

## HB 3609 STAFF MEASURE SUMMARY

### House Committee On Climate, Energy, and Environment

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**Meeting Dates:** 3/11, 4/8

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#### WHAT THE MEASURE DOES:

The measure requires electric companies to develop and file with the Oregon Public Utility Commission a distributed power plant program for the procurement of grid services from customers of the electric company who enroll in the program.

#### Detailed summary:

Defines terms.

#### **Distributed power plant program:**

Requires electric companies to develop and file with the Oregon Public Utility Commission (PUC) a **distributed power plant program** for the procurement of grid services from customers of the electric company who enroll in the program. Establishes guidelines and timeline for PUC to follow for reviewing the distributed power plant program. Requires an electric company, for their distributed power plant program, to offer customers a tariff for grid services provided by distributed energy resources and develop and use a schedule of compensation and terms that is based on the grid service provided. Allows grid services that are eligible for **compensation under a standard offer, open access tariff** that is offered under an electric company's distributed power plant program to include certain elements. Requires the classes of distributed energy resources technologies that may provide grid services under an electric company's distributed power plant program to include, but are not limited to:

- Energy storage devices that are a battery;
- Load control devices, including, but not limited to, smart thermostats, water heaters, and other load control devices approved by PUC; and
- Electric vehicles.

Requires a distributed power plant program to specify the operational parameters for each grid service based on the class of distributed energy resource technology provided, and **establishes criteria for what operational parameters** must include at a minimum. Allows a customer of an electric company to enroll:

- Directly or through an aggregator in the electric company's distributed power plant program.
- For as many grid services and as many distributed energy resource devices that are provided for under an electric company's distributed power plant program, with restrictions.

Requires an electric company to take certain actions and prohibits other actions if a customer enrolls directly in the electric company's distributed power plant program. Requires an electric company to work with, communicate through, and provide all payments and compensation to an aggregator if a customer enrolls through an aggregator in the electric company's distributed power plant program, and requires aggregators to take certain actions. Allows an electric company's distributed power plant program to provide for a higher upfront payment for a class of customers that is based on the differential energy burdens on low- and moderate-income customers and other economic, social equity, or environmental-justice factors that affect affordability for certain classes of utility customers. Requires a customer or aggregator to be given the option, at time of enrollment in an electric company's distributed power plant program, to enter into an agreement that sets the **performance compensation rate for a period of five years** or longer. Allows a customer to participate in and receive payment for an electric company's distributed power plant program in addition to participating in any other program

offered by the electric company. Prohibits a distributed energy resource that is owned by an electric company or an affiliate of an electric company from enrolling in an electric company's distributed power plant program. Allows an electric company to contract with a third party to provide a **distributed energy resource management system** to assist the electric company in implementing the electric company's distributed power plant program. Requires all prudently incurred costs associated with an electric company's distributed power plant program, including upfront payments and performance payments, to be **recoverable in the rates of an electric company**. Allows PUC to allow a reasonable rate of return on the performance payments made by an electric company for grid services provided under the electric company's distributed power plant program. Requires PUC and each electric company to work with the Oregon Department of Energy and other state agencies to **access federal funding or incentives** that may be used to provide upfront payments under an electric company's distributed power plant program.

**Procurement targets, performance incentives, and annual report:**

Requires PUC to develop and adopt:

- **Annual procurement targets**, for a five-year period and which meet certain criteria, for the procurement of grid services under an approved distributed power plant program; and
- **Annual performance incentives** for achieving, and **penalties** for not achieving, those annual procurement targets.

Requires PUC, prior to the expiration of a five-year period, to develop and adopt annual procurement targets and performance incentives for the subsequent five-year period. Requires PUC, if an electric company adds a grid service to the electric company's distributed power plant program tariff, to develop and adopt, within 270 days of the electric company adding the grid service, annual procurement targets and performance incentives for the grid service. Requires annual procurement targets and performance incentives that are adopted by PUC for the procurement of a grid service to take effect no later than January 1 of the year following the year in which PUC approves the procurement of the grid service under a distributed power plant program. Requires, no later than January 31 of each year, each electric company to **file a report**, including certain elements, with PUC on the status of the electric company's distributed power plant program.

**Initial requirements and timeline:**

Requires an electric company to first file with the PUC the electric company's proposed distributed energy resources program within 120 days of the effective date of this Act. Prohibits PUC, within 120 days of an electric company's first filing with PUC a proposed distributed energy resources program, from denying a proposed distributed energy resources program filing. Requires PUC to either approve or modify and approve the electric company's proposed distributed energy resources program. Requires, at a minimum, the electric company's initial distributed power plant program to provide for **compensation for system-wide peak load reduction** that is provided by an energy storage device that is a battery. Requires PUC, within 270 days of the effective date of this Act, to develop and adopt annual procurement targets and performance incentives for system-wide peak load reduction that is provided by an energy storage device that is a battery. Requires an electric company, within 12 months from the date that PUC approves an electric company's initial distributed power plant program, to file an amendment with certain information to the electric company's distributed power plant program. Takes effect on the 91st day following adjournment sine die.

- *FISCAL: Has a fiscal impact*
- *REVENUE: No revenue impact*

**ISSUES DISCUSSED:**

- Potential benefits of distributed power plants to electric utility customers and electric grid

- Potential to leverage innovation of private sector
- Portland General Electric's virtual power plant pilot program

**EFFECT OF AMENDMENT:**

No amendment.

**BACKGROUND:**

The Oregon Public Utility Commission (PUC) regulates investor-owned electric and natural gas utilities providing service to ensure they offer safe and reliable energy at reasonable rates. Oregon law allows the OPUC to approve a rate if the government enacts or adopts an ordinance, charter provision, resolution, or other regulation requiring that retail electricity consumers within the boundaries of the government must be served with resources such as energy from community-based resources, including microgrids, among others, that provide community co-benefits (Oregon Revised Statute 757.603).

Distributed generation refers to electricity generated by decentralized, small-scale energy systems that are installed near the energy consumer where it will be used. These systems are called distributed energy resources and commonly include solar panels, small wind turbines, electric vehicles, and energy storage systems such as batteries. A distributed energy resource management system is a software platform that can connect to the distributed energy resources to help manage and optimize them within the electrical grid. Using distributed power and energy resources can facilitate energy security during outages on the main grid and allow for energy independence.