

Senate Bill 257

Electric Utility Transmission

Sectional Analysis



Senate Labor & Commerce Committee
March 27, 2024

Improvements to the Regulatory Commission of Alaska (RCA)

Section 1:

Amends **AS 42.04.020 (a)** to clarify and update the qualifications of individuals nominated to serve as a commissioner for the Regulatory Commission of Alaska (RCA) by requiring *at least 5 years of experience* in the field associated with the degrees.

Section 2:

Amends **AS 42.05.381** by clarifying that the RCA may consider diversity of energy supply, promotion of load growth or enhanced energy reliability or security in determining if an electric utility's rate is just and reasonable.

Improvements to the Electric Reliability Organization (ERO)

Section 3:

Amends AS 42.05.762 by repealing the requirement that an electric reliability organization (ERO) must develop integrated resource plans and adding the requirement that the ERO must participate in an integrated grid plan conducted by the Railbelt Transmission Organization. It also adds the requirement that the ERO prioritize reliability and stability of the system served by the ERO while also taking into account cost to the consumer.

Clarifying the Responsibilities of an ERO

Section 4

Amends **AS 42.05.765(a)** by clarifying that an ERO must develop, monitor, and enforce reliability standards and it is the responsibility of an ERO is to ensure the stable operation of the interconnect bulk-electric system served by an ERO and specifically require coordination with the Railbelt Transmission Organization (RTO) when developing reliability standards that impact the RTO.

Conforming the ERO Tariff to Streamlined ERO Duties

Section 5:

Repeals **AS 42.05.770 (1)** which is the requirement that an ERO tariff include standards for nondiscriminatory open access transmission and interconnection and standards for transmission system cost recovery.

Sec. 42.05.770. Regulations.

The commission shall adopt regulations governing electric reliability organizations, reliability standards, and modifications to reliability standards consistent with this section. Regulations under **AS 42.05.760 — 42.05.790** must

- (1) require that an electric reliability organization's tariff include
 - (A) standards for nondiscriminatory open access transmission and interconnection;
 - (B) standards for transmission system cost recovery;

Streamlining the ERO's Responsibilities

Section 6:

Amends AS 42.05.772 by adding that a load-serving entity that would otherwise be exempt from regulation under this chapter, shall adhere to the ERO's reliability standards, coordinate with the ERO, and if applicable, coordinate with the Railbelt Transmission Organization to integrate reliability standards into the load-serving entity's operational procedures.

Section 7:

Amends AS 42.05.785 to repeal (d) requiring the RCA to adopt regulations addressing projects undertaken before integrated resource plan approval for an interconnected electric energy transmission network.

Administrative Needs - Conformity

Section 8:

Amends **AS 42.05.790** by adding that the definition of “Railbelt” has the same meaning given in **AS 44.83.750** and “Railbelt Transmission Organization” means the transmission organization established by **AS 44.83.700**.

Section 9:

Amends **AS 44.83.080** by adding to the powers of the Alaska Energy Authority the ability to carry out the duties and powers assigned under **AS 44.83.700-44.83.750** (Section 10 creating the RTO) and adds the ability to acquire battery energy storage systems by construction, purchase, gift or lease.

Creation of the Railbelt Transmission Organization

Section 10

Amends **AS 44.83** by adding a new subsection creating the Railbelt Transmission Organization (RTO).

44.83.700

(a) establishes the RTO under the Alaska Energy Authority for the purpose of developing a backbone transmission system for the Railbelt.

(b) establishes the governance structure that provides for oversight of the RTO, creating a management committee that is composed of members representing each of the utilities, the executive director of the Alaska Energy Authority and the chair of the ERO; requires the RTO to establish a conflict resolution process, and facilitates public participation in the operations of the RTO.

(c) clarifies the RTO is subject to the jurisdiction of the Regulatory Commission of Alaska and the RCA will adopt regulations as necessary including defining by regulation the term “backbone transmission asset.”

44.83.710 sets out the powers and duties of the RTO including managing Railbelt backbone transmission assets, follow reliability standards established by the ERO, ensure safe, resilient, reliable, efficient, and economical operation and development of the integrated transmission system, preserve nondiscriminatory open access, maintain capacity rights of legacy transmission owners and perform integrated transmission planning. The RTO is also given the authority to purchase, lease or acquire backbone transmission assets; construct, own, and operate new transmission assets; establish tariffs subject to the approval of the RCA and enter into contracts, agreements, and partnerships that enhance safety, reliability, and efficiency of the Railbelt integrated transmission system.

Duties of the New RTO

Section 10, continued

44.83.720 creates a revenue mechanism, subject to the approval of the RCA, whereby the RTO shall hold and administer an open access transmission tariff; shall adopt a transmission cost recovery methodology that ensures the reliability and sufficient capacity of the integrated transmission to support and promote the economy. In addition, the cost recovery methodology must eliminate per-unit wholesale transmission charges and pool backbone transmission costs and allocate those costs to end users.

44.83.730 requires the RTO to engage in integrated grid planning at least every 10 years. The plan must use a whole-system approach which articulates the strategic trajectory, capital funding requirements and outlook for the Railbelt transmission system and shall take into consideration technological advancements, load growth, fuel supply among others.

44.83.740 requires the RTO to identify existing backbone transmission assets and that the Railbelt utilities will transfer management of those assets to the RTO by July 1, 2026.

44.83.750 defines “backbone transmission system” as the assets of the interconnect electric energy transmission network that serves the Railbelt; defines “commission” as the RCA; defines “interconnected electric energy transmission network” as the same definition as that used for the ERO in 42.05.790; defines “Railbelt” as the area of Alaska that ranges from the Kenai Peninsula to Interior Alaska, connected by a common electric transmission backbone; defines “railbelt utility” to mean a public utility certificated to operate in the Railbelt; and defines transmission organization to the RTO established in this bill.

Final Implementation

Section 11

Repeals AS 42.05.780 and 42.05.785(b) which sets forth integrated resource planning and integrated resource planning tariffs for the ERO.

Section 12

Sets the directive for Alaska Energy Authority and the Regulatory Commission of Alaska to adopt the necessary regulations to implement the changes made by Senate Bill 257.

Section 13

Requires Alaska Energy Authority to immediately begin an initial grid plan and capital improvement program.

Section 14

Sections 12 and 13 take effect immediately.

Section 15

All other sections take effect July 1, 2024.

THANK YOU



Feel Free to Call or Email with Any Questions

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