

September 21, 2018

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Washington Utilities and Transportation Commission  
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**RE: Comments of Renewable Northwest**

**Docket 161024** *Utilities and Transportation Commission's August 24, 2018, Notice of Opportunity to File Written Comments on Competitive Resource Acquisition Request for Proposals (RFP), WAC 480-107.*

**I. INTRODUCTION**

Renewable Northwest thanks the Washington Utilities and Transportation Commission (“the UTC” or “the Commission”) for this opportunity to comment in response to the Commission’s August 24, 2018 Notice of Workshop and Notice of Opportunity to File Written Comments (“the Notice”). The draft rules signal important progress toward greater fairness and transparency to ensure that Washington’s competitive procurement process leads to lowest reasonable cost procurements. We are particularly grateful for the proposed inclusion of the role of an independent evaluator and for draft language that would ensure greater evaluation transparency.

Renewable Northwest is a non-profit advocacy organization that works to facilitate the expansion of responsibly developed renewable resources in the Northwest. Our membership includes renewable energy developers and manufacturers, as well as consumer advocates, environmental groups, academic institutions, and other industry advisers. The common goal of Renewable Northwest’s members is to promote the development of a cost-effective, reliable, and clean energy system for the betterment of the Northwest economy and environment.

Our efforts to promote a cost-effective and clean energy system include ensuring that resource procurement processes instill market confidence and provide for robust competition that produces the lowest reasonable cost for customers. We thank the Commission for this effort to strengthen the competitive procurement process for Washington investor-owned utilities (“IOUs”), and we provide feedback in these comment to further ensure that the final rules lead to a fair, transparent, and competitive process.

Finally, we indicate in our answers to some of the questions that we currently take no position on several of the issues raised in the Notice. However, we reserve the right to take positions on those and other issues at the stakeholder workshop on October 2, 2018.

## II. COMMENTS

### 1. *Natural Gas*

Renewable Northwest does not have a position on this issue at this time.

### 2. *Language Request*

- a) Renewable Northwest considers the language in draft WAC 480-107-015 sufficient to require an all-source request for proposals (“RFP”) for most resource needs, while creating enough flexibility in the process to allow limited scope RFPs when they are useful. However, we encourage the Commission to recognize the need for a competitive process for utility procurements outside of the context of meeting needs identified in an integrated resource plan (“IRP”). For example, following the competitive bidding process outlined in the RFP rules may be the best way to ensure competition in the procurements for voluntary renewable energy products. As a result, we encourage the Commission to adopt RFP rules that would include such procurements in the competitive bidding process and propose the following language in WAC 480-107-015(1):

“The utility must solicit bids for its resource needs identified during the IRP process **and utility procurements in response to voluntary programs**. It must accept bids for a variety of energy resources which may have the potential to fill the identified needs including...”

- b) Renewable Northwest encourages the Commission to replace in draft WAC 480-107-035(3) the concept of net benefits with the concept of costs and benefits. This broader concept would enable the Commission to consider values that may not necessarily be directly comparable and therefore could not be reflected in a net value.

### 3. *RFP timing*

Renewable Northwest appreciates the Commission’s interest in accommodating long lead-time resources, reflected in its openness to a timeframe longer than three years in draft WAC 480-107-015(3). However, we share the concern outlined in the Notice

regarding the challenges that may arise with requiring an RFP for a resource need as far as 10 years into the future. For that reason, we support adopting a five-year timeframe in the final WAC 480-107-015(3) .

#### **4. *Thresholds for exemption***

- a) Renewable Northwest questions whether the 50 MW threshold in draft WAC 480-107-015(4)(a) is appropriate for technologies that are more modular than traditional capacity resources. As the Commission acknowledged in the Notice, Distribution System Plans (“DSPs”) and IRPs are increasingly overlapping. Therefore, it may be advisable for the Commission to adopt either a different threshold for certain technologies or more flexible rules that explicitly give it discretion to require use of competitive procurement processes for less than 50 MW of more modular technologies.

We also encourage the Commission to further explore the appropriate threshold for distribution system or local transmission resource projects. Under draft WAC 480-107-015(4)(d), the threshold would be \$10 million. However, we understand that the discussions on DSP as part of this rulemaking could shed light on thresholds that better suited to support competition for resource needs at the distribution and local transmission levels.

- b) See the answer to subsection 4.a. above.
- c) Renewable Northwest encourages the Commission to include a storage-specific threshold in WAC 480-107-015(4). Currently, the threshold under which an IOU would be exempt from the RFP requirement in draft WAC 480-107-015(4)(a) is 50 MW for an identified resource need of capacity. Draft WAC 480-107-015(4)(d) also refers to a \$10 million threshold for distribution system or local transmission resources. As this Commission recognized in its Report and Policy Statement on Energy Storage Technologies in Integrated Resource Planning and Resource Acquisition (the “Storage Policy Statement”), unlike traditional resources that can be generally categorized into generation, transmission, or distribution assets, energy storage can be all of the above—as well as load— depending on how the system is deployed.<sup>1</sup> As a result, adopting a storage-specific threshold would be appropriate.

