

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 30, 2020

REGULAR X CONSENT _____ EFFECTIVE DATE _____ N/A _____

DATE: June 22, 2020

TO: Public Utility Commission

FROM: Caroline Moore

THROUGH: Bryan Conway, Michael Dougherty, and JP Batmale **SIGNED**

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:
Request to open a general investigation into interconnection.

STAFF RECOMMENDATION:

Staff recommends that the Oregon Public Utility Commission (OPUC or Commission) open a general investigation into interconnection and adopt the additional next steps proposed in this report.

DISCUSSION:

Applicable Law

Under ORS 756.515(1), whenever the Commission believes that an investigation of any matter relating to any public utility or telecommunications utility or other person should be made, the Commission may, on its own motion, investigate any such matter.

Analysis

Through the scoping process for UM 2032 Staff Investigation into Treatment of Network Upgrade Costs for QFs, Staff committed to opening a general investigation into interconnection processes and policies. This general investigation can serve as an umbrella docket to organize, track, and monitor existing and future efforts to address the range of interconnection issues that may be facing Oregon generators.

In the following sections, Staff summarizes the scoping process for UM 2032 that led to this request and describes its proposed framework to launch this investigation.

Background

The Commission opened Docket No. UM 2032 on July 30, 2019, to investigate the treatment of Network Upgrade costs for Qualifying Facilities (QFs).¹ The Commission further directed the Administrative Hearings Division to consider whether the scope of the investigation into the treatment of Network Upgrade costs for QFs should be expanded to include a limited number of additional, discrete issues related to interconnection of QFs.

Staff conferred with UM 2032 parties and discussed whether the docket scope should be specific to issues related to network upgrades for QFs.² Idaho Power (IPC), PacifiCorp (PAC), and Portland General Electric (PGE) (collectively the Joint Utilities) agreed with Staff's initial thinking that the docket should be narrowly scoped to address Network Upgrades for QFs.³ However, Northwest & Intermountain Power Producers Coalition, the Renewable Energy Coalition, and the Community Renewable Energy Association (Industry Associations) proposed that the Commission include three additional issues in the UM 2032 scope and noted eleven interconnection issues that could be addressed in a second phase of UM 2032.⁴

The additional UM 2032 issues proposed by the Industry Associations include:

- The appropriate circumstances under which an interconnection customer should be provided an option to build (or hire third parties to build) Network Upgrades;
- The appropriate circumstances under which an interconnection customer should have an opportunity to hire third-parties to perform interconnection studies; and
- The appropriate process through which an interconnection customer may challenge utility cost estimates and propose alternatives.⁵

The additional interconnection issues identified for a second phase include:

- Interconnection dispute resolution;
- Improving transparency, communication, access to in-person meetings with engineers, access to standards and assumptions, study inputs, baseline data, and price assumptions;

¹ Commission Order No. 19-254.

² See *generally* Docket No. UM 2032 Staff Investigation into Treatment of Network Upgrade Costs for QFs, Joint Utilities' Comments on Scope and Proposed Issues List, April 20, 2020; see *also* UM 2032, NIPPC, COALITION, and CREA Comments on Staff's Proposed Issues List, April 9, 2020.

³ See Docket No. UM 2032 Staff Investigation into Treatment of Network Upgrade Costs for QFs, Joint Utilities' Comments on Scope and Proposed Issues List, April 20, 2020.

⁴ See Docket No. UM 2032, NIPPC, COALITION, and CREA Comments on Staff's Proposed Issues List, April 9, 2020.

⁵ *Id.*, at 7 - 8.

- Providing appropriate process and remedies for utility violations of the rules (e.g., providing extension of commercial operation date for delays);
- Providing appropriate checks on the utility's work to ensure they are not gold-plating or imposing unreasonable requirements;
- Consideration of interconnection options, i.e., transmission versus distribution, various routes, other options;
- Address appropriate interconnection operations and maintenance reimbursements to the utility-owned interconnection facilities paid for by the QF;
- Addressing the appropriate interconnection facility upgrades that should be required when a QF renews its contract;
- Eliminating the utility's ability to hold up the process and imposing concrete and enforceable timelines;
- Providing an appropriate mechanism for cost-sharing or reimbursement;
- Address the issue regarding what changes to the facility constitute a material change that would require the QF to restart the interconnection process and/or request a new PPA and the right to upgrade after PPA execution; and
- Amendments to the interconnection rules.⁶

On April 27, 2020, Staff filed a proposed issues list for UM 2032 that focused on the following three Network Upgrade allocation issues:

1. Who should be required to pay for Network Upgrades necessary to interconnect the QF to the host utility?
2. Should on-system QFs be required to interconnect to the host utility with Network Resource Interconnection (NRIS), or should QFs have the option to interconnect with Energy Resource Interconnection Service (ERIS) or an interconnection service similar to ERIS?

