

Docket UM 2000 Broad Investigation of PURPA Rules

Phase 1 Workshop



April 24, 2024

UM 2000 Phase 1 Workshop



Welcome!

- The workshop will begin shortly.
- Please edit your name to include both your full name and any organization you might be representing for today's meeting.
- If participating by phone, you will need to push *6 to unmute your phone if you wish to talk.
- Ways to get our attention if you have a question or want to make a comment:
 - Use the raise hand function, or
 - Write your question in the chat bar.
- This meeting will be recorded and made available.

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Meeting Agenda

- Brief Introductions: ~5 minutes
- Overview of Staff's Objectives in creating its Phase 1 Proposal, followed by an overview of the Proposal: ~30 minutes.
- Break: 5 minutes
- Discussion of Individual Proposal Issue Elements: ~70 minutes
- Next Steps and Wrap-Up: ~10 minutes

UM 2000: Where Are We?



Phase 0: Hybrid Rate

- **Objective:** Establish a solar + storage rate in an expedited process.
- **Process:** Informal process that results in a Public Meeting decision to direct the utilities to file a solar + storage rate at the same time as the May 1 update using a specified methodology, followed by a Public Meeting decision approving the rates in ~60 days following the May 1 filing.

Phase 1: Scoping Process

- **Objective:** Develop a more targeted issues list to propose to the ALJ for Phase 2.
- **Process:** Informal process to come to as much agreement as possible on scope, attempting to answer threshold issues, and to develop a better understanding of positions and priorities for AC methodologies moving forward.

We are here

Phase 2: Contested Case

- **Objective:** Commission order adopting new policies for calculating AC rates.
- **Process:** Contested case process that begins with Staff presentation of a well targeted issues list to the ALJ—which may be contested by parties.

Phase 3: Update Mechanism

- **Objective:** Establish new policies for updating avoided cost rates.
- **Public Process:** Informal process to propose new policies for updating avoided cost rates that is informed by the methods and policies identified in Phase 2. This process can cover any other administrative or lingering issues.

Proposal Goals



Staff's Over-Arching Goals in Preparing its Phase 1 Proposal:

- Sending more precise signals about what provides value to the system and its users
 - Reflecting the importance of reliability under a changing system
 - Recognizing the transmission expansion required to acquire resources
- Aligning with changing resource procurement drivers and approaches
 - Providing more realistic avoided resource characteristics
 - Recognizing the shift to more frequent and nimble RFPs
 - Reflecting the small-scale resource requirements
 - Recognizing drivers for procurement (HB 2021 vs RPS)
- Balancing precision and simplicity to increase transparency and confidence in avoided costs
- Balancing the above with the customer indifference standard and affordability challenges

Proposal Overview



Standard price streams

- Eliminate renewable/non-renewable distinction
- Hybrid resource class based on solar + storage
- Solar, Wind, Baseload Price streams with additional classes where greater than 5% ELCC difference
- All resource classes be eligible for standard pricing up to 10 MW
- Use of independent and open-source data to develop the QF proxy characteristic assumptions

Proposal Overview



Capacity valuation

- Capture the capacity contribution over the life of the resource by moving away from a snapshot ELCC
- Replace the sufficiency/deficiency demarcation with a fixed ramp-in
- Move toward a more realistic capacity resource, that is non-emitting and deliverable to Oregon customers
- Align compensation with the role the resource is expected to play in the utility's decarbonized system by using a last-in ELCC tuned to a realistic and reliable system.
- Send signals for hybrid resource dispatch when it's most useful through a pay as you go premium peak approach.

