



Northwest Public Power Association

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August 17, 2012

Via email ([jennifer.decesaro@hq.doe.gov](mailto:jennifer.decesaro@hq.doe.gov)) and Regular U.S. Mail:

Jennifer DeCesaro  
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Via email: [jot@wapa.gov](mailto:jot@wapa.gov)

**RE: DOE/WAPA “Defining the Future” Workshops  
Comments of the Northwest Public Power Association**

Dear Ms. DeCesaro:

The Northwest Public Power Association (NWPPA) submits this letter in response to the recent “Defining the Future” listening sessions/workshops hosted by the Department of Energy/Western Area Power Administration (DOE/WAPA).

NWPPA is an association of roughly 160 public/people’s utility districts, electric cooperatives and municipalities in the Western U.S. and Canada. Most of our members are preference customers of the Bonneville Power Administration (BPA) and WAPA. Our member utilities employ some 20,000 people and serve approximately 5 million homes. NWPPA also serves over 280 Associate Members across the U.S. and Canada who are allied with the electric utility industry.

With the completion of the six regional listening sessions/workshops, our members remain deeply concerned that DOE is directing the Power Marketing Administrations (PMAs) toward a future disconnected from realities of the past and present. While there are several areas of concern that our members and their state, regional and national trade-association partners have highlighted during the listening sessions/workshops, NWPPA’s comments will focus on DOE’s assumption that an Energy Imbalance Market (EIM) is the appropriate solution to variable energy integration challenges, and its desire to have BPA and WAPA participate. Because the geographic territory served by NWPPA’s membership features abundant hydropower and wind resources in both BPA and WAPA regions, we understand firsthand the operational realities of balancing intermittent generation, which is the primary goal of an EIM. However, we have serious concerns with DOE’s approach.

In general, the West-wide EIM proposal referenced in Secretary Chu's March 16<sup>th</sup> Memorandum to the PMAs threatens to:

- Expand the scope of the PMAs beyond their statutory mission set by Congress – to provide power to preference customers at the lowest possible rates consistent with sound business principles;
- Propose new initiatives which risk higher costs without reciprocal benefit to consumers;
- Presume new policies for PMAs in areas, such as energy efficiency and renewable energy integration, where the West already has achieved much and has more work underway; and
- Ignore the years of successful collaboration between PMAs and their customers, which have produced innovative solutions to regional energy issues.

More specifically, NWPPA believes there are logistical and practical considerations with the EIM model that DOE should evaluate carefully before advancing this reform proposal using the PMAs. These issues include the following:

- A Realistic Assessment of the Feasibility for an EIM in the Western Interconnection

NWPPA does not believe sufficient, targeted analysis exists of the scope and complexity of attempting to impose an EIM in the Western U.S., which is characterized by vast, diverse geographic regions that are sparsely connected by electric transmission lines. Each region in the West presents a diverse mix of energy resources and their own local and state statutory restrictions.

NWPPA questions whether there has been a real “on the ground assessment” conducted by DOE to determine if there is even a market for the variable energy sources and related transmission projects that the Memorandum anticipates will be integrated by, and funded through, the PMAs. According to an August 3, 2011, letter (attached) to the Western Electric Coordinating Council (WECC) from Michael Picker, Senior Advisor for Renewable Energy Facilities to the Governor of California, renewable projects totaling 70,000 MW of installed capacity are seeking to connect to the California Independent System Operator (CAISO)-managed grid. The CAISO currently has a statewide transmission plan that identifies the transmission needed to deliver sufficient resources to meet the state's 33 percent Renewable Portfolio Standard (RPS) – *without additional out-of-state resources*. Energy from these in-state projects exceed California RPS mandates--raising the question as to whether there is even a market in California for out-of-state renewable energy resources or the need for transmission to deliver it. That is, in part, why NWPPA's members have consistently focused on developing regional energy solutions. We believe proponents of a West-wide EIM, including DOE, appear to be ignoring these market factors.

- The Benefits of an EIM Have Yet to Be Demonstrated

NWPPA's members, along with utility systems throughout the WECC region, have reason to remain skeptical of the claimed benefits of an EIM. Since foundational elements of an EIM such as governance, market monitoring, and tariff design have yet to be determined, we view calls to implement EIM in the West as premature. At the recent regional workshops, PMA customers, including members of NWPPA, told DOE officials present that the purported benefits of an EIM are being presumed before they can be fully validated through stakeholder vetting and study.

