**Northwest Public Power Association**

**Resolution 2017-05**

**Integration of Variable and Regional Energy Markets**

**Background**

Increasing amounts of non-dispatchable, intermittent resources known as “variable energy resources” (VERs) or distributed energy resources (DERs) have been connected to the grid. VERs must be backed up by other sources of power generation such as coal, natural gas, nuclear, and hydro power that can be relied upon to produce electricity when called upon, or reduce output when VERs start generating. At the same time, as VERs proliferate in the form of distributed generation (DG) resources, utilities face the potential for periodic or episodic overgeneration. In short, managing VERs directly impacts the reliable operation of the grid and the cost of power to customers.

Current federal policy discussions on integration of VERs highlight significant issues for public utility systems. Concerns about reliability and cost allocation for transmission facilities needed to undertake this integration effort are central to this policy debate. Regional energy markets represent one potential means to foster efficient VERs integration by sharing generating resources between multiple Balancing Authorities, provided they are developed in a way that avoids excessive regulatory complexity, opaque and uncontrollable costs, and a loss of accountability and local decision-making. Eastern-style capacity markets, for example, are market structures heretofore unacceptable to the West.

**NWPPA’s Position**

* NWPPA supports local utility board decisions regarding diversified portfolios of fuel types for electric generation, including carbon-free, variable or distributed resources.
* NWPPA urges policymakers to address integration of VERs in a holistic manner, recognizing and accounting for increased reliability challenges and potential for increased costs to electric consumers, including distribution or transmission costs.
* Any transmission tariff reforms enacted by the Federal Energy Regulatory Commission (FERC) to remedy real or perceived barriers to the integration of VERs should not unintentionally create barriers to the use of other types of resources, or provide unreasonable economic subsidies to develop VERs at the expense of other options.
* NWPPA believes that the costs to integrate VERs should be clearly identified and assigned to the entities buying and selling those resources.
* NWPPA believes the financial risks associated with integrating VERs by corporations forming single-project LLCs lie solely with those entities, and risks should not be borne by a serving utility.
* In exploring and evaluating potential market-based options, NWPPA supports the principles of voluntary participation, structured designs that support the public power business model of focus on keeping costs low to the consumer and the preservation of local decision-making.
* NWPPA opposes increased Federal Energy Regulatory Commission or other federal jurisdiction over consumer-owned utility operations, mandatory participation in markets that restrict local decision-making, or other market structures that limit or eliminate the ability to enter into long-term contracts or undermine public power’s mission of delivering reliable electric service at lowest possible costs.

Origination Date: 2011 and 2012. Revised 2017.