

DOCKETED

Docket Number:	16-RGO-01
Project Title:	Regional Grid Operator and Governance
TN #:	212196
Document Title:	Governor Inslee of the State of Washington Letter in Support of Establishing RSO
Description:	N/A
Filer:	Misa Milliron
Organization:	State of Washington, Office of the Governor/Jay Inslee
Submitter Role:	Public Agency
Submission Date:	7/8/2016 8:07:12 AM
Docketed Date:	7/8/2016



July 7, 2016

The Honorable Edmund G. Brown
Office of the Governor
State Capitol, Suite 1173
Sacramento, CA 95814

Dear Governor Brown:

I write in support of your efforts to establish a regional system operator (RSO) that would improve the delivery of electricity to our states and others in the West. An integrated regional transmission system managed by a single RSO would allow grid managers to more efficiently draw on a broader and more diverse set of energy resources across the region, while respecting the energy policy preferences of each state and the needs and interests of non-participating utilities. The benefits could include more cost-effective integration of renewable energy sources, reduced electricity reserve margins, improved interregional transmission planning and enhancements of the high-voltage grid, and savings to ratepayers.

I know there are voices asking you to proceed slowly with this effort. However, I believe the best approach is to secure the necessary authorizations now, while remaining open to refining the design of the RSO as we move forward.

In terms of governance of an RSO, we will be seeking fair access to the process, where we have the opportunity for input and our influence on decisions is proportional to our role in relation to the decisions made by the governing board of the RSO. I appreciate the good work of Commissioners Phil Jones (WA) and Mike Florio (CA) in facilitating the RSO governance discussion with state commissioners, state energy offices, gubernatorial staff and other stakeholders in the Western region. A number of good ideas for governance have resulted from these public discussions, and I would encourage continued work to build agreement among the affected states.

The decision to allow a regulated investor-owned utility in Washington to join an RSO would be made by our state Utilities and Transportation Commission (UTC), which must base its decision on whether joining such a regional entity is in the public interest. Like the other states, Washington will need sufficient information to determine that the economic and environmental benefits and costs can be secured at the regional and state levels.

While the UTC regulates three investor-owned electric utilities, Washington State is home to 58 consumer-owned public utilities, which serve over half of our state's load. These utilities are



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preference customers of the federal Bonneville Power Administration, and some are themselves significant power generators. A few of these public utilities are considering joining the existing energy imbalance market and may have longer-term interests in offering carbon-free hydropower to an RSO. However, all of these utilities have a shared interest in making sure their existing contracts and delivery obligations are not harmed. To that end, it will be important for public power and our federal power market administration to have some direct role in shaping and implementing the regional program to secure the interests of their utility customers.

The technology for dynamic power transfers over a large region is here today, and the market is already responding to the opportunities. An RSO would allow our utilities to capture the benefits for their customers, improve efficiency and reliability, reduce costs and emissions, and contribute to the long-term economic health of our states.

Thank you for your leadership on this important topic.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jay Inslee". The signature is fluid and cursive, with a large initial "J" and "I".

Jay Inslee
Governor