The few initial studies examining EIM revealed minor net financial benefits resulting from its implementation compared with estimates of substantial costs borne by consumers. The study conducted by the National Renewable Energy Laboratory (NREL) has focused on the purported benefits of an EIM, while assuming significant shifts from natural gas to coal-based generation in the West. As we understand it, the Administration's national policy is to reduce, rather than increase, coal dispatch in the coming years. These deficiencies in the claimed cost-benefit analysis of a West-wide EIM indicate that perceived benefits of EIM, rather than any meaningful cost-benefit or operational analysis, are driving assertions that this economic model is the preferred solution to renewable energy integration for the West.

- DOE Assertions about EIM Reliability Benefits Are Unproven

Responses to Congressional letters by Secretary Chu and pre-meeting materials that DOE provided to workshop participants suggested that implementing the policy changes set forth in the Chu Memorandum including an EIM could have prevented disruptions such as the September 8, 2011, Southwest outage. NWPPA believes such assertions are incorrect.

EIM, for one, is merely a voluntary energy market, not a reliability tool. There is no objective information that would suggest an EIM or other reforms suggested in the March 16<sup>th</sup> Memorandum would have averted the Southwest outage.

Moreover, the Southwest outage event has the full attention of the regulatory agencies directly responsible for reliability, including the Federal Energy Regulatory Commission, the North American Electric Reliability Corporation and WECC, in addition to the several systems involved in the incident. Reforms are being developed by these agencies and affected parties as a result of the lessons learned. The causes of the Southwest outage and the reforms needed to avert such incidents in the future are far more complex than suggested by the Secretary's responses and the DOE's workshop materials. NWPPA believes such assertions only serve to lessen the credibility of the recent workshop process and detract from legitimate reliability discussions occurring with the appropriate regulatory bodies.

Thus, while EIM is among the options NWPPA members and their regional power sharing partners are currently exploring to address challenges to firming variable energy resources, we

believe drawing conclusions as to the value of EIM at this point is premature and misguided. Fundamental problems with the application of EIM within the Western Interconnection, as well as the cost and benefits of an EIM and numerous operational issues of this economic model, must be fully understood before policy decisions regarding its use should be made.

Additionally, the Memorandum and subsequent DOE/WAPA workshops suggest a lack of appreciation for the years of successful collaboration between PMAs and their customers that have produced innovative solutions to regional energy issues. As leaders in the integration of variable energy resources, our members have been actively involved in numerous initiatives locally and regionally to achieve the goals set forth in the March 16<sup>th</sup> Memorandum.

We urge DOE to allow regional EIM discussions to continue without the threat of a federal mandate. NWPPA members participating in the Northwest Power Pool (NWPP) are currently evaluating options ranging from enhanced bilateral sub-hourly energy markets to a centralized EIM to determine the most effective strategy to meet regional operational needs. The work being conducted by the NWPP's EIM Workgroup to develop a "straw proposal" is ongoing and is scheduled to conclude by the end of the year. The workgroup is finalizing its preliminary conceptual proposal and will seek feedback and refinements of the proposal. This will be followed soon after by analysis and a release of the proposed EIM design and analysis results.

This voluntary industry effort involves representatives of 19 balancing authorities and 11 other organizations who have significant, real-world transactional and operating experience with other utilities in the NWPP footprint (map attached). NWPPA believes that DOE should await the result of the NWPP analysis before it attempts to direct the PMAs to implement an EIM.

We strongly recommend that DOE postpone implementation of the reforms set forth in the March 16<sup>th</sup> Memorandum and undertake a stakeholder process focused on (1) understanding existing operations of distinct Western regions; (2) determining any gaps between what customers and WAPA are already doing to accomplish DOE's goals; and (3) formulating strategies that include Congress and PMA customers to resolve regional energy needs within the PMA's limited statutory authority. These points were repeated themes throughout the regional workshops and are detailed in the written comments of many of NWPPA's members and other PMA customers.

Thank you for your consideration of our comments. We look forward to continuing a productive dialogue with the DOE on these and related issues.

Sincerely,



Will Lutgen  
Executive Director

Attachments: NWPP Footprint Map; Picker Letter