

May 20, 2013

Comments of the Washington Public Utility Districts Association, the Washington Rural Electric Cooperative Association, Inland Power and Light and Klickitat PUD

RE: Review of Standards for Interconnection with Electric Generators in WAC 480-108, Docket No. UE-112133

The above named parties (COU Parties) appreciate the opportunity to submit comments on the proposed rule for interconnection of electric generators of 20 MW and less. The parties are all, or represent, consumer-owned utilities. WPUDA and WRECA were two of the four Co-Chairs of the Interconnection Standards Workgroup that deliberated and recommended the Model Rule which is the basis for many of the changes proposed to WAC 480-108 in this docket. The consumer-owned utility trade associations represented to the Commission that we would forward to our members for their consideration the Model Rule to ensure, to the extent practicable, uniform interconnection standards throughout the state.

The COU Parties generally support the changes that are proposed in the draft rule. However, there are two specific diversions from the Model Rule that that cause us concern: 1. Removal of the utility option to require a visible, lockable disconnect for Tier 1 facilities; and 2. Opening the door to third-party owners of net metered facilities.

1. Removal of the utility option to require a visible lockable disconnect.

The Interconnection Standards Workgroup formed a Technical Subcommittee specifically to review the existing requirement for a disconnect switch for all interconnections. After multiple meetings and email discussions, the Technical Subcommittee recommended that the utility retain the option to require the switch. The Committee recognized that inverter technology has improved, and that utilities will be dealing with multiple distributed generators and various protection devices in the future, particularly as electrification of the vehicle fleet moves forward. We further acknowledge that these protection devices will require engineering scrutiny and performance data as they are deployed throughout the grid. While we believe the utility option is a step forward from the status quo, until these devices have been studied more thoroughly and performance data is available, public safety and the safety of our lines crews is of paramount importance. The cost of these protective devices is quite small compared to the overall cost of these systems. We request that the utility retain the option in the rule to waive the requirement for disconnect switches.

2. Opening the door to third party owners of net metered facilities by definitional changes in an interconnection rule dealing with technical standards, and placing regulatory responsibilities on a utility that belong to the Commission.

Consumer-owned utilities are directly impacted by the proposed rule that opens the door, without sufficient and appropriate UTC regulation, to third party owners of net metered facilities.

In the proposed definition of “Third-party owner” the language states: “*The electrical company shall not allow a third party owner to resell the electricity produced from a net metered facility.*”

This language raises two regulatory issues:

First, the UTC should be providing the regulatory oversight of a seller of electricity, not the utility, pursuant to (RCW 80.01.040(3)). The proposed amendment to the definition of generating facility at least indirectly states that electricity is being sold by third party owner to interconnection customer: “*or whose electrical output is owned, by the interconnection customer*”. Clearly a third party would have had to sell electricity to the interconnection customer for the interconnection customer to own the electrical output.

Second, since the UTC does not have jurisdiction over consumer-owned utilities – it is therefore unable to require the COUs to prohibit the resale of electricity in this definition. Therefore by confining the limited regulatory oversight of these sellers of electricity to jurisdictional utilities, the regulatory oversight of these third party owners that sell to the customers of consumer-owned utilities is non-existent. This opens the door to third party owners to serve customers of consumer owned utilities across the state without the regulatory oversight necessary to protect customers in the public interest.

The sale of electricity to end use customers is supplying a utility service under RCW 80.01.040 and should be regulated by the Commission in the public interest for all end use customers.

Matrix Response to Initial Comments on Inclusion of Third-party Owners

In the Comment Summary, dated March 6, 2013, in response to comments from various parties that these interconnection standards were not the appropriate place for opening the door to third party owners of net metered facilities, the Commission staff response was “*The Commission has no other net metering rules, thus WAC 480-108 is an appropriate place to address this issue.*” We believe this reasoning, that the Commission has no other net metering rule, is an insufficient justification to open third party ownership regulation (or lack thereof) in this rule. This is an interconnection standards rule, not a net metering rule.

