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September 6, 2023

MEMORANDUM

TO: Council Members

FROM: Jennifer Light

SUBJECT: Northwest Energy Coalition Remarks

BACKGROUND:

Presenter: Lauren McCloy, Policy Director

Summary: The Northwest Energy Coalition (NVEC) is an alliance of over 100 environmental, civic, and human service organizations, utilities, business, and individuals in the Pacific Northwest with a mission to advance clean, equitable, and affordable energy policies by leveraging their analytical expertise and convening a broad alliance of people and organizations. Lauren will introduce herself and NVEC to the Council and walk through current priorities for the organization.

Relevance: A core tenet of the Council's work under the Northwest Power Act is to do our work in public with broad consultation. NVEC staff regularly engage in the Council's advisory committees and other power planning processes, and they bring important perspectives for Council consideration in its planning efforts.

NW Energy Coalition Perspectives on Regional Initiatives

Presentation to NW Power & Conservation Council

September 13, 2023



About the NW Energy Coalition

The NW Energy Coalition advances clean, equitable, and affordable energy policies by leveraging our analytic expertise and convening a broad alliance of people and organizations.

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About me:



Lauren McCloy
Policy Director
NW Energy Coalition

Lauren McCloy joined the NW Energy Coalition as Policy Director in 2021. Previously, Lauren worked as Senior Policy Advisor to Governor Jay Inslee, Washington State, where she led and managed a broad range of issues in support of the Governor's energy agenda. Prior to serving in that role, Lauren was the Legislative Director for the Washington Utilities and Transportation Commission (UTC), where she was the commission's liaison to the state Legislature and the Governor's office and was responsible for developing and coordinating the UTC's legislative activities, and advising the commissioners on energy policy and legislative issues. Her prior experience included working for the Washington state Senate Ways and Means Committee and several non-profit organizations focused on renewable energy, energy efficiency, and consumer advocacy. Lauren has a B.A. from the University of North Carolina at Chapel Hill and an M.S. in International Development from Tulane University Law School.



NW Energy Coalition

BPA Post-2028 Contracts

New Resources

Conservation

Carbon



NW **Energy** Coalition

BPA Post-2028 Contracts

Provider of Choice Timeline

Timeline Last Updated 7/20/2023



The region needs a transparent and coordinated strategy for acquiring new resources

- **Federal Resources:** Given load growth projections in the region, and the need to accommodate future changes to river operations for salmon recovery, BPA will need to acquire new major resources in the next contract term. Section 6(c) of the NW Power Act requires BPA to conduct a public process and hearings, and requires the acquisition to be consistent with the Council's Power Plan.
- **Non-Federal Resources:** While the Draft POC policy seems to provide more flexibility for customers to acquire non-federal resources, it does not account for the scale of anticipated resource development, and it could cause the region to leave federal IRA funds on the table.

The Draft Policy cuts the value of customers' energy efficiency investments in half

- **Conservation Adjustment:** BPA is offering to provide 50% credit for customer self-funded conservation achieved from 2012-2023 for the purpose of setting a customer's contract high water mark.
 - BPA relied on customer self-funded conservation to meet 30% of its conservation obligation under Regional Dialogue.
 - BPA continues to rely on customer self-funded conservation to achieve its target under the 2021 Power Plan.
- The Draft Policy's treatment of conservation undermines the economic value of EE achieved under Regional Dialogue and creates a disincentive for self-funded EE going forward. This is inconsistent with the goals and priorities of the NW Power Act, and contrary to the region's interests and the public interest broadly.



The Draft Policy does not commit BPA to a carbon-free product

- Throughout the process, customers have been asking BPA to offer a carbon-free product. This is particularly important for customers who have a compliance obligation to be 100% clean by 2045 under Washington's Clean Energy Transformation Act.
- Rather than committing to develop a carbon-free product, BPA offers to end the contract term in 2044.
- BPA should, at a minimum, commit to a process to develop a carbon-free product, as many modern utilities across the nation have done.



Regional Market Developments

West-wide Governance Pathway Initiative

BPA Day-Ahead Market Process



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NWEC Organized Market Priorities

- **Maximize consumer value:** the results of power sector operations that improve reliability, accelerate the uptake of clean and variable energy resources, and keep energy costs stable, and promote equity.
- **Achieve clean energy policy:** Organized market expansion should support the achievement of state clean energy policy through market design, pricing, reporting, and GHG accounting.
- **Ensure a pathway to a west-wide market:** aim for largest possible footprint to maximize load and resource diversity to *optimize* consumer value and achievement of clean energy policy – not merely to improve on the existing system.



