

January 30, 2018

VIA ELECTRONIC FILING

Ms. M. Lynn Jarvis, Chief Clerk
North Carolina Utilities Commission
Dobbs Building
430 North Salisbury Street
Raleigh, North Carolina 27603-5918

Re: Docket No. E-100, Sub 148
Notice of System Emergency Curtailment Practices

Dear Ms. Jarvis:

Consistent with Ordering Paragraph 14 of the North Carolina Utilities Commission's ("Commission") *Order Establishing Standard Rates and Contract Terms for Qualifying Facilities*, issued on October 11, 2017, in the above-captioned docket ("*Avoided Cost Order*"), and the January 5, 2018 *Order Granting Joint Motion for Extension of Time*, Virginia Electric and Power Company, d/b/a Dominion Energy North Carolina (the "Company"), hereby provides notice to the Commission of the procedures that the Company would implement in the case that a system emergency required the curtailment of electric output from qualifying facilities ("QFs").

In the underlying proceeding, Duke Energy Carolinas, LLC ("DEC") and Duke Energy Progress, LLC ("DEP" and together with DEC, "Duke") presented evidence regarding the operational challenges facing those companies due to the significant amount of solar-powered QFs currently and projected to be interconnected to the Duke electric systems. Duke's witnesses testified to their concern that these operational challenges could impact compliance with NERC and SERC reliability standards that DEC and DEP are obligated to meet as Balancing Authorities ("BAs"). Testimony offered by the Public Staff also discussed this issue with respect to DEC's and DEP's electric systems.

In the *Avoided Cost Order*, the Commission noted that Federal Energy Regulatory Commission ("FERC") regulations define a "system emergency" as "a condition on a utility's system which is likely to result in imminent significant disruption of service to customers or is imminently likely to endanger life or property." (*Avoided Cost Order* at 81, citing 18 C.F.R. § 292.101(b)(4).) The Commission also stated that "[d]uring any system emergency, a utility may discontinue purchases from a qualifying facility if such

purchases would contribute to such emergency.” (*Id.*, citing 18 C.F.R. § 292.307(b)(1).) The Commission concluded that an imminent violation of NERC/SERC reliability standards is a system emergency, and that “in a system emergency, it is appropriate to allow the utilities to curtail QF generated power or, in extreme conditions, to discontinue purchases from QFs, if the purchase of that power would contribute to the emergency condition.” (*Id.* at 82-83.) In addition, noting testimony by Duke and the Public Staff that Duke is developing operating procedures to manage system emergency curtailments of QFs and other non-QF generators on a similarly situated, non-discriminatory basis, the Commission concluded that establishing non-discriminatory and transparent system emergency curtailment operating procedures is appropriate. (*Id.* at 83.) The Commission therefore directed DEC, DEP, and the Company to file procedures stating how the utilities would curtail electric output from QFs on a nondiscriminatory basis when faced with a system emergency. (*Id.* at 110, Ordering Paragraph 14.)

Because Dominion Energy North Carolina is a member of the PJM Interconnection, L.L.C. (“PJM”), and PJM therefore acts as the BA for the Company, Duke’s concerns with respect to the potential for violation of NERC and SERC reliability standards as BAs do not apply to the Company. As the BA for the Company and its other members, PJM has the responsibility for addressing load to generation balancing on the Bulk Electric System (“BES”) as it relates to NERC and SERC reliability standards. In addition, because the PJM BA area is significantly larger, with many more resources, than the Company’s system on its own, it is not likely that any excess of generation over load on the Company’s system would occur to the extent that it would force the Company to curtail solar QFs.

Aside from the BES, for any distribution circuit at which a QF is located, the facility will be curtailed if determined by the Company to be required due to an emergency condition. Because the Company’s distribution system design for QF generation is based on equipment capacity rather than a generation to load model, curtailment does not result from generation exceeding load. This system design allows QF generation up to the feeder circuit and/or transformer capacity, which assures all QF generation is allowed to reverse flow onto the transmission grid if needed. Other events on the distribution system, such as transformer and/or circuit outages or abnormalities, could require the curtailment of the generation. These events may or may not rise to the level of a system emergency.

