

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO**

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**IN THE MATTER OF THE INVESTIGATION)
INTO THE ENERGY POLICY ACT OF 2005)
ADDITION OF FIVE NEW PURPA) Docket No. 06I-169E
STANDARDS TO ADDRESS CURRENT)
CONSERVATION AND EFFICIENCY NEEDS.)**

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STATEMENT OF THE INTERWEST ENERGY ALLIANCE

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26 May 2006

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Thank you very much for the opportunity to comment on provisions in the Energy Policy Act of 2005 (“EPAAct”) relating to the Public Utility Regulatory Policies Act of

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1978 (“PURPA”). My short comments focus on EPAAct Sec.1251(a)12, which reads:

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“(12) FUEL SOURCES- Each electric utility shall develop a plan to minimize dependence on 1 fuel source and to ensure that the electric energy it sells to consumers is generated using a diverse range of fuels and technologies, including renewable technologies.”

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If this provision is implemented properly on a nationwide basis, its fuel source

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diversity requirement would reward consumers across the country with greater price

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stability, improved system reliability, significant economic development benefits in rural

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areas, and increased environmental quality.

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I provide brief answers below to the two questions you asked parties to answer

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regarding utility fuel sources in your order of 29 March 2006 in Decision No. C06-0302:

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- 1 a) Are changes to existing rules required to comply with the standard?
2 b) Are there any enhancements that should be made to existing electric rules that
3 would better fulfill the purposes stated in the PURPA?
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5 **Are changes to existing rules required to comply with the standard?**

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7 The Interwest Energy Alliance suggests the addition of a new subparagraph VIII
8 under Commission Rule 3607(a) to read:

9 *“Contribution and characterization of utility’s existing and planned generation*
10 *resources toward meeting the fuel diversity requirements of EPCA Sect.*
11 *1251(a)12.”*
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14 **Are there any enhancements that should be made to existing electric rules that**
15 **would better fulfill the purposes stated in the PURPA?**

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17 Acquisition of new, renewable, energy resources would be greatly facilitated
18 through timelier construction of transmission lines to eastern Colorado and other parts of
19 the state that are resource-rich but transmission-constrained. Currently, a very large wind
20 energy project can be constructed much more quickly than transmission to that project,
21 leading to difficulties in financing and negotiating power purchase agreements.

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23 Colorado’s feeble transmission infrastructure has already hindered development
24 of wind energy projects. Xcel Energy characterized some of the transmission
25 deficiencies in its All-Source Bid Evaluation report (Docket No. 05A-543E) of December
26 2005.

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1 In that report, Xcel identified a number of specific transmission constraints
2 preventing various cost-effective wind energy projects from moving electricity from rural
3 Colorado to Xcel’s Front Range markets. To build new transmission from these
4 constrained areas would take a minimum of 44 months, according to Xcel. However,
5 large new windfarms can normally be built in a year or less, creating a “chicken and egg”
6 problem: windfarms can’t be built without transmission access, but transmission can’t be
7 built until there is a windfarm at the other end.

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9 Thus, the Interwest Energy Alliance urges the Commission to consider
10 enhancements to electric rules that will facilitate construction of transmission projects,
11 especially to areas that are primed for wind energy development, but which do not have
12 sufficient existing transmission. We are a party to Docket No. 06S-234EG and will be
13 discussing this issue in greater detail in that proceeding.

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15 In conclusion, I would like to attach, for the record, a new report prepared by the
16 Utility Wind Integration Group (UWIG) in cooperation with the nation’s leading utility
17 trade associations: American Public Power Association, Edison Electric Institute and the
18 National Rural Electric Cooperative Association.

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20 This report, entitled “Utility Wind Integration State of the Art,” shows how wind
21 energy can improve a utility system’s stability and documents that the cost of wind, even
22 at a penetration rate of up to 20%, is about 10% or less of the wholesale value of the wind
23 energy. Further, this report confirms that wind energy does not require backup

1 generation (since it is used primarily as an energy —not capacity— resource) and
2 provides a number of recommendations on how more wind energy can be accommodated
3 onto utility systems in the future. I commend this report to the Commission’s attention.

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5 I wish to thank the Commission again for this opportunity to submit comments on
6 Docket No. 06I-169E.