Why a West-wide market footprint?

2021 State-Led Market Study:

- A new day-ahead markets could result in \$642 million per year of savings if existing market footprints are retained and market services are expanded.
- A west-wide day-ahead market results in \$247 million per year greater benefits than the scenario in which California operated as single-state RTO and the rest of the West operated in parallel with a separate RTO.
- A single RTO market system drives between \$187-569 million greater savings than the two-market configuration included in the study.

2023 Brattle CAISO EDAM Simulations:

- Over \$800 million in annual cost savings to EDAM participants, with net benefits of over \$430 million (net is the difference of EDAM + EIM benefits and EIM base case benefits).
- 2.4 TWh in reduced renewable generation curtailments and reduced overall emissions.
- 25 TWh of additional reduced curtailments available for an expanded footprint.



How do we get there?

- **Good governance:** Independent board and selection process for Board nominees
- **Transparency:** Open meetings of board, committees, reasonable notice and publication of meeting materials, timely publication of meeting minutes and recordings.
- **Active stakeholder engagement:** Meaningful, effective and diverse stakeholder engagement, including non-market participants
- **Significant role for state regulators** and others who represent the public interest, including public interest organizations and consumer advocates



West-wide Governance Pathway Initiative

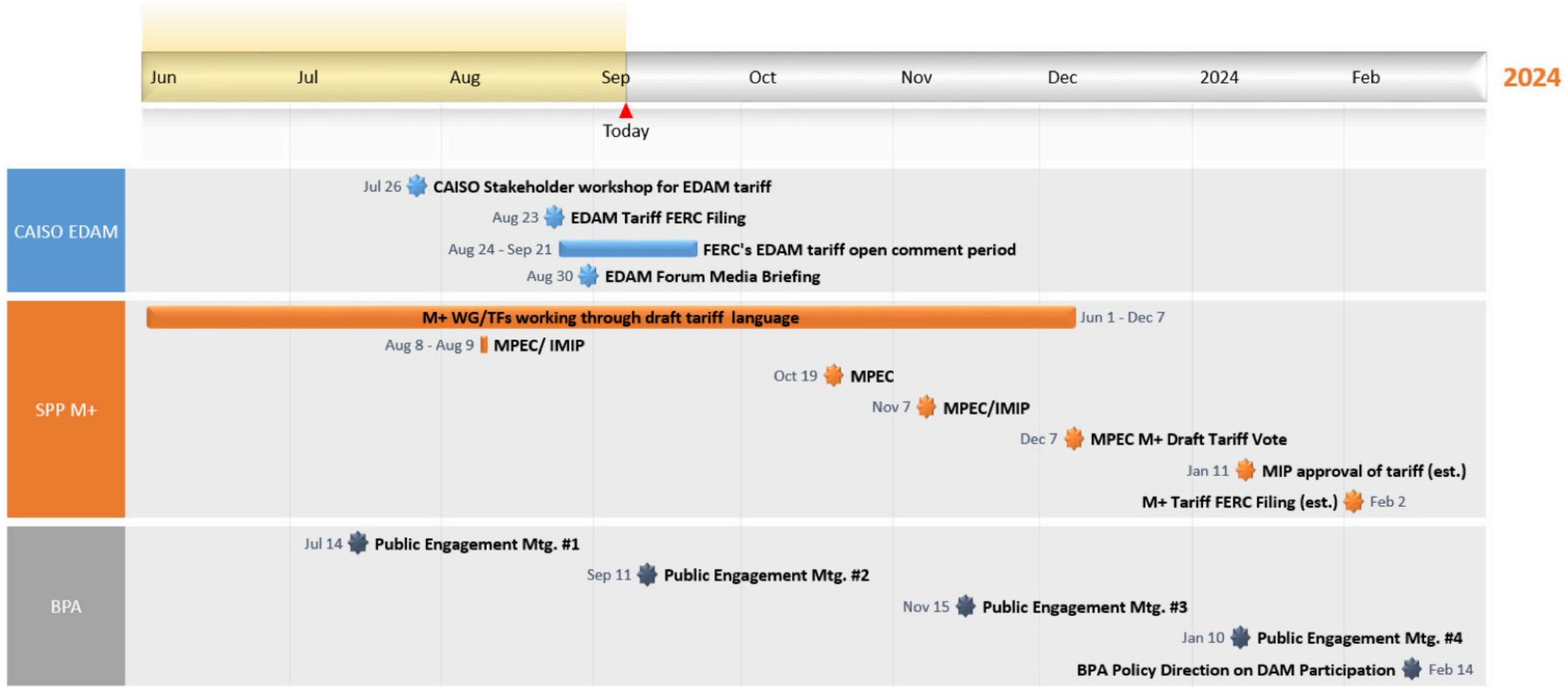
- State regulators call for viable path to electricity market inclusive of all western states, with independent governance (July 14, 2023)
 - “We have identified a common commitment in seeking the benefits shown in multiple studies that demonstrate the most favorable electricity market for consumers is one that includes a West-wide market footprint. Such a market would avoid the issue of “seams” from separate markets across major portions in the West, and result in optimized use of resources to meet loads across the entire interconnection. “
 - “We believe that the vision of a West-wide market, inclusive of California, is possible based on a concept put forth by members of the California Public Utilities Commission and California Energy Commission. Under that concept, a separate non-profit entity governed by representation from across the West would be formed. That entity could provide a full range of regional transmission operator services, utilizing a contract for services with the California Independent System Operator (CAISO), including eventual assumption of the Extended Day Ahead Market (EDAM) and the Energy Imbalance Market (EIM).”

