

## UM 2143 Investigation into Resource Adequacy in the State

### *Process Proposal and RA Solution Straw Proposal*

This announcement describes Oregon Public Utility Commission Staff's (Staff) docket strategy and straw proposal for the UM 2143 Resource Adequacy (RA) Investigation.

#### Background

On January 12, 2021, the Oregon Public Utility Commission (Commission) opened Docket No. UM 2143 with three goals proposed by Staff:

*[I]dentify first the need and potential urgency for the Commission to act. Second, the areas where a state-level program can fill gaps, ensure reliability, and work cohesively with regional efforts. Finally, to identify the appropriate complexity and level of structure necessary to address areas of RA concern.<sup>1</sup>*

On August 13, 2021, Staff conducted a level-setting workshop which included a presentation on the status of the Northwest Power Pool's (NWPP) regional RA program and an opportunity for Docket No. UM 2143 participants to present straw proposal for an Oregon-specific RA solution (straw proposals that were originally discussed in workshops prior to opening Docket No. UM 2143).

Based on the original goals of this docket and the additional insights provided by the level-setting workshop, Staff proposes to begin a phased investigation into RA in the state. The proposed investigation begins with an informational gathering effort in Docket No. UM 2143, followed by a rulemaking to adopt any long-term state RA solution. The remainder of this letter describes Staff's process proposal, as well as Staff's straw proposal for a near-term informational filing and a long-term state RA solution.

#### Proposed Investigation Strategy

Staff believes that gathering information about the status of RA in the state before refining straw proposals and developing administrative rules will promote transparency, provide valuable Commission touch points, use resources efficiently in the near-term, and result in a more thoughtful RA solution. In addition, this phased rulemaking approach will be flexible enough to adapt to the ongoing implementation of transformative state and regional policies (e.g., Oregon House Bill 2021, NWPP's Regional RA program).

##### *Phase 1*

Staff proposes to begin the investigation with an informational filing from all Load Responsible Entities (LREs) in Docket No. UM 2143. The informational filing will show the current levels of RA in the state over the next five years. This will help parties refine straw proposals to fill gaps in state RA and help the Commission right-size the solution it adopts. (See Interim Solution section below for Staff's proposed filing requirements.) To protect commercially sensitive data, Staff proposes to synthesize the informational filing data and present aggregate findings about the status of RA across LREs in a written report followed by a workshop.

If the informational filings reveal the need for urgent, binding action to ensure near-term RA in the state, Staff will recommend that the Commission open a rulemaking to adopt an RA standard and program,

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<sup>1</sup> See Docket No. UM 2143, Commission Order No. 21-014, Appendix A, p.4.

equivalent to the NWPP standard, as an interim measure, with compliance demonstrated through seasonal forward showing filings that are acknowledged by the Commission (See Alternative Interim Solution below for details.)

If the informational filings reveal that there is not a need for urgent, binding action, but a need for a long-term RA program is nevertheless optimal, parties will utilize these insights to develop a long-term RA solution that can operate in concert with a regional program and fill any gaps identified in the state and region. After discussion with stakeholders, Staff will present its findings on the state of RA, along with an updated straw proposal for the long-term solution, to the Commission at a public meeting and receive guidance about moving to development of administrative rules in a separate rulemaking proceeding.

