



Utah Public Utilities, Energy, and Technology Interim Committee Key Viewpoints on Regional ISO

July 13, 2016

Overview

- The California Independent System Operator (ISO) is exploring transitioning into a regional ISO, with PacifiCorp joining the regional ISO and becoming a full participating transmission owner (PTO).
 - PacifiCorp and the ISO signed a memorandum of understanding in April 2015 that commits the two parties to explore the benefits of PacifiCorp joining a regional ISO, recognizing that governance and other existing ISO tariff structures and frameworks would need to accommodate a regional ISO.
 - PacifiCorp is interested in exploring this opportunity in order to determine if net benefits would accrue to its customers and benefit the states where it provides electrical service.
 - Initial study results demonstrated sufficient benefits to continue exploring integration. Further work is needed on the net benefit to customers.
- A regional transmission organization that would be created through PacifiCorp and ISO integration could lay a foundation for broader participation by other balancing area authorities in the West.
- This effort is aimed at:
 - reducing costs for consumers;
 - enhancing coordination and reliability of western electric networks;
 - facilitating the integration of renewable resources;
 - reducing emissions; and,
 - enhancing regional transmission planning and expansion.
- Integration as a PTO would result in the following primary impacts to PacifiCorp:
 - integration into the ISO's Balancing Authority Area (BAA) and the elimination of PacifiCorp's two Balancing Authority Areas (PACE and PACW);
 - turning over operational control of PacifiCorp's network transmission assets to the ISO;
 - becoming subject to all requirements of the ISO tariff as modified for regional integration, including resource adequacy requirements, transmission planning and cost allocation, integrated generator interconnection studies, and many others; and,
 - participation in the ISO's real-time and day-ahead markets.

Benefits

- PacifiCorp's largest source of benefits will likely be operating cost savings — savings in fuel and energy procurement costs that result from participating in the ISO's day-ahead market and importing renewable energy when California has excess supply.
- California ISO customers will likely benefit primarily from investment cost savings — savings from procuring lower cost renewable energy and from reducing the need to replace over-generation with additional renewable energy to meet policy goals.
- Significant annual savings for customers would be expected to increase over time.
 - Based on the October 2015 E3 report, in 2024, estimated savings of \$62m to \$122m (2015\$) for PacifiCorp, rising to \$200m to \$272m in 2030 (Table Below).
 - Over its first full 20 years, assumed to be 2020 to 2039, E3 estimated that PacifiCorp and ISO integration would yield \$1.6b to \$2.3b (2015\$) in total present value cost savings for PacifiCorp, and \$1.8b to \$6.8b in savings for ISO customers in California.
 - PacifiCorp will need to determine if the requirements and costs to achieve the identified gross benefits, as further refined, provide positive net benefits to stakeholders in order to continue pursuing regional integration.

Benefit Category	Low Scenario		High Scenario	
	2024	2030	2024	2030
More efficient unit commitment and dispatch	\$31	\$36	\$46	\$54
Lower peak capacity needs	\$0	\$25	\$17	\$25
Reduced renewable over-generation	\$31	\$138	\$31	\$138
Renewable procurement savings	\$0	\$0	\$28	\$54
Total benefits	\$62	\$200	\$122	\$272

- Savings are linked to planning and investment decisions that require long lead times and clear guidance.
 - PacifiCorp and ISO integration in the nearer term would provide the joint processes and certainty that enable more strategic and efficient longer-term investment decisions.
 - Over a longer-term horizon, combined BAAs would provide greater flexibility to:
 - respond to ongoing changes in federal environmental policies,
 - to develop renewable energy, and
 - to reduce greenhouse gas (GHG) emissions at a lower cost.
- PacifiCorp must identify details on major cost areas and requirements of regional integration (such as transmission access charge or resource adequacy) through ISO stakeholder processes and FERC filings, to support state filings.

Governance

- Goal is to remove regional ISO governance dictates from California law, or from any state's laws.
- California entities should not be given sole appointment authority or numerical superiority on boards, committees, and other groups with significant authority to determine ISO policy.
- The regional ISO's new governance structure should include binding provisions to protect and preserve state authority over matters currently regulated by the states.
- States should have jurisdiction over procurement policy of the utility's energy portfolio, resource planning and certificate of public convenience and necessity approvals for utilities within their jurisdiction, and generation resource or transmission siting within their state.
- Any change to regional ISO bylaws or other corporate governing documents that relate to state authority must require unanimous approval by the new ISO Board and by the new body of state regulators
- PacifiCorp agrees that States must be permitted to choose and implement their own GHG policies. Any regional ISO must respect and accommodate existing state policies, including California's tracking and accounting of greenhouse gas emissions attributable to California load and resources.
- A participating transmission owner must have adequate assurances that any withdrawal can occur without excessive financial penalty.
- Transition from the California ISO to a regional ISO must be handled properly with the appropriate structure and participation.