

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2404

In the Matter of Northwest & Intermountain
Power Producers Coalition, Request for
Investigation into Penalty Guidance
Framework for State Resource Adequacy
Requirements and Alternative Compliance
Options for Electricity Service Suppliers

CALPINE ENERGY SOLUTIONS, LLC'S
COMMENTS

INTRODUCTION AND SUMMARY

Calpine Energy Solutions, LLC (“Calpine Solutions”) respectfully submits to the Public Utility Commission of Oregon (the “Commission” or “OPUC”) its Comments in support of the Northwest & Intermountain Power Producers Coalition’s (“NIPPC”) Motion to Adopt a Penalty Guidance Framework for the Commission’s State Program for Resource Adequacy Requirements and to Implement an Alternative Compliance Option for Electricity Service Suppliers (or “NIPPC’s Motion”). Calpine Solutions fully supports and adopts NIPPC’s Motion as though set forth fully herein. NIPPC’s Motion is comprehensive, and Calpine Solutions will therefore briefly summarize the reasons it supports NIPPC’s Motion without restating all positions set forth therein. Calpine Solutions also offers additional new evidence highlighting the growing concerns with the risks entailed with the penalty framework of the Western Resource Adequacy Program (“WRAP”), which are becoming more evident as the deadline, October 31, 2024, approaches for WRAP Participants to decide whether to proceed with the program into its binding phase.

As NIPPC’s Motion explains, Oregon electricity service suppliers (“ESSs”), including Calpine Solutions, have worked with WRAP to develop requirements and a transition process that ensure resource adequacy while also being viable for all regional load serving entities (“LSEs”).

Further, Oregon ESSs, including Calpine Solutions, regularly comply with the resource adequacy requirements of applicable in other states and regions and are ready and willing to procure the capacity and transmission this Commission deems necessary to comply in Oregon. However, Calpine Solutions agrees with NIPPC that obtaining the capacity and, especially, transmission products that are fully compliant with WRAP's forward showing requirements, and the Commission's corresponding requirements in its State Program, is proving nearly impossible at this time. While Calpine Solutions has expended significant time and resources to work within WRAP to make appropriate revisions to that program, it is important for the Commission to ensure that its State Program provides a viable compliance pathway for Oregon's ESSs that ultimately are unable to commit to participation in WRAP's binding phases.

Further, as Calpine Solutions expressed at the Commission's June 24 Special Public Meeting, time is running out for ESSs and their customers in Oregon's direct access programs. As expressed at that meeting and in NIPPC's Motion, an existing direct access customer's decision of whether to continue in the direct access market, and an ESS's corresponding decision of whether to renew existing customers' contracts, must be made now due to the requisite two-plus-year notice that existing direct access customers must give to their incumbent utility to leave direct access and return to cost-of-service rates effective as of the commencement of the WRAP and State Program's binding phases commencing in 2027. Thus, customers must make the long-term decision now as to whether they will remain in the Commission's long-term direct access program through this transition to new resource adequacy requirements or return to a utility's cost-of-service rates. Due to the existing uncertainty, Oregon's direct access market has already been irreparably harmed. If prompt action is not taken now, more dramatic harm will certainly occur because many, if not most, existing direct access customers will be left with no reasonable choice but to provide the

requisite two-plus-year notice of return to their utility’s cost-of-service. This would occur due to the existing regulatory uncertainty regarding the ability to comply with, or reasonably limit the penalties for non-compliance with, the Commission’s new resource adequacy requirements when they become binding less than two years from now. That outcome would be directly contrary to Oregon law’s directive that the Commission “eliminate barriers to the development of a competitive retail market between electricity service suppliers and electric companies.”¹

Calpine Solutions therefore strongly agrees with NIPPC that urgent action is necessary to provide ESSs and existing direct access customers with more regulatory certainty and to enable Oregon’s direct access programs to survive the transition to the new resource adequacy requirements.