West-wide Governance Pathway Initiative

- Organized wholesale energy markets operate as quasi-autonomous nongovernmental organizations; thus transparency, accountability, and fair representation are paramount.
- A single western market does not have to follow the Eastern RTO construct - we have the opportunity to develop something that is more inclusive and more flexible; align market function with public policy, equity, and rate stabilization; and create and operate a more resilient grid.
- Good information and process have come from WRAP, SPP Markets+, WEIM and EDAM discussion.



BPA Day-Ahead Market process



One Market or Two? BPA Has a Key Role

- **Long-term loss of value:** stepping away from EIM to create a second market footprint would trigger higher dispatch costs, more congestion, greater reserve requirements, slowdown for clean energy integration, higher emissions, and reduced reliability across the West compared to a single market.
- **Seams are a real issue:** the evidence from eastern RTOs is that the effects of seams are expensive, complex, and permanent.
- **FERC standard of review:** “We conclude that a large scope is important for an RTO to effectively perform its required functions and to support efficient and nondiscriminatory power markets...” [FERC Order 2000]

Read more in our blog: <https://nwenergy.org/featured/bonneville-power-administration-a-single-unified-western-market/>



NW Energy Coalition

Energy Efficiency

NEEA Cycle 7 Strategic & Business Plans

New Study on EE for Decarbonization



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NEEA 2025-2029 Strategic & Business Plan

Draft Cycle 7 plan released in June

- Electric program:
 - emerging technologies in the areas of space- and water-heating for peak-demand opportunities (i.e., advanced heat pumps and heat pump water heaters),
 - continued work to influence the development and successful implementation of state building energy codes and federal standards, test methods, and test procedures.
 - continued support of the end-use load research (EULR) study
 - NEEA could do more to improve the efficiency of electric vehicle (EV) charging and working with charging providers to integrate more demand-response enabled charging to manage increased EV charging load.



NEEA 2025-2029 Strategic & Business Plan

- Natural Gas program:
 - high-performance windows program
 - dual-fuel heat pumps, which pair efficient electric heat pump technology with natural gas back-up for cold climates, and can provide grid flexibility, resiliency, and decarbonization benefits, in addition to energy savings.
 - for traditional gas appliances and equipment, NEEA should be prepared to adaptively manage the portfolio in response to changing customer preferences and policy supporting decarbonization.
 - “Hydrogen-ready appliances” runs contrary to the primary strategic goal of NEEA, which is to transform the market for energy efficiency.



New study on EE for Decarbonization

A recent study by Lawrence Berkley National Laboratory and the Brattle Group found that by 2050, US building emissions can be reduced up to 91% compared to 2005 levels without increasing electricity use given deployment of a broad suite of demand-side measures including energy efficiency alongside full electricity decarbonization:

Demand- side measures in buildings account for up to nearly half (45%) of total 2050 CO2 reductions beyond a reference case, with the remainder attributable to the decarbonization of the electricity supply. Furthermore, aggressive deployment of building efficiency and flexibility generates up to \$107 billion in annual power system cost savings by 2050, offsetting more than a third of the incremental cost of full grid decarbonization.

Langevin et. al., Lawrence Berkeley National Laboratory and the Brattle Group, *Demand-side Solutions in the U.S. Building Sector Could Achieve Deep Emissions Reductions and Avoid over \$100 billion dollars in power sector costs*, <https://emp.lbl.gov/publications/demand-side-solutions-us-building>



NW Energy Coalition

Thank you!

Questions?