

UM 2143 Investigation into Resource Adequacy in the State Updated Process proposal for continuation of UM 2143:

This announcement describes Oregon Public Utility Commission Staff's (Staff) approach for moving forward with the UM 2143 Resource Adequacy (RA) investigation and edits to the Staff filing on September 23, 2022.

Background

On October 15, 2021, Staff released its [proposed docket strategy](#) for the investigation into Resource Adequacy. During the first phase of the investigation, Staff collected RA data from load responsible entities (LREs) to assess the need to present the Commission with an immediate, interim RA solution. Staff analyzed the data and released a [report](#) and hosted a workshop to discuss the findings with stakeholders. Staff's report found that there is space for parties to move into a permanent rulemaking as the second phase of the investigation without immediate Commission action.

The Western Resource Adequacy Program (WRAP) filed a tariff with FERC on August 31, 2022, marking a big step in the implementation in the first region-wide RA program. In a presentation on September 20, 2022, WRAP just released its analysis from its first, non-binding phase of the WRAP, which highlighted the value of a regional RA program in the Pacific Northwest.¹

Although all Oregon-regulated investor-owned utilities (IOUs) and many Oregon electric service suppliers (ESSs) are participants in the WRAP, Staff believes it is critical to have a binding RA program for all entities. This is a critical component of Staff's proposal regarding the provider of last resort in the ongoing AR 651 rulemaking. Further, the WRAP has not fully implemented any binding RA requirements, and there still may be idiosyncrasies that warrant a state-level RA program as well. Thus, Staff recommends that the Commission develop rules to establish a binding RA program as a part of this investigation.

Key insights from LRE filings

The analysis performed did not identify the need for immediate Commission action, but helped refine the scope of issues for the rulemaking. For example, reviewing ESS and utility specific data highlighted specific "seams" issues that may not be sufficiently addressed by the Commission's current planning processes and the proposed WRAP program. This exercise also revealed that administering a rigorous RA program could require greater investment in Staff time and analytical tools. A brief summary of these insights is provided below.

1. Planning and operational activities for IOU's and ESS's.

IOUs currently do not plan to serve the load of long-term opt out customers in their integrated resource plans (IRPs); these customers are served by ESSs.² Staff has less clarity on how ESSs

¹ See the slides from the presentation [here](#).

² Staff's proposal regarding Provider of Last Resort obligations in Docket No. AR 651 would require IOUs to plan backstop capacity for some long-term opt-out customers if their curtailment is infeasible upon

plan to serve their customers. In reviewing the data submitted by the ESSs, Staff notes that data gaps were more common in years 3,4, and 5, which reflects higher degrees of uncertainty for supply-side expectations. It is not clear how ESSs are planning for long-term opt-out customers they serve. Staff is aware that generally contracts between ESSs and their customers are shorter term and would like to examine if there are impacts to RA dependent on contractual obligations. Staff's draft rules are intended to shed light on these blind spots in order to protect against RA concerns for ESSs.

Other complexities highlighted by the LRE filings include the requirements for a multi-state utility to demonstrate RA for one state's customers and requirements for ESS's that are affiliates of larger Companies with a large fleet of resources to demonstrate RA for direct access customer loads in Oregon.

2. Length of time a state-specific RA program should consider to ensure reliability.

Integrated resource plans (IRPs) are considered long-term planning documents, covering twenty years, while focused on actions an IOU will take in the next two-to-four years to meet future load. The WPP WRAP program forward showing is binding for two season, winter and summer, with participants demonstrating compliance with forward showing reliability metrics seven months in advance. Staff found that the five-year RA outlook provided better capacity insights for non-IOU loads than are available through IRPs or the WRAP. However, in light of the data gaps previously identified Staff has updated its straw proposal to have a three-year outlook to match the CEP timeline. A state-level RA program could examine the time period in between the WRAP and IRPs, up to five years forward. Staff would also like to examine the potential for a longer look in an Oregon-specific RA plan and any considerations that should be included here. For instance, transmission buildouts are lengthy, should a longer forward time-horizon be considered.

3. Appropriate reliability metric to use.

In Staff's long-term solution from the October 15 memo suggested adopting a 1 in 10 loss of load equivalent (LOLE) RA standard. This metric was intended to mirror the WRAP's RA metric but does not match the metrics of every IOU's IRP. In reviewing the LRE filings, Staff utilized a deterministic approach that did not offer learning about the LOLE metric (an LOLE would only be used for a stochastic analysis). However, in the generic capacity investigation (UM 2011) supported by technical experts at E3, Staff has come to believe that the exact choice of a metric is less important than having a metric in place that adequately captures low-probability events. As such, Staff believes that the use of a 1 in 10 LOLE is an adequate RA standard for the RA program design reflected in Staff's straw proposal.

4. Appropriate data to use

returning to emergency default service. The Commission will make determinations on these proposed changes at the October 4th regular public meeting.