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Utility Wind Integration State of the Art



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Overview and Summary

In just five years from 2000-2005, wind energy has become a significant resource on many electric utility systems, with over 50,000 MW of nameplate capacity installed worldwide at the end of 2005. Wind energy is now “utility scale” and can affect utility system planning and operations for both generation and transmission. The utility industry in general, and transmission system operators in particular, are beginning to take note. At the end of 2005, the Power Engineering Society (PES) of the Institute of Electrical and Electronic Engineers (IEEE) published a special issue of its *Power & Energy Magazine* (Volume 3, Number 6, November/December 2005) focused on integrating wind into the power system. This document provides a brief summary of many of the salient points from that special issue about the current state of knowledge regarding utility wind integration issues. It does not support or recommend any particular course of action or advocate any particular policy or position on the part of the cooperating organizations.

The discussion below focuses on wind’s impacts on the operating costs of the non-wind portion of the power system and on wind’s impacts on the electrical integrity of the system. These impacts should be viewed in the context of wind’s *total* impact on reliable system operation and electricity costs to consumers. The case studies summarized in the magazine address early concerns about the impact of wind power’s variability and uncertainty on power system reliability and costs. Wind resources have impacts that can be managed through proper plant interconnection, integration, transmission planning, and system and market operations.

On the cost side, at wind penetrations of up to 20% of system peak demand, system operating cost increases arising from wind variability and uncertainty amounted to about 10% or less of the wholesale value of the wind energy.¹ These incremental costs, which can be assigned to wind-power generators, are substantially less than imbalance penalties generally imposed through Open Access Transmission Tariffs under FERC Order No. 888. A variety of means – such as commercially available wind forecasting and others discussed below – can be employed to reduce these costs. In many cases, customer payments for electricity can be decreased when wind is added to the system, because the operating-cost increases could be offset by savings from displacing fossil fuel generation.

Further, there is evidence that with new equipment designs and proper plant engineering, system stability in response to a major plant or line outage can actually be improved by the addition of wind generation. Since wind is primarily an energy – not a capacity – source, no additional generation needs to be added to provide back-up capability provided that wind capacity is properly discounted in the determination of generation

¹ These conclusions will need to be reexamined as results of higher-wind-penetration studies -- in the range of 25% to 30% of peak balancing-area load -- become available. However, achieving such penetrations is likely to require one or two decades. During that time, other significant changes are likely to occur in both the makeup and the operating strategies of the nation’s power systems. Depending on the evolution of public policies, technological capabilities, and utility strategic plans, these changes can be either more or less accommodating to the natural characteristics of wind power plants.

capacity adequacy. However, wind generation penetration may affect the mix and dispatch of other generation on the system over time, since non-wind generation is needed to maintain system reliability when winds are low.

Wind generation will also provide some additional load carrying capability to meet forecasted increases in system demand. This contribution is likely to be up to 40% of a typical project's nameplate rating, depending on local wind characteristics and coincidence with the system load profile. Wind generation may require system operators to carry additional operating reserves. Given the existing uncertainties in load forecasts, the studies indicate that the requirement for additional reserves will likely be modest for broadly distributed wind plants. The actual impact of adding wind generation in different balancing areas can vary depending on local factors. For instance, dealing with large wind output variations and steep ramps over a short period of time could be challenging for smaller balancing areas, depending on the specific situation.

The remainder of this document is divided into four sections: wind plant interconnection, wind plant integration, transmission planning and market operation, and accommodating more wind in the future.

Wind Plant Interconnection

- Wind power plant terminal behavior is different from that of conventional power plants, but can be compatible with existing power systems. With current technology, wind-power plants can be designed to meet industry expectations such as riding through a three-phase fault, supplying reactive power to the system, controlling terminal voltage, and participating in SCADA system operation.
- Increased demands will be placed on wind plant performance in the future. Recent requirements include low voltage ride-through capability, reactive power control, voltage control, output control, and ramp rate control. Future requirements are likely to include post-fault machine response characteristics more similar to those of conventional generators (e.g., inertial response and governor response).
- Better dynamic models of wind turbines and aggregate models of wind plants are needed to perform more accurate studies of transmission planning and system operation.
- In areas with limited penetration, modern wind plants can be added without degrading system performance. System stability studies have shown that modern wind plants equipped with power electronic controls and dynamic voltage support capability can improve system performance by damping power swings and supporting post-fault voltage recovery.
- Because of spatial variations of wind from turbine to turbine in a wind plant – and to a greater degree from plant to plant – a sudden loss of all wind power on a system simultaneously due to a loss of wind is not a credible event.