After participating in several regulatory proceedings on storage, Renewable Northwest understands that megawatt-hours are more appropriate than megawatts for a

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<sup>1</sup> UE 151069 and U-161024, *Report and Policy Statement on Energy Storage Technologies in Integrated Resource Planning and Resource Acquisition* at 10 (Oct. 11, 2017).

storage-specific threshold. In the context of energy storage projects, “megawatts” refers to the power rating of an energy storage system, while “megawatt-hours” refers to how much energy is stored; the latter appears to be more reflective of the size of a battery. As a result, we encourage the Commission to adopt a storage specific threshold stated in megawatt hours. We look forward to discussing the appropriate megawatt-hour threshold for Washington IOUs, and, in the meantime, we propose the following subsection under WAC 480-107-015(4):

**“(f) If the utility plans to satisfy its identified resource need with an energy storage system with the capacity to store [XX] megawatt-hours.”**

d) Renewable Northwest does not have a position on this issue at this time.

#### **5. *Delivery System RFP***

a) Renewable Northwest supports expanding the definition of “resource need” to include local distribution needs in order to establish a process that ensures that distribution level needs are met at the lowest reasonable cost. Renewable Northwest also encourages the Commission to explore the boundaries of its jurisdiction with regards to local transmission needs. Further discussion of this topic seems particularly appropriate in light of the Commission’s Storage Policy Statement, which addressed storage in the context of transmission planning and procurement along with the jurisdictional nuances associated with transmission.<sup>2</sup>

b) Renewable Northwest does not have a position on this issue at this time.

c) Please our answer to question 4.a.

d) Renewable Northwest does not have a position on this issue at this time.

e) Renewable Northwest does not have a position on this issue at this time.

#### **6. *Reliance on Market***

a) Renewable Northwest considers the Northwest Power and Conservation Council's (“NWPPCC’s”) resource adequacy assessment (the “Assessment”) to be the best publicly available source of information on regional resource adequacy. However, the NWPPCC’s

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<sup>2</sup> *Id.*

Assessment does not seem appropriate for use in determining whether sufficient regional adequacy exists to support a utility's forecasted market purchases and whether those purchases could or should replace longer term resource procurement decisions and analyses.

An important limitation of the NWPCC's Assessment in the context of resource selection decisions is the difference in timeframe between the NWPCC's Assessment and an IRP. The NWPCC's Assessment looks at resource adequacy in a five-year timeframe, while an IRP usually looks at a 20 year timeframe. Given that difference, we are concerned about reliance on the NWPCC's Assessment to decide whether to procure short-term market purchases or a resource of longer duration. Additionally, the NWPCC's Assessment much shorter timeframe keeps it from accounting for policies looming in the longer-term horizon such as the various decarbonization and clean energy policies under discussion throughout the region.

As the Commission determines whether to rely on the Assessment, we also encourage it to keep in mind that the NWPCC is currently wrestling with regional boundaries outside of the northwest (e.g., import/export capability with other regions). These factor into resource adequacy from the NWPCC's perspective. Additionally, the West is having a conversation about capacity factor, capacity value, and imports/exports, among others, to ensure that two entities are not counting on the same resources in a situation of emergency.

Finally, Should the Commission decide to adopt rules that rely on the NWPCC's resource adequacy assessment, we encourage UTC Staff to increase its participation in the process leading up to the assessment.

- b) An alternative approach for WAC 480-107-015(4)(b) could use the NWPCC's resource adequacy assessment as the starting point for the analysis. If the Assessment indicates that the region is short, a utility should not further rely on the market. However, if the Assessment indicates that the region has sufficient resource adequacy, the utility should engage in additional inquiry to confirm that reliance on the market is indeed an appropriate choice, in light of the limitations that of the Assessment outlined above.

## ***7. Independent Evaluator***

- a) Renewable Northwest supports the current language in draft WAC 480-107-AAA. Involving an Independent Evaluator ("IE") when a utility, its subsidiary, or its affiliate is allowed to submit a bid can provide important assurance to potential market participants

that the process will be fair and transparent, likely leading to more competitive RFPs. However, we encourage the Commission also require an IE where the RFP solicits bids that could result in utility ownership, like build on transfers bids. In those situations, an IE would also play an important role in ensuring fairness and transparency in the RFP. Therefore, we suggest the following addition to draft WAC 480-107-AAA(1):

**“The RFP allows for bids that could result in utility ownership.”**

- b) Renewable Northwest appreciates the Commission’s proposal to create a new and significant role for independent evaluators (“IEs”) in Washington’s RFP process. We believe there is value in requiring an IE even when the utility will not be bidding, both because there is inherent value in IE participation, and because such a rule would keep Washington’s RFP process consistent with Oregon’s.

