Incorporating Renewable & Energy Efficiency in Utility Planning

Integrating Resource and Resilience Planning in Tanzania and Ghana

2015 USAID Infrastructure Workshop
Building to Last: Strengthening the Sustainability and Resilience of USAID Infrastructure Projects
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Integrated Resource and Resilience Planning (IRRP)

- Traditional IRP planning focuses on supply and demand issues over the long-term.
  - The most narrow reviews lack attention to transmission, distribution, do not integrate demand side alternatives, and do not consider risk elements.
  - The broadest reviews tend to lack attention to distribution sector, resilient, reliability, and climate risks.

- IRRP expands IRP to include review of issues to ensure greater resiliency for long-term investment alternatives.
  - Significant benefits to developing systems considering long-lived investments, e.g. transmission life (+40 years), hydro generator life (+40 years)
Integrated Resource and Resilience Planning

Supply Side

**Existing & New Sources**
- Hydropower
- Coal, Oil
- Natural Gas
- Renewables
- Electricity Imports

**Transmission**

**Existing and New Lines**
- HV Transmission Lines
- New line build options

Demand Side

**Electricity Demand**
- Industrial,
  Commercial,
  Residential
- Energy Efficiency
  DSM

Performance and Cost Characteristics

**Least-Cost Planning Model**
- Power and/or other fuels: Scenario Modeling
  addressing selected sensitivities, policies, risk mitigation options

**Resilience Assessment and Planning**
- Environmental, Social, Financial Impact Analysis
- Risk Analysis and Management; Stakeholder Interactions
  (Regulatory, Financial, Environmental, Climate Change, Upstream, Infrastructure, Political)

Power Sector Master Plan
Traditional Benefits of IRP

- A long-term, system view (vs. short-term, project-based view)
- Consideration of all resources and evaluations done on a level-playing field
- Explicit recognition of a broader range of potential risks, including climate change
- Broad stakeholder engagement
- Robust plan to support investment and other decision-making
IRP Analysis Supports Independent Developer Participation

- IRP analysis provides the structure needed to evaluate proposed projects
- IRP informs potential market participants and provides transparency regarding sector needs

<table>
<thead>
<tr>
<th>Elements of IRRP</th>
<th>Benefits</th>
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<tbody>
<tr>
<td>Demand forecast</td>
<td>Transparency in assessing type, location, and quantity of load growth</td>
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<tr>
<td>Supply Analysis and Expansion Plan Projections</td>
<td>Evaluate alternate build and procurement options, assess dispatch needs versus resource size and value</td>
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<tr>
<td>Distribution and Transmission Plans</td>
<td>Identify reliability issues and plan for development of solutions</td>
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<td>Cost Recovery Plan for Power Sector</td>
<td>Provide checks and balances for funding mechanism, promote investor confidence</td>
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<td>Rate Making</td>
<td>Determine cost and return requirements</td>
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Lack of Planning Limits Development

- IRP analysis provides critical information for utilities and regulators to plan toward and measure against.
- Lack of information results in limited investor interest and less than optimal investment strategies.
- Lack of information can slow electric access and impact climate/sustainability.
- Lack of structure allows for potential gaming.

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<th>Area</th>
<th>Historical examples of development failures related to lack of IRRP information availability and planning structure</th>
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<tbody>
<tr>
<td>Brazil</td>
<td>Lack of integrated resource planning pitted base-load thermal against hydro, plants not economic for private partners to operate and government carried fuel, offtake risks at a loss.</td>
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<tr>
<td>India</td>
<td>Non-transparent, non-competitive procurement of IPP led to poor planning and operation of overly complex PPA. Government nationalized plant after Enron bankruptcy.</td>
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<tr>
<td>Indonesia</td>
<td>Non-transparent, non-competitive, corrupt procurement led to oversized asset development. After currency crisis and regime change, new government renegotiated and cancelled contracts at investor expense.</td>
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Examples of IRP