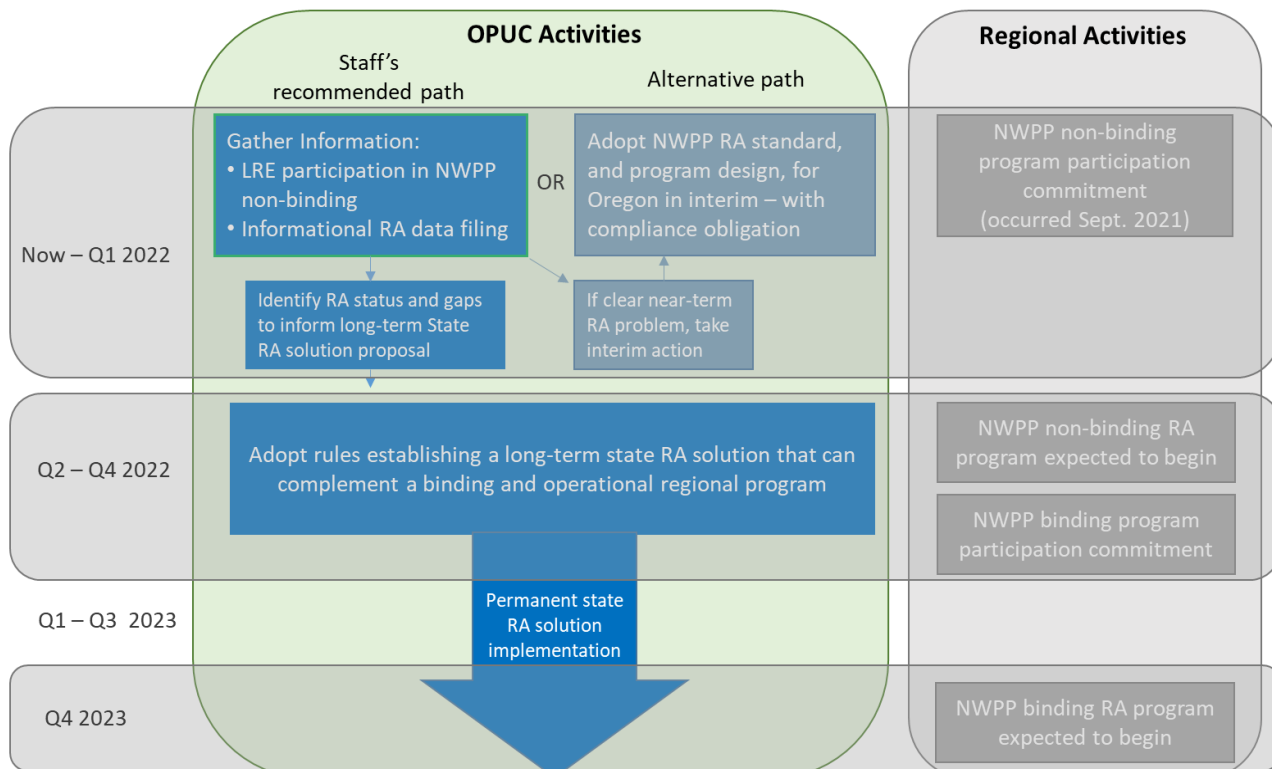
*Phase 2*

Given the foundation laid in Phase 1, Staff anticipates a streamlined rulemaking process. Staff is targeting the beginning of 2023 for Commission adoption of final rules. Staff believes that this will allow the development of a long-term state program to adjust as the NWPP program, and LRE participation commitments, evolves (See Figure 1 below).

*Phase 1 Alternative*

Staff believes that gathering data about the RA landscape before opening a rulemaking is the most efficient, transparent, and flexible next step. However, Staff recognizes that adopting the NWPP RA standard and program design by reference, then opening a long-term RA solution rulemaking, is another option for this investigation.

**Figure 1. Staff’s proposed RA investigation strategy**



**UM 2143 Schedule**

Staff recognizes that this process may require adjustment over time, but presents its recommended phased rulemaking schedule in the table below.

**Staff looks forward to discussing and refining its proposed process and schedule at the October 27, 2021 workshop.**

	Timeline	Activity	Description
<b>Phase 1</b>	<b>October 27, 2021</b> 1:30p – 4p	Workshop	Workshop to discuss Staff’s straw proposals and the proposal to initiate a phased rulemaking process. Please notify Staff ASAP of conflicts with this workshop time.
	<b>November 18, 2021</b>	Comments	Written comments on Staff’s proposals.
	<b>December 14, 2021</b> <i>Staff memo 12/9</i>	Public Meeting	Present parties’ agreed upon process/filings or Staff’s recommendation to move forward with the phased rulemaking and informational filings.
	<b>January 25, 2022</b>	Filing	LREs make initial informational filings.
	<b>February 24, 2022</b>	Comments (Staff only)	Staff comments synthesizing informational filings, focusing on the status of resource adequacy in Oregon and implications for a state RA solution.
	<b>March 10, 2022</b>	Workshop	Workshop to review public, aggregate data and Staff’s findings. Commission participation to be determined.
	<b>March 17, 2022</b>	Comments	All party comments in response to Staff’s report, findings about appropriate next steps.
	<b>April 19, 2022</b> <i>Staff memo 4/14</i>	Public Meeting	Staff Public Meeting recommendation to open a rulemaking (beginning in informal stage). Will include an updated straw proposal for the RA solution.
<i>Phase 2 dates are estimates, subject to Commission decision to open a rulemaking on April 19, 2022</i>			
<b>Phase 2</b>	<b>May 11, 2022</b>	Comments	Comments on Staff’s updated straw proposal (will be attached to 4/19 PM memo).
	<b>May 19, 2022</b>	Workshop	Workshop to discuss Staff proposal and stakeholder positions.
	<b>Jun 9, 2022</b>	Comments	Final comments on Staff’s proposal. <sup>2</sup>
	<b>June 29, 2022</b>	Draft Rules	Staff circulates draft rules.
	<b>July 13, 2022</b>	Workshop	Workshop to discuss draft rules.
	<b>August 1, 2022</b>	Comments	All party final comments.
	<b>September 6, 2022</b> <i>Staff memo 9/1</i>	Public Meeting	Public meeting to move to formal rulemaking.
	~90 days	Formal rules	Formal rulemaking concludes, implementation dockets can begin ~January 2023.
<b>Following Phase 2, launch implementation dockets and continue to monitor status of regional program development</b>			