Depending on the resolution of these two questions, a second phase of the docket may be necessary, Staff indicates, to address implementation issues:

3. If the answer to Issue No. 1 is that users and beneficiaries of Network Upgrades (which typically are primarily utility customers) should pay for the Network Upgrades necessary to interconnect the QF to the host utility, how should that policy be implemented? For example, should utility customers, and other beneficiaries and/or users, fund the cost of the Network Upgrades upfront, or should the QF provide the funding for the Network Upgrade subject to

⁶ See Docket No. UM 2032, NIPPC, COALITION, and CREA Comments on Staff's Proposed Issues List, April 9, 2020, at 9 – 10.

reimbursement from utility customers? Should the QF, utility customers, and other beneficiaries and users, if any, share the costs of Network Upgrades?⁷

Staff also noted that it is not appropriate to incorporate the additional Industry Association issues into a narrow investigation of Network Upgrade cost allocation for QFs.⁸

The Joint Utilities and Alliance of Western Energy Consumers (AWEC) issued comments in support of Staff's proposal.^{9,10} The Industry Associations filed comments urging the Commission to include additional discrete issues related to, "the interconnection customer's ability to check the utility's work and possibly reduce the cost of the interconnection."¹¹ Further, the Industry Association advocated that the additional issues raised should be considered in a second phase of UM 2032 or a separate docket, whichever occurs first.¹²

Staff filed reply comments on May 11, 2020, recommending that UM 2032 remain narrowly scoped to Staff's original three issues related to the allocation of Network Upgrade costs for QFs.¹³ Staff noted that the additional issues proposed by the Industry Associations could be scoped in a second phase of UM 2032, but would be better addressed in a general interconnection investigation that can include other affected generator types and is not tied to the timeline to resolve the specific Network Upgrade issues.¹⁴ Staff further noted that it could make this request by July 1, 2020.¹⁵

On May 22, 2020, the Administrative Law Judge (ALJ) issued a ruling adopting Staff's proposed scope for UM 2032, as well as, Staff's proposal to request that the Commission open a general investigation into interconnection process and policies by July 1, 2020. The ALJ cited the following reasons:

- To address the issues for a broader range of generators and stakeholders,
- To not tie the timeline of addressing these issues to a Phase 2 of UM 2032; and

⁷ See Docket No. UM 2032, Staff's Proposed Issues List, amended April 28, 2020.

⁸ *Id.* at 3.

⁹ See *generally* Docket No. UM 2032, Joint Utilities' Comments on Staff's Amended Proposed Issues List, May 4, 2020.

¹⁰ See *generally* Docket No. UM 2032, AWEC Comments, May 4, 2020.

¹¹ See Docket No. UM 2032, NIPPC, the Coalition, and CREA Comments on Staff's Proposed Issues List, May 4, 2020, at 4.

¹² *Id.* at 11-12.

¹³ See Docket No. UM 2032, Staff Reply Comments on Scope of Docket, May 11, 2020, at 2.

¹⁴ *Id.* at 3.

¹⁵ *Id.*

- To keep the number of topics in each docket to a reasonable and manageable level.¹⁶

This Staff memorandum is intended to conform to the ALJ's ruling by requesting that the Commission open a general investigation into interconnection process and policies. The remainder of this report summarizes Staff's proposed framework and next steps for launching the investigation in collaboration with Stakeholders.

Investigation Framework

Staff agrees with the Industry Association that Stakeholders have surfaced a broad range of interconnection issues across multiple dockets. Staff adds that the range of interconnection issues has surfaced in investigations, disputes, and consumer complaints related to QF, Community Solar Program (CSP), and net metering interconnections.

In line with the guidance from the Administrative Law Judge, Staff proposes to open a general investigation that will consider the broad range of interconnection issues in a manner that is:

- inclusive of all generator types,
- organized into manageable segments, and
- builds off of existing efforts and pilot activities.

In the following sections, Staff summarizes the range of interconnection issues surfaced through recent Commission processes. Staff proposes that this general investigation serve as an umbrella docket to organize, track, and monitor the range of interconnection issues, as well as, the existing and additional efforts designed to address them.

Interconnection Issues Raised

Staff appreciates Stakeholders' continued efforts to identify interconnection issues facing generators and utilities in Oregon. After comparing the issues raised by the Industry Associations in UM 2032 to those raised in the context of UM 2000¹⁷ and UM 1930,¹⁸ Staff finds that the range of issues surfacing in recent OPUC dockets converge around three barriers:

¹⁶ See Docket No. UM 2032 Investigation into Treatment of Network Upgrade Costs for Qualifying Facilities (Or. Pub. Util. Comm'm, May 22, 2020) (ruling).

