

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

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 STRAW PROPOSAL

The Northwest & Intermountain Power Producers Coalition (“NIPPC”) hereby submits comments to the Public Utility Commission of Oregon (“Commission”) in response to the docket strategy and straw proposal of the Commission Staff (“Staff”) issued on October 15, 2021. These comments build on NIPPC’s oral comments during the Commission’s public workshop on October 27 on this topic.

Overall, NIPPC supports the proposal’s general framework to have the state of Oregon rely primarily on the emerging regional resource adequacy program, the Western Resource Adequacy Program (“WRAP”) operated by the Northwest Power Pool, as the mechanism by which load-serving entities (“LSEs”) in Oregon will demonstrate resource adequacy (“RA”). NIPPC appreciates the thoughtfulness with which Staff synthesized a variety of stakeholder input on how best to harmonize and, only where necessary, to differentiate state obligations relative to the regional program. This approach is the least duplicative and most cost-effective way to approach resource adequacy. It will also tend to reinforce the value of regional cooperation among all participants.

NIPPC also supports having LSEs make an initial informational filing (under the Staff’s Interim Solution) early next year in order to determine the urgency of requiring any further LSE actions in the near term beyond what the proposal outlines.

NIPPC suggests that the Commission should evaluate such informational filings not in a vacuum but in light of what LSEs participating in the WRAP will be demonstrating during the first phase of that program. The impetus for designing and now launching a regional RA program was the very same impetus for establishing this present docket: a well-informed but still high-level understanding that thermal unit retirements across the Western Interconnection, in the absence of responsive and coordinated actions in the power sector, are likely to lead to capacity shortages during some critical hours each year. A “snapshot” view of the status of resource adequacy in Oregon on January 25 (the filing date proposed in the straw proposal) will likely differ from a snapshot after the first forward-showing demonstration in the WRAP and almost certainly differ from the first *binding* forward-showing demonstration (assuming the WRAP moves to that stage

under a tariff approved by the Federal Energy Regulatory Commission). NIPPC expects the quality of information available from the WRAP will improve over time as the program and its participants gain experience and make changes to the program based on that experience.

Unless the informational filing in January indeed shows an urgent need for Commission action to ensure RA in the state, NIPPC supports opening a rulemaking to explore and refine the Staff's proposed Long-term Solution.

NIPPC also underscores its previous comments to the Commission that while the overall structure of the WRAP appears sound, some core design elements are not yet settled and in NIPPC's view need to be modified from NWPP's initial proposal. Apart from several elements in the program's governance—including the important question of whether state regulators in the West will have meaningful oversight over the program in the form of filing rights under Section 205 of the Federal Power Act—NIPPC points to the proposed transmission deliverability requirements as a point of dispute in the program design. The forward-showing portion of those requirements in particular—source-to-sink firm or conditional firm transmission service rights for 75% of an entity's RA obligation—are problematic. For reference, NIPPC appends to these comments its excerpted comments on this matter to the NWPP.

While NIPPC reserves judgment on the final disposition of those design elements, the WRAP remains a strong starting point for the Commission's consideration. It makes sense that an LSE that makes a sufficient forward-showing demonstration under the WRAP should also be deemed sufficient, at least for that same time period, under a state-specific standard. NIPPC notes that this reliance on the regional program points back to the importance of the Commission having a meaningful independent role affecting the WRAP's design and implementation.

NIPPC supports the Staff's suggestion to release additional information and hold an additional workshop or meeting for interested LSEs and other parties to understand better the expected contents of the initial informational filing.

NIPPC reiterates that there are material commercial differences among LSEs in Oregon, both between the regulated utilities as a group and the electricity service suppliers (ESSs) as a group, as well as among the ESSs. Resource adequacy is a function of aggregate available capacity relative to aggregate load at any given time, all else (including transmission availability) being equal. ESSs generally do not have contracts with direct access customers longer than 5 years. The very premise of direct access is to offer eligible customers the option to switch suppliers. Because ESSs are directly competing with each other to serve customers leaving bundled utility service, customers with expiring existing direct access contracts, and customers bringing new load to Oregon, an individual ESS's ability to forecast expected load even two or three years into the future is different than the regulated utilities with their large captive customer base. There is indeed limited informational value in such a forecast unless

one adopts an invalid assumption that the direct access market is static. This does not mean that the Commission should ignore expected direct access load. Instead, the Commission might consider the best way to evaluate expected direct access load in the aggregate across ESSs as a group in a way that accounts for customers switching suppliers.

