



GOVERNOR'S OFFICE OF ENERGY
MINUTES
Committee on Energy Choice

January 12, 2018

Technical Working Group on Generation, Transmission, and Delivery

The Committee on Energy Choice held a public meeting on January 12, 2018, beginning at 1:00 P.M. at the following locations:

Legislative Counsel Bureau
401 S. Carson Street, Room 2135
Carson City, NV 89701

The meeting was also available via videoconference at:
Grant Sawyer State Office Building
555 East Washington, Room 4412
Las Vegas, NV 89101

1. Call to Order and Roll Call: The meeting was called to order at 1:00PM by Chair Luttrell. The agenda item was opened up for roll call and a quorum was confirmed.

The following Task Force Members were present:

Working Group Members Present

David Luttrell
Angela Dykema
Mr. Newman
Rosalie Bordelove (AGO) (via telephone)

Working Group Members Absent

James Oscarson
Darren Daboda

2. Public Comment and Discussion:

Chair Luttrell opened up for public Agenda Item No. 2 and asked if anyone from the public sought to make a comment on the matter in both Carson City and Las Vegas locations.

Fred Voltz, Carson City-Requested that the technical working group (TWG) consider inserting four items into the Draft Findings and Recommendations document.

1. If there is no one to buy NV Energy's power plants within the state, who will run them? If somebody is mandated to run them, could that be legally construed as granting monopolies and exclusive franchises which is against initiative number three and the wording in it?

2. If new transmission lines are constructed, how do we know the capacity to build or if the state can issue enough bonds to fund the project if it becomes a public project?
Recommendation-Consult the State Treasurer's office for bonding capacity and arrive at a worst case scenario of the cost to transmit the former power plants' output into the state (from the surrounding states).
3. If the new retail providers do not know how many customers they will have, it is going to be very difficult for them to provide input into an IRP process.
4. How can Nevada ensure that it has any sovereignty if it joins a much larger ISO RTO?

No public comment from the Las Vegas meeting location.

Chair Luttrell closed agenda item No. 2 and moved to agenda Item No. 3.

3. Approval of Minutes from December 12, 2017 meeting.

Chair Luttrell opened up for public Agenda Item No. 3

Chair Luttrell suggested a revision of the draft, located on page three, paragraph five correcting 55kb to 55kV. The motion to approve the revised minutes passed.

Chair Luttrell closed agenda item No. 3 and moved to Item No. 4 on the agenda.

4. Presentation: Transmission planning at the California ISO & Overview of Generation-related Transmission – California ISO (Discussion):

Chair Luttrell opened agenda Item No. 4, a presentation made by Phil Pettingill, Director, Regional Integration of California ISO (CAISO). The presentation covered the transmission under ISO operational control, planning process and approvals, generation interconnection process, ISO studies to support state resource adequacy, and revenue recovery through the transmission access charge.

Mr. Pettingill-There is at least 3400MW of transfer capability available between California and Nevada.

Under ISO operational control, FERC has defined what is generally not considered transmission. In a seven point function test, meters at the transmission/distribution interface measures the flow into the local distribution system. The test is normally close in proximity to the retail customers. The Bulk Electric System (BES) is what is under ISO operational control. In adjacent systems there are transmissions that are *not* under ISO operational control. We interact with the entities in our planning process to make sure we understand what it is that they are doing and any particular changes or modifications to their transmission grid and coordinate those studies with our BES that the ISO is controlling. Mr. Pettingill offered to answer any questions from the technical working group. Chair Luttrell opened it up for questions.

Chair Luttrell-Had a question about ownership and how would the 704B rural electric and other entities transition from their current ISO contract with NV Energy to ISO control?

Mr. Pettingill-The distribution facilities defined by FERC is a functional test. When CAISO and FERC are looking at the transmission grid, the ownership is not a factor in determining ownership because it is really looking at what is necessary to meet reliability and have an efficient market operating. We have a very detailed process that we go through with transmission owners like NV Energy and other entities and interpreting contracts that Nevada already has in place. It is important to understand the terms and conditions of those contracts for the ISO to be able to honor the contracts in the way we are operating the grid. We would ask the transmission owner to describe their operating conditions and parameters so we can incorporate them into our market design.

Chair Luttrell-Wanted to clarify that the contracts that exist are considered legacy contracts that exist between NV Energy and other parties that are predate concept of open access of transmission tariffs. In your view, could those survive under the transition to an ISO?

Mr. Pettingill-Confirmed the Chair's question and provided two examples. It is possible that the ownership of a transmission line could be parsed out and as a result, one owner we may provide transmission ownership rights or TORs under our tariff and they could then use that transmission for their own unique purposes. The other part of that line may be owned by NV Energy and yet NV Energy is going to offer that into the ISO to have it available for firm use for all the load serving entities that would be part of a retail market design. So we have a transmission line that has specific rights to two owners. Our tariff gives that transmission owner that is not NV Energy specific rights and privileges on how they schedule, use that transmission and would not incur certain ISO costs. If it is not an ownership issue, then we have ETCs or existing transmission contracts where we will work with the transmission owner where we will get operational directives so we know how to operate that line consistent with those ETC provisions.

