State PURPA Policy Updates

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North Carolina Clean Energy Technology Center Policy Team

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About the NC Clean Energy Technology Center

• UNC System-chartered Public Service Center administered by the College of Engineering at North Carolina State University
• Mission is to advance a sustainable energy economy by educating, demonstrating and providing support for clean energy technologies practices, and policies
• Objective research, analysis, & technical assistance
• Manages the Database of State Incentives for Renewables and Efficiency (DSIRE – www.dsireusa.org)
50 States Report Series
Quarterly publications detailing state and utility changes related to:
(1) solar policy & rate design, (2) grid modernization and energy storage, and (3) electric vehicles
DSIRE Insight

- In addition to the 50 States reports, DSIRE Insight offers other products relevant to rate design
  - Biweekly Tracking
  - Semiannual Data Sheets (including PURPA and investor-owned utility avoided cost rates)
  - Custom Research

Contact afproudl@ncsu.edu for more info or samples
Agenda

• State PURPA Implementation Overview
• Order 872 and 872-A
• State PURPA Policy Changes
• Other Policy Developments
State PURPA Policy Overview

- State policies implementing PURPA can differ in their handling of several issues, including:
  - Size Limits
  - Contract Terms
  - Avoided Cost Calculation
State PURPA Policy Changes Before Order 872

• Even before Order 872, states had been pursuing different approaches to PURPA implementation
• Wholesale Markets
• Competitive Procurement Processes
Order 872

• Presumed access to wholesale markets for systems above 5 MW (previously was 20 MW)
• Allows use of competitive procurements to set avoided costs, even outside of wholesale markets
• Allows states to set variable rates for QF energy, and to set rates based on projected prices
• Changes to definitions within the separate site requirement
• Requirements to show viability and commitment for LEOs
Order 872-A

• Issued in November 2020 as a clarification to Order 872
• Topics covered included:
  – Tiered Avoided Cost Pricing
  – Variable Energy Rates
  – Independent Entities in Competitive Solicitations
  – One-Mile Rule and Recertification
  – Rebuttable Presumption of Access to Wholesale Markets
State Policy Changes After Order 872 - California

- California has a long-running PURPA docket (R-18-07-017)
- May 2020 Decision adopted a new standard offer contract for QF 20 MW or less
- June 2022 Decision adopted provisions in the new QF standard offer contract for storage-paired systems
State Policy Changes After Order 872 - Colorado

• Colorado had already developed a competitive bidding program in connection with its Electric Resource Planning process
• The impacts of Order 872 were considered in Docket No. 19R-0096E, but no additional changes were adopted
State Policy Changes After Order 872 - Connecticut

- Final regulations issued in March 2022
- Creates tariff framework to allow for changes to PURPA implementation
- Utilities would need to offer energy-only, capacity-only, and energy-and-capacity tariffs
- Option to base avoided costs on forecasted prices
State Policy Changes After Order 872 - Georgia

• March 2021 order revised PURPA rules on several issues
• May 2022 order approved Georgia Power’s proposed QF interconnection procedures and interconnection agreement templates.
State Policy Changes After Order 872 - Kentucky

• PURPA policies reviewed in rate cases for major IOUs (Dockets No. 2020-00349 and No. 2020-00350)
  – Kentucky Utilities
  – Louisville Gas & Electric
• Contract term options and avoided cost methodology
State Policy Changes After Order 872 - Michigan

- Reviewed impacts of Order 872 in Docket No. U-20905
  - No changes to existing contracts
  - Expedited review process for determining formation of LEOs
- Utilities filed proposed LEO criteria in separate dockets in September 2021
State Policy Changes After Order 872 - Montana

• Docket No. 2021.09.118 opened in September 2021
  – NorthWestern Energy filed a petition to incorporate FERC’s new rules by modifying the avoided cost rate methodology
  – Avoided energy costs would be based on time of energy delivery & avoided capacity costs would be calculated at time of LEO
• Docket No. 2021.08.106 opened in August 2021
• Docket No. 2021.09.111 opened in August 2021
State Policy Changes After Order 872 – New Mexico

• Final amendments filed in April 2022
• Requirements for establishing an LEO
• Avoided costs can be based on market prices in RTOs
State Policy Changes After Order 872 – North Carolina

- NC overhauled PURPA rules through legislation in 2017
- Competitive procurement used for QFs over 1 MW in capacity
- New avoided costs and standard offer terms adopted in August 2021
- Also addressed energy storage additions to existing projects
- 2021 legislation directed the Commission to establish rates for QFs who extend existing PPAs by 10 years
State Policy Changes After Order 872 - Oregon

• PURPA policy changes proposed by Public Utility Commission Staff in April 2021
• Oregon has several ongoing PURPA proceedings addressing:
  – Dispute Resolution
  – Network Upgrade Costs
  – RPS Compliance
State Policy Changes After Order 872 – South Carolina

- New dockets opened in 2021 to consider avoided costs
- October 2021 Directive / May 2022 Order for Duke
  - Basic avoided cost method to stay based on existing peaker methodology
  - Maintained the same integration charges for non-storage solar QFs
- New dockets opened in January 2022 for 2023 avoided costs, just getting underway.
State Policy Changes After Order 872 - Wisconsin

- Avoided cost investigation opened in June 2020
- Order on avoided cost methods issued in May 2021
- Utilities proposed new QF purchase rates in Sept. 2021
  - MG&E – near-term forecasted LMP
  - Xcel – 2 MW to 5 MW; capacity credits based on contract length
  - WI Electric Power – “cost of new entry” capacity cost methodology
Legal Challenges to PURPA Implementation – NorthWestern Energy

• Broadview Solar finding reversal (March 2021)
  – Qualifying Facilities can exceed 80 MW IF the maximum instantaneous output is 80 MW

• Shields Valley project – Wilsall, Montana
  – 160 MW solar, 80 MW battery. 80 MW maximum export.

• NorthWestern Energy petitions Court of Appeals DC Circuit
  – Overturn FERC’s authorization of Shields Valley Project
  – Case 22-1055
Other FERC Issues – Order 2222

• Allows participation of DER aggregators in wholesale markets
• Implementation under way
  – CAISO, ISO-NE, MISO, NY-ISO, PJM tariff development
State Policy Trends – Clean Energy Standards

- States have introduced more ambitious renewable and clean energy requirements
  - North Carolina
  - Illinois
  - Oregon
  - Massachusetts
  - Rhode Island
State Policy Trends – Wholesale Markets

• New wholesale markets
  – SEEM
• Requirements to join wholesale markets
  – Nevada
  – Colorado
Other Federal Policy Issues

• Investment Tax Credits in Build Back Better
  – Renewable Extension
  – Standalone Storage Credit
Thank You

If you have any questions or would like to follow up, please contact us:

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