NIPPC also takes this opportunity to reiterate the need to ensure the confidentiality of sensitive commercial information disclosed in an RA filing to the Commission under a modified protective order, particularly with respect to identifying the commercial positions of individual LSEs.

NIPPC draws attention to the need for significantly more clarity about what constitutes a “five year action plan” described in the straw proposal’s Long-term Solution, particularly with respect to the meeting the RA standard in years 2-5. A list of concrete expected actions that an LSE has either committed or plans to make (including, for example, continued participation in the WRAP) in order to reach the specified RA standards is one model. For an ESS, this would most clearly approximate the type of content in a regulated utility’s Integrated Resource Plan. NIPPC suggests that the Commission reviewing and acknowledging this information, backed up by an LSE’s ongoing participation in the WRAP, is an elegant state-specific solution for RA.

By contrast, actually having procured capacity—up to five years in advance—by the date of the submission of the action plan to the Commission is a quite different model. That would more clearly approximate a deadline for a utility’s resource solicitation through a Request for Proposals. This latter model is clearly complicated and hampered by the typical shorter-term contracts under direct access. For example, would the Commission expect an ESS to procure capacity five years in advance to serve 50 megawatts of its current 100-megawatt load when none of that load is under contract that far in advance?

NIPPC anticipates discussing and suggesting ways to refine these important long-term details as this docket proceeds.

Finally, NIPPC suggests that in the absence of proof that long-term transmission rights held years in advance are needed to ensure RA in Oregon, the Commission should establish no transmission deliverability requirement for LSEs beyond those in the WRAP. Given the significant discrepancies in the long-term availability and short-term release of available transmission capability by different transmission providers in the region, establishing deliverability requirements more than seven months in advance is an unnecessary burden with little demonstrable value for ensuring RA. NIPPC refers again to the appended excerpt of its comments to NWPP on this matter.

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## APPENDIX: NIPPC COMMENTS TO NWPP ON TRANSMISSION DELIVERABILITY REQUIREMENTS IN THE DETAILED DESIGN OF THE WRAP

*The following excerpt is from pages 4-7 of NIPPC's September 15, 2021, comments to the NWPP about the July 2021 Detailed Design Document for the WRAP (full comments available here: [https://www.nwpp.org/private-media/documents/NIPPC\\_RA\\_Program\\_2B\\_design\\_09.15.21.pdf](https://www.nwpp.org/private-media/documents/NIPPC_RA_Program_2B_design_09.15.21.pdf)).*

### **II. Transmission and deliverability**

Of the many program elements described in the Design Document, the principal transmission requirements may be the most problematic.

NIPPC does not dispute the importance of LREs indicating—in some way—that capacity is actually deliverable to load. An effective RA program must be able to count on supply capacity reliably reaching load. At the same time, a program should not expressly or inadvertently limit the availability or liquidity of RA across a region due to the concentration of transmission asset ownership or control among only a few participants or the inability to secure transmission capacity in advance due to contractual or seams issues.

The Design Document's proposed source-to-sink 75% firm or conditional firm forward-showing requirement (NERC priority 6 or 7 service) lacks sufficient justification, is likely to prove difficult to achieve for LREs, IPPs, and marketers who are not themselves transmission providers, and may prove to be discriminatory. The Design Document does not contain supporting analysis of why the figure of 75% was chosen, which entities hold firm transmission rights in the region, how market participants would be affected by those existing rights, nor the actual availability of firm or conditional firm transmission available for a forward showing. Furthermore, a robust discussion has been ongoing in the region with respect to RA imports into CAISO that has addressed these issues in detail and that bears on the WRAP design. The Design Document does not address this discussion.

In its sixth revised straw proposal on RA enhancements, CAISO proposed transmission delivery requirements that would establish a firm requirement on only the last transmission leg to the CAISO (the "last line of interest").<sup>5</sup> RA imports could be delivered on all other transmission legs down to monthly non-firm service (NERC priority 5 service), subject to curtailments being treated as outages for unforced capacity (UCAP) calculations. While this proposal is not yet settled with respect to an updated standard for RA imports into California, the fact that it is ongoing, informed by robust public debate, and relates to a proposal that differs materially from how the WRAP would treat

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<sup>5</sup> Summarized in "RA Enhancements Draft Final Proposal and Sixth Revised Straw Proposal" (January 5-7, 2021), 21, available at <http://www.caiso.com/InitiativeDocuments/Day3Presentation-ResourceAdequacyEnhancements-DraftFinalPropsoal-SixthRevisedStrawProposal.pdf>.

transmission obligations argues for further discussion of the WRAP proposal. Furthermore, the potential resulting seams issue between CAISO and the rest of the West deserves to be addressed as well. Of particular note, the CAISO recognized through stakeholder input the contractual and seams issues related to the constraints on procuring firm or conditional firm for advanced showing on the Bonneville Power Administration (BPA) network.

