

FILED WITH THE PUBLIC UTILITIES COMMISSION OF NEVADA – 8/30/2013

BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA

DOCKET NO. 11-04025

**INVESTIGATION REGARDING THE CREATION OF AN
ENERGY IMBALANCE MARKET**

Reply Comments of Western Grid Group

Western Grid Group (WGG) is filing reply comments in response to the Nevada Public Utilities Commission's (Commission) June 28 2013 Procedural Order, Docket No. 11-04025, on the Investigation Regarding the Creation of an Energy Imbalance Market (EIM). The Procedural Order requested information on the costs and benefits of an EIM, the regulatory treatment of EIM benefits and costs and the transmission expansion and reservation impacts between balancing areas. Additionally, Nevada Energy (NV Energy) is directed to provide a summary of its effort to assess participation in EIM and any studies that show benefits from Nevada EIM participation. Further, the Procedural Orders allows Interested and Affected persons to file reply comments.

WGG filed comments on September 30, 2011 in this docket providing information to the Commission on the potential scope of the EIM investigation and analyses evaluating the costs and benefits of EIM. We are pleased to see that the Commission is continuing to monitor the development of EIM. WGG's comments are intended to add additional information on the status of several of the studies and comment on regulatory treatment for the cost of EIM as well as provide a recommendation for the Commission's consideration.

WGG believes that an EIM will provide benefits to NV Energy and its customers by facilitating access to greater and more diverse supplies of lower-cost imbalance energy, improving system efficiency, and, most importantly, improving system reliability.

a. Comments providing a listing of known efforts in the West to assess EIM costs and benefits

WGG appreciates the Commission requesting information on cost and benefit studies and the thorough listing of studies provided by NV Energy in their filing. As NV Energy notes, the myriad studies use different assumptions, ask different questions and endeavor to identify different types of costs and benefits. NV Energy has been participating in the WECC-NREL Studies of EIM as well as the Southwest Variable Energy Resource Initiative (SVERI).

1. WECC-NREL Studies

NV Energy indicates that the company has reviewed the latest studies and provided comments regarding concerns. They further note that studies have been improved but “that a more thorough and robust analysis is necessary for decision making purposes”¹.

WGG agrees that studies being performed may not provide information necessary for NV Energy to conclude whether it is in the interest of their customers to join an EIM. As noted by WGG in its comments in this docket almost two years ago:

“WECC has completed a cost benefit analysis for establishing an EIM within the Western Interconnection and a functional description of the proposed EIM. While both efforts support development of an EIM an investigation at the balancing area level still needs to be completed. ... WECC has stated that

¹ NV Energy filing in Docket No. 11-04025 on August 9, 2013, page 6, lines 9 & 10

balancing areas need to decide for themselves whether it makes sense for them to participate in an EIM”².

The WECC-NREL studies have been refined with the help of NV Energy and other participating utilities. However, WGG believes that no amount of generic study will provide NV Energy the information necessary for decision-making purposes. As indicated by WECC NV Energy may need to conduct individual Balancing Authority (BA)-level studies to assess the costs and benefits of an EIM to be able to make a definitive decision on whether to participate in an EIM.

2. SVREI Group

NV Energy and seven other utilities in the Southwest are participating in the SVREI effort to evaluate Variable Energy Resources (VER) and possible tools that may assist with the integration of VER. In its stated objective the group intends to “provide input into future PUC EIM Task Force analysis in order to facilitate use of accurate sub regional assumptions”³. The initiative has not indicated that any original research or study will be conducted on EIM, it does not host or maintain information on the internet and has no stated schedule for accomplishing objectives or established deadline for work. Thus, it does not appear that SVREI will provide the Commission with any original cost and benefit study information on EIM from which NV Energy or the Commission could make decisions. Additionally, the objectives of the group are narrowly focused on the integration of VER. Any resulting study work is expected to ignore the additional possible benefits of reliability improvements and reduced reserve requirements from EIM.

