

April 6, 2023



UM 2000 Broad Investigation of PURPA

Phase 0 Update

This announcement provides an update to Oregon Public Utility Commission Staff's (Staff) docket strategy for the UM 2000 Public Utility Regulatory Policies Act (PURPA) Investigation into qualifying small power production facilities (QFs). This announcement includes Staff's update to the ongoing Phase 0 schedule, including timelines for comments on Staff's solar plus storage rate straw proposal and an optional workshop to discuss the merits of alternatives/amendments should parties desire. Staff intends to bring the interim solar plus storage rate proposal before the Commission on May 16. Staff invites comments on its attached straw proposal by end of day April 25.

Background

On February 24, 2023, Staff released its update to the UM 2000 proposed process ([Staff's Process Proposal and Scope Update](#)) and called for recommended methodology changes or straw proposals for use in identifying an acceptable interim solar plus storage rate. On March 7, 2023, Idaho Power Company (Idaho Power), Pacific Power (PacifiCorp), Portland General Electric Company (PGE), and the Community Renewable Energy Association, Northwest & Intermountain Power Producers Coalition, The Renewable Energy Coalition, and Oregon Solar + Storage Industries Association (collectively the QF parties) submitted initial proposals for establishing an interim solar plus storage standard avoided cost rate. On March 15, 2023, Staff held a workshop to discuss parties' proposals and made progress on several areas of shared understanding. Staff developed a set of draft recommendations based on its review of parties' proposals and the productive workshop discussion. The remainder of this document outlines Staff's draft recommendations and Staff's proposed process for establishing the interim rates.

Next Steps

Phase 0

This updated schedule will serve as notice of a comment period for parties to submit comments or alternatives to Staff's attached straw proposal. Comments are requested to be submitted by end of day, April 25, 2023. Staff may hold an optional workshop, should parties request this, on the afternoon of April 28 to discuss the submitted comments and further refine Staff's straw proposal. Subsequently, Staff will issue a public meeting memo outlining its recommended proposal ahead of the May 16, 2023, public meeting.

UM 2000 Schedule

Staff recognizes that this process may require adjustment over time but presents its recommended schedule in the table below.

Phase 0 Schedule Proposal		
Timeline	Activity	Description
April 6, 2023	Staff Proposal	Staff issues an interim S+S rate straw proposal.
April 25, 2023	Comments Due	Comments filed on Staff's straw proposal.
April 28, 2023	Optional Workshop	Staff may hold a workshop, as desired, to address any revisions/alternatives proposed by parties.
May 9, 2023	Proposal Posted/Filed	Staff will post a memo outlining its interim S+S rate proposal.

April 6, 2023



May 16, 2023	PM	Staff will bring its interim S+S rate proposal before the Commission.
July 31, 2023	Interim S+S Rate Filed	Utilities will file their S+S rate for review.
September 21, 2023	PM	Interim S+S rates will be brought before the Commission for approval.

Phase 1 will launch following the conclusion of Phase 0 and is anticipated to take two to three months.

If you have questions on the process or content of this proposal, please contact:

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April 6, 2023

Staff's Straw Proposal for the Phase 0 Interim Solar Plus Storage Rate in UM 2000

Preamble

The interim standard solar plus storage rate for QFs is intended to create a pathway for new QFs to capture the value of capacity provided by combined storage and solar resources as soon as possible during the course of the OPUC's investigation in UM 2000. The interim solar plus storage rate is intended to provide administrative simplicity and ease of calculation, while being aligned with the legal requirements of PURPA. Staff recognizes that solar plus storage technology is somewhat novel but aims to provide an agreeable path forward to allow this technology to start delivering benefits to ratepayers in the very near term while mitigating risk. This expedited approach may not reflect the complexity of pricing methods that will be considered in future phases of UM 2000 or the range of operational opportunities that storage technologies could provide. This simplification may be reflected in the resulting prices, as well.

QF Eligibility Requirements

The standard interim solar plus storage rate will be available to new QFs utilizing solar plus collocated battery storage with a capacity of up to three MW AC measured in accordance with Docket No. AR 631, OAR 860-029-0045(4).¹ The storage facility must only be charged by the on-site solar resource and be collocated with the generating solar resource behind the point of interconnection. Staff does not propose limitations on whether the storage resource is connected on the AC or DC side of the QF's inverter(s), so long as it meets the other criteria. The storage resource must also be of the same capacity as the solar resource. For example, a three MW solar resource must have a three MW storage resource. Finally, the battery may be of no more than four hours in duration.

Staff received widely varied proposals for the capacity ratio eligibility requirement. For example, PGE proposed a range of eligible storage to generation capacity ratios, from 1:4 up to 1:1,²

¹ OAR 860-029-0045: Eligibility for Standard Avoided Cost Prices and Purchase Agreements

(1) Solar qualifying facilities with a Nameplate Capacity Rating of 3 MW and less, and all other qualifying facilities with a Nameplate Capacity Rating of 10 MW and less, are eligible for standard avoided cost prices.

(2) All qualifying facilities with a Nameplate Capacity Rating of 10 MW and less are eligible to enter into a standard power purchase agreement.

(4) The determination of Nameplate Capacity Rating for purposes of determining whether a qualifying facility meets the size criteria in sections (1) and (2) is based on the cumulative Nameplate Capacity Rating of the qualifying facility seeking the standard avoided cost prices or power purchase agreement and that of any other Facilities owned by the same person(s) or affiliates(s) located on the same site.

² [PGE's Comments on Staff's Process and Scoping Update - Pg 4, lines 15-17.](#)

April 6, 2023

whereas IPC proposed to make QFs with a 1:1³ ratio eligible for a standard contract as that would best match the modelled proxy resource's capacity contribution.