Proposal Overview



Energy valuation

- Eliminate the sufficiency and deficiency period mechanism in energy valuation
- Derive avoided energy resource assumptions from actual utility procurements if available
- If procurement data is unavailable, the utility should use independent and open-source data to develop the QF proxy characteristic assumptions

Proposal Overview



Policy compliance values

- **Avoided Deliverability Issues:** cost assumptions for the avoided resource must reflect the avoided resource's proportional share of transmission build out estimated in the IRP preferred portfolio
- **Small Scale Resources (SSRs):** reflect this value through a SSR compliance adder for <20 MW projects that attest to attaining SSR eligibility
- **Renewable Portfolio Standard (RPS):** For resources generating RECs, Staff proposes to allow the QF to negotiate its own price for REC sale to the utility.

Proposal Overview



QF Forecasting Practices

- Utilities model QF renewal rates in their IRP to equal the 10-year historical renewal rate of QF projects at the time of IRP filing, assuming that QFs will continue indefinitely upon reaching their current expiration date at a size equal to the historical renewal rate

For example, should 60 percent of QF projects historically renew on a utility's system, then each QF will be assumed to operate at 60 percent of its current size upon reaching its current expiration date

- Should 10-years' worth of historical data not be available at the time of IRP filing, the utility must calculate reliant IRP inputs using the assumption of a 75 percent QF renewal rate and QF project success rate.

Workshop Break



- We will return at 2:22 for discussion of individual issue proposals and next steps.
- Thank you for your comments!

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Individual Issue Proposal Discussion

	Existing Practice	Proposed Methodology
A. Standard price streams		
A.1 Price Streams	Price streams: <ul style="list-style-type: none"> • Renewable rate • Non-renewable rate • Capacity differentiated by resource class e.g., Wind, Solar, Baseload • Interim solar plus storage rate 	Price streams will include: <ul style="list-style-type: none"> • Hybrid (renewable + storage) • Solar • Wind • Baseload • Anything else that results in a 5% difference in capacity contribution at the request of Staff or a stakeholder e.g., tracking v fixed solar
A.2 Size Eligibility	Standard pricing available up to 3 MW for solar, up to 10 MW for all other resources	Standard pricing available up to 10 MW for all resources.
A.3 Standard Pricing Term	20 years/15 years fixed	No change

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B. Capacity valuation

B.1 Capacity Contribution Methodology	<p>New QF</p> <ul style="list-style-type: none"> Capacity contribution from IRP Snapshot year <p>Renewing QF:</p> <ul style="list-style-type: none"> Currently, treated as a new QF resource 	<p>New QF</p> <ul style="list-style-type: none"> ELCC <ul style="list-style-type: none"> For hybrid: ELCC calculated in premium peak hours only Capturing change over time, modelled in years 1, 5, 10, 15. Last in Portfolio tuned to reliability metric <p>Renewing QF:</p> <ul style="list-style-type: none"> No ramp-in Renewing QF removed from portfolio when calculating capacity contribution Otherwise treated as a new QF
B.2 Avoided Capacity Resource	<ul style="list-style-type: none"> Non-Renewable: <ul style="list-style-type: none"> Capacity: SCCT 	<ul style="list-style-type: none"> Capacity: The marginal non-emitting capacity resource acquired (contract execution) for a minimum of five years of service since IRP acknowledgement.
	<ul style="list-style-type: none"> Renewable: The next avoidable renewable resource identified in the electric company's IRP for renewable avoided cost prices (wind), plus integration costs. 	<ul style="list-style-type: none"> If there has not been a non-emitting resource procurement, use the lowest \$/MW-yr renewable resource modeled in IRP that the utility is capable of acquiring and delivering to Oregon customers. Recommendation for initial implementation: Battery – duration and other characteristics are utility specific