Chair Luttrell-Relating to the information you provided on Path 35, slide 3, is there a generic chart relating to megawatts that exists? I am finding we are receiving inconsistent information from our sources.

Mr. Pettingill-To go through any deviation, we would have to spend time off-line to drill down into the information. The chart indicates that the figures are estimates and maximum capacity. NV Energy may have given you a more practical value as to how much energy is typically scheduled on that line or from an operational standpoint.

Mr. Pettingill continued his presentation relating to the ISO transmission planning process and approvals. Chair Luttrell opened it up for questions.

Chair Luttrell-In the transmission planning process, who else are you actively soliciting from in the Phase I process as stakeholders?

Mr. Pettingill-The ISO stakeholder process is a public meeting. We have a consistent process that we go through whether it is transmission planning, potentially a change to our market or a policy decision we may take to the board. We will publically post the meeting with materials in advance in case there are any concerns. Attendance at the meetings is a breadth of parties without limitation. It is a very transparent activity.

Chair Luttrell-How would the Nevada IRP dovetail with the CAISO process?

Mr. Pettingill-We worked on regional integration a few years ago. We recognized that we would need to determine the best way to get the load forecast from other portions outside California. We can foresee that we can receive the forecast from the utility. We may have to find a standard data set in order to make sure multiple PTOs are giving us comparable forecasts of the load in their service territory. The Nevada PUC may want to view the forecast to make sure that it is incorporating Nevada policy.

Chair Luttrell-We need to decide between multiple developers of a project. What is the basis of that decision?

Mr. Pettingill-We use multi-factor criteria and consider incorporating; price, experience, size of the organization and what kind of resources they can bring to a project.

Chair Luttrell-Were any of the developers mentioned in slide three of your presentation non-existing utilities in California? Were all of them existing, investor owned or other utilities?

Mr. Pettingill-They are not all investor owned utilities. Due to the competitive solicitation, we have had multiple different entities get projects approved.

Chair Luttrell-In reference to your economic analysis, once you no longer have a coherent understanding of where the congestion is in making the decision on pricing, how are you going to uniformly study that process?

Mr. Pettingill-When we are doing the transmission plan, we look at the resources. We will know what the heat rate is of a set of gas-fired resources. We will model those irregardless of what their bidding behavior or their historical operating parameters are. We are looking at it from an integrated market.

Mr. Pettingill continued his presentation relating to the generator interconnection process. Chair Luttrell opened it up for questions.

Chair Luttrell-On an energy-only basis, can you verify that you are not counting those projects toward resources?

Mr. Pettingill-Verified that they are not counting projects toward resources.

Chair Luttrell-Does it the cluster and deposit approach create a bias for those projects that are smaller and located closer to load?

Mr. Pettingill-No, as ultimately it is the transmission owners that are paying for the transmission. The deposits go to the generator owners as part of the interconnection process. There is a reimbursement process.

Mr. Pettingill continued his presentation relating to ISO studies to support state resources adequacy. Chair Luttrell opened it up for questions.

Chair Luttrell-Where is the point of responsibility to make sure there is enough capacity on the system?

Mr. Pettingill-In California, the IRP is between the PUC and the IOUs because they are asking the IOUs to build. Across the country some ISOs have a capacity market. The markets can be mandatory, voluntary. A presentation to a technical working group had a presentation from Illinois where they had a power authority. There are mechanisms to identify the need for new capacity on the system. CAISO, as the system operation, tries to avoid determining what capacity is going to be added and leave that decision up to the state to determine what resources are added to the grid. Then we will do studies to inform the state regarding how much may be needed, how you can obviate the need for generation if you had more transmission. It is up to the state to determine the adequacy of capacity on the system.

Chair Luttrell-Referring to slide 21, the total resource adequacy is running at 115-117% of system peak load. NV Energy has indicated that their planning reserve concept is 12-15% which is a difference of 3%, 200 megawatts. Under the CAISO system we would be adding an additional 200 megawatts of resource adequacy obligation to our needs. Is that correct?

Mr. Pettingill-It would depend upon the changes CAISO would need to make if we expanded beyond California. The ISO tariff today is based on a lot of assumptions as we are essentially a single state ISO. We may get a portion of the load from one or more states and we would have to work out with them as to how we would get the forecast. In this case, we would need to ask what we would do with the capacity requirements. Currently, the way that the ISO tariff works is we say that the CPUC and all other load servicing entities could put the requirement on local regulatory authorities. We do that because not all of the load in the ISO is under PUC jurisdiction. It may be municipal or a rural electric association. We ask them to give us their resource adequacy program. As an example, the state of Nevada would tell us that you want to have a 12% planning reserve margin if that is the case. He indicated that the state cannot solely look at percentages, as we may have different counting or assessment rules. He suggested looking at the reserve assessment to make sure the planning is on the same basis. A 12% planning reserve margin may be exactly equal to or great then a 15% planning reserve margin in California.

