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Energy BPA's future role

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Characteristics of a system to carry out BPA's responsibilities for conservation and renewables under the joint customer proposal

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Representatives of customer utilities of BPA and of regional environmental organizations and conservation and renewable resource advocates have been meeting to develop a proposal for how conservation and renewable resource development would proceed under the joint customer proposal for the future role of BPA. Council staff have been sitting in on some of these discussions. However, these discussions have not yet reached a conclusion.

The Council wants to ensure that regional investments in energy conservation and renewable resources remain a priority for the region. The Council believes that while discussions between the parties are still on going, it would be helpful if the parties had an indication of what the Council will be looking for when it reviews the final proposal.

Toward that end, the Council has approved the attached characteristics that it believes would be desirable for any system intended to carry out BPA's current responsibilities for conservation and renewables under the joint customer proposal. They can be thought of as the characteristics that the Council believes are important to achieving a successful evolution of Bonneville's conservation and renewables responsibilities. However, the Council will reserve judgment on any specific proposal until it can evaluate the characteristics of the proposal as a package.

Dick Watson, Director, Power Division

Introduction

A group of customer utilities have developed a proposal that would result in a change in the way BPA markets power and a long-term (20 years) allocation of power from the Federal Columbia River Power System (FCRPS). This proposal would minimize Bonneville's role in power markets both as a seller or purchaser of power and in acquiring new resources to meet load growth in the region. As the customers entered into the development of this proposal, Bonneville provided a set of broad principles that they believed any proposal must satisfy.

As part the proposal, much of Bonneville's current responsibilities for developing conservation and renewable resources would be carried out by customer utilities. However, the details of how this would be accomplished were not spelled out. These details are the subject of discussions ongoing between BPA's utility customers and conservation and renewables advocates. Council staff is sitting in on these discussions.

The following characteristics have been developed for the purpose of giving an indication to the participants in these discussions of how the Council is likely to view a proposal for conservation and renewables. They can be thought of as the characteristics that the Council believes are important to achieving a successful evolution of Bonneville's conservation and renewables responsibilities. However, the Council will reserve judgment on any specific proposal until it can evaluate the characteristics of the proposal as a package.

The basis for the characteristics

Least-cost planning and implementation, ensuring that the lowest cost resources are identified and acquired as needed, make good sense. Those concepts are embedded in the Northwest Power Act^[1], made sense when the Act was passed, and they make sense regardless of what entities develop new resources or the disposition of federal power. The characteristics of the system for conservation and renewables development under any revised federal power marketing approach should reflect the intent to ensure that least-cost planning and implementation continue to be carried forward region wide.

The Region has done a lot and learned a lot since least-cost planning and implementation was first practiced. In particular, the leadership role that has been played by the Bonneville should not be minimized. There

have been periods, for example, the late 1990s, when Bonneville as well as many retail utilities reduced their commitment to conservation below cost-effective levels. Nonetheless, the characteristics should build on the legacy that Bonneville and the region have established as leaders in conservation and renewables while taking into account changes in market structure and regulation that impact incentives for utilities to pursue conservation and renewables. The lowest common denominator should not be the standard. The characteristics should build on the experience of the last two decades of planning and implementing conservation, renewable and high-efficiency resources to ensure effective and efficient development of these resources.

The characteristics

1. The goal is to develop all cost-effective conservation and cost-effective renewables needed to ensure an adequate, efficient, economic and reliable power system for the region. [\[1\]](#) Proposals should be consistent with this goal.
2. Conservation and renewable targets for the region should be established through periodic regional integrated resource planning, providing a regional framework for local planning. The approach must accommodate the need to adapt targets over the twenty-year period of the agreement, taking into account factors like: changing technology performance and costs; changing loads and load shapes; changing values of energy and capacity and their seasonal and daily variations; costs of alternatives; value of risk mitigation; environmental costs and benefits; adoption of codes and standards; market-induced resource development; the need for reasonable year-to-year predictability of targets; and so on. The planning should provide for the participation of important stakeholders (e.g., utilities, states, tribes, consumers and so on)
3. Funding should be adequate to accomplish the targets, sufficiently stable to ensure predictability and efficient implementation, and sufficiently flexible to adapt to changing circumstances. The commitment to such funding must be consistent with the duration of the "deal." Attention should be paid to avoid cost shifts among customers and rate pools.
4. The spectrum of activities required for effective development of conservation and renewables

- should be adequately supported (e.g., development and demonstration of promising technologies, market research, consumer education, program design, program delivery, market transformation, codes and standards, program oversight, measurement and evaluation).
5. Implementation approaches used should be adaptable over time to incorporate new information and changes in best practices.
 6. Conservation and renewable resource activities should be carried out at the level appropriate for the activity. Many activities are most effectively carried out at the local level where local knowledge and customer contact are essential. Others are more effectively carried out at a state or regional level where economies of scale, market scope or jurisdictional factors are important.
 7. Roles, responsibilities of all the parties should be clear and unambiguous. The conservation and renewables elements of the proposal should be generally compatible with the design and implementation of the overall power marketing proposal while ensuring that cost-effective conservation and renewable resource development is accomplished.
 8. Accountability for results must be assured at whatever level implementation takes place while not being overly burdensome. This requires adequate attention to and support for objective and unbiased measurement and evaluation and a workable system for dispute resolution. Accountability includes fiscal accountability to ensure that funds are spent appropriately; and performance accountability to ensure that the region captures intended benefits and learns from its efforts so as to be able to refine and improve future activities.
 9. The mechanism must incorporate an adequate and timely "backstop" provision to ensure that regional conservation and renewables targets are met if it is found that some entities are unable or unwilling to carry out the necessary activities.
 10. Mechanisms should be structured to provide incentives for aggressive, effective and efficient planning and implementation while ensuring net benefits to the region. [\[2\]](#)
 11. Mechanisms should allow crediting of conservation and renewable activities funded under measures like the Oregon and Montana systems benefit charges, provided the activities meet similar fiscal

- and performance accountability standards.
12. Conservation and renewable programs should be accessible to all sectors of the regional economy and all areas of the region consistent with the goal of cost-effectiveness.

[1] Developing “all cost-effective conservation and renewables” has never meant do nothing but conservation and renewables. It has meant develop the portfolio of resources, including conservation and renewables, that results in least cost over the planning horizon while assuring an adequate and reliable power system.

[2] This is nothing more than saying that the payment that the utility receives for implementing conservation should not be so generous that the conservation ends up costing as much as the avoided resource would have cost.

[i] For example, the purposes of the Act call for encouraging, “through the unique opportunity provided by the Federal Columbia River Power System -

(a) conservation and efficiency in the use of electric power, and

(b) the development of renewable resources within the Pacific Northwest”;

(c) and “to provide for the participation and consultation of the Pacific Northwest States, local governments, consumers, customers, users of the Columbia River System (including Federal and State fish and wildlife agencies and appropriate Indian tribes), and the public at large within the region in the development of regional plans and programs related to energy conservation, renewable resources, other resources, and protecting, mitigating and enhancing fish and wildlife resources.” (Title 16, Chapter 12, Section 839 USC).

The priorities of the Act establish cost-effective conservation, renewable resources, and high efficiency resources as the top priority resources in that order, and require that the Council periodically develop a plan to identify the priority resources available to meet the

administrator's loads. It also calls for the establishment of model conservation standards that apply to utility, customer and governmental conservation programs. (Title 16, Chapter 12, Section 839B (e) USC).

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