# NAESB Annual Plan Proposal for 2020

# Contact Information

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Proposal Type: New Plan Item for 2020

Quadrant Affected: WEQ

# Description

This proposal recommends enhancements to wholesale electricity markets to integrate the acquisition of long term “Green” electricity supply, using a market-based approach, co-optimized with the acquisition of grid services needed by a NERC Balancing Authority for system reliability purposes while accommodating the transitioning fuel mix of supply resources and rapid decentralization of supply emanating from Distributed Energy Resources. The following objectives are in scope:

* Satisfies State based energy targets for Renewable Portfolio Standards and other environmental goals using a market-based approach as an alternative to existing RFP purchases using long-term “green” energy contracts purchased by State agencies
* Enable “Green Buyers” (Consumers) and their Green Generator partners to engage in long term energy contracts (i.e. PPA) within wholesale energy markets, using standard data elements and semantics that define terms and conditions of the contract regarding duration of the agreement, the type of fuel used to generate electricity (i.e. wind/solar/etc) to be procured, agreed to costs, revenue sharing arrangements and ownership of Renewable Energy Certificates, along with other important data elements, as determined by a consensus based standards development process.
* Provide standard PPA data elements that may benefit Utilities and ISO’s with accounting and attestation procedures for voluntary Renewable Energy Certificates
* Provide an alternative approach that could eliminate the need for fuel subsidies
* Reduce the purchasing of excess capacity
* Ensure a reliable electric system as the fuel mix of energy supply and decentralization of energy supply (DER) continues to evolve.

## Rationale

Transition of the energy supply chain is evident across both regulated and deregulated markets. Consumers are taking control over their energy destiny through the acquisition of long-term power purchase agreements (PPA) in “Capacity Exchanges”, operated by REBA and Level Ten, with more of these “proprietary” solutions coming online. State based RFP’s to acquire green energy are also chipping away at the effectiveness of wholesale capacity markets and resulting in the need for “out of market” patches (i.e. fuel subsidies, secondary auctions, etc.) in order to retain resources. Signs that existing processes and procedures to acquire long term capacity are inadequate is apparent from these symptoms.. Behind-the-Meter PV supply, which may not be accurately factored into load forecasts is resulting in the purchase of excess capacity. Distributed Energy Resources (DER) continue to decentralize electricity supply, many of which are not visible on an ISO’s radar, which also impacts forecast accuracy.

This proposal acknowledges the effect these powerful and momentous forces are having on electricity markets in North America and attempts to accommodate these changes through a consensus-based, market-based standard that integrates and co-optimizes the desires of Green Buyers and decentralized energy supply (DER) with a Balancing Authorities need for reliable grid services to maintain system stability.

# Priority and Estimate of Work

Proprietary approaches to secure capacity via existing Capacity Exchanges will continue to expand, outside of existing capacity markets, chipping away at the effectiveness of these wholesale markets. A high priority assignment may be in order. Using the proposed strawman as a starting point for this work should shorten the work effort considerably, perhaps resulting in a recommendation to the EC within 2020, assuming work begins in January 2020.

# Participation

Offering a strawman proposal to start the standards development initiative and engagement throughout subcommittee work.

# Other Considerations

Existing Capacity Exchanges are actively helping consumers secure long-term green energy, and are rapidly gaining momentum. The [Business Resource Center of the Rocky Mountain Institute](https://rmi.org/our-work/electricity/brc-business-renewables-center/) makes clear these Green Buyer goals: “***We aim to help corporations procure 60 gigawatts of renewable energy by 2030***”, and that’s only one of the online exchanges in operation today. States are procuring long-term energy supply using out of market RFP’s. [California has opened the door for a “central buyer” solution which could provide the catalyst for this work](https://cal-cca.org/calcca-and-key-energy-market-stakeholders-reach-central-buyer-settlement-agreement/), for nationwide application. Rapid changes are already well underway and any delay in the creation of an industry standard will impose additional work on those parties that are responsible for REC administration, attestation of “Green Energy hours”, and long-term capacity acquisition for essential grid services needed for grid reliability and system balancing.