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<p>B.3 Sufficiency/ Deficiency</p>	<ul style="list-style-type: none"> • Non-renewable: Based on year of major resources procurement identified in acknowledged IRP • Renewable: Based on year of resources procured for RPS compliance 	<ul style="list-style-type: none"> • Fixed QF ramp-in approved by Commission order – to reflect current tension between capacity deficit and capacity acquisition • Recommendation for initial implementation: 3 year ramp-in for HB 2021 obligated utilities, 5 years otherwise.
<p>B.4 Payment Structure</p>	<p>Capacity payment baked into the levelized \$/MWh on peak energy price, based on capacity contribution in NERC HLH hours.</p>	<ul style="list-style-type: none"> • Solar, wind, baseload: capacity payment baked into the levelized \$/MWh on peak energy price, based on capacity contribution in NERC HLH hours. • Hybrid: separate \$/MWh volumetric payment for capacity provided during premium peak hours, paid in addition to energy price.
<p>B.5 Source for Purchasing QF Characteristic Assumptions</p>	<p>Use IRP supply side resource data to develop purchasing QF characteristic assumptions</p>	<ul style="list-style-type: none"> • Use SSR data from the utility’s IRP for purchasing QF characteristic assumptions. • Otherwise, use an independent public data source for QF characteristic assumptions <ul style="list-style-type: none"> ○ Recommendation for initial implementation: NREL Annual Technology Baseline (ATB) • Hybrid resource: Battery configuration should have a one-to-one capacity ratio to the generating solar resource and be of four hour duration.

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C. Energy valuation

<p>C.1 Avoided Energy Resource</p>	<ul style="list-style-type: none"> • Non-Renewable: <ul style="list-style-type: none"> ○ Energy: CCCT minus SCCT • Renewable: The next avoidable renewable resource identified in the electric company's IRP for renewable avoided cost prices (wind), plus integration costs. 	<ul style="list-style-type: none"> • The marginal renewable resource acquired (contract execution) for a minimum of five years of service since IRP acknowledgement. <ul style="list-style-type: none"> ○ If there has not been a renewable resource procurement since IRP acknowledgement, use the lowest \$/MWh renewable resource modeled in IRP that the utility is capable of acquiring and delivering to Oregon customers, including integration costs. ○ Recommendation for initial implementation: Wind – location and other characteristics are utility specific
<p>C.2 Sufficiency/ Deficiency</p>	<ul style="list-style-type: none"> • Sufficiency: Forward market prices (NERC HLH/LLH) • Deficiency: Avoided resource energy value 	<p>Avoided resource energy value (for entire fixed term)</p>

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D. Policy compliance values

D.1 RPS	RECs are remitted to the utility.	No standard pricing for REC sales, QF can separately negotiate price for REC sale to utility
D.2 SSR	N/A	<ul style="list-style-type: none">• Simple SSR compliance adder for <20 MW projects that attest to attaining SSR eligibility.• Only applicable to HB 2021 Utilities
D.3 Deliverability	IRP proxy supply side resource transmission and interconnection cost assumption e.g., BPA point to point transmission rate	Cost assumptions for the avoided resource must reflect the avoided resource's proportional share of transmission build out estimated in the IRP preferred portfolio.

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E. Other system values

E.1 Ancillary Services	No value	No change
E.2 Other RVOS Values	No values	No change

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F. QF forecasting practices - for use in IRP and other PURPA capacity contribution methods

F.1 QF Renewal Rates	No policy	QF renewal rates to be modelled in the IRP to equal the 10-year historical renewal rate of QF projects at the time of IRP filing, assuming that QFs will continue upon reaching their current expiration date at a size equal to the historical renewal rate. Should 10 years of data not be available, use a renewal rate assumption of 75 percent.
F.2 QF Success Rates	No policy	Use the 10-year historical QF project success rate at the time of IRP filing. Should 10 years of data not be available, use a success rate assumption of 75 percent.

Next Steps



- May 15, 2024*: Comments regarding Staff's Phase 1 Proposal are due.
- May 23, 2024*: A second workshop will be held to understand party comments and find additional consensus as possible.
- June, 2024: Staff will bring its Phase 1 Proposal to the ALJ to open a contested case.

*Dates dependent on Stakeholder availability. Staff will entertain scheduling flexibility and stay engaged with parties to seek maximum participation



Questions?

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