PLUMAS-SIERRA RURAL ELECTRIC COOPERATIVE
73233 State Route 70 • Portola, CA 96122
(800) 555-2207 • (530) 832-4261 • Fax (530) 832-5761
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Comments on the draft recommendations from the Joint Outreach Team

Overview

- Western's statutory obligation is to market and deliver federally generated hydropower to preference customers at cost-based rates consistent with sound business practices.

- Since the inception of this effort with the release of the Secretary's March 16, 2012 memorandum, we have expressed concern that the recommendations contained within the initiative were overly broad, deviated from Western's core mission, and imposed uncompensated and unnecessary costs on Western's preference customers.

- We are pleased that the Draft JOT Recommendations exclude some of the most problematic elements of the Secretary's March 16, 2012 Memorandum. However, we remain concerned that the introduction and many of the recommendations seem to suggest that Western should play an active role in the deployment, integration and delivery of non-federal renewable energy.

- While the report repeatedly cites the need to respect the differences between Western regions, the majority of the recommendations focus on consolidation and uniform one-size-fits-all rules.

Required Regulation Reserve Capacity

The JOT recommends an analysis to determine the regulation reserve capability that is required for each of Western's BAs or sub-BAs using a consistent methodology and criteria.

- The study appears to be unnecessary. Each Balancing Authority already assesses regulation reserve capability in order to meet WECC reliability standards.

- We are concerned that the study appears to suggest that Western has unused capacity. For SNR, there is not excess regulation reserve capacity

OASIS Consolidation

JOT recommends creation of a single OASIS site to ensure a uniform and integrated approach to posting Western's transmission information, products and services, as well as to ensure one common interpretation and implication of Western's OATT.

- We can support a single OASIS website for operational efficiency and streamlining of the user experience.

- If, however, this recommendation is intended as a first step towards operational integration of Western's transmission assets, then we have concerns:

    - federal law requires the segregation of costs by project, and
    - SNR is not physically integrated with any other Western transmission system.

Rate Pancake

JOT proposes to conduct a study of the transmission and ancillary services rates charged by each Western-owned transmission project and to determine the feasibility and appropriate level of potential transmission rate consolidation.

- The reference in the recommendation to "feasibility" is essential.

- Western transmission assets in the Sierra Nevada Region are not directly connected to any other Western transmission system. Therefore, there is no level of operational or rate consolidation that is feasible.

- By law, the costs for each Western project are segregated to ensure that project customers only bear repayment responsibility for facilities and programs that provide direct and discernable benefits. The consideration of rate integration is a potentially troubling assault on both the law and the principle of cost causation.

Rate-Setting Methodologies

JOT proposes the harmonization of transmission and ancillary service rate setting methodologies across Western.

- This appears to be another example of the procedural failure to acknowledge and respect the differences within Western regions. For instance, long-term contracts are already in place for SNR that stipulate rate setting methodologies.

- Moreover, given the contractual commitment of CVP resources, there simply isn't excess transmission and ancillary services available that would benefit from any adaptation of "best practices."

- Finally, it is important to reiterate our concern that the statutory segregation of costs by region be respected, as well as the long-standing principle of cost-causation in rate setting.

EPAMP IRP Guidelines

JOT recommends Western evaluate its customer Energy Planning and Management Program IRP guidelines to ensure Western-wide uniformity of administration and to conduct customer outreach to identify opportunities for training on the planning process.

- We are unaware of any inconsistencies in the administration of Western's EPMP.

- EPMP and the IRP simply serve as a duplicative reporting requirement. As such, Western should consider whether administrative efficiency could be enhanced by reducing the EPMP reporting requirements in certain circumstances.

- We appreciate the assurances in the JOT draft recommendations that issues of retail service and rate design are outside the scope of the report and Western's authorities.

Perform a Western-wide Infrastructure Investment Study

- We are concerned that the recommendation focuses on the "commercial value" of Western transmission assets, suggesting a departure from the delivery of preference power as the first priority of Western's transmission assets.

- There is an important distinction between making surplus transmission capacity available, and either reassigning capacity needed for delivery of federal hydropower or promoting Western investment in new transmission that is not needed to deliver federal hydropower.

- We would oppose any departure from the laws, policies and procedures that currently govern the construction, operation and cost-allocation Western transmission assets.

Conduct a Study to Identify Combined Transmission System Opportunities

This JOT recommendation applies to DSW, CRSP and RMR – and does not apply to the SNR. Nonetheless, we are troubled that the recommendation appears to run counter to both legal and operational limitations.

- Under the relevant statutes, Western segregates costs by project, and rates are set to recover only those costs assignable to customers in a given region.

- We find it difficult to envision combining transmission system operations while keeping costs segregated by project.

- The suggested combination appears to ignore the operational realities of the Western system.

Explore Potential Options for Moving to a Flow-Based Environment

Under this recommendation, Western would conduct a study to evaluate efforts to move from a contract-path to a flow-based approach.

- This recommendation appears to presume that flow-based approaches are inherently "better."

- Rather than embedding a presumptive superiority for flow-based systems, we encourage a system that avoids predetermined outcomes and recognizes the diversity both between and within Western's regions.

- Moreover, it is also essential that any evaluation recognize existing contracts (that in many cases require a contract-path method).

Electric Power Training Center

The JOT recommendation to transition the EPTC to the National Renewable Energy Laboratory should be revised to call for a full review of the potential transitioning of the EPTC to an appropriate agency.

- Rather than presuming a specific end-state, the review and resulting conclusions will be more meaningful if the full range of options is considered.

Intra-hour Scheduling

The JOT recommendations call for Western to work with a broad range of interested parties to coordinate the implementation of intra-hour scheduling.

- Western will comply with FERC Order No. 764 on integration of variable energy resources (VER).

- Considerable coordination is already underway within and between balancing authorities in order to advance a smooth transition.

- It is important that this recommendation not create a duplicative or conflicting effort.

Evaluation of ADI, RBC and DSS

This recommendation appropriately notes WECC's current evaluation of implementing all three initiatives.

- Given this current WECC undertaking, and the need for consistency between balancing authorities, we see no value in a separate or duplicative evaluation by Western.

Energy Imbalance Markets

Considerable attention has been focused on implementation of an Energy Imbalance Market. This recommendation was among the most controversial topics raised in the Secretary's March 16 memorandum, and it continues to generate considerable concern and opposition.

- We are concerned that an EIM is intended to benefit variable resources and merchant generators – and that those third-party benefits will come at the expense of Western preference customers.

- Concerns have been raised that the potential financial benefits of implementation of an EIM are too small and speculative to justify the costs and risks.

Thank you for your consideration of these comments.

Corby Gardner
Plumas-Sierra Rural Electric Cooperative
Member and Energy Services Manager