COMMENTS

Calpine Solutions strongly supports the relief requested by NIPPC’s Motion, which would hopefully provide the regulatory certainty to enable customers to remain enrolled in direct access through this transitional period in the region. Specifically, Calpine Solutions strongly supports: (1) NIPPC’s proposal for State Program Penalty Guidelines, and (2) NIPPC’s proposal for a Capacity Backstop Charge as an alternative compliance option—which are summarized below without restating all of NIPPC’s arguments. Further, Calpine Solutions highlights rapidly developing evidence that further supports regional LSE’s concerns with the unreasonable risks posed by WRAP-style penalties.

A. The Commission Should Adopt NIPPC’s Proposed State Program Penalty Guidelines.

For the reasons NIPPC explains, the Commission should promptly adopt guidelines that

¹ ORS 757.646(1).

provide further clarity regarding the magnitude of penalties that will be applied in the State Program in the case that an ESS is unable, despite good faith commercial efforts, to procure the resource adequacy products required by the rules. As NIPPC explains, the Commission’s rulemaking order adopting the State Program rules revised the prescriptiveness of the initially proposed penalty rules to establish that it has “ample discretion to design penalties appropriate to the circumstances.”² However, without further clarity as to what circumstances and efforts may warrant specific penalties, ESSs and their customers lack the certainty needed to make decisions today regarding continued participation in Oregon’s direct access market.

Calpine Solutions supports the Straw Proposal of Penalty Guidelines attached as Attachment A to NIPPC’s Motion. NIPPC’s Straw Proposal reasonably includes a cap on potential penalties in the State Program if the LSE demonstrated that it engaged in good faith efforts to procure Compliance Resources and supporting transmission but was unsuccessful. Additionally, Calpine Solutions agrees with NIPPC that the Commission should clarify that the penalty structure will be bifurcated with respect to deficiencies in Compliance Resources and deficiencies in supporting firm transmission. Penalizing the LSE with the Cost of New Entry (“CONE”) for a generation resource when its only deficiency relates to supporting firm transmission is punitive and unreasonable. In contrast, bifurcating the penalties will encourage ESSs to contribute to regional resource adequacy needs through procurement and accounting of physical, specifically identified generation facilities even if advance procurement of firm Bonneville Power Administration (“BPA”) transmission is not possible. Calpine Solutions also supports NIPPC’s Straw Proposal’s cure provisions, which provide further incentive for the LSE to contribute to

² *In re Adoption of Rules Relating to Resource Adequacy*, Docket No. AR 660, Order No. 24-133, at 1 (May 8, 2024).

regional resource adequacy by receiving a penalty reduction for curing forward showing deficiencies prior to the delivery period.

B. The Commission Should Adopt the Proposed Capacity Backstop Charge.

Calpine Solutions also supports NIPPC’s renewed proposal that the Commission should develop an alternative compliance pathway for ESSs given that the WRAP-compliant capacity and—in particular—firm transmission required by the Commission’s rules is not currently available in the regional wholesale market. Calpine Solutions agrees that the preferable alternative compliance option remains the Capacity Backstop Charge paid by direct access customers to the utility, as previously discussed in this proceeding, but other options could include the requirement that the utilities hold regularly scheduled request for offers (or an “RFO”).

NIPPC’s renewed proposal to consider the Capacity Backstop Charge is supported by new facts surrounding the difficulty of obtaining BPA firm transmission. As NIPPC explains, the assumption undergirding the existing rules—that ESSs would be able to procure WRAP-compliant capacity and transmission, perhaps even from the Oregon utilities—has proven to be incorrect. Data from WRAP demonstrates that ESSs are not alone in facing this challenge. Indeed, as NIPPC reports, the Western Power Pool (“WPP”) recently explained that in the most recent non-binding forward showing season, up to 32% of WRAP Participants were unable to fully comply with the Forward Transmission Requirement during certain months.³ The proposal to implement the Capacity Backstop Charge is further supported by positions presented thus far in Docket No. UM

³ FERC Docket No. ER22-2762, WPP’s Informational Filing—Forward Showing Transmission Requirements at 4 (Aug. 1, 2025) (reporting that: “For Winter Season 2024-25, 68% of Participants met the transmission requirements of the Forward Showing Program for the months of November and December, 76% of Participants met the transmission requirements of the Forward Showing Program for January, and 72% of Participants met the transmission requirements of the Forward Showing Program for the months of February and March.”).