Mr. Newman-Is CAISO actively looking at expanding at this time?

Mr. Pettingill-Affirmed that they are looking at expanding. PacificCorp was looking at joining the ISO. Their concern was the multiple states that they operate in and the construct of the ISO governing board. They visited the idea of whether the governing board should be changed. We would need to review modifying that governing structure to give states more of a voice in the decisions that are being made. Also, how should the ISOs tariff be modified as it relates to resource adequacy? A benefit with Nevada is Nevada's load peaks at a different point in time, almost a month or so earlier than when California's peak load occurs. The result of that is a

reduction in the overall assessment of about 900 megawatts of capacity and less needs to be procured and bringing it together in a single balancing area.

Mr. Newman-AB-813 has been delayed numerous times. Do you see it expanding to regional?

Mr. Pettingill-We are optimistic that it will move forward as Mr. Holden has that bill available.

Mr. Pettingill continued his presentation relating to recovering transmission revenue requirements and CAISO Transmission Access Charge (TAC) framework proposal. Chair Luttrell opened it up for questions.

Chair Luttrell-After converting energy cost charges, to ensure an equal analysis of megawatt charges, would you agree that the California portion of the TAC rates is high?

Mr. Pettingill-Could not disagree with Chair Luttrell's statement, but indicated that everything is in flux. They recognize that the California portion of the TAC is high and are committed to modifying the TAC based on the principals that he shared in my presentation. Nevada can gain access to energy benefits as California is adding more renewables to their system.

Chair Luttrell-Relating to the models that you outlined, i.e. Southwest Power pool, they already have the license plate-type concepts. Is that correct?

Mr. Pettingill-Affirmed that Chair Luttrell is correct as he referred to the other ISOs and their struggle to align costs with the benefits in his presentation. He added that the stakeholder benefits and costs change over time.

There were no further questions.

Chair Luttrell confirmed that Mr. Pettingill would be available to make another presentation on February 7.

Chair Luttrell closed agenda Item No. 4 and moved on to Item No. 5

5. Committee Consideration of Potential Policy Recommendations to the full Committee on Energy Choice (Possible Action)

Chair Luttrell opened agenda item up for discussion.

Angela Dykema-Asked for clarification of the third recommendation. If we currently have over 3,000 megawatts of transmission to/from California why do we need more import/export capacity?

Chair Luttrell-We need to follow up on the variance of numbers that were provided in previous presentations with NV Energy, etc.

Angela Dykema-Based on this information, we may need another Tri Sage study.

Chair Luttrell-agreed.

Jeremy Newman-Assuming that we have the ability to join CAISO. With the current California laws, we cannot join CAISO without the legislative approval.

Chair Luttrell-Our task is to assess what it would take to move toward a wholesale market for retail choice. We need to identify how large of an issue this is and if there is a cost impact should we join CAISO. Additional items will need to be added to the recommendations. Suggested that the technical working group retain the document so they can work through the additional information they are receiving.

Angela Dykema- Made a suggestion to modify the language of the recommendations as follows: transmission import and export capacity will need to be studied to see if additional expansion is necessary to join a wholesale market such as CAISO or SPP. This would eliminate the need for another meeting on February 7.

Chair Luttrell-Consulted Rosealie Bordelove and Matt Morris. If we modify the language of the recommendations and formally adopt them, is that acceptable?

Rosealie Bordelove-If the technical working group is approving the recommendations in this meeting, you can do that without having another meeting. If you want to discuss and review the recommendations in more detail, you would need to do that in the February 7th meeting.

Angela Dykema made a suggestion to modify the language of the recommendations as follows: transmission import and export capacity will need to be studied to see if additional expansion is necessary to join a wholesale market such as CAISO or SPP.

Chair Luttrell and Jeremy Newman agreed with the modified language to the recommendations.

Angela Dykema-Suggested the technical working group take these modified recommendations to the March 7th main committee meeting.

Matt Morris-The draft recommendations will be included in the Chair report and you could explain the context behind the modified recommendations at the full committee meeting.

Rosealie Bordelove-agreed.

Chair Luttrell-Asked for a motion to approve the draft recommendations with additional language to include additional import/export capacity.

Jeremy Newman-Motioned to approve the draft recommendations.

Chair Luttrell-Seconded the motion.

Chair Luttrell closed agenda item No. 5 and moved on to agenda Item No. 6.

6. Public Comments and Discussion

Chair Luttrell opened the agenda item up for public comments. No public comment.

Chair Luttrell closed agenda Item No. 6 and moved on to agenda Item No. 7.

7. Adjournment (Possible Action):

Chair Luttrell made a motion to adjourn the meeting. The motion was seconded. Meeting was adjourned.

DRAFT