

## Session 5

# **Resource Challenges Facing Utilities and Resource Planners**

# Operation of Session 5

- Messages from Feb 2009 discussion
- Question 1: **What do you see as the major issues facing you in planning for and acquiring resources?**
  - Panel response
  - Your response
- Question 2: **Dealing with uncertainties with renewable requirements**
  - Panel response
  - Your response

# Challenges identified in 2009 discussion

- Uncertainty in government policies on **carbon and RPS/RECs**
- New **load uncertainty** with recession
- **RPS requirements** exceeding load growth
- **Disconnect in the timeframes** for resource planning decisions and the timeframes for transmission development
- **Transmission is too late** to help with near-term RPS compliance
- **Dump renewable energy**

## 2009 Challenges (cont'd)

- Pressure to keep electricity **affordable**
- **Tension between** interstate **cooperation** on renewable and local **economic development**
- Because of uncertainty and large range of resource options, utilities will **delay decisions** until they have to decide
- Need to **put transmission planning and resource planning back together**
- **Cost recovery** to enable utility investment

# Key Planning Concerns - Puget

## Back Drop: **Two Distinct Aspects of Risk**

- Risks that affect optimal resource selection
- Risks that affect portfolio costs



## **Three Key Risk Factors**

- Economy: Income effect on demand for “green”
- Quantity: Amount of intermittent resource that will be built in Pacific Northwest, esp. considering state cost caps
- Potential Impact: On value of resources...
  - Market prices
  - Wind generation
  - CCCT/SCCT values and relative value

# Key Planning Concerns - PGE

- Regional cooperation in development of easily accessible and **liquid Capacity Market**, both Long-Term and Intra-Hour
- Region should update its **Scheduling Practices** and establish a Minimum set of Business Practices
- Region should explore the creation of **Generation-only Balancing Authorities**
- **Intelligent, Predictive, Proactive Transmission Planning**
- **Over building** the Transmission System is not “the” answer, but is an important part of the solution.
- **If Wind is Bacon, Gas is Eggs and Transmission is Toast**

# Some Key Planning Concerns - APS

- **Heavy Reliance on Renewables and Energy Efficiency**
  - ACC RES 15% renewables by 2025, with 30% coming from distributed, plus 1.7 million MWH per year rate case settlement
  - ACC Energy Efficiency Rules (approved) requires 22% of retail sales to be met with energy efficiency
  - Customer Participation?
  - Technologies and Costs?
  - Tax Credits?
  - How to integrate?
- **Carbon Management**
  - Climate legislation
  - Cost and recovery impacts
  - Coal plant retirements?
  - Nuclear renaissance for BBB- company?
- **Coal Fleet Uncertainties**
  - Four Corners and Navajo BART
  - Mercury regulation
  - Coal Ash Regulation
  - Expiring Leases with the Navajo Nation
  - California utility participation plants
  - Carbon Legislation
  - EPA GHG Regulation
  - ACC Externalities Workshops
  - Retirement impact on Navajo Nation

Question 2: **Dealing with  
uncertainties with renewable  
requirements**

- What factors, if any, **contribute to uncertainty** about meeting future RPS requirements at a reasonable cost?
- Are utilities concerned about **costs of compliance, changing legislation, stranded capital**?
- What are companies' **strategies for getting regulatory approval** for RPS projects?
- What should be assumed about unbundled and bundled **RECs** and what role should they play?
- Will **cost caps** limit resource options for meeting standards?
- What are the impacts of looming **water constraints and land restrictions** on costs of compliance and utilities' ability to meet RPS requirements?
- Do these **uncertainties undermine resource options that require additional transmission**?