

SB 123

Commissioner Antony Scott
Regulatory Commission of Alaska
3/3/2020

RCA's Purpose

- Effectively competitive markets produce economically efficient outcomes that generally reflect the “public interest”
- Public utilities are “natural monopolies” that are not, and cannot generally be, subject to effective competition (it’s a technology issue)
- RCA’s statutes are intended to enable us to ensure that prices, quality, and other terms of service reflect the results of a would result if the market were fully, effectively competitive
- Big stakes: Railbelt consumers spent more than \$880 million in 2018

How We Got Here

- In 2014 the Legislature directed the RCA to investigate:
 - “whether creating an independent system operator or similar structure for electrical utilities in the Railbelt area is the best option for effective and efficient electrical transmission”
- In 2015 RCA made Findings and Recommendations to the Legislature
- Just before this session Chairman Pickett updated the Legislature on progress to date towards the RCA’s original recommendations
 - Letter was unanimously endorsed and reflects the views of the Commission
- SB 123 is an outgrowth of learnings and progress to date
- Commission has twice unanimously voted to support SB 123

RCA's 2015 Findings

- Balkanized Railbelt ownership across six utilities creates inefficiencies
 - Insufficient coordination across utilities results in inconsistent, inadequate and unenforceable electric reliability standards
 - Insufficient integration between utilities curtails ability to ensure that planning and construction of new generation and transmission assets within one service territory is optimal for the system as a whole
 - Interconnected transmission infrastructure benefits everyone, but there isn't a good business model to ensure cost recovery
 - Insufficient coordination and integration across utilities hinders ability to maximize efficient operation of existing generators to meet load

RCA 2015 Recommendations

- Need consistent and enforceable operating and reliability standards
- Need an independent transmission company to own, finance and operate a single transmission tariff (facilitates economic dispatch, ensures adequate and efficient transmission infrastructure)
- Clarify RCA's authority to require integrated resource planning, and large project preapproval ("siting authority"), to ensure major new infrastructure is most efficient for the benefit of all
- Need new institutions to provide for security-constrained economic dispatch (most efficient generators run regardless of ownership)
- Allow time for voluntary efforts to succeed

Progress to Date

- Voluntary efforts have laid the groundwork for institutional reform
 - Greater understanding among all the parties of issues, barriers, and potential solutions to the suite of issues the RCA described
 - Railbelt utilities reached consensus in 2018 to form an electric reliability organization that includes non-utility stakeholder members
- Voluntary efforts have not resulted in institutional reform
 - Although the two sets of Railbelt reliability standards were reconciled, enforcement mechanisms are lacking, and areas of concern remain.
 - Efforts to form an independent transmission company have failed
 - Progress on an Anchorage-based “tight pool”, let alone Railbelt-wide security constrained merit order dispatch, have stalled

SB 123: Cements and ensures progress

- Utility MOU in 2018 contemplated role for RCA that was not possible
- SB 123 enables the MOU's intent by enhancing RCA jurisdiction, consistent with RCA's 2015 and 2020 recommendations
- Bill substantially modeled on Federal legislation
- Substantively addresses:
 - Consistent and enforceable reliability standards
 - Integrated resources planning to identify optimal new infrastructure needs
 - Requires RCA pre-approval for large infrastructure projects
 - Provides a pathway towards solving the 'business model' problem for new transmission, and would improve prospects for economic dispatch

SB 123: Ensures Institutional Reform

- Defines the ERO as a public utility, subject to RCA regulation
- Provides definitive timetable for the RCA to designate an applicant to be an ERO, which would:
 - Develop reliability standards to be considered by the Commission
 - Enforce reliability standards, subject to appeal to the Commission
 - Draft Integrated Resource Plans to be considered by the Commission
- If an ERO has not applied for designation SB 123 gives the RCA power to form one, consistent with regulations that it will promulgate
 - Backstop to ensure timely and certain progress

SB 123: Incentives for Collaborative Efforts

- The RCA would not delegate authority to the ERO for reliability and planning.
- The RCA would instead assign most of this work to the ERO and would generally follow the EROs lead, but:
- RCA could impose remedy in the event of inaction, insufficient progress, disputes, or insufficient attention to the public interest.
- Imposition of project pre-approval requirements, with presumption of necessity for projects consistent with an IRP, creates incentives to participate in and take seriously the planning process.

SB 123 Builds on and Meshes with Utility Act

- Reliability standards would be filed as tariffs for approval, which trigger (among other things):
 - Non-discrimination requirements
 - Public notice requirements
 - Timeline for action requirements
 - A process for the commission to further investigate and adjudicate contentious issues if necessary
- The overwhelming majority of tariff filings made with the commission are summarily approved after public notice and without investigation, 45 days after filing.
- Timelines and processes for IRP and large project pre-approval are also clearly defined, consistent with existing commission practice.

Questions?