2024, but that docket is not set to be complete until March 31, 2026.⁴ Thus, the Commission should take prompt action in response to NIPPC’s Motion to develop the Capacity Backstop Charge or provide assurance that this option will be soon developed.

C. Rapidly Developing Evidence Demonstrates the Commission Should Take Action to Adjust Its Resource Adequacy Requirements.

With the approach of the deadline, October 31, 2025, to withdraw from WRAP to not become a binding participant, more evidence is developing that supports NIPPC’s argument that ESSs are not alone in experiencing difficulty with WRAP’s requirements and reluctance to be subjected to its excessive penalties. Indeed, the WRAP framework and the risk created by its punitive penalty regime has proven to be more structurally problematic and risky than hoped for not just ESSs, but also for some of the region’s major electric utilities—further supporting reexamination of the Commission’s State Program requirements that are modeled on the WRAP. At least two new public developments are relevant to NIPPC’s Motion.

First, PacifiCorp’s sister utility, NV Energy, recently announced its exit from WRAP prior to the commencement of WRAP’s binding phase and explained in detail to the Public Utilities Commission of Nevada why its decision is reasonable.⁵ NV Energy identified “five critical issues within WRAP’s existing framework that significantly elevate risk exposure[,]” and the number one issue identified was “the excessive deficiency charge penalty and the planning uncertainty.”⁶

⁴ See <https://apps.puc.state.or.us/edockets/DocketNoLayout.asp?DocketID=21962&Child=calendar>.

⁵ Application of Nevada Power Company d/b/a NV Energy and Sierra Pacific Power Company d/b/a NV Energy for Approval of their Joint Energy Supply Plan Update for 2026 and 2027, Pub Util. Comm’n of Nevada Docket No. 25-08027 (Aug. 29, 2025), available at <https://ob.nv.gov/puc/>. The relevant testimony on NV Energy’s decision to exit WRAP—the Direct Testimony of Lindsey Schlekeway—is attached hereto in Attachment A.

⁶ Attachment A, Direct Testimony of Lindsey Schlekeway, at 3 (explaining that “Utilizing the most recently available CONE value, Resource Optimization calculated that penalties could range from \$16 to \$22 million for a 100 MW deficiency if it occurred during every month for the summer season”).

NV Energy states that the “excessive” penalty regime “makes joining the program troublesome for load serving entities that are planning to catch up and meet increasing loads in an unprecedented time.”⁷ NIPPC’s Motion makes the same point: WRAP’s penalties are simply excessive and create far too much risk for any LSE that does not already have fully compliant generation and transmission for its expected load.

Another highly relevant problem identified by NV Energy is that WRAP was initially designed as a *voluntary* program, and it thus lacks the necessary features of the *mandatory* program that it has now become.⁸ NV Energy explains that WRAP “was originally approved as a voluntary program” but it has now become a mandatory program for many participants, despite lacking the key features of a successful mandatory market, such as “a formal capacity market and market monitor.”⁹ As NV Energy explains, “Strict procurement rules and high penalties create a risk of inflated prices and limited access to compliant supply, with no oversight to prevent market manipulation.”¹⁰ NV Energy focuses on the fact that all Markets+ participants must now be WRAP Participants, but the points it makes are very similar to those NIPPC and Oregon ESSs have been making from the time FERC approved WRAP and this Commission adopted the WRAP-style resource adequacy option as the sole *mandatory* option for ESS compliance. NV Energy’s points merit serious consideration:

Most of the resources in the Western Energy Coordinating Council (“WECC”) region are associated with vertically integrated utilities that must ensure supply to their native load before engaging in bilateral sales. Thus, there is an extremely limited number of suppliers that have both seven-month ahead capacity availability and associated firm transmission rights. WRAP was designed to be a voluntary program, therefore, no market monitoring department was created to oversee the program. . . . This lack of oversight leads to the possibility of suppliers taking

⁷ Attachment A, Direct Testimony of Lindsey Schlekeway, at 3.

