



PPC POSITION PAPER

Renewable Energy Zone Legislation

February 2008

- Legislation has been introduced in both the House and the Senate intended to promote the development of renewable resources through incentives for transmission investment and mandates for BPA and other federal utilities to build transmission in designated renewable energy zones.
- PPC has long supported the development of renewable resources and understands the difficulty faced by developers in securing adequate transmission for new renewable generation.
- PPC has commented extensively on Rep. Jay Inslee's Renewable Energy Zone legislation and appreciates the changes made thus far to accommodate some of PPC's concerns.
- PPC continues to have a number of concerns with both the Senate and the House versions of the legislation.
 - **PPC is concerned that the legislation lacks procedural safeguards that provide for public and congressional input and promote balanced regional transmission planning.**
 - The bill would mandate that BPA build high voltage transmission facilities in a designated renewable energy zone when others have not decided to do so (presumably because the line would be uneconomic).
 - The bill mandates construction without requiring sufficient demonstration of developer interest in building a renewable energy facility.
 - The bill does not sufficiently incorporate current BPA transmission rules and policies when it comes to new transmission construction.
 - **PPC is concerned that the bill poses financial risks for BPA and its customers, since the bill lacks adequate safeguards to ensure the economic viability of any resulting transmission investment.**

- Funding would be provided through \$10 billion in new Treasury borrowing authority.
 - BPA would be required to collect revenue from users of the new transmission facilities to repay the investment over 50 years, and traditional BPA customers are presumedly shielded from paying for the facility if there is a revenue shortfall. *However*, if adequate renewable projects do not materialize, we do not believe it will be sustainable for taxpayers to assume the costs of an uneconomic line.
 - The bill would mandate that 75% of the capacity of the new high voltage transmission line built pursuant to this provision be reserved specifically for renewable generation. This requirement is inconsistent with basic utility operations and reliability requirements – and could guarantee that the line is uneconomic by preventing unused transmission capacity from being utilized.
- **PPC supports the development of renewable resources but believes that prior to legislating new authority, Congress should first determine whether new authority is necessary (we believe it is not at this time, and that current BPA laws and policies support successful development of renewable resources).**
 - **BPA already is taking significant steps in preparation for integrating wind and other renewable generation including an extensive “Wind Integration Study,” policy changes to facilitate transmission access and reduce delays, and a pending rate case.**
 - **If legislation is pursued to authorize BPA to encourage the development of renewable resources, beyond the agency's current mandates, it should:**
 - Ensure that the proposed transmission is built consistent with current processes.
 - Avoid inflexible and unreasonable limits on use of the facilities.
 - Require rigorous demonstration of financial viability before new lines are built to ensure the lines are prudent, economic and will be fully utilized.
 - Ensure that the use of BPA power to “firm and shape” renewable energy does not threaten system flexibility, does not diminish the value of the FCRPS to BPA’s core customers, or unfairly shift cost responsibility.
 - Prevent/minimize unreasonable “mission creep”.