¹⁷ See Docket No. UM 2000 Investigation into PURPA Implementation, Staff's Draft Whitepaper, May 28, 2019, at 16-17.

¹⁸ See Docket No. UM 1930 Community Solar Program Implementation, Staff Report, October 22, 2019, at 5, 44-48.

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- **Cost:** prohibitive interconnection upgrade costs assigned to individual generators in serial queue order with limited opportunity to vet utility studies, propose alternative solutions, or otherwise consider modern standards and best practices;
- **Certainty and control:** limited ability to predict and mitigate interconnection costs through siting, sizing, and project design;
- **Process:** administrative practices and enforceability measures (or lack thereof) that cause delays, increase costs, and create additional uncertainty for generators and utility interconnection Staff.

Staff finds that the proposed general interconnection investigation should be rooted in an understanding of the full range of interconnection issues facing generators of different types and levels of sophistication. The above summary reflects Staff's understanding of the issues identified on the record to date. This is a simplified look and, as noted by the Industry Associations in UM 2032, there are many sub-issues within these broad categories that deserve consideration in scoping the general investigation. Once the issues are catalogued, they can be compared to the existing interconnection activities to reveal where additional processes are needed and where they fit in the context of an integrated plan. The existing processes are described in the following section.

Existing Processes

Staff finds that there is an array of processes underway to address interconnection issues on an interim or long-term basis. The following summary provides Staff's high-level understanding of the scope of issues and generators considered in these efforts, along with their status.

Interim activities:

- **UM 1930 – Community Solar Program Implementation:**¹⁹ The Commission implemented six solutions designed to help this specific subset of small generator QF's overcome barriers to interconnection. These solutions include the following efforts, which are designed to create learnings to inform longer-term interconnection reforms:
 - A separate CSP interconnection queue where CSP QF generators are studied for Energy Resources Interconnection Service (ERIS), only considering higher queued generators in the local area (rather than the entire serial queue). To minimize the likelihood of unexpected deliverability issues, eligible generators must not cause existing and proposed generation to exceed the UM 2001 minimum daytime load data for the feeder.

¹⁹ See Docket No. UM 1930 Community Solar Program Implementation, Commission Order No. 19-392, Appendix A at 5 – 17.

- **Status:** The CSP process opened in January 2020 and generators are beginning to receive system impact studies.
 - An enhanced pre-application report process that allows non-profit and public entities (community-based organizations) to receive pre-application reports for up to five sites at no cost.
 - **Status:** The enhanced pre-application report is currently available.
 - Access to a third-party engineering expert to review utility interconnection study results, help CSP generators work with the utility to explore opportunities to mitigate interconnection costs, and compile broader interconnection insights for Staff and the Commission.
 - **Status:** Third-party engineering expert procurement efforts are underway.
 - A commitment to explore models for interconnection cost-sharing between generators with a broader interconnection stakeholder group.
 - **Status:** UM 2032 and UM 2108 were opened to address certain aspects of cost-sharing (see below), but the general cost-sharing process described in UM 1930 is not yet underway.
 - A technical solution to metering requirements for very small CSP generators.
 - **Status:** The metering solution is available for small CSP generators.
 - Reporting requirements related to PAC's ability to process new interconnection requests.
 - **Status:** PacifiCorp completed its reporting requirement.
- **UM 2001 – Investigation into Interim PURPA Action:**²⁰ The Commission directed utilities to make key distribution system data, current and historical interconnection studies, and additional interconnection process metrics publicly available to help QF's avoid interconnection barriers. The Commission also convened a technical workgroup to determine the appropriate manner to implement this guidance, which included Staff, utility, and QF representatives. Staff notes that this effort began in the context of QFs, but the resulting data transparency benefits all generator types.
 - **Status:** The utilities have provided the requested distribution system data interconnection studies. The technical workgroup is no longer meeting.
- **UM 2099 – PGE Agreement of Net Metering and Interconnection Services:**²¹ PGE has requested Commission approval to update its standard net metering agreement to mitigate distribution system constraints that are preventing net metering interconnections on certain areas of PGE's system. The Company requests the ability to disconnect net metering systems during periods of system

²⁰ See generally Docket No. UM 2001, Staff Report for the June 18, 2019 Public Meeting, June 13, 2019.

²¹ See generally Docket No. UM 2099 PGE Agreement of Net Metering and Interconnection Services, PGE Initial Application, May 21, 2020.

constraint. This solution is currently specific to PGE net metering interconnections. While the scope may evolve throughout the investigation, Staff understand this request to reflect an interim technical solution.