² Western Grid Group filing in Docket No. 11-04025 on September 30, 2011, page 3

³ NV Energy filing in Docket No. 1-04025, page 4 lines 18 & 19

3. Reliability Comments and Studies

The statements of representatives of the Midwest Independent System Operator and Southwest Power Pool at Public Utility Commission EIM meetings⁴ and the Mariner Consulting memo⁵ circulated about EIM reliability benefits stand as uncontested evidence that **reliability benefits of an EIM are likely to be more valuable** than its economic benefits. There is no evidence of which we are aware that contradicts this proposition. As WECC and Western utilities anticipate very substantial fines resulting from the 2011 Southwest outage⁶ it should be paramount in the Commission's and NV Energy's considerations about an EIM that an EIM can help to address the fundamental finding of the outage report, that **the region “. . .lacks real time grid awareness.”** In so far as an EIM can contribute to addressing this problem, and help to assure grid reliability, the commission and NV Energy should add reliability benefits to Nevada EIM considerations.

FERC also recognizes this key value in its paper on reliability benefits, *Qualitative Assessment of Potential Reliability Benefits from a Western Energy Imbalance Market*. The paper states “Improved situational awareness across an EIM footprint could provide **significant benefits**, as a market operator should complement the role of the reliability coordinator in monitoring real-time system conditions of a wide area.”⁷

b. Regulatory treatment of cost and benefits of an EIM.

⁴ see Environmental/Clean Energy Stakeholder Comment, Docket No. 11-04025, September 30, 2011, page 8

⁵ <http://www.westerngrid.net/2011/07/26/how-a-westwide-eim-helps-reliability/>

⁶ <http://www.ferc.gov/legal/staff-reports/04-27-2012-ferc-nerc-report.pdf>

⁷ http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=0CDkQFjAB&url=http%3A%2F%2Fwww.caiso.com%2FDocuments%2FQualitativeAssessment-PotentialReliabilityBenefits-WesternEnergyImbalanceMarket.pdf&ei=QIYfUtWjKYTvigKkhoDwCg&usg=AFQjCNHgVk_qoQ_afB6tTHmurb-XLM5mYQ&sig2=du8ynsepLX8ZlSegxCJCww&bvm=bv.51495398,d.cGE, page 19.

WGG agrees with Public Utilities Commission Regulatory Operations Staff that to the extent possible cost savings resulting from decreases in fuel and purchase power costs, resulting from EIM participation, should benefit customers immediately. We concur that an appropriate and expedient mechanism to do so is through the Deferred Energy Accounting Adjustment mechanism.

Conclusion and Recommendation

WGG appreciates that the Commission continues to demonstrate an interest in EIM and the current state of development and analysis. Disappointingly, in more than two years of study since the Commission initiated this docket NV Energy has not provided the analysis necessary to document costs and benefits in order to make a decision on whether it is in the company's and customers' interest to join an EIM. Further, NV Energy does not indicate if or when such information will be available.

Increasingly refined study work clearly indicates the monetary benefits from joining an EIM in addition to the potentially significant reliability benefits. No amount of study will pinpoint exact costs so the question becomes at what point is enough information available to make a reasonable decision?

WGG recommends that the Commission set a timeline for and direct NV Energy to file with the Commission an individual BA study or an extrapolation from existing studies estimating the costs and benefits of an EIM for Nevada. From the study work conducted to date⁸ Nevada

⁸ Examination of Potential Benefits of an Energy Imbalance Market in the Western Interconnection, M. Milligan and K. Clark, National Renewable Energy Laboratory, Technical Report, NREL/TP-5500-57115, March 2013 www.nrel.gov/docs/fy13osti/57115.pdf

customers are projected to realize energy savings. Each year that EIM is studied and not implemented customer savings are lost.

11-04025

Public Utilities Commission of Nevada
Electronic Filing

Submitted: 8/30/2013

Filed For: Western Grid Group

In accordance with NRS Chapter 719,
this filing has been electronically signed and filed
by: /s Amanda Ormond

By electronically filing the document(s),
the filer attests to the authenticity of the electronic signature(s) contained therein.

This filing has been electronically filed and deemed to be signed by an authorized agent or representative
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Western Grid Group