Due to real or perceived utility bias in favor of utility-owned capital projects, IEs likely bring the most value to processes with utility ownership options, providing not only oversight but also confidence to bidders that the procurement process will be fair and transparent. This is why the Oregon Public Utility Commission provided in Order No. 14-149 that, “[a]n IE must be used in each RFP to help ensure that all offers are treated fairly,” and that, “[t]he IE must be independent of the utility.”<sup>3</sup> Even in processes without utility ownership options, the IE can provide bidders with that same confidence in a fair and transparent process.

Although having an IE has value regardless of whether an RFP allows for utility ownership, Renewable Northwest recognizes that the costs of involving an IE may not be justified when utility ownership is not an issue. For that reason, we supported a proposal in Oregon that would have allowed the Commission to waive the IE requirement in procurements with no utility ownership option at its discretion; ultimately that proposal did not pass.

- c) Renewable Northwest does not have a position on this issue at this time.
- d) Renewable Northwest does not have a position on this issue at this time.

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<sup>3</sup> UM 1182, Order No. 14-149, Appx. A, p. 2 (Apr. 30, 2014).

## **8. *IE Report***

Renewable Northwest supports the draft rules' requirement of an initial and a final report from the independent evaluator. We agree with Commission Staff's vision of the final report as comprising the initial report plus the evaluator's response to the reconciliation process and stakeholder comments.

## **9. *Conservation RFP***

Renewable Northwest does not have a position on this issue at this time.

## **10. *Procurement outside of an RFP***

The waiver section could be expanded to include procurements outside of an RFP, such as bilateral contracts, as long as the utility can show that the bilateral contract is ultimately beneficial to customers.

## **11. *Evaluation transparency***

We support the proposed draft rule 480-107-025(4) requirement for RFPs to, "include a sample evaluation rubric that quantifies the weight each criterion will be given during the project ranking procedure." While the utilities may express concerns that providing information weighting information creates the potential for bidders to "game" the system, the draft language would enable bidders to offer more detailed, accurate, and precise information. Bidders would be in a better position to understand the utilities needs and values, and respond accordingly, which would benefit the utility, bidders, and customers.

## **12. *Two-stage bidding***

Renewable Northwest encourages the Commission to adopt in WAC 480-107-135 additional sideboards for the treatment of bids by a utility running an RFP, its subsidiaries, or its affiliate (collectively "utility bids"). For example, the Commission could require that such bids are sealed, that they are submitted before other bids, and that they are scored before other bids. Renewable Northwest encourages the Commission to consider adopting a similar approach to Oregon's treatment of similar bids. Under Oregon Administrative Rule ("OAR") 860-089-0350, a utility must submit to the Commission and the IE a detailed score of utility bids prior to opening bidding on an approved RFP. Utilities are also required to file with the Commission a final resource score, developed in consultation with the IE, before they can score other bids.

### ***13. Resource need definition***

Renewable Northwest generally supports the direction that would be set by the definition of “resource need” in Draft WAC 480-100-238(2) but encourages the Commission to call out fossil fuel retirements and state energy policy. We propose the following revision to the draft rule:

**"Resource need" means any current or projected system deficit identified in the most recently acknowledged IRP, or recognized opportunity for more reliable, efficient, or cost-effective services, or for services that are consistent with the state's energy goals, including the retirement of fossil fueled resources as a strategy."**

### ***14. Transmission Rights in the RFP.***

Renewable Northwest encourages the Commission to consider including its final RFP rules a requirement that utilities, in designing the RFP, explore how the current availability of transmission in the region may impact competition in the RFP. The regional transmission system is increasingly congested, and, as a result, certain types of transmission rights are unavailable or scarce. Such scarcity has threatened to meaningfully impact competition in other RFPs in the region.

Given the current state of transmission in the region, we encourage the Commission to require utilities to explore the impact of limited availability of certain types of transmission rights (i.e. long-term firm transmission across certain portions of BPA's system) over the level of competition in the RFP and to adopt flexible transmission requirements where the impact would be meaningful. Similarly, we encourage the Commission to encourage or require that utilities make their transmission rights available to third party bidders, or at the very least justify how their decision not to do so is in the best interest of rate payers. This point is particularly important where transmission assets have been or are being paid for by ratepayers.

## **III. CONCLUSION**

Renewable Northwest again thanks the Commission for this opportunity to comment. The draft rules improve upon the competitive bidding process in Washington by encouraging additional fairness and transparency while increasing the likelihood that RFPs identify lowest reasonable



cost procurements. We look forward to further participation on this issue, including commenting at the workshop on October 2nd, 2018.

Respectfully submitted this 21st day of September, 2018.

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