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Northwest **Power** and **Conservation** Council

Richard Devlin
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October 8, 2019

DECISION MEMORANDUM

TO: Council members

FROM: Charlie Grist
Conservation Resources Manager

SUBJECT: Letter of Support for Conservation Transfer Agreement between
Bonneville and Southern California Edison

PROPOSED ACTION: Send a letter of support to the California Public Utility
Commission on a pilot test of a conservation transfer agreement
between Bonneville and Southern California Edison

SIGNIFICANCE: The Bonneville Power Administration (Bonneville) and Southern
California Edison (Edison) have agreed to a pilot test of a
conservation transfer agreement which is before the California
Public Utility Commission (CPUC) for approval. Comments in
response to Edison's application for approval of the contract are
due November 1, 2019. Staff recommends that the Council send
a letter of support because the agreement is a constructive test
of the feasibility and scalability of such mechanisms which may
enhance the commercial value of energy efficiency in emerging
power markets across the west.

BUDGETARY/ECONOMIC IMPACTS

None

BACKGROUND

Conservation transfer agreements basically deliver energy from a utility where specific
conservation has been achieved to another utility at agreed-upon price and terms. The

idea to develop and test a conservation transfer agreement was a priority action item at the 2016 and 2017 Northwest Energy Efficiency Leadership (NEEL) meetings. The Council co-chairs the NEEL group along with Bonneville and PacifiCorp. In 2017 Bonneville agreed to take a lead role, with support from regional utilities and the Natural Resources Defense Council, in exploring conservation transfer mechanisms and contractual agreements to test those mechanisms. The application of Edison before the CPUC is a direct result of that initiative and Staff recommends sending a letter of support. A draft letter is attached.

The agreement sends surplus power created by energy efficiency from Bonneville to Edison. Under the agreement, Bonneville delivers 5 aMW of power each year for three years at market rate. Plus, there is a premium of nearly \$3 million for the carbon-free component of the power, which is generated by Bonneville's incremental energy efficiency acquisitions in excess of its 2016 and 2017 programmatic efficiency goals. The premium recoups Bonneville's cost of developing the incremental efficiency, which frees up carbon-free surplus energy for the sale. For Edison, the agreement allows it to capture greenhouse gas reductions required under state law through an inter-regional transfer of carbon-free energy. Edison and Bonneville see the agreement as a low-risk and innovative way to test the concept of such conservation transfers.

Conservation transfers have been deployed before in the region. In 1989 there was an agreement between Snohomish County PUD, Mason County PUD, Bonneville, and Puget Sound Energy. In that agreement Puget purchased surplus firm energy created by conservation at Snohomish and Mason. Bonneville delivered the power.

ANALYSIS

The agreement provides a constructive test of the viability of such conservation transfer mechanisms to enhance the commercial value of energy efficiency. Such agreements could provide incentives for Northwest utilities to accelerate energy efficiency efforts. Most importantly, operation and evaluation of the pilot program could produce valuable learnings about the feasibility and scalability of such agreements and how they might be incorporated into emerging power markets and energy policies across the west to improve power system efficiency and decrease environmental impacts.

ATTACHMENTS

Draft letter to CPUC

Link to Edison's Application [\(link\)](#)

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October 7, 2019
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California Public Utility Commission

Subject: Comments on Application of Southern California Edison Company (U 338-E) for Approval of Its Carbon- Free Surplus Energy Transaction with Bonneville Power Administration Application No. A1910001

The Northwest Power and Conservation Council (Council) submits the following comments on the Southern California Edison Company (Edison) Application for Approval of its Carbon-Free Surplus Energy Transaction with Bonneville Power Administration. The Council supports the application as a proof-of-concept test of the feasibility and potential scalability of conservation transfer transactions which deliver energy from a utility where specific conservation has been achieved to another utility at agreed-upon price and terms.

The Council is an interstate compact agency formed in 1981 by the states of Idaho, Montana, Oregon, and Washington as authorized by Congress in the Pacific Northwest Electric Power Planning and Conservation Act of 1980 (Northwest Power Act). The Northwest Power Act charged the Council with developing a regional power and conservation plan to assure the Pacific Northwest an adequate, efficient, economical, and reliable power supply. The Northwest Power Act designated cost-effective energy efficiency as the priority resource to be relied upon to meet future power needs. The proposed carbon-free surplus energy transaction, and conservation transfers generally, have great promise to enhance energy efficiency as a resource in the Northwest and to deliver value within emerging energy polices and changing power markets across the western power system.

Various conservation transfer pilots have been deployed in the Northwest as far back as 1989 as mechanisms to incorporate the benefits of energy efficiency in commercial

transactions between neighboring utilities. In 2016 and 2017 the Northwest Energy Efficiency Leadership, a forum of regional energy leaders co-chaired by the Council, agreed to explore, develop and evaluate renewed mechanisms of conservation transfers that that would work in the current environment. The Bonneville Power Administration agreed to take a lead role, with support from regional utilities and the Natural Resources Defense Council, in exploring conservation transfer mechanisms and agreements to test those mechanisms.

Edison's application now before the Commission is a direct result of that initiative, expanded to encompass an inter-regional scope that could bring benefits to both the Northwest and California. The Council expects the agreement to produce valuable low-cost carbon-free power for California without increasing emissions in the Northwest. At the same time, such agreements could provide valuable incentives for Northwest utilities to accelerate energy efficiency efforts. Most importantly, the Council expects that operation and evaluation of the pilot program will produce valuable learnings about the feasibility and scalability of such agreements that may be incorporated into broader conservation transfer mechanisms that would improve the efficiency and decrease the environmental impacts of western power systems.

Thank you for the opportunity to comment.

Sincerely,

Jennifer Anders, Chair
Northwest Power and Conservation Council