- Most states in the U.S. require an IRP to support the procurement of new generation.
- The 2011 South Africa IRP was used to identify its new generation projects for the period 2010 to 2030. It is considered to be “living plan” with regular updates.
- In 2015, Tennessee Valley Authority in the U.S. developed their Energy Vision 2020 using an IRRP process.
- In 2013, ICF supported the development of an IRP for the Malawi Power System that has been instrumental in identifying new power projects that are being supported by the MCC.
Expanding to IRRP Yields Greater Consumer Benefit and Sustainability

Managing Risks and Increasing Resilience

- **Fuel Price and Investment Risks**: Singular focus on gas-based capacity expansion in the U.S. in 1990s resulted in price risks and volatility in early 2000s
  - IRRP can increase fuel diversity

- **Climate Risks**: Frequent drought in Tanzania and Ghana has reduced hydro-electricity generation and increased cost of service
  - IRRP can help optimize the hydro contribution to the portfolio

- **Demand-side risks**: Rapid demand growth and poor load factor increases load shedding, resulting in customer dissatisfaction
  - IRRP can manage demand growth, improve load factor, increase revenue and improve customer satisfaction
Climate Risk is Relevant

- Climate is changing now: *Better management of climate risks today, builds resilience to future climate risk*

- Decisions based on historic climate data are no longer robust: *infrastructure investments may be at risk of underperforming in future conditions*

Climate adaptation should be integrated into **core business risk management and planning** processes **today**- to improve decision makers understanding of risks, and of options to manage them.
IRRP Produces Reliable and Resilient Infrastructure

- Accommodates the optimal resource mix
- Supports policy goals, e.g. renewable or distributed resource targets
- Enables efficient utilization of resources in real-time
- Operates reliably under probable contingency conditions
- Hardened and resilient to withstand impact of extreme events
Direct, Indirect, and Compounding Impacts

Climate Change: Increasing intensity and frequency of heatwaves and drought, reductions in water supply, increases in energy and water demand → impact on energy reliability

Farmers to lose water access as Tanzania's hydropower runs dry

BY KIZITO MAKOYE
Options for Managing Climate Risks to Improve Reliability

- Increasing energy and water use efficiency:
  - Developing demand-side/conservation management

- Increasing capacity:
  - Increasing water supply, peak generation, power storage capacity

- Increasing resilience:
  - Improving reliability of grid systems through back-up power supply, intelligent controls, and distributed generation
  - Insulating equipment for temperature extremes
  - Hardening, building redundancy into facilities
  - Relocating vulnerable facilities
Portfolio Optimization Enhanced

Evaluating decision criteria for multiple risks enhances planning results

- Approach produces “least regrets” determination versus least cost determination.
Stage Specific Planning

Determine Input Data and Decision Criteria

Evaluate Cost / Benefits of Options
- Gas Resources
- Coal Resources
- Renewables
- Hydro
- Distributed Resources
- Efficiency
- Demand Response
- Transmission and distribution
- Contracting Options
- Environmental Impact
- Reliability Impact

Consider Risks
- Fuel Prices
- Load Growth
- Unit Performance
- Transmission Contingencies
- Environmental Factors
- Climate Factors

Results Validation and Feasibility Determination

Regulatory Review

Implement
Evaluate
Repeat
Questions and Answers
Maria Scheller is a Vice President in ICF’s Energy Advisory Services practice area with 20 years of experience in long-term planning; electric market fundamentals; economic analysis; market operations; rate impact analysis; competitive procurement; resource planning; forward market modeling; and financial analysis of wholesale power assets. Ms. Scheller manages work including asset valuation, due diligence, litigation, and strategic studies. This work involves review and creation of economic and technical aspects of power supply including: avoided energy supply cost determination; forward price curve analysis; plant dispatch analysis; power sector restructuring; power plant siting, revenue forecasts and financial performance of assets in competitive and deregulating markets; expansion and strategic planning for generation companies. Ms. Scheller received a B.S. in Economics from The Pennsylvania State University.

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