Staff's initial analysis used data that was either submitted to the WRAP, or in line with WRAP requirements. As part of this investigation the appropriate data to use for the RA analysis is key. Staff had a goal during the compilation of its RA report to examine how the use of the WRAP data would allow for the OPUC to examine how an LRE was addressing RA, but Staff finds that further refinements in data standardization is possible. Staff would like to examine the appropriate data to use. For instance, in Staff's analysis, load forecasts were escalated in a percentage consistent with the peak growth. Should Staff look to LREs to supply future forecasts, or some other approach? Besides load forecasts, what about other data, such as capacity contribution, and operating characteristics of resources?

The remainder of this announcement outlines Staff's proposal for the scope and process to develop rules for the implementation of a long-term state RA program.

Rulemaking Scope and Straw Rules

Staff's objectives for this rulemaking remain the same as when the docket was opened:

[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.³

As discussed above, Staff determined there was no need for immediate Commission action. The remainder of the docket will focus on the remaining two issues. Staff proposes the following scope of issues and straw rules for the RA rulemaking:

³ See Docket No. UM 2143, Commission Order No. 21-014, Appendix A, p.4.

Issue	Staff Proposal	Staff notes
1. Reliability Standard		
<p>What is the appropriate RA metric for the state’s RA standards?</p>	<p>Planning reserve set to 1 in 10 LOLE equivalent/approximation per LRE</p> <p>If the LRE is a participant in a binding regional RA program, the LRE is required to demonstrate compliance with the regional program’s designated planning reserve</p>	<p>A 1 in 10 LOLE equivalent has become the industry standard approach to measuring resource adequacy. Staff believes this to be an appropriate metric as well.</p> <p>Staff has the following questions:</p> <ul style="list-style-type: none"> • What are implications if the standard is not consistent with a utility IRP? • What are implications if the standard is not consistent with a FERC-approved regional program? • What are the implications of requiring the same standard for ESSs and IOUs?
<p>Will the standard be binding?</p>	<p>Yes, the standard will be binding for compliance filings with the state’s RA program.</p>	<p>Staff notes that any WRAP participants are already part of a binding RA program. Making Staff’s standards binding for all entities ensures that the state’s RA standards are met in the event that a regional RA program’s standards do not provide adequate assurance of RA.</p>
<p>Will the standard be set by rule or by reference to Commission order? How will the standard be assessed and updated as needed?</p>	<p>The standard will be set in rules.</p>	<p>Staff has selected this proposal because rules are applied generally. In the event that the standard needs to be updated, Staff is supportive of opening a limited rulemaking.</p>
2. Compliance process		
<p>Applicability of the RA plan</p> <ul style="list-style-type: none"> • Should the Commission have different planning/reporting requirements for entities participating in a binding regional program? • Should the Commission have different requirements for ESSs that are affiliates of larger companies? 	<ul style="list-style-type: none"> • IOUs will incorporate RA filings into their IRPs to maximize efficiency • ESSs will file a 3-year resource plan modeled off the IRP, preferably as part of the forward-looking clean energy reporting required for ESSs in HB 2021. Will include: <ul style="list-style-type: none"> ○ 3-year load forecast 	<p>Staff proposes no differences in reporting requirements for entities that are not in a regional program, and instead proposes more binding standards. Staff’s goal with ESSs is to make the process as similar as possible to IOUs’ IRP process, albeit far narrower in scope.</p> <p>Outstanding Questions:</p>

	<ul style="list-style-type: none"> ○ 3-year assessment of current transmission rights and future ability to meet transmission needs ○ Summary of current resource characteristics and future acquisitions to meet RA concerns 	<ul style="list-style-type: none"> ● How to incorporate long lead time resources like transmission? ● Does this leave any gaps between IRPs and regional programs? ● Should the Commission have different requirements for multi-state utilities? ● Should the Commission adopt detailed requirements for demonstration of sufficient transmission rights? ● Should the Commission adopt additional rules to standardize the data, forecasting approach, resource characteristics, or other methodological elements of the RA filings for LREs not participating in a binding regional RA program? ● Is additional standardization required for RA filings for participants in a binding RA program?
What should the filing frequency be?	<ul style="list-style-type: none"> ● With the IRP for IOUs <ul style="list-style-type: none"> ○ RA update filed with IRP updates as well ● Every other year for ESSs 	Staff believes that this lightens the administrative burden for IOUs and puts the ESSs on the same schedule.
What will the compliance process look like?	<ul style="list-style-type: none"> ● For IOUs, acknowledged as part of the IRP. Acknowledgement would include a recommendation of whether opening an RA compliance docket is needed ● ESSs will follow an acknowledgment process similar to the IOUs' IRPs. 	Staff is open to discussing an alternative, less burdensome compliance process for ESSs that are in a regional program.
What are the outcomes of an RA compliance docket?	<ul style="list-style-type: none"> ● The Commission will direct the LRE on how to cure the deficiencies. <ul style="list-style-type: none"> ▪ Parties that do not cure deficiencies may be subject to a fine 	The fine will be set just high enough to incentivize utilities to engage in the activities prescribed by the Commission to cure the RA deficiencies identified by the Commission.

