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May 29, 2018

Via E-filing

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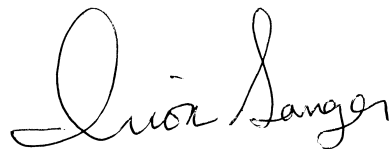
RE: In the Matter of Puget Sound Energy, Proposed Requests for Proposal
Docket No. UE-180271/UE-180272

Dear Mr. King:

Please find the Comments of the Northwest and Intermountain Power Producers Coalition in the above-referenced dockets.

Thank you for your assistance. Please do not hesitate to contact me with any questions.

Sincerely,



Irion A. Sanger

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COMMISSION

**BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

UE-180271/UE-180272

In the Matter of)	
)	
Puget Sound Energy, Proposed Requests for)	NORTHWEST AND
Proposal)	INTERMOUNTAIN POWER
)	PRODUCERS COALITION
)	COMMENTS
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I. INTRODUCTION

1. The Northwest and Intermountain Power Producers Coalition (“NIPPC”) submits these comments regarding Puget Sound Energy’s (“PSE”) Draft Request for Proposals (“Draft RFP”) for all generation sources and demand response resources. NIPPC appreciates PSE’s recognition that it has energy and capacity needs that could be filled with generation and/or demand response programs. It is appropriate for PSE to issue an RFP at this time because PSE’s need is real, which is demonstrated by the company having a modest capacity need right now which grows to 272 megawatts (“MW”) in 2022 due to the closure of Colstrip 1&2 and to over 2,000 MW by the end PSE’s twenty-year planning period in 2037.

2. The Washington Utilities and Transportation Commission (the “Commission”) should require PSE to improve its Draft RFP to increase the field of available potential bidders. This would provide more opportunities for PSE to obtain the least cost and least risk supply and demand side resources for the benefit of ratepayers. Specifically, NIPPC recommends that the Commission approve the RFP subject to the conditions that PSE: 1) make any excess transmission rights available to any bidder, including power purchase

agreement (“PPA”) bids; 2) clarify that bidders are allowed to submit bids using any combination of firm, conditional firm and short-term firm transmission, if that results in more advantageous resource options for ratepayers; and 3) explain how bids that do not provide long-term firm transmission will be evaluated against projects that do.¹

II. COMMENTS

A. Customers Should Benefit from PSE’s Transmission Regardless of Ownership Structure

3. PSE has a portfolio of firm transmission rights from Bonneville Power Administration (“BPA”) and other transmission providers, including surplus transmission capacity which could be used to support the delivery of energy from generation projects.² This portfolio of transmission rightfully belongs to PSE’s customers. PSE should allow bidders to demonstrate whether any of the surplus firm transmission rights can be re-directed to their generation facilities; and if so, incorporate those transmission rights into their bid. PSE should use its transmission portfolio to ensure the best deal possible for its ratepayers and to maximize its ability to integrate new resources into its generation portfolio. Thus, the Commission should condition approval of the Draft RFP on PSE making its surplus transmission rights available to bidders.

¹ NIPPC understands that the Commission is updating its competitive bidding rules. There are significant changes that NIPPC would ordinarily propose, but NIPPC is awaiting the final rules and will therefore not make those recommendations here.

² In referring to “surplus” or “excess” transmission, NIPPC is not suggesting that PSE has inappropriately acquired more transmission than reasonable to meet ratepayers’ needs. NIPPC merely acknowledges that PSE’s transmission portfolio is intended to meet its customers peak load plus a reserve margin. In all other hours, some portion of this transmission will be “surplus” to PSE’s load service obligation. In addition, PSE has recently obtained 100 MW of new transmission rights to Mid-C and may have additional surplus transmission once Colstrip 1&2 are retired.

4. PSE’s transmission holdings which are currently included in rates or are being reserved for future use by PSE to transmit power to sell to its ratepayers (who will pay for them at that time) should be made available to bidders into the RFP. PSE should use its portfolio of transmission resources and reservations to benefit its ratepayers by ensuring that ratepayers have access to the least cost and least risk generation resources bid into the RFP. Any existing transmission reservations or transmission reservations in deferral status, in queue or optioned by PSE on the BPA or other utility’s transmission system that are above PSE’s existing and forecasted transmission needs should be assumed to be available to the resource selected in this RFP, regardless of ownership of those resources.

5. This enhancement to the Draft RFP makes sense because PSE appears to have firm transmission available that could be used by either a PSE-owned generation resource or to support a purchase from a PPA. The Draft RFP recognizes that PSE has updated its capacity and renewable resource needs based on 100 MW of additional Mid-C transmission that recently became available.³ In addition, PSE already has other substantial transmission rights that may be able to be used for either its own generation or purchases from independent power producers.⁴ For example, if PSE has existing firm transmission rights associated with an existing flexible dispatchable resource, which

³ Draft RFP at 1.

