
ENGROSSED SUBSTITUTE HOUSE BILL 1233

State of Washington

65th Legislature

2018 Regular Session

By House Technology & Economic Development (originally sponsored by Representatives Morris, Tarleton, and Hudgins)

READ FIRST TIME 01/30/18.

1 AN ACT Relating to enabling electric utilities to prepare for the
2 distributed energy future; and adding a new section to chapter 19.280
3 RCW.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

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

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

1 technologies for low-income and other underrepresented customer
2 populations.

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

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

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

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

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

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

38 (f) Include the distributed energy resources identified in the
39 plan in the electric utility's integrated resource plan developed
40 under this chapter. Distribution system plans should be used as

1 inputs to the integrated resource planning process. Distributed
2 energy resources may be used to meet system needs when they are not
3 needed to meet a local distribution need. Including select
4 distributed energy resources in the integrated resource planning
5 process allows those resources to displace or delay system resources
6 in the integrated resource plan;

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

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

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

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

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