⁸ Attachment A, Direct Testimony of Lindsey Schlekeway, at 6.

⁹ Attachment A, Direct Testimony of Lindsey Schlekeway, at 6.

¹⁰ Attachment A, Direct Testimony of Lindsey Schlekeway, at 6.

advantage and offering supply at or near the deficiency charge penalties. This would significantly disadvantage customers in the west from receiving competitive supply that satisfies the forward showing requirements.¹¹

This lack of market oversight and risk that WRAP-compliant generation and transmission can be unreasonably withheld is the crux of the problem identified by NIPPC’s Motion and that Calpine Solutions has itself experienced. Indeed, Calpine Solutions’ experience is that it has issued three requests for offers for WRAP-compliant generation and/or transmission in the recent past and received no responses.¹² In effect, the WRAP regime creates a must-buy obligation without any corresponding sell obligation or any necessary oversight or mechanism to ensure prospective sellers timely and reasonably accept reasonable offers. NIPPC’s proposed penalty framework would reasonably reduce penalties for ESSs that make good faith offers to buy compliant supply but are met with no or insufficient responses.

Notably, NV Energy also faults WRAP’s strict firm transmission requirements under which procurement must occur in advance, and “the Available Transfer Capability (‘ATC’) determined in real-time is not firm enough to qualify under the program rules.”¹³ NV Energy takes issue with the fact that “there has been significantly more transmission capability that has occurred through market participation than the 500 MW assumed by the program” with respect to the transmission leg affecting NV Energy’s compliance position.¹⁴ NV Energy thus argues: “The program should not artificially set the transmission requirement on a definition of Open Access Transmission Tariff (‘OATT’) firm transmission; but instead, should perform historical studies to determine what transmission has been available seasonally.”¹⁵ This is, essentially, the same

¹¹ Attachment A, Direct Testimony of Lindsey Schlekeway, at 6.

¹² UE 2024 Calpine Solutions/200, Higgins/7-8; Calpine Solutions/202 (RFO issued Nov. 18, 2024); Calpine Solutions/203 (RFO issued March 4, 2025). The third RFO was subsequently issued July 16, 2025.

¹³ Attachment A, Direct Testimony of Lindsey Schlekeway, at 7.

¹⁴ Attachment A, Direct Testimony of Lindsey Schlekeway, at 7.

¹⁵ Attachment A, Direct Testimony of Lindsey Schlekeway, at 8.

argument NIPPC’s Motion explains that NIPPC and certain ESSs have been making for years regarding WRAP’s unreasonable requirement for forward procurement of firm transmission.¹⁶ Due its reasonable concerns, NV Energy reports that it “will send a letter to the Western Power Pool stating their request to withdraw from WRAP.”¹⁷

Second, as RTO Insider reports, PacifiCorp itself recently requested that the Western Power Pool delay the binding phase of WRAP for another year.¹⁸ Thus, it appears that, as is the case with its sister company NV Energy, PacifiCorp has concerns with transitioning into WRAP’s binding phase.

Thus, NIPPC and ESSs are not alone in expressing concern with the prevailing resource adequacy framework in the region, and the Commission should take prompt action to adjust its State Program and/or develop alternative compliance pathways as proposed by NIPPC. WRAP’s penalties are too excessive for some of the region’s major electric utilities to expose themselves and their customers to given the current state of the market, and therefore this Commission should adjust the penalties in the State Program to clarify that they will be applied in a more reasonable manner.

CONCLUSION

In sum, for the reasons summarized above and further explained in NIPPC’s Motion, Calpine Solutions urges the Commission to promptly adopt a penalty guidance framework for the

¹⁶ In NV Energy’s case, this program flaw “undervalues this transmission capability which eliminates any major diversity benefit from occurring in the forward showing resulting in higher PRMs.” *Id.* In an Oregon ESS’s case, it makes compliance with the Forward Showing Transmission requirement difficult, or impossible, because firm transmission over BPA’s system is currently unavailable seven months in advance.