To the extent that the Company is faced with a system emergency that necessitates temporary disconnection or curtailment of QFs, the Company believes that the procedures outlined in Section 3.4.1 (Emergency Conditions) of the currently effective Interconnection Agreement (“IA”) (Attachment 9 to the North Carolina Interconnection Procedures) would apply. That provision states:

“Emergency Condition” shall mean a condition or situation: (1) that in the judgment of the Party making the claim is imminently likely to endanger life or property; or (2) that, in the case of the Utility, is imminently likely (as determined in a non-discriminatory manner) to cause a material adverse effect on the security of, or damage to the Utility’s System, the Utility’s Interconnection Facilities or the systems of others to which the Utility’s System is directly connected; or (3) that, in the case of the Interconnection Customer, is imminently likely (as determined in a nondiscriminatory manner) to cause a material adverse effect on the security of, or damage to, the Generating Facility or the Interconnection Customer’s Interconnection Facilities.

Under Emergency Conditions, the Utility may immediately suspend interconnection service and temporarily disconnect the Generating Facility. The Utility shall notify the Interconnection Customer promptly when it becomes aware of an Emergency Condition that may reasonably be expected to affect the Interconnection Customer’s operation of the Generating Facility. The Interconnection Customer shall notify the Utility promptly when it becomes aware of an Emergency Condition that may reasonably be expected to affect the Utility’s System or any Affected Systems. To the extent information is known, the notification shall describe the Emergency Condition, the extent of the damage or deficiency, the expected effect on the operation of both Parties’ facilities and operations, its anticipated duration, and the necessary corrective action.

In addition to this procedure, there may be times when the Company would receive directives from PJM to address a system emergency, which would be implemented pursuant to the Dominion-PJM Coordinated Emergency Plan (“CEP”) that the Company files with the Commission annually in Docket No. E-100, Sub 10A.

Considering that the procedures outlined in Section 3.4.1 of the IA (and, potentially, the CEP) would apply to a system emergency that could potentially require the curtailment of electric output from QFs, the Company does not believe that any additional procedures are needed for the Company to address such scenarios. The actions that the Company would take under these procedures would be nondiscriminatory and transparent. The Company’s focus in such circumstances is on minimizing to the extent possible any adverse impact of the Emergency Condition on the safety of Company personnel and the general public, prevention of equipment damage, and service to critical infrastructure and special conditions customers. Any action taken by the Company pursuant to the CEP would be taken in order to comply with specific PJM directives addressing system emergency conditions. In the case of a system emergency including, to the extent required, temporary disconnection or curtailment of a QF, the Company believes that it would therefore be appropriate to apply these procedures, and that no additional curtailment procedures are needed to address the Company’s actions during such conditions.

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Thank you for your assistance in this matter. Please do not hesitate to contact me if you have any questions.

Very truly yours,

/s/Andrea R. Kells

Andrea R. Kells
McGuireWoods LLP
434 Fayetteville Street, Suite 2600
PO Box 27507 (27611)
Raleigh, North Carolina 27601
Phone: (919) 755-6614
Fax: (919) 755-6699
akells@mcguirewoods.com

Horace P. Payne, Jr.
Dominion Energy, Inc.
120 Tredegar Street, RS-2
Richmond, Virginia 23219
Phone: (804) 819-2682
Fax: (804) 819-2183
horace.p.payne@dominionenergy.com

*Counsel for Virginia Electric and Power
Company, d/b/a Dominion Energy North
Carolina*

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Jan 30 2018

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Notice of System Emergency Curtailment Practices as filed in Docket No. E-100, Sub 148, was served electronically or via U.S. mail, first-class, postage prepaid, upon all parties of record.

This, the 30th day of January, 2018.

/s/Andrea R. Kells

McGuireWoods LLP
434 Fayetteville Street, Suite 2600
PO Box 27507 (27611)
Raleigh, North Carolina 27601
Phone: (919) 755-6614
Fax: (919) 755-6699
akells@mcguirewoods.com

*Counsel for Virginia Electric and Power
Company, d/b/a Dominion Energy North
Carolina*