERC LGIP must elect either NRIS or ERIS prior to the FaS. A generation interconnection customer interconnecting under the FERC SGIP does not make this election because the small generator interconnects with small generator interconnection service rather than ERIS or NRIS.

On one hand, the interests of efficiency support following the FERC LGIP standard for election prior to the FaS. On the other hand, the interests of exploration of the use of ERIS for Oregon interconnections may support allowing the QF to elect to be studied for both ERIS and NRIS at the FaS stage. Staff would like additional information on the importance of and need for requiring a QF to choose, prior to the FaS, whether it will proceed with a PPA and interconnection that allows curtailment or whether it will proceed with a standard PPA and interconnection with NRIS. Staff would also like information on the QF need for the flexibility to choose either NRIS or ERIS up and until it is time to select either NRIS or ERIS for purposes of executing the interconnection agreement.

At this point, Staff is not providing recommendations on the JU compliance filing, but will evaluate comments from stakeholders, especially as related to solutions that do not put undue burdens on either party to the transactions, QF or host utility.

This concludes Staff's opening comments.

Dated at Salem, Oregon, this 22nd day of November, 2023.

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