¹⁷ Attachment A, Direct Testimony of Lindsey Schlekeway, at 9. The other two issues identified by NV Energy are: WRAP’s governance structure which could skew to favor Markets + participants, *id.* at 4-5, and “uncertainty around operational holdback availability[.]” *id.* at 8-9.

¹⁸ <https://www.rtoinsider.com/116290-pacificorp-asks-wpp-delay-wrap-binding-phase/>.

Commission's State Program and implement an alternative compliance option for ESSs.

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Of Attorneys for Calpine Energy
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Attachment A

Direct Testimony of NV Energy Witness Lindsey Schlekeway,
Public Utilities Commission of Nevada Docket No. 25-08027,
dated Aug. 29, 2025

1 **BEFORE THE PUBLIC UTILITIES COMMISSION OF NEVADA**

2 Nevada Power Company d/b/a NV Energy and
3 Sierra Pacific Power Company d/b/a NV Energy

4 2025 Joint Energy Supply Plan Update
5 Docket No. 25-08 ____

6 Prepared Direct Testimony of

7 **Lindsey Schlekeway**

8
9 **1. Q. PLEASE STATE YOUR NAME, OCCUPATION, BUSINESS ADDRESS**
10 **AND PARTY FOR WHOM YOU ARE FILING TESTIMONY.**

11 A. My name is Lindsey Schlekeway. My current position is the Market Policy
12 Director, for Nevada Power Company d/b/a NV Energy (“Nevada Power”) and
13 Sierra Pacific Power Company d/b/a NV Energy (“Sierra” and, together with
14 Nevada Power, the “Companies”). My business address is 6226 West Sahara
15 Avenue, Las Vegas, Nevada. I am filing testimony on behalf of the Companies.

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17 **2. Q. PLEASE DESCRIBE YOUR BACKGROUND AND EXPERIENCE IN THE**
18 **UTILITY INDUSTRY.**

19 A. I have a Bachelor of Science degree in Chemical Engineering from the University
20 of Maryland. I have 12 years of experience in the electric utility industry mostly
21 with the Companies. I have experience in market policy, transmission policy, and
22 energy supply engineering. More details regarding my professional background and
23 experience are set forth in my Statement of Qualifications, included as **Exhibit**
24 **Schlekeway-Direct-1.**

1 3. Q. WHAT ARE YOUR DUTIES AND RESPONSIBILITIES IN YOUR
2 CURRENT POSITION?

3 A. As the Market Policy Director, I represent the Companies as a stakeholder in the
4 California Independent System Operator (“CAISO”) stakeholder market policy
5 process and other various regional market policy efforts. Additionally, I represent
6 the Companies as a stakeholder in the Western Resource Adequacy Program
7 (“WRAP”) and lead the Companies’ WRAP participation.
8

9 4. Q. HAVE YOU PREVIOUSLY SUBMITTED PRE-FILED TESTIMONY
10 WITH THE PUBLIC UTILITIES COMMISSION OF NEVADA
11 (“COMMISSION”)?

12 A. Yes. I previously filed testimony in the Companies’ 2024 Joint Integrated Resource
13 Plan, Docket No. 24-05041.
14

15 5. Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

16 A. The purpose of my testimony is to provide support surrounding regional market
17 efforts being undertaken by the Companies, such as participation in the WRAP and
18 the development of a future day-ahead wholesale market.
19

20 6. Q. ARE YOU SPONSORING ANY EXHIBITS?

21 A. Yes. I am sponsoring the following Exhibits:
22 Exhibit Schlekeway-Direct-1 Statement of Qualifications
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24
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1 **7. Q. WHAT IS THE STATUS OF THE WRAP AND ARE THE COMPANIES**
2 **STILL MOVING FORWARD WITH PARTICIPATION?**

3 A. The Federal Energy Regulatory Commission (“FERC”) approved the WRAP tariff
4 in February 2023. The Companies continue to participate in the transitional non-
5 binding phase as an active member. However, the Companies have made the
6 decision to withdraw from the WRAP due to inherent risks that outweigh the
7 program’s current benefits for both the Companies and their customers. While the
8 Companies continue to recognize the value of regional collaboration in resource
9 adequacy planning to ensure reliability across the West, there are five critical issues
10 within WRAP’s existing framework that significantly elevate risk exposure. These
11 concerns must be addressed before the Companies can consider rejoining the
12 program.

