

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 2143

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON,

Investigation into Resource Adequacy in the
State.

DOCKET NO. UM 2143

COMMENTS OF NORTHWEST &
INTERMOUNTAIN POWER
PRODUCERS COALITION ON
STAFF’S DRAFT RESOURCE
ADEQUACY RULES PROPOSAL

The Northwest & Intermountain Power Producers Coalition (“**NIPPC**”) appreciates this opportunity to provide comments on the Public Utility Commission of Oregon Staff’s Draft Resource Adequacy Rules Proposal in Docket No. UM 2143, filed May 18, 2023 (hereafter, the “**Draft Rule Proposal**”) in this docket on the status of resource adequacy (“**RA**”) in the state of Oregon.

NIPPC continues to appreciate the time and effort Staff has devoted to the important topic of statewide resource adequacy. NIPPC supports many elements of the proposal, particularly with respect to allowing participation in a qualified regional program (presumably the Western Powerpool Resource Adequacy Program (the “**WRAP**”))⁵ as sufficient for program participants to demonstrate they meet state RA obligations. NIPPC does not oppose imposition of somewhat stricter RA standards for “State Participants” – *i.e.*, load serving entities that are not participating in a qualified regional program, but the Draft Rules Proposal for State Participants must be fleshed out with significantly greater detail before proceeding to a formal rulemaking proceeding, and in some areas should be adjusted to be more in line with regional program requirements. In particular, NIPPC believes that the firm transmission requirements for State Participants should be more closely aligned with the regional program. Finally, NIPPC reiterates

⁵ NIPPC anticipates that the WRAP program will be a Qualified Regional Program pursuant to the Draft Rules Proposal. References specific items within a regional plan refer to the current WRAP program proposal.

its call for the creation of a mechanism to facilitate the purchasing of available RA from the utilities by non-regional program participants at a just and reasonable rate. NIPPC believes that a fair mechanism can be established to set such rate in conjunction with the existing transition adjustment mechanism (“TAM”) procedures. This would ensure that the contribution Electric Service Suppliers’ (“ESSs”) customers make to RA through their payments of transition charges for capacity they no longer use is accounted for and does not create an improper cost shift from direct access program customers to the utility’s general system customers..

1. State Program Requirements should be outlined in greater detail prior to proceeding with a formal rulemaking.

NIPPC appreciates the Draft Rule Proposal’s attempts to simplify the RA requirements by creating one path for “Regional Participants” of a qualified regional RA program, who will be bound to the program obligations, and another path for State Participants who may not be able to meet the regional requirements (including program participation costs) on an economic basis. NIPPC does not oppose subjecting State Participants to somewhat more onerous obligations than applicable under the regional program, but only to the extent that such additional obligations are both reasonable and necessary for RA security and are not so burdensome or costly to drive participants out of Oregon’s power market entirely.

In particular, NIPPC submits that the proposed program requirements for firm transmission rights for State Participants should be modified to more closely reflect the regional program requirements, especially in light of NIPPC’s ongoing concerns about whether the WRAP program’s still untested firm transmission requirements can be consistently achieved by participants given existing transmission transfer capability and business practices in the region. If the firm transmission showings are not fully aligned, NIPPC recommends that a reasonable transmission forward showing for the state plan should be 65% one year out and, if any transmission forward showing is required in year two, 55% two years out, with reasonable opportunities for waiver and/or other accommodations where circumstances dictate.

Other areas where the State Program obligations should be fleshed out or modified prior to moving towards a formal rulemaking include the following:

- **Forward Showing Metric.** The definition of Resource Adequacy for the state program should be based on the same 1 event-day in 10 years loss of load expectation target used in the WRAP’s current design. The Draft Rules do not express any load expectation target, but include a definition of RA that arguably includes a zero loss of load requirement, which is unattainable. This zero loss of load requirement appears in defining RA as “the expected ability of a Load Serving Entity to supply aggregate electric power and energy to meet the requirements of their consumers *at all times*” (emphasis supplied).
- **Binding Forward Showing.** The regional plan specifies two separate binding seasons: Summer (June 1 – September 15) and Winter (November 1 – March 15) and requires that Participants will demonstrate compliance seven months in advance of the start of the binding seasons with an opportunity to cure if they fail to meet those metrics. By contrast, the state plan is significantly more onerous, including an 80% first binding showing 24 months in advance and a second 95% binding showing twelve months in advance.⁶ NIPPC submits that this level of forward showing is unnecessarily onerous, and recommends more reasonable resource forward showings for State Participants that does not exceed 90% one year out and 80% two years out.
- **Planning Reserve Margin establishment and Qualified Capacity Contribution**
Establishment: The State proposal specifies that the Planning Reserve Margin and Qualified Capacity Contribution will be established no later than February 1 of a filing year, but provides no basis or metric with respect to how such critical items will be established. This provides market participants with no information at the outset of the program – or even year to year as the program moves forward -- as to the level of RA to be required. NIPPC recommends that the regulations provide some additional detail as to how the reserve margin

