

# HB 151

Commissioner Antony Scott  
Regulatory Commission of Alaska  
3/4/2020

# 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 what 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
- HB 151 is an outgrowth of learnings and progress to date
- Commission has twice unanimously voted to support SB 123/HB 151

# 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

# HB 151: Cements and ensures progress

- Utility MOU in 2018 contemplated role for RCA that was not possible
- HB 151 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

# HB 151: 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 HB 151 gives the RCA power to form one, consistent with regulations that it will promulgate
  - Backstop to ensure timely and certain progress



# HB 151: 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.

# HB 151 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?