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## UM 2000 Broad Investigation of PURPA

### *Process Proposal and Scope*

This announcement describes Oregon Public Utility Commission Staff's (Staff) docket strategy and proposed scope for the UM 2000 Public Utility Regulatory Policies Act (PURPA) Investigation into qualifying small power production facilities (QF). Staff aims to provide a roadmap which results in a satisfactory conclusion of PURPA related issues for the time being.

### Background

On February 14, 2019, the Oregon Public Utility Commission (Commission) opened Docket No. UM 2000 with four goals and three potential outcomes proposed by Staff:

*[A]spects of PURPA implementation in Oregon should be evaluated to ensure a more fair, efficient, transparent and timely PURPA process. This proposed investigation would bring parties together to examine the broad framework for how the state collectively achieves the goals for PURPA in Oregon. The eventual results of this broad review could include revised standards (where needed) to protect both ratepayers and QF developers, more transparent avoided cost update methodologies, and clearer contracting guidelines.*

Following the opening of the docket, Staff held workshops and elicited feedback on the issues, timing, and scope for the upcoming steps of the investigation which concluded in a white paper presented to the Commission on July 30, 2019. Following the initial workshop Staff divided the issues into four broad categories: Avoided Costs, Contracts, Interconnection, and Planning. Staff ultimately recommended a series of near-term and longer-term actions. As a result of Staff's recommendation several additional dockets and rulemakings were opened to address issues related to near-term issues. The table below provides an overview of docket activities and their status.

Issue Category	Docket	Status
Contracts	<a href="#">AR 631</a>	Rules for standard contracts and terms in Formal Rulemaking
	<a href="#">AR 629</a>	Rules Adopted 3/31/21
Interconnection	<a href="#">UM 2032</a>	Awaiting Commission decision on Phase 1
	<a href="#">UM 2111</a>	Two working groups meeting monthly to work through first phase of interconnection modernization issues focused on screens and study methodologies, storage, and advanced inverters.
	<a href="#">UM 2001</a>	Interconnection studies, queues, and distribution system data posted to OASIS adopted 8/5/2019
	<a href="#">UM 2005</a>	Discussion of hosting capacity maps and other transparency practices ongoing
Avoided Cost	<a href="#">UM 2011</a>	Updated Best Practices/conclusion proposal filed 9/23/22 by Staff

Based on the progress above, Staff believes that two remaining issues need to be addressed in this docket before closing UM 2000:

1. Avoided cost methodology; and
2. Treatment of QFs in Integrated Resource Plans.

Staff believes that these two issues are linked and can be addressed together in the same investigation scope i.e., avoided cost modeling should use the same QF forecast assumptions as the IRP modeling. Staff also believes that there are threshold questions that can help narrow the scope of the investigation.

## Proposed Scope

Staff proposes an initial workshop to address the scope and process as proposed in this document. Staff hopes to get buy-in from stakeholders on the issues list and process while further refining and exploring the phasing.

Staff proposes a phased approach that first addresses threshold issues through commission decision at a public meeting. Once the issues are narrowed through Phase 1, a contested case will address issues related to avoided cost calculation in a manner that allows for discovery and the presentation of facts related to technical data. The third phase will resolve administrative issues related to the pricing update process and may include a rulemaking for issues from previous phases.

### *Phase 1 – Threshold Issues Regarding Approach of Docket (Public Meeting Decision)*

#### **A. Pricing Approach**

##### *1. Competitive or Administrative Pricing*

*In response to FERC Order No. 872, Staff would like to examine whether moving to or adding a competitive solicitation approach to set “avoided costs” for QF energy and capacity sales would provide fair pricing in a more efficient manner.<sup>1</sup> Consistent with Staff’s interest when this docket was first opened, Staff is also interested in discussion of the use of utility RFP data for administrative price setting if that remains the approach.<sup>2</sup> This can be addressed in Phase 1 or 2 depending on the nature of discussion in Phase 1.*

##### *2. Capacity Payment Methodology*

- i. Whether to utilize a “fixed” or “pay as you go” capacity payment approach for dispatchable and non-dispatchable resources, as described in E3’s UM 2011 report.<sup>3</sup>*
- ii. How should hybrid (renewable + storage resources) be compensated for capacity?*
- iii. Should solar resources have different price offerings based on location?*
- iv. Should the current sufficiency/deficiency methodology for capacity payments be modified in light of HB 2021 or the UM 2011 best practices?*

#### **B. Standard Price Options**

##### *1. Number And Differentiation of Standard Prices*

- i. Staff would like to consider the appropriate standard price offerings under current policies. Is it still reasonable to differentiate between standard and renewable options*

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<sup>1</sup> FERC Order No. 872 Allows states to utilize transparent and non-discriminatory competitive solicitations to set avoided costs for QF energy and capacity sales.