- **Status:** The schedule for this investigation is forthcoming.

Long-term efforts:

- **UM 2005 – Investigation into Distribution System Planning:**²² The Commission opened an investigation into distribution system planning to provide insight into utilities' distribution system investment strategies and offer stakeholders an opportunity to weigh in on the optimization of utility distribution system performance. Following Commission guidance, utilities will file distribution system plans, followed by a rigorous stakeholder and Commission engagement process. This process could intersect with interconnection from both a data transparency and system upgrade planning perspective and impact all generator types. The manner in which this occurs will be determined through the ongoing implementation of the Commission's guidance for distribution system planning.
 - **Status:** Commission guidance is anticipated at the end of 2020 and utilities may file initial plans in 2021.
- **UM 2032 – Investigation into Network Upgrade Costs for QFs:**²³ The Commission opened this docket as a part of an integrated plan to address a range of issues regarding the continued implementation of the Public Utility Regulatory Policies Act (PURPA). The docket is specific to utility requirement that QFs interconnect with Network Resource Interconnection Service, and utilities should allocate any resulting Network Resource upgrade costs. While small generators do not typically interconnect to the transmission system, barriers related to Network Upgrade costs affect both large and small QF generators in Oregon.
 - **Status:** A pre-hearing conference is scheduled on June 29, 2020.
- **UM 2108 – PAC Queue Reform**²⁴: In May, the Federal Energy Regulatory Commission (FERC) approved PAC's request to vary from serial queue interconnection request processing for FERC jurisdictional interconnections. The queue reform proposal relies on cluster studies and a "first ready" approach to processing interconnection requests. It also facilitates cost-sharing between generators. PAC requested OPUC approval to apply the same reforms to OPUC-

²² For the latest update to the Commission on the status, plan, and timeline for DSP See Staff's Presentation for March 31, 2020 Public Meeting, Regular Agenda Item 2, p. 16, at: https://oregonpuc.granicus.com/MetaViewer.php?view_id=2&clip_id=475&meta_id=25102.

²³ See Docket No. UM 2032 Investigation into Treatment of Network Upgrade Costs for Qualifying Facilities (Or. Pub. Util. Comm'm, May 22, 2020) (ruling).

²⁴ See Docket No. UM 2108, PAC Application for an Order Approving Queue Reform Proposal, June 15, 2020.

jurisdictional interconnection requests. Staff notes that this investigation is specific to PAC small and large generators (not CSP or net metering).

- **Status:** PAC requested approval by July 15, 2020. PAC plans for the first cluster study to provide interconnection costs and timeline information to generators in April 2021.

Staff proposes an investigation framework that addresses the issues raised as part of UM 2032 in a deliberate and manageable way. This umbrella docket would build on the Commission's existing set of activities and create a forum for interim and pilot learnings to inform long-term efforts. The steps required to launch this framework are described in the following section.

Proposed Next Steps

The range of interconnection issues raised and the efforts currently underway make it clear that a broad interconnection reform effort will be large-scale, technical, and complex. Therefore, Staff proposes that the investigation begins with a thoughtful, comprehensive scoping discussion that is informed by broad stakeholder input. Staff proposes the Commission adopt the following next steps to launch this investigation framework:

- Open the investigation at the June 30, 2020, Public Meeting;
- Thereafter Staff will release an integrated plan to address the range of interconnection issues across a combination of existing dockets and additional activities in the general interconnection investigation;
- Following the circulation of the draft issues list and plan, Staff will hold a workshop to receive feedback on the scope of issues list and plan;
- Staff will then recommend, at a Public Meeting, that the Commission adopt a scope of issues and a plan to address the issues in the general interconnection investigation.

Conclusion

In line with the guidance from the Administrative Law Judge, Staff proposes to open an investigation to consider the interconnection issues raised by stakeholders in UM 2032.

Staff also proposes that this docket functions as a general investigation, serving as an umbrella docket to organize, track, and monitor the range of interconnection issues and efforts to address them. Such an investigation would be inclusive of all generator types, organized into manageable segments, and would build on existing efforts and pilot activities.

To implement this investigation framework, Staff proposes the Commission adopt the following next steps:

- Open the investigation at the June 30, 2020, Public Meeting;
- Thereafter, Staff will release an integrated plan to address the range of interconnection issues across a combination of existing dockets and additional activities in the general interconnection investigation;
- Following the circulation of the draft issues list and plan, Staff will hold a workshop to receive feedback on the scope of issues list and plan;
- Staff will then recommend, at a Public Meeting, that the Commission adopt a scope of issues and a plan to address the issues in the general interconnection investigation.

PROPOSED COMMISSION MOTION:

Open a general investigation into interconnection and adopt the additional next steps proposed in this report.