

Recommendation: The Public Utilities Commission of Nevada (PUCN) should open an investigatory docket to determine whether Nevada retail customers could benefit economically from mutually beneficial resource exchange and sharing arrangements with neighboring states.

The investigation should:

- Identify analyses required to assess potential benefits of resource exchange and sharing arrangements between Nevada and neighboring states. The resources to be considered in the investigation shall include conventional and renewable generation, demand response, transmission and ancillary services
- Analyze and report on rational options for NRS changes such as modifying NRS 704.746 to clarify that construction of new transmission capacity to facilitate mutually beneficial exchange and sharing arrangements of renewable, demand response, or conventional generation with neighboring utilities and to coordinate system operations, enter into beneficial market operations (EIM), and share generation resources and reserves to accommodate higher penetration levels of renewable resources are to be considered in the resource planning process and resource procurements.
- Consider utility incentives and regulatory and business model changes that support mutually beneficial resource exchange and sharing arrangements
- Solicit broad stakeholder input from Nevada, neighboring states, Western and federal organizations

Reporting Requirements:

On or before October 1, 2013 the Commission shall submit a written report of its findings and recommendations from the investigatory docket to the Governor's office.

The report should include without limitation recommendations regarding:

- Specific actions that should be implemented immediately through regulation to promote mutually beneficial electricity exchanges.
- Specific actions that should be implemented as soon as possible but that may require legislative action.
- Identification of additional actions that might be beneficial but require further study before implementation. The further analysis required should be specified and the analysis may include: improved measurement of potential benefits of resource exchange and sharing arrangements, identification of potentially beneficial market reforms and operations, investigation of best practice/least cost provision of integration services to support variable generation resources, and investigations of new utility business models, regulations and regulatory incentives that would facilitate beneficial economic electric power exchanges between Nevada and its neighboring states
- Identification of regulatory and legislative action necessary to authorize the resource sharing methodologies other beneficial market reforms and operations, least cost provision of integration of renewable energy resources, and new utility business models and regulatory incentives that would facilitate economic electric power results; and

- The procedures and mechanisms that would be necessary to implement the resource sharing and other beneficial market reforms and operations, least cost provision of integration of renewable energy resources, and new utility business models and regulatory incentives that would facilitate economic electric power results and methodologies.

Background: In its 2010 Integrated Resource Plan, NV Energy demonstrated the economic benefits to retail customers in Nevada of conventional resource sharing between Sierra Pacific Power Company and Nevada Power Company's electric systems. It used this benefit analysis to justify approval of the ON Line Transmission Project. The benefits identified in the analysis included:

- Dispatch optionality
- Uncorrelated variability
- Load diversity –reduction in planning reserve margin requirement
- Shifting peak
- Optimization of Gas Transportation assets
- Optimization of regional market purchases
- System reliability benefits
- Improved ability to accommodate variable energy generation
- Protection against conventional fuel source uncertainty
- Protection against carbon and greenhouse gas uncertainty
- Fuel scheduling

These same resource sharing benefits potentially exist between Nevada and utilities in neighboring states. Furthermore, integration costs of variable energy resources such as wind and solar increase at higher penetration levels. These costs can be alleviated with greater cooperation and resource sharing (including renewable energy exchanges) between electric systems. Nevada currently has underutilized fossil generation capacity in northern and southern Nevada that includes efficient gas fired generation that has been built within the last ten years. These resources could be used for generation export to neighboring states for the benefit of Nevada customers. California, for example is confronted with a number of challenges: Once-Through Cooling retirements, possible nuclear generation retirements, and higher penetration levels of renewable energy resources. Nevada customers could benefit from California interest in exchanges of conventional and renewable energy resources to alleviate these challenges.

Conclusion: Nevada retail customers could benefit economically from mutually beneficial exchanges with neighboring states of conventional and renewable energy resources and by sharing resources that support variable energy renewable resources.