Creation of a Railbelt Electric Independent System Operator (ISO)

What?

A non-profit independent corporation subject to jurisdiction of the Regulatory Commission of Alaska (RCA) that is responsible for electric power grid operations, Railbelt electric reliability, non-discriminatory open access transmission and long-term planning that maximizes the use of new and existing resources to achieve economic dispatch of Railbelt generation resources for the benefit of Railbelt electric consumers through a unified tariff.

Why?

The objective of the ISO is to promote efficiency in wholesale electricity markets and to ensure electricity consumers pay the lowest possible price for reliable electric service.

- Non-discriminatory access is necessary to encourage competitive generation resources
- Recent construction of new efficient generation with multiple owners, including Independent Power Producers (IPP's), necessitates the adoption of universal reliability standards to maximize electric system **safety**, **reliability** and **efficiency**.
- Disparate electric prices between regions drive the need to reduce transmission congestion and adopt economic dispatch.
- The Alaska Energy Authority (AEA) has identified significant Railbelt transmission improvements necessary for regional economic efficiency but the current individual utility structure lacks a comprehensive regional approach to finance the needed investments.

When?

The time is now! The state's economic prosperity is dependent on available, reliable, and affordable residential, commercial, and industrial energy.

Where?

Interconnected Railbelt Region Only

How?

Draft legislative language that directs the Regulatory Commission of Alaska (RCA) to identify the statutory changes necessary and once identified, proceed with introduction of appropriate legislation that allows the RCA to oversee creation of the ISO.

The initial legislation would permit the utilities to submit an implementation plan to create an ISO that meets the governance requirements, minimum characteristics, functions, and regulatory compacts of an ISO by July 1, 2015. In the absence of a submission of a plan by two or more utilities within a reasonable time, the RCA could order affected utilities to make such filing. Following submission of the plan, the RCA shall have 180 days to review the plan and approve or disapprove the structure in whole or part and direct the utilities to bring any non-conforming aspects into compliance with final approval by July 1, 2016. The characteristics and functions are based upon Federal Energy Regulatory Commission (FERC) orders and regulations and are modified to meet Railbelt electric needs.

Establish capital appropriation for ISO transitional start-up functions completed over an estimated five-year time horizon.

- ISO – initial start-up costs – $7.5 million
- RCA supplemental funds for administrative support and consultation to establish ISO - $1.0 million

Governance

The initial ISO board membership shall be comprised of electric industry professionals who have direct opertional experience in ɪsmision or generation infrastructure and shall include relevant stakeholder segments that will expand over time as those markets mature.

Characteristics

1. Independence ensured organizationally by stakeholder appropriate Board of Directors.
2. Possession of operational authority over the Railbelt transmission system.
3. Exclusive authority to maintain Railbelt reliability.
4. Mandatory participation by all entities using interconnected transmission system.
5. Maximize use of existing resources to avoid duplication of facilities.

Functions

1. Mandates non-discriminatory open access transmission.
2. Adopt, maintain and enforce Railbelt reliability standards - initially adopts North American Electric Reliability Corporation (NERC) based reliability standards equivalent to those approved by the Intertie Management Committee (IMC) for the Railbelt.
3. Plan, coordinate and condition necessary transmission additions and upgrades.
4. Condition and authorize the interconnection of new generation.
5. Administer a universal tariff and employ a transmission pricing system that will promote efficient use and expansion of transmission and generation facilities.
6. Manage parallel path flow and transmission congestion.
7. Functions as a single control area operator facilitating regional power pooling or economic dispatch to maximize generation efficiency.

Regulatory Compact

1. RCA ensures rate recovery throughout the planning, permitting and construction phases of projects planned and conditioned by the ISO.
2. RCA honors existing agreements and allows cost recovery of existing investments.
3. RCA ensures that standards and tariff rates are just, fair and reasonable to all ratepayers and allows transitional ramp-in rates to minimize individual utility rate impacts.
4. Existing transmission assets used for the benefit of the Railbelt region will receive full cost recovery from the ISO including depreciation (both direct and general plant), interest, and margin, as well as operations, maintenance, applicable taxes, and general & administrative expenses necessary for the operation of the transmission system.

Stakeholders

All Alaska Railbelt Electric Utilities, Independent Power Producer's (IPP's), Alaska Energy Authority (AEA), Large Industrial Users, Consumer Advocates, Regulatory Commission of Alaska (RCA), and Renewable Energy Interests