Wind Plant Integration

- Utility planners traditionally view new generation primarily in terms of its *capacity* to serve peak demand. But wind is primarily an *energy* resource. Its

primary value lies in its ability to displace energy produced from the combustion of fossil fuels and to serve as a hedge against fuel price risk and future restrictions on emissions.

- The addition of a wind plant to a power system does not require the addition of any backup conventional generation since wind is used primarily as an energy resource. In this case, when the wind is not blowing, the system must rely on existing dispatchable generation to meet the system demand.
- Wind plants provide additional planning reserves to a system, but only to the extent of their capacity value. Capacity for day-to-day reliability purposes must be provided through existing market mechanisms and utility unit commitment processes.
- The capacity value of wind generation is typically up to 40% of nameplate rating, and depends heavily on the correlation between the system load profile and the wind plant output.
- The addition of a wind plant to a power system increases the amount of variability and uncertainty of the net load. This may introduce measurable changes in the amount of operating reserves required for regulation, ramping and load-following. Operating reserves may consist of both spinning and non-spinning reserves. In two major recent studies, the addition of 1,500 MW and 3,300 MW of wind (15% and 10%, respectively, of system peak load) increased regulation requirements by 8 MW and 36 MW, respectively, to maintain the same level of NERC control performance standards.
- Fluctuations in the net load (load minus wind) caused by greater variability and uncertainty introduced by wind plants have been shown to increase system operating costs by up to about \$5/MWH at wind penetration levels up to 20%. The greatest part of this cost is associated with the uncertainty introduced into day-ahead unit commitment due to the uncertainty in day-ahead forecasts of real-time wind energy production.
- The impact of adding wind generation can vary depending on the nature of the dispatchable generating resources available, market and regulatory environment, and characteristics of the wind generation resources as compared to the load. Dealing with large output variations and steep ramps over a short period of time (e.g., within the hour) could be challenging for smaller balancing areas, depending on their specific situation.
- Wind's variability cannot be treated in isolation from the load variability inherent in the system. Because wind and load variability are statistically uncorrelated, the net increase of variability due to the addition of wind is less than the variability of the wind generation alone.
- Commercially available wind forecasting capability can reduce the costs associated with day-ahead uncertainty substantially. In one major study, state-of-the-art forecasting was shown to provide 80% of the benefits that would result from perfect forecasting.
- Implementation of wind-plant-output forecasting in both power market operation and system operations planning in the control room environment is a critical next step in accommodating increasing amounts of wind penetration in power systems.

Transmission Planning and Market Operation

- Upgrades or additions to transmission facilities may be needed to access locations with large wind-energy potential. Current transmission planning processes are able to identify solutions to transmission problems, but the time required for implementation of solutions often exceeds wind-plant permitting and construction times by several years.
- Well-functioning hour-ahead and day-ahead markets provide the best means of addressing the variability in wind plant output.
- Energy imbalance charges based on actual costs or market prices provide appropriate incentives for accurate wind forecasting. Since wind plant operators have no control over the wind, penalty charges applied to wind imbalances do not improve system reliability. Market products and tariff instruments should properly allocate actual costs of generation energy imbalance.
- Wind turbine output or ramp rates may need to be curtailed for limited periods of time to meet system reliability requirements economically.
- Consolidation of balancing areas or the use of dynamic scheduling can improve system reliability and reduce the cost of integrating additional wind generation into electric system operation.

Accommodating More Wind in the Future

- Understanding and quantifying the impacts of wind plants on utility systems is a critical first step in identifying and solving problems.
- A number of steps can be taken to improve the ability to integrate increasing amounts of wind capacity on power systems. These include:
 - Improvements in wind-turbine and wind-plant models
 - Improvements in wind-plant operating characteristics
 - Carefully evaluating wind-integration operating impacts
 - Incorporating wind-plant forecasting into utility control-room operations
 - Making better use of physically (in contrast with contractually) available transmission capacity
 - Upgrading and expanding transmission systems
 - Developing well-functioning hour-ahead and day-ahead markets, and expanding access to those markets
 - Adopting market rules and tariff provisions that are more appropriate to weather-driven resources
 - Consolidating balancing areas into larger entities or accessing a larger resource base through the use of dynamic scheduling.

The *Power & Energy Magazine* articles summarized in this document are available to IEEE PES members at the following link:

http://www.ieee.org/portal/site/pes/menuitem.bfd2bcf5a5608058fb2275875bac26c8/index.jsp?&pName=pes_home

and to UWIG members at www.uwig.org through the Members link.