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14 **8. Q. WHAT IS THE FIRST CRITICAL ISSUE THAT THE COMPANIES HAVE**
15 **IDENTIFIED WITHIN WRAP?**

16 A. The first critical issue is the excessive deficiency charge penalty and the planning
17 uncertainty. WRAP imposes steep penalties for capacity deficiencies identified
18 seven months before the compliance season, based on the Cost of New Entry
19 (“CONE”) values or the cost to build a new gas generator. This penalty is applied
20 without the added benefit of additional megawatts being added to the program to
21 resolve the deficiency or to resolve the potential reliability issue. Utilizing the most
22 recently available CONE value, Resource Optimization calculated that penalties
23 could range from \$16 to \$22 million for a 100 MW deficiency if it occurred during
24 every month for the summer season. This makes joining the program troublesome
25 for load serving entities that are planning to catch up and meet increasing loads in
26 an unprecedented time. Recently, the industry has been challenged with supply
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1 chain issues, tariffs, rapid load growth, etc. If a project is delayed and misses its
2 commercial operational date, then the Companies would be required in the program
3 to replace this capacity with supply that meets the program’s requirements. If the
4 Companies are not able to meet the supply requirements in time for the forward
5 showing cure period, then the Companies would face the deficiency charges.

6
7 Further complicating program compliance is the volatility of the Planning Reserve
8 Margin (“PRM”). Year-over-year changes have ranged from minor adjustments to
9 swings as large as 10 percent. For a monthly peak load of 10,000 MW, this could
10 translate to an unexpected need for 1,000 MW of additional capacity, which is an
11 unrealistic burden to meet within such a short timeframe. This level of variability
12 is too large to occur on such a short period, leaving little to no time for a participant
13 to react and procure the additional supply. The Companies are pleased that the
14 program is initiating the process to potentially revise the policy and address this
15 issue beginning in July 2025. However, the resolution of this issue will likely occur
16 after the deadline, October 31, 2025, to withdraw from the program in order to not
17 become a binding participant. The combination of the high deficiency charges and
18 the volatile PRM requirements creates high financial risk and planning challenges,
19 especially amid supply chain disruptions and rapid load growth.

20
21 **9. Q. WHAT IS THE SECOND CRITICAL ISSUE THAT THE COMPANIES**
22 **HAVE IDENTIFIED WITH WRAP?**

23 A. The second critical issue is the governance structure following the recent approval
24 of the Markets+ tariff, which requires all load serving entities within that market to
25 be a WRAP participant. While expanding participation can enhance regional
26 reliability, it may disadvantage entities that prefer to remain in the Western Energy
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1 Imbalance Market (“WEIM”) or transition to the Extended Day-Ahead Market
2 (“EDAM”). It is expected that each year new participants will join the WRAP as
3 Markets+ moves through implementation adding in new balancing authority areas.
4 Any third-party load serving entities that are in a balancing authority area that joins
5 Markets+ will also be required to join WRAP. This will add additional members
6 that are not currently participating in the program along with additional load,
7 increasing the number of voting members that participate in a specific market.

8
9 In the Resource Adequacy Participant Committee each member gains a vote
10 utilizing a house and senate model to vote on program changes that if approved will
11 move to the Board. The house vote uses the participants median monthly P50 peak
12 load while the senate vote uses a non-weighted single vote for each member.¹ As
13 this new market moves through implementation it is not unreasonable to assume
14 that the participants within that market may need to propose and implement changes
15 to accommodate Markets+ since WRAP participation is mandatory for those
16 members. It is unknown if such changes would or would not harm the members
17 that are remaining in the WEIM or leaning towards EDAM, but it is possible,
18 considering the participants in this minority group will likely lose their veto power
19 with new member additions. Essentially, the WRAP voting model may dilute the
20 influence of non-Markets+ participants leading to potential harm prior to the ability
21 for the participant to exit the program, which occurs two years following a
22 notification. The WEIM and EDAM WRAP members may lose their veto power
23 with the addition of participants that participate in Markets+.