⁴ See PSE Integrated Resource Plan (“IRP”) at 4-30 and Exhibit D-16 (“Transmission capacity to the Mid-Columbia (Mid-C) market hub gives PSE access to the principal electricity market hub in the Northwest, which is one of the major trading hubs in the Western Electricity Coordinating Council (WECC). It is the central market for northwest hydroelectric generation. The majority of PSE’s transmission to the Mid-C market is contracted from BPA on a long-term basis; in addition to these contracts, PSE also owns 450 MW of transmission capacity to Mid-C.”).

could be redirected to a new renewable generation resource and essentially “shared” between the resources on a short term basis, then a bidder might not be need to provide additional incremental transmission rights.

6. PSE has various options to allow bidders to demonstrate their project could use PSE’s transmission rights. PSE could allow bidders to use its existing surplus firm transmission rights from Mid-C. PSE could also allow proposed projects in Montana to incorporate PSE’s Colstrip transmission rights into their bids for projects deliveries that begin in 2022, which is the date of the retirement of Colstrip 1&2 and when PSE’s capacity need increases to 272 MW.⁵
7. It is unclear whether PSE will entertain bids that propose assignment of PSE’s transmission rights to deliver to an acceptable delivery point. From a public policy perspective and given BPA’s delays in processing transmission requests, allowing the assignment of PSE’s existing transmission could result in lower cost and more creative transmission arrangements, and would ultimately help avoid over-construction of the transmission grid and support a competitive wholesale market for generation.
8. Therefore, NIPPC recommends that the Commission require PSE to identify all its transmission rights and require PSE to provide bidders the opportunity to incorporate any surplus rights in order to expand the potential resource pool and obtain the best available and least cost resources for ratepayers.

⁵ PSE RFP at 2. While PSE would still have a capacity need, large portions of its capacity need can be reduced if PSE redirects its 300 MW of transmission capacity from Garrison to Mid-C after the closure of Colstrip 1&2. Instead of re-directing this transmission to acquire market purchases, this transmission could be re-directed for use by bidders in this RFP to meet PSE’s energy and capacity needs.

B. The Commission Should Confirm that Long-Term Firm Point-to-Point Transmission Is Not a Requirement for Bidders and Should Require that the Draft RFP Specify How PSE Will Evaluate Projects that Are Utilizing Different Forms of Transmission Capacity.

9. The Draft RFP admirably provides flexibility regarding the type of transmission necessary to wheel power to load; however, additional clarity that BPA conditional firm and short-term firm are acceptable. While NIPPC agrees that projects with firm transmission theoretically pose less delivery risk, BPA is facing increasing levels of congestion across its system, which is increasingly impacting long term firm rights. It is unclear how PSE will evaluate projects with long term firm transmission against projects with conditional firm or other transmission arrangements. PSE should provide more information regarding how it plans to treat bids that do and do not have long-term firm transmission. Without such information and assurances from PSE, the Commission will not know whether competition in the RFP will be dramatically limited simply by imposing a de facto requirement for firm transmission rights to PSE's system.⁶

10. While NIPPC agrees with PSE that firm transmission makes a project less risky, NIPPC also agrees with PSE's recognition that there may be resources without firm transmission that could provide sufficient benefits to warrant being awarded a contract in this RFP. PSE's RFP explains that "PSE prefers proposals for resources located on PSE's system or those with secure long-term firm delivery to PSE's system."⁷ A preference for firm delivered power on or to PSE's system is reasonable. PSE continues that if a bid

⁶ If NIPPC's arguments in Section A above are adopted, then the issue of needing firm transmission would be at least partially mitigated and more projects in BPA's interconnection and transmission queues would be able to compete.

⁷ Draft RFP at 4.

does not include long-term firm delivery to PSE's system, the respondent should explain the following: the steps taken to obtain long-term firm transmission delivery to PSE's system and the expected timing of long-term firm transmission delivery. The respondent is also encouraged to discuss any alternate solutions to firm the delivery of energy and capacity to PSE's system over the term of the proposal.⁸

11. The specific details regarding PSE's proposal to allow other forms of transmission, however, are unclear. Some questions include: Will there be different transmission requirements for baseload versus renewable resources? What types of alternative arrangements will be acceptable? Will there be a time limitation for how long of a reliance on BPA conditional firm will be acceptable? What will be the scoring penalty for bids without long-term firm transmission, and, if so, what is the penalty? There are other potential questions and uncertainties. PSE should provide these details so that bidders know how to structure their proposals to provide PSE the resources that it believes are acceptable.
12. Many potential projects would need to use BPA transmission to wheel their power to PSE. BPA's current interconnection queue includes scores of potential projects in the area. In fact, approximately 7,500 MW of renewable resources are currently listed as having all their studies complete. An additional 9,500 MW are currently listed as being in active study, and another 1,200 MW have been recently received. Thus, the total pool of active, prospectively BPA-connected projects that could bid into PSE's RFP if PSE were to make its own transmission rights available to successful independent power producer bidders is over 18,000 MW.
13. Transmission service from BPA is entering a phase of uncertainty. BPA is facing increasing congestion across its system and is constrained in its ability to fund upgrades

⁸ Draft RFP at B-9.

in the future. At the same time, BPA is changing its internal mechanisms for determining whether transmission capacity is available. As an alternative to building new transmission facilities, BPA has begun to indicate an increased reliance on redispatch and other “non-wires” solutions to resolving congestion. Accordingly, new requests for firm service on BPA’s system may be extremely expensive if the service is available at all; while alternatives, such as conditional firm, may be available at a lower costs and only present a small increase in delivery risk.

