

Railbelt Energy System: USO/ISO/RRC Discussion for the House Energy Committee

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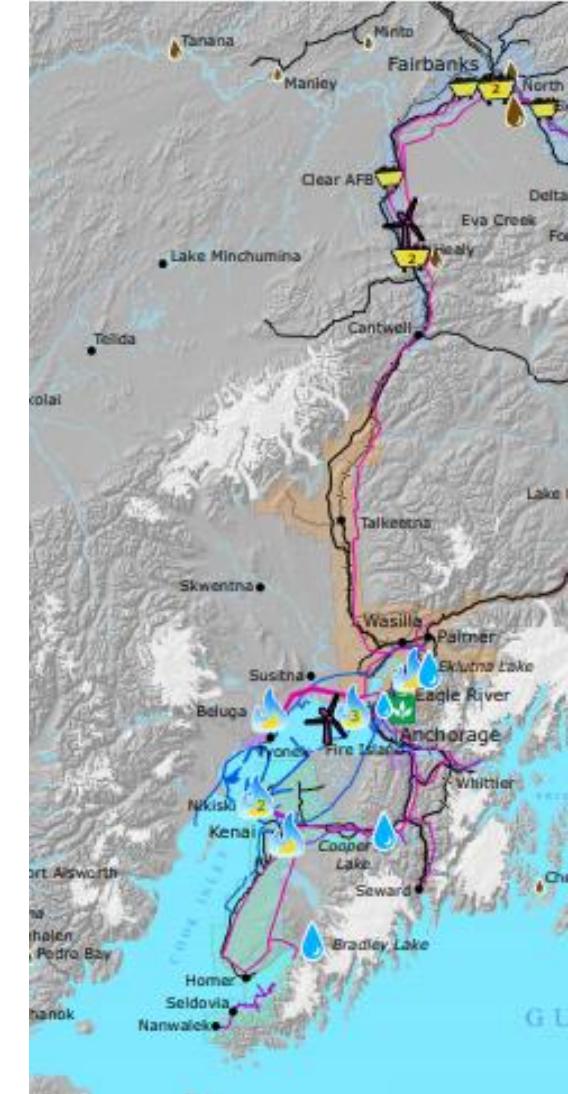
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**SAFE,
RELIABLE, &
AFFORDABLE
ENERGY
SOLUTIONS**

Railbelt electricity reform

1. Background: what's the issue and how was it created?
2. What is needed to improve efficiency within the Railbelt system?
3. What has already been done to that end?
4. What needs remain?
5. How can this need be met?
6. What is AEA offering as assistance?



1. Background: what's the issue and how was it created?

- Siloed electrification of Southcentral AK created inefficiencies.

1940's MEA, Eklutna Lake

1950's CEA Ship Creek, Cooper Lake

1960's CEA Beluga, GVEA Healy Coal

1970's Demand growth; transmission focus

1980's Hydro years; APA/AEA formed

Railbelt Energy Fund ('86)



1. Background: what's the issue and how was it created?

- Siloed electrification of Southcentral AK created inefficiencies.
 - Lack of centralized planning
 - Inherent conflict of fiduciary responsibilities
 - Interconnected system operation is not optimized
 - No accountability for reconciled reliability standards
 - Pancaked tariffs are a disincentive to IPPs



1. Background: what's the issue and how was it created?

- Siloed electrification of Southcentral AK created inefficiencies.
- Three previous attempts to restructure in order to capture cost savings through administrative efficiencies were not successful.

1986 When Railbelt Energy Fund was established

1998 Joint Committee on electric utility restructuring established

2003 Alaska Energy Policy Task Force



1. Background: what's the issue and how was it created?

- Siloed electrification of Southcentral AK created inefficiencies.
- Three previous attempts to restructure in order to capture cost savings through administrative efficiencies were not successful.
- The current (4th) attempt to restructure has been in the works for a decade.

2008 Railbelt Electrical Grid Authority (REGA)

2010 Greater Railbelt Energy & Transmission Company (GRETC)

2011 Railbelt Integrated Resource Plan (RIRP) Completed

2014 AEA Published Draft Transmission Plan

2017 AEA Published Final Transmission Plan



2. What is needed to improve efficiency within the Railbelt system?

- The Railbelt System requires institutional reform
- Economic Dispatch by an independent entity is a key principle which must guide this reform.
- That the utilities be given time to undertake these efforts voluntarily.
- That the utilities Reconcile disparate reliability Standards.



3. What has already been done to that end?

- The Railbelt System requires institutional reform
- Economic Dispatch by an independent entity is a key principle which must guide this reform.
- That the utilities be given time to undertake these efforts voluntarily.
- That the utilities reconcile disparate reliability Standards.
 - Working toward tight pool
 - Reliability standards reconciled
 - ARCTEC hired GDS to facilitate stakeholder engagement



4. What needs remain?

- Consistent, transparent process for managing Railbelt power now and into the future for the greatest region-wide public benefit
 - Realize maximum potential savings
 - Ensure a regional perspective is taken
 - Inclusivity is critical – utilities as well as other stakeholders



4. What needs remain?

- Consistent, transparent process for managing Railbelt power now and into the future for the greatest region-wide public benefit
- The body overseeing that process must have accountability to the public through an audit function of that central authority
 - The public has a right to know what's going on



5. How can this need be met?

Establish a USO with the following guiding principles:

- Sector Representation with no majority control by any one sector
- Transparent/Public decision making processes
- Responsibilities must include
 - Economic Dispatch
 - Establish/Enforce Reliability Standards
 - Develop and Administer Open Access Transmission Tariff
 - System Wide Planning



5. How can this need be met?

<u>Function</u>	HB 382	GDS	AEA
Economic Dispatch as core function	x		x
Sets Railbelt-wide Reliability Standards	x	x	x
Regional planning authority	x	x	x
Sets open access interconnection standards	x	x	x
<u>Form</u>			
New private entity		x	
New state entity, subdivision of RCA	x		
New entity (TBD), admin housed at AEA			x
Paid for by ratepayers	x	x	x
<u>Governance</u>			
Utilities have minority Board membership	x	x	x
16 member board - Includes stakeholders and independents	x		
10 member board - Includes stakeholders and Independents		x	x
Mandatory Utility Membership	x	?	x
Under RCA jurisdiction	?	x	x



6. What is AEA offering as assistance?

1. Facilitation, coordination, and leadership in forming a Railbelt Unified System Operator

The scope of the USO should include:

- Reliability standards
- Regional planning (i.e. Railbelt system)
- Economic dispatch
- Interconnection standards



6. What is AEA offering as assistance?

1. Facilitation, coordination, and leadership in forming a Railbelt Unified System Operator
2. Housing the USO at AEA, and performing all back-office functions
 - Operational/administrative efficiencies
 - Coordinated, objective reporting to legislature
 - Connected to strategic resource planning within the region
 - Expected to be utility funded (similar to IMC/BPMC) through efficiency savings



What is AEA **NOT** proposing?

1. We are not proposing to do this by ourselves or be the enforcer
2. We are not proposing a specific structure; that needs to be worked out with stakeholders and make sense to ratepayers
3. We are not proposing to exclude the utilities or other stakeholder groups
4. We are not proposing to make the rules





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