NIPPC acknowledges that the Design Document does not ignore the eventuality that a 75% firm/conditional firm showing will, in some cases, be impossible. But the proposal to have the Program Operator (PO) evaluate those instances on a case-by-case basis (88) is insufficient. These instances are likely to occur on a programmatic basis, and a default standard with case-by-case petitions for exceptions is the wrong solution. The second type of exception contemplated in the document (“a particular path or circumstance where short-term firm transmission is consistently available but not posted on a long-term basis”) is likely to be endemic, particularly on the BPA network. The WRAP should instead anticipate this outcome and incorporate into the program design the salient features of transmission scheduling in the region, such as BPA’s *de minimis* ATC calculations, release of short-term ATC, and the limited ability to execute re-directs far in advance.

BPA’s system is particularly prone to these issues due to the *de minimis* thresholds on numerous transmission cut planes (it is particularly acute across the South of Allston flow gate, as well as the North of Echo Lake, West of Garrison, and the Cross Cascades North and South flow gates) and the existence of grandfathered transmission rights that pre-date FERC’s open access requirements. Even long-term firm rights on BPA’s network are at risk of curtailment during a small percentage of hours. Despite these factors, BPA’s network is generally unconstrained and sufficient across most flow gates in the Day Ahead and Real Time windows (when grandfathered rights are released) during almost all hours.

The timely release of unused transmission will be a fundamental challenge of meeting obligations under the WRAP. In addition, some potential WRAP Participants enjoy competitive advantages due to how their systems are set up and modeled. For example, entities with resources and load spread across a wide geographic area but modeled as an aggregated generation system or load (i.e., requiring transmission rights with one point of receipt or delivery for the whole system) have material advantages under the program compared to entities with off-system resources requiring multiple transmission segments from specific points of receipt or delivery. As proposed, the forward-showing transmission requirement could allow some transmission providers and firm transmission rights holders to exercise market power by preventing other market participants from accessing transmission and supply power. This may result in a lack of RA supply, artificially high RA prices, and anti-competitive outcomes.

Potential alternative solutions to the Design Document’s proposed transmission requirement could include limiting the requirement to one or more specified upstream or

downstream delivery legs or exempting wheeled service across BPA's system. For example, demonstrating firm or high priority non-firm (7FN or 6NN) on the final leg of delivery at the time of flow, as well as a reasonable expectation of buying or re-directing the required path, could be a sufficient forward showing for the WRAP. CAISO's proposed import RA approach described above could be another option.

An additional complementary option could be to allow some amounts of non-firm transmission from generation to load located within the same zone. If there were transmission curtailments of this intra-zonal non-firm delivery in realtime, then non-delivery penalties could apply. This penalty risk would be on each entity to weigh. Delivery risks associated with non-firm transmission are generally more muted for intra-zonal delivery. For example, a hypothetical generator at Mid-C supplying a hypothetical load in the Tri-Cities with RA on non-firm transmission would be at far lower risk of non-delivery than a hypothetical generator located at Palo Verde serving the same load with multiple segments of non-firm transmission.

NIPPC is not alone in identifying the potential competitive advantages created by a transmission requirement affected by long-term firm transmission rights and the timing of release of unused transmission. The CAISO Department of Market Monitoring has stated that it "agrees with other stakeholders that the processes for release of firm transmission rights that are specific to different [Balancing Authority Areas (BAAs)] should be considered further to understand whether the ISO's proposal would create competitive advantages for entities that hold significant long-term firm transmission rights."<sup>6</sup>

NIPPC encourages NWPP to subject this topic to a robust public dialogue and to solicit input from affected stakeholders. This dialogue would necessarily need to carry into the pendency of Stage 1 of the program, just as the dialogue about governance will.

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<sup>6</sup> California ISO Department of Market Monitoring, "Comments on Resource Adequacy Enhancements Working Group September 15 and 17" (October 1, 2020), 3, available at <http://www.caiso.com/Documents/DMM-Comments-ResourceAdequacyEnhancementsWorkingGroupSept15and17-Oct12020.pdf>.