Staff is leaning toward IPC's proposal, as expressed above, but is receptive to alternatives based on stakeholder feedback. As mentioned previously, Staff understands that further optionality or considerations for different storage/generation capacity ratios could be made. However, Staff believes that for this interim approach a simplified and conservative list of eligibility requirements targeted at what Staff believes are the most common configurations is appropriate.

Premium Peak Hour Determination

Four daily 'premium peak' hours per month will be set by each utility and determined so as to coincide with each month's four hours with the greatest loss of load probability (LOLP). For months with no LOLP, the utility may choose to interpolate the premium peak hours between months with some LOLP probability or may otherwise set the premium peak hours based on expected market prices. Premium peak hours will not vary over the course of the contract.

Capacity Contribution Methodology and Proxy QF Resource Assumptions

To determine the capacity contribution of a representative solar plus storage proxy resource, the respective utility must use a methodology consistent with the methods used in its IRP process. The representative solar plus storage proxy resource should be modelled assuming a three MW solar facility with a three MW storage resource of four-hour duration that is not dispatchable by the utility and unable to engage in grid charging, but is assumed to dispatch whenever possible during the four 'premium peak' hours set each day as determined by the utility. The solar portion of the proxy should match the solar proxy currently approved in avoided cost rates to the extent practicable. The resulting ELCC or alternative capacity contribution value from the proxy resource that provides capacity to the extent possible during the four premium peak hours will then be utilized in a similar manner as in other avoided cost calculations.

Payment Methodology & Dispatch

The solar plus storage QF contracting at the standard rate will be paid for the energy provided based on the approved methodology for other renewable resources. For capacity compensation, these QFs will be paid a volumetric rate (\$/MWh) for delivery during the four hours of premium peak pricing per day, upon entering the utility's deficiency period. This will appropriately incentivize discharge of the storage resource during those times of need as determined by the utility and is a reasonable interim mechanism in lieu of direct utility control of dispatch.

Staff understands the importance of maintaining consistent treatment between the capacity

³ [IPC's Comments on S+S Standard Avoided Cost Prices - Pg 5, lines 8-14.](#)

April 6, 2023

contribution calculation and the capacity compensation framework for all QFs. However, because of the complexity of utility controlled QF storage dispatch and the potential disconnect between a conventionally modelled storage resource and the true capacity contribution of non-utility dispatchable QF storage, Staff finds a deviation from previous practices is necessary for solar plus storage QFs. Staff believes that the best option is to identify the four highest hours of need for each individual utility each month and model the storage assuming it will dispatch during these hours when it can. By compensating these resources for the actual capacity provided during these same four hours, a close approximation of the actual capacity contribution and value is achieved in a relatively simple manner.

The calculation of capacity payment will closely follow existing methodology for other QF types. The capacity contribution value of the solar plus four-hour storage facility to the utility will be compared to the avoided capacity resource used for calculating avoided cost rates. The avoided capacity costs of the avoided resource, in \$/kw-year, are proportionately attributed to the solar plus four-hour storage facility based on the relative capacity contribution values of each resource. For example, if the avoided resource's capacity contribution value is 100 percent and the solar plus storage resource provides a 90 percent capacity contribution value, then the solar plus storage resource provides 90 percent of the capacity value of the avoided resource in \$/kw-year.

The capacity contribution value for the solar plus four-hour storage facility may be derived from the utility's acknowledged IRP and will otherwise be derived from the effective load carrying capability ("ELCC") of the resource to the utility as modelled by the utility, subject to review by stakeholders and approval by the Commission.

Once the capacity contribution value and avoided capacity costs are determined for the solar plus four-hour storage resource, the volumetric rate may be calculated by uniformly spreading those annual avoided capacity costs across the specific premium peak hours determined by the utility. This final step deviates from existing methodology by spreading the capacity payment across the limited premium peak hours as opposed to spreading the payment over all annual on-peak hours.

Energy payments to the solar plus storage resource will follow existing methodology.

Capacity Availability in Tranches

As the interim standard solar plus storage rate is designed with administrative simplicity and efficiency in mind, and in recognition of the use of novel technology, no new QFs may be contracted under the interim standard rate once a utility has reached fifty MWs of contracted solar plus storage capacity on its system until a review has been completed by the OPUC to investigate the appropriateness of the interim standard solar plus storage rate. This will

April 6, 2023

effectively create a first fifty MW ‘tranche’ of capacity available to be met by solar plus storage QFs, and guard against the possibility of a ‘land rush’ before possible unanticipated effects may be evaluated and corrected through rate design.

Contractual Provisions

Staff believes that this proposal as currently composed would not require any revisions to the existing standard contract. Under the interim solar plus storage rate, the solar plus storage resource will be treated as a solar resource for purposes of the mechanical availability guarantee. Staff invites feedback on any additions or revisions to existing contractual provisions that may be needed.

Initial Implementation

The initial process for approval of the interim solar plus storage rate will not occur in conjunction with the May 1 filing of updated avoided cost rates for other QF types. Pending approval of this proposal by the Commission on May 16, 2023, utilities will file their solar plus storage rates on July 31, 2023. After filing, rates will be reviewed with an opportunity for workshop discussion before being brought before the Commission on September 21 for approval. The July 31 rate submission deadline is intended to allow adequate time for utilities to model the capacity contribution of the proxy resource to their system, should they not already have a relevant value from a recent IRP.

Ongoing Implementation

Updates to the interim solar plus storage rate will be required to be filed annually on May 1 during the pendency of UM 2000. This rate will be in effect and updated annually, as with rates for other QF types, until the conclusion of UM 2000 or until the first tranche of capacity is fully contracted, upon which a review of the rate will be undertaken, and no standard contracts for the rate will be offered during this reevaluation.