

## REGIONAL TRANSMISSION ORGANIZATION (RTO) STUDY: SB 589

### What does the RTO Study Bill do?

The majority of electricity markets in the United States are operated by Regional Transmission Organizations (RTOs). RTOs take on the role of controlling and coordinating a multi-state electricity grid, providing for the wholesale sale of electricity across a broad geographic region with fair and consistent transmission costs that do not unfairly burden resources based on location or ownership. As depicted below, there is currently no RTO in the West outside of California, but other western states have begun studying what the creation of a western RTO means to them and how that market should be designed for the benefit of their state. Oregon should begin to investigate the benefits, challenges and opportunities presented by development of a western RTO.

**SB 589** is an RTO study bill that would direct the state to establish a task force, managed by the Oregon Department of Energy (ODOE), to review the results of regional RTO studies and identify additional data needs, regulations and legislative initiatives that may be needed to facilitate moving Oregon utilities towards participation in an RTO.

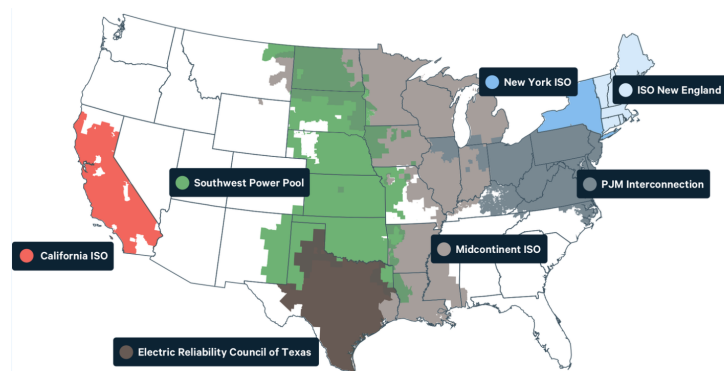


Figure 1. Regional Transmission Organizations in the U.S.

### Benefits of RTOs

- Shifts power plant investment risk from consumers to electric suppliers
- Lowers costs to consumers
- Eliminates inefficiencies in transmission
- Minimizes renewable energy curtailment—i.e., underutilization—by valuing the geographic diversity of resources
- Supports regional resource adequacy
- Minimizes overall costs of decarbonization

### Why do we need an RTO in the West?

The western grid is a roadblock to efficiently decarbonizing the electric sector and meeting individual state renewable energy requirements. Unlike energy markets in the majority of the U.S., electricity in the west is managed through 38 different balancing areas (pictured right) and overlain by a complex web of transmission rights and availability that severely inhibit our ability to optimize the diversity of our renewable resources across the region. As described in great detail in the [Western Flexibility Assessment](#), the system as it currently operates creates unnecessary costs for energy customers and

*For more information, please contact:*

*Nicole Hughes, Executive Director for Renewable Northwest:* [nicole@renewablenw.org](mailto:nicole@renewablenw.org)

*Miles Pengilly, Thorn Run Partners:* [mpengilly@thornrun.com](mailto:mpengilly@thornrun.com)

poses barriers to efficient, cost-effective transfer of energy resources. It also impedes effective balancing of capacity resources, which is necessary to cost-effectively and reliably achieve each state's renewable and clean energy goals. An RTO for the western states would create a seamless integrated wholesale power market for the region managed by an independent operator.

### What does Oregon need to consider?

There are discussions currently underway in several regional venues discussing the principles of wholesale market development, and we are confident that in the next 5-10 years, the West will see development of an RTO. The Western Interstate Electricity Board (WIEB) is overseeing a [regional study](#) evaluating the benefits of regional markets. This study will include an analysis of the potential regulatory changes states may need to prepare for before utilities can join an RTO, and it will be completed by the end of 2021. The authors of the study emphasize that the study takes a regional view of the regulatory implications of an RTO in the west, but does not drill down on individual state processes and regulatory considerations.

### What are the next steps for Oregon?

Prior to Oregon utilities joining a western RTO, Oregon will need to address a few critical questions. The RTO study directed by this bill will seek to provide answers to these questions:

- 1) What are the benefits/risks to Oregonians if Oregon utilities join an RTO?
- 2) What challenges will Oregon face in meeting clean energy mandates and goals without an RTO?
- 3) How will Oregon's regulatory structure change? Which elements of regulation will be retained at the state level and which will be delegated to the RTO?
- 4) What steps can Oregon take to ensure and support development of an RTO and ensure a smooth transition for Oregon's utilities?

As written, **SB 589** would require the Oregon Department of Energy to conduct a literature review of existing studies and develop a list of data gaps. ODOE would also establish and manage a task force made up of the Public Utility Commission (PUC), investor owned utilities (IOUs), public utilities, rate payer advocacy organizations, labor organizations, independent power producers (IPPs), and clean energy advocates. The task force would address discussion questions prepared by ODOE focused on determining challenges, barriers and opportunities to formation and participation in a western RTO. The process would culminate with a summary to the joint House and Senate Energy and Environment Committees ahead of the 2022 legislative session and would be used as a tool for informing future regulatory or legislative efforts around supporting the development of a western RTO.

*For more information, please contact:*

*Nicole Hughes, Executive Director for Renewable Northwest: [nicole@renewablenw.org](mailto:nicole@renewablenw.org)*

*Miles Pengilly, Thorn Run Partners: [mpengilly@thornrun.com](mailto:mpengilly@thornrun.com)*



*Source: Western Electricity Coordinating Council*

**Figure 2. Thirty-eight Western BAs**