⁶ “A State Participant must demonstrate that its Compliance Resources meet 95% of its monthly forecasted P50 load for *twelve months beginning July 1 of the filing year* and 80% of the monthly forecasted P50 load for the following twelve months plus a Commission-determined Planning Reserve Margin each month.”

is established each year. Such mechanisms should rely on, or be consistent with, the regional program to the maximum extent possible.

- **Firm Transmission Requirements**

As stated in prior comments, NIPPC believes that the current WRAP forward-showing transmission requirements may be difficult to meet on a consistent basis because of a lack of transmission capacity, existing business practices by transmission providers about releasing available transfer capability, and limitations on how often the WRAP program operator may grant exceptions. NIPPC anticipates the possibility of commercial challenges in procuring sufficient transmission seven months in advance of the showing deadline, let alone 19 months in advance, especially given the constraints on exceptions that load responsible entities (LREs) may receive under WRAP. This program design will be tested soon, and at that point LREs and the Commission will have better information about this aspect of implementation of the WRAP. NIPPC hopes its preliminary concerns are either not realized or are addressed through the exceptions process of the WRAP, but it underscores for the Commission that this WRAP provision will be closely watched by participants and other observers for its effect on participant compliance.

Whether or not the Commission ultimately approves the transmission forward showing requirements for the WRAP, it should not impose stricter standards for State Participants. The Draft Program Rules appear to require that a State Participant demonstrate firm transmission rights for 75 percent of its resources, from generation to load sink, no later than April 1 of each odd-numbered year – which essentially imposes a requirement to lock down capacity 24 or more months in advance of need. NIPPC greatly appreciates the opportunity to seek waivers of the transmission requirements set out in the Draft Program Rules, but believes that the ability to apply for a waiver is not a substitute for drafting rules more narrowly tailored to meet resource adequacy goals.

2. The Commission should allow parties to purchase RA from utilities pursuant to a regulated backstop charge that reflects contributions made by parties paying Direct Access transmission charges to capacity and firm transmission used for RA.

NIPPC fully supports wide participation in the WRAP program as the best method for ensuring regional resource adequacy, and appreciates the proposals addressed above to provide for a set of state-specific criteria for non-qualified program participants. At the same time, there may be circumstances in which qualified program participation or meeting all of the State obligations through third-party capacity purchases may not be feasible for a given entity, and believes the Commission should allow for meaningful alternatives.

In particular, NIPPC recommends that the Commission allow for *both* (i) the market purchase of RA products by ESSs (or their customers) from third parties (including regulated utilities) through bilateral contract negotiations *and* (ii) the purchase of RA products by ESSs (or their customers) from regulated utilities based on a Commission-established RA backstop charge. NIPPC believes this second option is important to ensure utilities do not exercise market power to withhold otherwise available capacity from the market for the purpose of limiting competition. NIPPC also acknowledges, and believes any backstop charge should address, the difference between exercising market power and reasonable commercial reservations of capacity, including reservation of capacity in order to forestall future shortages to serve a utility's own native load.

One type of RA product—capacity paid for as part of a transition charge by direct access customers leaving bundled utility service—is particularly important in regard to the second option above. This is capacity already paid for by the ESS and direct access customers, and such customers should be entitled to make use of it to meet RA obligations. If the utility is making full use of the capacity to meet its own RA obligations, then such capacity is not excess, and the direct access program should not bear transition costs. Alternatively, if such capacity was, in fact, acquired to meet load that has moved to the direct access market, and the direct access market continues to pay for such capacity, then such capacity should be made available to direct access customers. Otherwise, an impermissible cost shift may occur from the direct access market to bundled utility customers.

NIPPC recognizes that a proposal to develop just and reasonable rates for sale of excess capacity for RA purposes could be complex and requires careful thought, including appropriate notice to the utilities in advance as to the amount of such capacity the market may desire to purchase. Given the ties between payment of transition costs and excess capacity, NIPPC believes the Commission and parties could use the TAM process as a mechanism to establish the amount of capacity a utility must offer into the market as well as the appropriate cost of doing so. NIPPC remains open to input from other parties on this issue.

Respectfully submitted this 12th day of June, 2023.



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