3. Compliance Standards		
<p>What should the standards be for WPP Non-Participants?</p>	<ul style="list-style-type: none"> • Planning reserve set to a 1 in 10 LOLE equivalent/approximation per LRE, established by rule. • RA plan must include three-year action plan that meets RA standard up to the following levels: <ul style="list-style-type: none"> ○ 100% 1 years out ○ 95% 2 years out ○ 80% 3 years out 	<p>Staff proposes a slightly more binding standard for non-WPP participants with the understanding that non-participants have a higher RA risk without the benefits of regional coordination, and that a 100% standard for an entity not affiliated with a regional RA program is necessary to ensure RA for the upcoming year. These thresholds were proposed in Staff’s initial long-term solution.⁴ No party has taken issue with these thresholds so far, but Staff is open to holding further discussion on the issue. Staff however has changed the 3-year action plan to match the rest of the proposed rules. Staff is open to hearing reasons whether certain items should have a longer timeline.</p> <p>As discussed earlier, these three-year RA standards will be set by rule.</p>
<p>What should the standards be for WPP Participants?</p>	<ul style="list-style-type: none"> • Required to demonstrate compliance with the regional program. • Planning Reserve Margin set to regional program’s designated level. • RA plan must include three-year action plan that meets RA standard up to the following levels: <ul style="list-style-type: none"> ○ 95% 1 years out ○ 90% 2 years out ○ 75% 3 years out 	<p>These thresholds were also proposed in Staff’s initial long-term solution. No party has taken issue with these thresholds so far, but Staff is open to holding further discussion on the thresholds. Staff however has changed the 3-year action plan to match the rest of the proposed rules. Staff is open to hearing reasons whether certain items should have a longer timeline.</p>
<p>Do ESSs have an alternative compliance option?</p>	<ul style="list-style-type: none"> • Options for ESSs to procure capacity from third-party as alternative means of compliance (Capacity Backstop) <ul style="list-style-type: none"> ○ Any load subject to backstop by IOU is deemed as load responsible for IOU in state RA/IRP planning 	

⁴ See Staff’s filing on [October 15, 2021](#).

	<ul style="list-style-type: none"> ○ Wholesale rates are determined at FERC ○ To avoid Capacity Backstop charge, non-participant ESS must show compliance for every year of three year-action plan and ensure that its long-term opt out customers can be preferentially curtailed by the IOU. 	
<p>What resource capacity contributions should be used in the entities' filings?</p>	<ul style="list-style-type: none"> ● 1-3 year outlook should match, to extent practicable, WPP advisory forecast for resource capacity contribution, transmission, PRM, etc. <ul style="list-style-type: none"> ○ It is the utility's burden to present how their outlook sufficiently improves over or is negligibly different than the WPP advisory forecast if the WPP advisory is not used. A LRE that uses its own resource contributions in place of WPP's resource contributions should submit a methodology section with its filing. 	<p>Staff wants to have a well-vetted source for capacity contributions that matches the regional program, but wants to leave open the opportunity for the entities to use their own data if it is more relevant.</p>

Rulemaking Process Proposal

Once the scope and schedule are confirmed and a rulemaking is opened, Staff will look to hold up to three workshops to address specific issues associated with the RA program. The first workshop will allow stakeholders to give feedback on Staff’s straw proposal prior to opening up a rulemaking. Following that workshop, stakeholders will be given a chance to submit comments before Staff requests that a rulemaking be opened. The second workshop will allow stakeholders to give feedback on Staff’s initial draft rules, and the final workshop will allow staff and stakeholders to discuss any potential changes to the draft rules made after the first workshop and before the comment period closes.

The rulemaking will then move to the formal phase. The proposed schedule is shown below.

Date	Event	Description
Mid Oct	Workshop	Workshop to discuss Staff’s proposal to open a rulemaking, following the proposed rulemaking process below, and starting from the scope of issues presented in the straw proposal table above
Late Nov	Comments	Stakeholder comments on the proposed rulemaking process and scope of issues
Early Dec	Public Meeting	Staff will request a rulemaking be opened using Staff’s proposed scope of issues as a starting point <i>Note: Staff will also use this opportunity to update the Commission on the outcome of the LRE filings and other available information about the state of RA in the region</i>
Mid Jan	Draft rules circulated	Staff circulates draft rule language
Late Jan	Comments	Stakeholder opening comments on Staff’s draft rule language
Early Feb	Workshop	Workshop to discuss draft rules
Late Feb	Workshop	Second workshop to discuss incorporated feedback from the first workshop if needed.
Early Mar	Stakeholder Comments	All parties’ final comments
Early Mar	Public Meeting	Public Meeting to move to formal rulemaking
~90 days	Formal Rules	Formal rulemaking concludes, implementation dockets can begin ~May 2023

Straw Proposal Workshop Information

- **Date:** Wednesday, October 19, 2022
- **Time:** 1:00 p.m. - 4:00 p.m.

Join on your computer, mobile app or room device

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Questions

If you have questions on the process or content of this workshop, contact:

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To receive meeting notices and agendas for this docket, send an email to puc.hearings@state.or.us, and ask to be added to the service list for Docket No. UM 2143. You will then receive emails with workshop details, when new documents have been added to the docket, or there is a change to the schedule.