14. Regardless of the state of reforms at BPA, the number of facilities that have access to the firm transmission is limited. That is because these transmission reservations are expensive to maintain without a long-term purchaser and expose the holders to a certain amount of risk if their intended projects do not materialize. The number of bidders may be significantly reduced if the final RFP does not fully recognize that long-term firm transmission is an extremely limited resource and the most expensive type of transmission available over BPA’s system. The Draft RFP must provide more clarity to ensure that it does exclude potential projects with better shape profiles, better capacity factors, less permitting risks, lower construction costs, or better tax incentives, even if its transmission is not long-term firm. Otherwise, competition in this RFP could be dramatically limited, and it is less likely to obtain robust bids or acquire the truly lowest cost and risk option.

15. Developers should be allowed flexibility in proposing delivery options that combine long-term firm, conditional-firm, and short-term firm transmission capacity reservations. Conditional-firm transmission service, which is curtailed after non-firm but before firm transmission, may provide an equivalent value for the kind of resources that

PSE is seeking. To date, conditional-firm on BPA's transmission system has only been curtailed five hours since the service was created over a decade ago.⁹ There are also other products that can provide certainty and reliability of long-term firm that could be utilized by bidders.¹⁰ BPA has indicated that future awards of transmission service may be dependent on redispatch; parties other than BPA (including power marketers) may be able to provide similar redispatch service. To be clear, NIPPC is not suggesting that PSE ignore the delivery risk associated with a potential bidder's transmission arrangements, but limiting the pool of potential resources to those with long-term firm transmission could unnecessarily inflate resource costs and might not provide any increased reliability benefits.

16. The additional delivery risk associated with proposals that do not use long-term firm BPA transmission can be reflected in the price and appropriately valued in the bid scoring process. A project with a significantly lower price but with an only slightly higher delivery risk than a more expensive option may ultimately benefit ratepayers. Especially if ratepayers are held harmless by contract provisions that fully protect them in the event that deliveries cannot be made.

17. In the end, NIPPC appreciates PSE's initially flexible approach to firm transmission requirements, but the lack of clarity in the Draft RFP may make it difficult for bidders to structure and propose meaningful bids. NIPPC urges that the Draft RFP be

⁹ Even though BPA has proposed revisions to its conditional firm product in its Pro Forma Gap Analysis, some developers do not believe the changes are likely to increase the amount of curtailments, thus preserving the reliability of the product. BPA is also offering a conditional firm product in the South of Allston process.

¹⁰ PSE has proposed something similar in its most recent IRP for Lower Snake Ridge and Hopkins wind farms. See Appendix I, available at <https://pse.com/aboutpse/EnergySupply/Pages/Resource-Planning.aspx>.

modified to provide specific details regarding the types of transmission that it will accept for each type of resource, and what the impact will be on any particular bid score *prior* to formally issuing the final RFP. This additional information can only benefit both PSE and its customers.

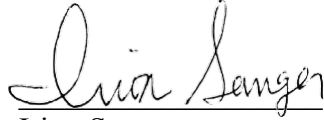
18. NIPPC also encourages the Commission to consider the impacts on future changes to the existing energy market structures across the West. Currently—and for purposes of this RFP—contract transmission rights are required to deliver energy from generators to load. Pressure is increasing, however, for new market designs that do not rely on contract transmission rights. The Energy Imbalance Market (“EIM”) has been an incremental step in this direction; the California ISO’s proposal to expand the EIM market into the Day Ahead timeframe would be an additional step. Proposals to expand the geographic scope of the California ISO remain in play. Peak and PJM are proposing an alternative market structure to the California ISO. NIPPC recognizes that the timing of any substantial reforms to how energy is delivered to PSE ratepayers is speculative. But, NIPPC submits that over the next 20 to 30 years (the useful life of the generation resources sought in PSE’s Draft RFP) the contracts in place to regulate use of the transmission system may change dramatically. It may not be cost-effective to require bidders to obtain firm transmission rights today when the transmission grid of the future is likely to be more flexible both technically and commercially.

III. CONCLUSION

19. NIPPC appreciates the opportunity to comment on PSE’s Draft RFP and recommends that the Commission approve it, subject to the conditions identified above.

Dated this 29th day of May 2018.

Respectfully submitted,

A handwritten signature in cursive script that reads "Irion Sanger". The signature is written in black ink and is positioned above a horizontal line.

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