

PURPA, Contracts, Renewables – Understanding the process

Small Hydro Working Group -
Oct 23 2009 Vijay A Satyal
(ODOE)

Format

- Current duties and catch-up
- Basic structure and concept
- IRPs
- Avoided Cost
- Saga of UM 1129 – UM 1396
- Discussion

Basics

- PURPA – 1978; Provide a market for electricity produced by small power producers and co-generators
- Oregon PUC through Order No. 05-584:
 - Encourage economically efficient development of QFs
 - Ensure utilities pay rates that equal to that they would pay to purchase/produce that “X” MW of QF power.
 - Notion of Avoided Costs- opportunity costs

As things are- standard contracts

- UM 1129 Phase 1 led to: a 10 MW threshold for standard contracts
- Manufacturer's nameplate capacity
- Max term of 20 years with 15 years of QF selecting fixed pricing and market rates for last 5
- Use Avoided Costs.....

AC- How is that determined?

- Differing ways to assess A.C. –
 - forward trading prices of Natural gas and its' relationship to electricity prices (off and on-peak)
 - A.C. based off only "variable" costs of operating generating facilities – i.e. whether you're resource sufficient/deficient, the cost of a "proxy" nat gas CCCT – combined cycle combustion turbine is used..as it would be the "alternative" to your QF power.

Issues

- Traditional approach- A.C. is based off only variable costs of existing operating facilities. 2 year filing
- Now- Economics- recession induced lowering of nat gas prices
- Which are a “base” to firming A.C.
- If a QF cannot provide firm power, power is purchased at market prices (lower in recession).
- ODOE notes that additional QF power for capacity reserves be valued
- PUC also sided with ODOE- to use historical approach but add: fixed and variable costs to pricing A.C.

Current issues

- Quality of QF power
- Firm versus non-firm power
- IRPs to use differing nat gas forecasts
- Nat gas? Or anything else.
- References:
 - <http://apps.puc.state.or.us/edockets/docket.asp?DocketID=15135>
 - <http://apps.puc.state.or.us/edockets/docket.asp?DocketID=15770>

Questions?

- I am sure....