We request that the Commission remove all reference to third-party owners of net metered facilities in these proposed interconnection standards, and open a new docket for net metering rules. In that docket, the Commission should address third party owners of net metered facilities, and develop regulations in the public interest that:

1. Regulate the rates, services, facilities, and practices of third party owners supplying this utility service – selling electricity to end users (RCW 80.01.040)(3)
2. Ensure that rates charged by third party owners are fair, just reasonable, and sufficient (RCW 80.28.010(1))
3. Ensure that facilities leased to or that supply electricity to net metered customers and that are located on their premises are safe, adequate and efficient. (RCW 80.28.010(2))
4. All rules (ie contractual obligations) required of the customer issued by the third party owner are just and reasonable. (RCW 80.28.010(3))
5. Ensure that any contract between the third party owner and the customer does not have provisions that waive the protections that would be afforded by the customer protections provided by utility regulation. (RCW 80.28.010(4))

However, if the Commission retains third party owner treatment in this rulemaking, we request that the rulemaking include investigation and adoption of rules governing the above list of regulatory requirements to protect the public interest.

Unless and until the Legislature acts to exempt third party owners from UTC jurisdiction as sellers of electricity, as they considered for electric vehicle recharging stations, the Commission should open a separate investigation and rulemaking to determine the public interest and regulate third party owners selling electricity to end use customers accordingly, as they would any other privately owned seller of electricity. To do otherwise does not allow sufficient investigation of these very complicated and complex issues that have the potential to negatively (or positively) impact a substantial number of utility customers throughout the state.

Smart Inverters

Smart inverters are an issue that came to our attention literally this week. We believe that it is important enough that we would like to bring the issue to the Commission's attention and request that it be added to this rulemaking. Our understanding is that a group of utilities under the aegis of the Western Electricity Industry Leaders (www.weilgroup.org) have been meeting recently regarding investigation and adoption of standards requiring all inverter equipped photovoltaic installations to include "smart inverters". Smart inverters:

- Include communications capabilities
- Provide real and reactive support
- Provide dynamic VAR injection
- Offer an expanded frequency trip point
- Support low voltage ride through
- Support randomization of timing for trip and reconnection

Smart inverters will allow, at a small overall cost, smoother integration of larger numbers of solar PV facilities, with its unpredictable fluctuations, without sacrificing reliability, thereby mitigating voltage drops and preventing potential power quality problems. However, without

smart inverters, these voltage swings can potentially damage utility equipment and residents' home appliances; increasing overall cost of maintaining the grid; require continued installation of larger, more expensive alternatives; and possibly distributed outages.

This problem will become a major concern as greater numbers of solar PV units are deployed in the state. It has already caused the government of Germany to order a mass retrofit of smart inverters on solar installations at a cost of hundreds of millions of dollars. That cost was incurred because smart inverters were not mandated during the ramp-up in solar installations. As more solar installations came online, the voltage fluctuations increased, threatening to destabilize the grid; thus requiring this expensive retrofit. Our utilities and regulators have the opportunity to avoid this scenario by planning ahead and installing the smart inverters before reliability is affected on our systems. This will allow the smooth integration of these resources while ensuring the integrity and reliability of our overall system.

We are not (yet) expert in this technology, but are sufficiently concerned that we ask the Commission to request parties, such as the Bonneville Power Administration, that are participating in the group reviewing smart inverters, to address and educate the Commission and stakeholders on this issue in the current interconnection standards rulemaking, prior to final adoption of this rule. Consideration now with perhaps a short delay in the final rule adoption may save opening another rulemaking as the problems described above manifest. And, if voltage fluctuation does or will become a problem with PV deployment, and the technology is demonstrated to prevent a requirement for retrofit and utility costs for reliability upgrades, substantial cost savings will result by addressing the issue now.

Thank you for consideration of our comments in this docket.



Dave Warren, P.E.
WA PUD Association
Co-Chair, Interconnection Standards Workgroup

/s/ electronically approved
Kent Lopez, Manager
WA Rural Electric Coop Association

/s/ electronically approved
Richard Damiano, P.E.
Chief Engineer, Inland Power and Light
Co-Chair, Interconnection Standards Workgroup

/s/ electronically approved
Holly Dohrman
Power Manager, Klickitat PUD