SHB 1233 - H AMD **772**
By Representative Morris

ADOPTED 02/08/2018

Strike everything after the enacting clause and insert the following:

"NEW SECTION. **Sec. 1.** A new section is added to chapter 19.280 RCW to read as follows:

(1) The legislature finds that the proliferation of distributed energy resources across the distribution system is rapidly transforming the relationships between electric utilities and their retail electric customers. The legislature finds that distributed energy resources planning processes will vary from one utility to another based on the unique characteristics of each system. However, distributed energy resources planning processes may allow electric utilities to better anticipate both the positive and negative impacts of this transformation by: Illuminating the interdependencies among customer-sited energy and capacity resources; identifying and quantifying customer values that are not represented in volumetric electricity rates; reducing, deferring, or eliminating unnecessary and costly transmission and distribution capital expenditures; maximizing system benefits for all retail electric customers; and identifying opportunities for improving access to transformative technologies for low-income and other underrepresented customer populations.

(2) Therefore, it is the policy of the state of Washington that any distributed energy resources planning process engaged in by an electric utility in the state should accomplish the following:

(a) Identify the data gaps that impede a robust planning process as well as any upgrades, such as but not limited to advanced metering and grid monitoring equipment, enhanced planning simulation tools, and potential cooperative efforts with other utilities in developing tools needed to obtain data that would allow the electric utility to quantify the locational and temporal value of resources on the distribution system;

(b) Propose monitoring, control, and metering upgrades that are supported by a business case identifying how those upgrades will be leveraged to provide net benefits for customers;

(c) Identify potential programs and tariffs to fairly compensate customers for the value of their distributed energy resources, which may both produce and consume electricity and capacity from the distribution system individually or in groups, and ensure their optimal usage, including programs targeted at low-income customers;

(d) Forecast, using probabilistic models if available, the growth of distributed energy resources on the utility's distribution system;

(e) Provide, at a minimum, a ten-year plan for distribution system investments and an analysis of nonwires alternatives for major transmission and distribution investments. This plan should include a process whereby near-term assumptions, as well as any pilots or procurements initiated in accordance with subsection (3) of this section, regularly inform and adjust the long-term projections of the plan. The goal of the plan should be to provide the most affordable investments for all customers and avoid reactive expenditures to accommodate unanticipated growth in distributed energy resources. An analysis that fairly considers wire-based and nonwires alternatives on equal terms is foundational to achieving this goal. The electric utility should be financially indifferent to the technology that is used to meet a particular resource need. The distribution system investment planning process should utilize a transparent approach that involves opportunities for stakeholder input and feedback;

(f) Include the distributed energy resources identified in the plan in the electric utility's integrated resource plan developed under this chapter. Distribution system plans should be used as inputs to the integrated resource planning process. Distributed energy resources may be used to meet system needs when they are not needed to meet a local distribution need. Including select distributed energy resources in the integrated resource planning process allows those resources to displace or delay system resources in the integrated resource plan;

(g) Include a high level discussion of how the electric utility is adapting cybersecurity and data privacy practices to the changing distribution system and the internet of things, including an assessment of the costs associated with ensuring customer privacy; and

(h) Include a discussion of lessons learned from the planning cycle and identify process and data improvements planned for the next cycle.

(3) To ensure that procurement decisions are based on current cost and performance data for distributed energy resources, a utility should procure the distributed energy resource needs identified in any distributed energy resources plan through a process that is price-based and technology neutral. Electric utilities should consider using competitive procurements tailored to meet a specific need, which may increase the utility's ability to identify the lowest cost and most efficient means of meeting distribution system needs. If the projected cost of a procurement is more than the calculated system net benefit of the identified distributed energy resources, the governing body, in the case of a consumer-owned utility, or the commission, in the case of an investor-owned utility, may approve a pilot process by which the electric utility will gain a better understanding of the costs and benefits of a distributed energy resource or resources.

(4) By January 1, 2023, the legislature shall conduct an initial review of the state's policy pertaining to distributed energy resources planning under this chapter. By January 1, 2026, and every four years thereafter, the legislature shall conduct a full review of the policy and determine how many electric utilities in the state have engaged in or are engaging in a distributed energy resources planning process, whether the process has met the eight goals specified under subsection (2) of this section, and whether these goals need to be expanded or amended."

Correct the title.

EFFECT: Establishes a legislative finding that distributed energy resources (DER) planning processes will vary from one utility to another based on the unique circumstances of each system. Adds control upgrades to the type of equipment and infrastructure upgrades that an electric utility should propose under a DER planning process. Specifies that the type of major investments for which an analysis of nonwires alternatives should be provided are major transmission and distribution investments. Specifies that an electric utility should be financially indifferent to the technology that is used to meet a particular resource need. Removes competitive procurement of DER needs from the list of objectives that should be accomplished by a DER planning process, and adds separate voluntary goal stating that a utility should procure the DER needs identified in any DER plan through a process that is price-based and technology neutral. Requires the legislature to conduct an initial review of the state's

policy pertaining to DER planning by January 1, 2023, and a full review by January 1, 2026, and every four years thereafter.

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