**Staff Straw Proposal**

In the straw proposal below, Staff identifies both interim and long-term solutions for addressing RA in the state. Staff developed this proposal with the following key objectives:

- Leverage the work done within the NWPP regional RA program process as much as possible;
- Incorporate long-term actions into integrated planning processes as much as possible;

<sup>2</sup> Staff can add workshops to address specific areas of disagreement or technical assistance before this step.

- Identify near-term actions that make the best use of time and resources; and
- Identify long-term solutions that can operate alongside a binding and operational regional RA program or stand alone.

#### *General Proposals*

- LREs are defined as electric companies under ORS 757.600 [Investor-Owned Utilities (IOUs) and Electric Service Suppliers (ESSs)] and Direct Access consumers making their own energy arrangements.
- Data required for RA compliance and deemed commercially sensitive, will be subject to a modified protective order so that it is available to Staff or any 3<sup>rd</sup> party Staff consultant and transmission operator in accordance with the provisions of the applicable order.

#### *Interim Solution*

- All LREs will file in UM 2143 an RA showing that includes a load/resource balance forecast for the subsequent five years (2022-2027).
- All LREs will also indicate their decision whether to participate in the NWPP non-binding program before or as a part of their informational filing.
- Staff identifies the state Non-coincident Peak and Coincident Peak and identifies potential capacity shortfalls both within the LREs planning and at a state-wide level.
- Staff proposes the following methods for the informational filing, leveraging existing planning practices and the regional RA discussions:
  - Load Forecast: IOUs use the load forecast methodology in the most recently updated or filed IRP or IRP update. For all other LREs, use the NWPP methodology outlined in the detail design document and used in the non-binding forward showing program.<sup>3</sup>
  - Capacity contribution of resources: NWPP methodologies/capacity values outlined in the detail design document and used in the non-binding forward showing program.
    - Staff seeks feedback on the opportunity to leverage ELCCs derived from IRPs in a consistent, comparable manner.
  - Reliability metric: Staff is exploring the availability of resources to use the 1 day in 10 years loss of load expectation target used in the NWPP non-binding forward showing program, and otherwise Staff will use an average PRM from the most recently filed IRPs or IRP updates.
- Summary of tradeoffs:
  - (+) Provides transparency and holistic information in near term
  - (+) Single event limits overall impact to Staff workload
  - (+) Allows Staff and stakeholders to work with ESSs who may be new to capacity planning to identify areas of concern
  - (+) Identifies extent of non-identified liquidated damages contracts
  - (+) In event NWPP does not materialize, could provide a framework for a reoccurring filing
  - (-) Cannot easily utilize IRP data due to lack of standardization
  - (-) Delays the implementation of a binding near-term RA requirement for Oregon if near-term issues are identified

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<sup>3</sup> [https://www.nwpp.org/private-media/documents/2021-08-30\\_NWPP\\_RA\\_2B\\_Design\\_v4\\_final.pdf](https://www.nwpp.org/private-media/documents/2021-08-30_NWPP_RA_2B_Design_v4_final.pdf).

