Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative

Submitted by	Company	Date Submitted
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This template has been created for submission of stakeholder comments on the Draft Regional Framework Proposal for the Regional Resource Adequacy initiative that was posted on December 1, 2016. Upon completion of this template, please submit it to initiativecomments@caiso.com.

PacifiCorp hereby submits the following comments to the California Independent System Operator (ISO) on its Regional Resource Adequacy Initiative – Draft Regional Framework Proposal. PacifiCorp appreciates the ISO's continued efforts to provide a flexible framework that considers multi-state utilities, Local Regulatory Authorities (LRA) and Load Serving Entities (LSE) in an expanded ISO.

PacifiCorp appreciates the ISO's continued efforts to find a reasonable and workable balance among the stakeholders' positions and proposals. PacifiCorp had previously cited concerns associated with the ISO's Resource Adequacy (RA) requirements related to substitution and availability penalties. The ISO's recent proposals related to resource substitutions and availability penalties are improved and are very supportive in recognizing the differences in how PacifiCorp's system is structured, e.g. load can be served by an "internal" resource or an "external" resource on the same transmission lines. PacifiCorp appreciates the ISO's efforts in this area and acknowledges that the most recent proposal is a significant improvement over the prior version.

1. **Substitution of internal Resource Adequacy resources with external resources**

PacifiCorp supports the ISO's recent consideration to allow external resources to substitute for internal system resources experiencing outages. PacifiCorp's utilization of third-party transmission to serve load in its Balancing Authority Areas (BAA) means that many of its physical resources are considered "external resources" by the ISO. Under the ISO's current RA construct, PacifiCorp's external resources, such as the Swift hydro facility located in Washington, would not be allowed to substitute for a resource that is located in Wyoming to serve its load requirements in the Pacific Northwest. As stated previously, PacifiCorp is an entity that serves its load utilizing long-haul transmission lines across six-states and through

multiple other BAAs, including the Bonneville Power Administration. Accordingly, in some cases imported power to PacifiCorp's loads from an "external" resource or market purchase can actually be closer or more deliverable to load versus an internal resource, or similarly, will use the same transmission to deliver to load as a "local" or internal resource. PacifiCorp appreciates the ISO's recognition of differences in regions outside California and looks forward to further conversations and refinements on its proposal.

2. Treating forced outages comparable to planned outages

PacifiCorp supports the ISO's proposal to review its resource substitution and Resource Adequacy Availability Incentive Mechanism assessment in a manner that is similar to its planned outage assessment. In reviewing the requirements of a must offer obligation for each hour of the month for a peak load over an historical period, PacifiCorp observed many instances in which it would have been required to procure a substitute resource for hours or days in which loads were forecast to be significantly below the peak hour. In its Integrated Resource Plan, PacifiCorp is planning to meet its load for a peak hour; it is not attempting to plan to meet its peak load in every hour. This type of requirement from a planning perspective would change how PacifiCorp conducted its planning process and likely increase its costs in order to avoid availability penalties or to meet must-offer obligation requirements. PacifiCorp believes that the ISO's approach is consistent with its planned outage assessment and addresses comments made by PacifiCorp and other external entities.

3. Requirements for RA Imports

The ISO has proposes to permit short-term capacity arrangements to qualify towards meeting up to 10 percent (%) of an individual LSE's total system RA requirements. PacifiCorp supports the ISO's proposed short-term capacity change and looks forward to subsequent discussions with internal and external parties. While PacifiCorp currently owns or contracts for the necessary capacity to meet its RA requirements on a monthly basis, the ISO's proposed change recognizes the desire for some flexibility to use short-term arrangements for economic reasons. PacifiCorp also supports the ISO's proposed number of protections, including enhanced incentives and penalties, and believes the ISO's approach is more consistent with reliability requirements versus a program that would require planning reserve margin percentages that are well above 15% on an hourly basis for the majority of the month. While PacifiCorp understands that reliability is a key focus and concern of the electric industry, serving load with additional amounts of reserve capacity that is in excess of 20% of load, comes at a cost to customers.

PacifiCorp appreciates the ISO's overall changes in its RA proposal and the balance that the ISO has tried to strike with regard to reliability and costs that customers incur to achieve desired levels of reliability. As stated previously, PacifiCorp is able to achieve an economic trade-off by utilizing bilateral energy purchases that can be more cost effective than utilizing its own resources for RA purposes. PacifiCorp appreciates the ISO's recognition of the diverse nature of load characteristics outside California, the flexibility inherent in the PacifiCorp transmission system and other systems used by PacifiCorp, as well as access to liquid market hubs in the western interconnection.

4. Conclusion

PacifiCorp has no additional comments on the additional issues in the Draft Regional Framework Proposal beyond what was provided in its comments on November 2, 2016.