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27 ¹ Western Power Pool. (2025). Western Resource Adequacy Program (WRAP) Tariff. Effective March 16, 2025.
Retrieved from Western Power Pool website.

1 10. Q. **WHAT IS THE THIRD CRITICAL ISSUE THAT THE COMPANIES**
2 **HAVE IDENTIFIED WITH WRAP?**

3 A. The third critical program issue is the lack of market oversight and procurement
4 mechanisms. WRAP lacks a formal capacity market and market monitor, despite
5 imposing mandatory participation through Markets+ and the creation of a new
6 market product in the West. Strict procurement rules and high penalties create a
7 risk of inflated prices and limited access to compliant supply, with no oversight to
8 prevent market manipulation.

9
10 WRAP was originally approved as a voluntary program. However, the mandatory
11 WRAP participation requirement ensures that all Markets+ participants meet the
12 forward showing supply requirements or pay the deficiency charges for each winter
13 and summer season. Since not all participants may have enough supply to meet the
14 resource adequacy requirements, they will likely need to purchase this supply ahead
15 of the forward showing season. WRAP has specific and strict guidelines for
16 purchasing additional supply in which both the seller and buyer must attest that
17 both parties have met the requirements in order for the supply to count towards the
18 forward showing. Each contract must have a specific source identified, either
19 resource specific or a system sale that is surplus, the transaction must include and
20 be able to show firm transmission from source to sink, and each party must provide
21 a signed attestation affirming the capacity being utilized will not be committed to
22 other needs. These requirements are above the commonly used WSPP Inc.'s
23 ("WSPP") Schedule C contract which includes financial penalties if the supplier
24 fails to deliver. Since the program is a requirement to participate in a market, this
25 has created a new issue that load serving entities will be required to procure WRAP
26 compliant supply if they cannot meet the requirements on their own. This extends
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1 this issue to others that are short within the region and need to purchase WRAP
2 compliant supply due to the competition to receive a product for a program that has
3 very high penalties if no such product can be found. Most of the resources in the
4 Western Energy Coordinating Council (“WECC”) region are associated with
5 vertically integrated utilities that must ensure supply to their native load before
6 engaging in bilateral sales. Thus, there is an extremely limited number of suppliers
7 that have both seven-month ahead capacity availability and associated firm
8 transmission rights. WRAP was designed to be a voluntary program, therefore, no
9 market monitoring department was created to oversee the program. Markets+
10 simply added the program as a requirement in its tariff. Meaning that the market
11 monitor that has authority over the Markets+ tariff will not have authority over
12 WRAP. This lack of oversight leads to the possibility of suppliers taking advantage
13 and offering supply at or near the deficiency charge penalties. This would
14 significantly disadvantage customers in the west from receiving competitive supply
15 that satisfies the forward showing requirements.

17 **11. Q. WHAT IS THE FOURTH CRITICAL ISSUE THAT THE COMPANIES**
18 **HAVE IDENTIFIED WITH WRAP?**

19 A. The fourth critical issue is the underutilization of transmission and the resulting
20 lack of a diversity benefit. WRAP models the participants in two separate sub
21 regions with limited transmission connectivity between them. This modeling
22 approach does not consider a large amount of the transmission that has been proven
23 to be utilized and available through the WEIM. It is notable that the program has
24 strict firm transmission requirements, and that the Available Transfer Capability
25 (“ATC”) determined in real-time is not firm enough to qualify under the program
26 rules. However, there has been significantly more transmission capability that has
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1 occurred through market participation than the 500 MW assumed by the program.
2 Therefore, it is the Companies' perspective that the program undervalues this
3 transmission capability which eliminates any major diversity benefit from
4 occurring in the forward showing resulting in higher PRMs. The program should
5 not artificially set the transmission requirement on a definition of Open Access
6 Transmission Tariff ("OATT") firm transmission; but instead, should perform
7 historical studies to determine what transmission has been available seasonally.
8