*Long-term Solution*

- Staff's goal with the long-term solution is to provide transparency into mid-term RA to complement the short-term regional effort and long-term IRP efforts.
- **RA standard:** Commission adopts a permanent, binding RA Standard with compliance obligations.
  - The Commission will adopt a 1 in 10 LOLE RA standard by rule. All LREs are required to plan to meet this standard.
  - Compliance is focused on meeting a 1 in 10 LOLE in a resource plan over a 5 year outlook.
  - If LRE is in a binding regional RA program, LRE can use the PRM or other planning metric assigned by the binding regional program (assuming the regional program uses a 1 in 10 LOLE).
  - If LRE is NOT a participant in a binding RA program, LRE will use a planning metric that is equivalent or an approximation of a 1 in 10 LOLE specific to the LRE's load and resource characteristics. This can be set by Commission order if necessary.
- **Compliance filings:** Compliance will be demonstrated by meeting the standard in a resource planning proceeding filed *annually* for regional program non-participants and *biennially* for regional program participants.
  - LREs will file individual RA plans on an annual (Regional program non-participant) or biennial (Regional program participant) basis.
    - For IOUs: RA compliance demonstration is incorporated into integrated resource planning processes to maximize efficiency, transparency, and holistic planning (e.g., a chapter of the IRP and/or IRP update).
    - For ESSs/self-directing: RA compliance is demonstrated by filing a 5 year resource plan similar to the IRP, preferably as part of the forward-looking clean energy reporting required for ESSs in HB 2021 (e.g., add an RA section to the HB 2021 report).
      - Acknowledgment process similar to IRP (see OAR 860-027-0400)
  - The Commission will acknowledge RA plans that include a five year action plan that demonstrates the LRE meets the 1 in 10 LOLE.
    - If LRE is in a binding regional RA program, action plans must meet the state RA standard up to the following levels:
      - 95% 1 years out
      - 90% 2 years out
      - 75% 3 years out
      - 65% 4 years out
      - 50% 5 years out
    - If LRE is NOT a participant in a binding RA program, action plan must include five year action plan that meets RA standard up to the following levels:
      - 100% 1 years out
      - 95% 2 years out
      - 80% 3 years out
      - 70% 4 years out
      - 60% 5 years out

October 15, 2021



- **RA plan methods:** For the section of the IOU or ESS's resource plan that is the RA plan, the LRE must use the modeling and methods in the July 2021 NWPP Detailed Design document or the most current iteration of the regional program's design to the extent practicable (e.g., reliability metric, PRM, load forecasting methodology, resource capacity contribution methodology, and transmission assumptions).
- **Compliance activities:** Staff looks forward to discussing options for compliance in the actions plan and consequences for non-compliance (see Alternative Interim Solution for some examples)
- **Near-term/seasonal RA showings:** Staff has not included a near-term showing requirement for regional program non-participants because of consideration of the efficient use of resources over the long-term. However, Staff is interested in further discussion of potential gaps in near-term RA visibility for regional non-participants during this investigation.

#### *Alternative Interim Solution*

- With expedited or no informal process, request that the Commission open a formal rulemaking to adopt an interim RA Standard with compliance obligations and seasonal filings.
- The Commission adopts an equivalent RA standard and forward showing program filing requirements as those in the July 2021 NWPP Detailed Design document or the most current iteration of the regional program's design (e.g., reliability metric, PRM, load forecasting methodology, resource capacity contribution methodology, and transmission assumptions).
- LREs file compliance information to Commission twice annually prior to winter/summer peak seasons.
  - Filing timeline: Show RA 7 months before Summer and Winter seasons (May 1 filing = Winter RA and November 1 filing = Summer RA)
  - Mitigation period: Demonstrate mitigation or alternative compliance 2 months before Summer and Winter seasons (Oct 1 filing = Winter RA and April 1 = Summer RA)
- Compliance demonstrated either through participation in a regional RA market, such as binding participation in the NWPP, or through procurement of any necessary RA as follows:
  - Capacity related sharing agreement between LREs in interim
    - Utility/ESS led
    - Valuation similar to NWPP OP (Max mid-C price)
  - FERC approved tariff charge for Capacity backstop (if available),
  - The Commission can direct LREs to acquire their incremental capacity shortfall by acquiring a backstop service from other LREs through a FERC approved tariff.
- Compliance determination is made at a Public Meeting.
- Consequences for non-compliance could include:
  - Penalties for non-compliance
  - Decertification of ESSs

**If you have questions on the process or content of this proposal, please contact:**

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