<sup>2</sup> See Staff’s discussion of market-based pricing approaches, Docket No. UM 2000, Commission Order No. 19-051, Appendix A, pp. 5-7, <https://apps.puc.state.or.us/orders/2019ords/19-051.pdf#page=6>.

<sup>3</sup> See E3’s Principles of Capacity Valuation report, Capacity Compensation Frameworks, starting on p. 16, <https://edocs.puc.state.or.us/efdocs/HAH/um2011hah82625.pdf#page=16>

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*following HB 2021? Does HB 2021 require adoption of another avoided cost price stream?*

- ii. What latitude should QFs have to choose between different avoided cost price streams?*
2. *How does HB 2021 affect the treatment of RECs in PURPA transactions?*

### **C. Standard Pricing Terms**

1. *Should payments continue to be fixed for 15-year periods?*
2. *Should the total purchase term of a contract continue to be 20 years?*

### **D. Energy Price Methodology**

1. *Should the Commission implement variable energy prices as allowed under FERC Order No. 872?*

### **E. IRP Planning Assumptions**

1. *QF Renewal Rate and Forecast Assumptions*

## **Phase 2 – Contract Pricing Inputs & Methods (Contested Case)**

### **A. Capacity Price**

*Based on Phase 1 determinations, there will be an examination of how the capacity price should be determined. The inputs and methodologies will also be examined.*

- i. QF Resource Characteristics e.g., location, data sources, configuration, and equipment assumptions for standard pricing*
- ii. Capacity Contribution Inputs and Methods*
- iii. Avoided Resource Characteristics, including interconnection and transmission*
- iv. Sufficiency/Deficiency Determination, as required.*

### **B. Energy Price**

- i. Issues related to the energy portion of administrative based or competitive solicitation pricing.*
- ii. Sufficiency/Deficiency Treatment*

The above scope may need to be adapted if a competitive solicitation approach to avoided cost setting is identified in Phase 1.

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*Phase 3 – Planning and Administration / Implementation (Public Meeting Decision or Rulemaking)*

**A. Pricing Update Mechanism**

- i. Frequency
- ii. Inputs / Process
- iii. Implementation Timeline
- iv. Additional Concerns

**UM 2000 Schedule**

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

**Staff looks forward to discussing and refining its proposed process and schedule at the November 2022 workshop.**

Phase 1 Schedule Proposal		
Timeline	Activity	Description
November 21, 2022 1:30p – 4p	Workshop	Workshop to discuss Staff's issue list and the proposal to initiate a phased process. Please notify Staff ASAP of conflicts with this workshop time.
December 2022	Comments	Written comments on the scope and phasing of Staff's proposal are submitted.
January 2023	Staff Proposal	Staff will publish a final issues list and schedule for Phase 1.
January 2023	Workshop	Workshop to discuss initial perspectives on Phase 1 issues. Staff will seek to invite national experts on Phase 1 issues and invite parties to present initial proposals.
February 2023	Comments	Stakeholder comments on Phase 1 issues.
March 2023	Straw Proposal	Staff will release a straw proposal for Phase 1 issues.
April 2023	Comments	Stakeholder comments on Staff's straw proposal.
April 2023	Workshop	Workshop to discuss comments on Staff's straw proposal.
May / June 2023	Public Meeting	Staff will present its recommendations for Phase 1 issues to the Commission for decisions.

For Phase 2, Staff will circulate an issues list and schedule proposal for stakeholder comment prior to a prehearing conference held by and Administrative Law Judge in June of July 2023. Staff expects the contested case to last 6-7 months depending on resolution of Phase 1 issues.

Tentative Phase 3 schedule to be determined before the conclusion of Phase 2.

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

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