9 **12. Q. WHAT IS THE FIFTH CRITICAL ISSUE THAT THE COMPANIES HAVE**
10 **IDENTIFIED WITH WRAP?**

11 A. The fifth critical issue is the uncertainty around operational holdback availability.
12 The operational holdback mechanism is untested and may not function effectively
13 during widespread events like heatwaves. WRAP is untested because the program
14 has yet to establish a binding season. The Companies question whether or not
15 holdback will be available if a heat wave occurs and Nevada needs to call on the
16 program for supply. The concept of holding back capacity for program participants
17 has been the valuable proposition for the program because program members agree
18 to supply surplus to another participant when deficient. However, the program
19 models the participants at two subregions separating the southwest from the
20 northwest participants and does not perform sharing amongst the two subregions in
21 the operational program. This is not advantageous when weather events in the
22 recent past have occurred over large areas of the desert southwest that have
23 benefitted from connectivity to available supply from the northwest.

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25 Additionally, the program only measures surplus capacity up to the forward
26 showing requirement minus an uncertainty factor. Meaning that any capacity that
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1 is available above each individual forward showing requirement is not considered
2 for the sharing calculation and should be thought of as supply that is out of the
3 program. Considering the lack of sharing between the two subregions and the lack
4 of additional supply above the forward showing requirement minus uncertainty, it
5 is reasonable to assume that the operational programs concept of holdback may not
6 be available in the southwest in the event of a large heatwave.

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8 **13. Q. WHAT ARE THE COMPANIES' NEXT STEPS FOR WRAP?**

9 A. The Companies will send a letter to the Western Power Pool stating their request to
10 withdraw from WRAP. The Companies will continue to monitor the program's
11 development and remain open to future participation should WRAP evolve to
12 address these five critical issues. Until then, the Companies will pursue alternative
13 avenues to ensure regional reliability and resource adequacy for their customers.

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15 **14. Q. WHAT IS THE STATUS OF DAY-AHEAD MARKET DEVELOPMENT
16 AND WHEN DO THE COMPANIES ANTICIPATE MAKING A DECISION
17 ON WHICH MARKET TO JOIN?**

18 A. The decision to join a day-ahead market is a significant event that will require
19 quantitative and qualitative showings in a future filing. And while it is not
20 impossible to exit a market, it is far better to get the decision correct the first time.
21 It is for that reason the Companies have taken a methodical approach and have
22 performed due diligence on both day-ahead market options. The Companies have
23 been an active participant in the development of the two day-ahead market options
24 in the West and have worked with other utilities on several studies evaluating
25 potential benefits associated with the different market designs and possible
26 footprints. Based on a holistic view of these qualitative and quantitative factors, the
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Companies intend to request authorization from the Commission to participate in the EDAM in October 2025. As the second participant in the WEIM, the Companies have experienced significant economic, reliability, and environmental benefits. Having developed a market that includes more than 80 percent of load in the WECC, NV Energy hopes to preserve as much of that size and diversity as possible while expanding the scope of the organized market services. Critical to NV Energy’s decision is the expected EDAM footprint. The anticipated participation by CAISO, PacifiCorp, Balancing Authority of Northern California, Los Angeles Department of Water and Power, Portland General Electric, Public Service Company of New Mexico, Imperial Irrigation District, Turlock Irrigation District, PowerWatch and Idaho Power provides a significant degree of interconnectivity and supports a diversity of resources. Moreover, the approval of the SWIP-North transmission project by CAISO and Idaho Power Company will only enhance the transfer capacity of the existing ON Line transmission line in Nevada, bringing even greater benefits to all EDAM participants.

15. Q. DOES THIS CONCLUDE YOUR PREPARED DIRECT TESTIMONY?
A. Yes.