Stakeholder Comments Template

Subject: Regional Resource Adequacy Initiative

Submitted by	Company	Date Submitted
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The Washington Utilities and Transportation Commission (UTC) submits the following comments on the April 13, 2016, Revised Straw Proposal for Regional Resource Adequacy (Revised Straw Proposal). The UTC regulates the rates and charges for electric service Pacific Power provides to retail ratepayers within the state of Washington.

The UTC continues to stress that governance is a threshold issue that must be resolved before detailed policy issues are considered by the California Independent System Operator (ISO) Board. It is also important to ensure that policy development and technical details, including Resource Adequacy (RA), are all considered carefully with a broad group of stakeholders; incomplete development may result in unforeseen consequences across the region. The UTC appreciates the efforts the ISO has made in the Revised Straw Proposal in beginning to provide technical details. However, the Revised Straw Proposal also outlines the substantial work on RA that still must be completed and reviewed before Pacific Power can conduct a net benefits study the region can review and the company can file with each state.

The success of the RA initiative and a regional ISO depends on building trust through transparency and collaboration. The UTC is committed to participating in appropriately crafted administrative processes to determine if the ISO can reach that goal. In that vein, the UTC appreciates the extension of the RA initiative timeframe to August 31, but respectfully suggests that in light of the wide-ranging work still outstanding, and the need for agreement by many stakeholders, the ISO established deadline remains a challenge. Accordingly, the UTC recommends extending the timeframe for RA development beyond the August 31, 2016, deadline and adding more regularly scheduled work group meetings.

Below, the UTC offers its views on key issues ISO identifies for several high level alternative approaches to the RA methodology. The UTC encourages ISO to acknowledge the substantial work that remains necessary after it selects a preferred alternative approach to the existing RA methodology.

1. Load Forecasting

The UTC supports the ISO's proposal to use existing methods load serving entities (LSEs) use for load forecasting because such arrangements have not led to under forecasting or resource inadequacy. The load forecasting methods Pacific Power uses for Washington load have proven sufficient for meeting reliability standards in its operation of its western balancing area.

The UTC proposes one modification to the load forecast review procedure proposed by the ISO. The Revised Straw Proposal proposes that LSEs justify their load forecast to the ISO if the ISO rejects the LSE's load forecast. The UTC proposes that for LSEs outside the existing ISO boundaries that are regulated by a state commission or local regulatory authority (LRA), the ISO should request the state commission or LRA review the LSE's forecast as a first step. Under this approach, the ISO would submit its findings and conclusions to the state commission or LRA, which would then review the LSE load forecast to make a determination about its validity. This additional step would allow the LRA to provide direction to the regulated utility about its load forecast.

2. Maximum Import Capability (MIC)

The ISO identifies additional work it must perform to determine the Maximum Import Capability (MIC) on the multiple intertie points created by Pacific Power's proposal to become a participating transmission owner (PTO).[1] The UTC recommends the ISO further extend its schedule and provide additional workshops. These workshops should be dedicated to the review and vetting of the use and results of its proposed MIC methodology. While the MIC methodology and its network modeling may have worked well in California, unique circumstances in the hydropower-based Pacific Northwest, such as the Northwest Power Pool (NWPP) reserve sharing agreement, require careful consideration of the application of the MIC methodology to ensure it meets the needs and concerns of areas beyond California.

The Revised Straw Proposal properly recognizes that there may be situations "where a PTO that joins the ISO has a need to serve its peak load that occurs non-simultaneous with the rest of the system and when there are no simultaneous constraints between certain areas of an expanded ISO BAA."[2] The Revised Straw Proposal also recognizes that the current MIC methodology "would needlessly restrict downward the MW amount that can actually be reliably" imported when peak load in a new zone peaks at non-simultaneous time with the rest of the system.[3]

The UTC has strong concerns about the potential impact of this MIC proposal to the extent it may artificially restrict capacity that is available to import into the zones the ISO proposes to create in its Revised Straw Proposal. The ISO has identified one particular circumstance in which its current MIC methodology would artificially restrict capacity in zones that may lead to unnecessary increases in RA compliance costs. The UTC urges the ISO to take sufficient time to develop the MIC methodology, and as stated earlier, schedule additional workshops and engage

[1] Revised Straw Proposed at 24.
[2] Revised Straw Proposed, at 24.
[3] Revised Straw Proposed, at 24.

fully with stakeholders in all affected Western states to minimize adverse consequences of the proposed MIC.

Finally, UTC agrees with the ISO's conclusion that it also must provide more details on "the cut-off date for considering what arrangements [existing contractual obligations] count as Pre-RA Commitments in the Available Import Capability Assignment Process…"[4]

3. Internal RA Transfer Capability Constraints

The UTC supports the ISO's move toward a zonal approach for addressing RA transfer capability constraints recognizing, however, that a zonal approach is not without pitfalls. The development of a zonal method will entail extensive effort in both design and network modeling capability. The UTC encourages the ISO to develop a transparent and collaborative process for the development of the zonal approach with a sufficient procedural timeline to evaluate the zonal model's operation and results prior to any presentation to the ISO Board.

4. Allocating RA Requirements to LRAs/LSEs

The UTC does not oppose the ISO's proposal to allow state commissions and LRAs the option to defer allocation of RA requirements to the ISO so it can directly allocate RA requirements to LSEs.[5] The UTC understands this option may accommodate different practices of LRAs and states agencies.

Although it does not oppose the proposed option, the UTC reserves judgement on the ISO's proposal to bypass state commissions and LRAs by allocating all system zonal, local, and flexibility RA requirements directly to multi-jurisdictional LSEs. However, the Revised Straw Proposal provides only a few sentences on the concept.[6] The UTC encourages the ISO to explain how it intends to implement this conceptual approach at its workshops and how such an approach would affect jurisdictional roles.

5. Updating ISO Tariff Language to be More Generic

No additional comments at this time.

6. Reliability Assessment

a. Planning Reserve Margin (PRM)

The ISO requests feedback on two alternatives for determining the planning reserve margin (PRM): a deterministic PRM approach or a probabilistic PRM approach using a loss of load expectation model (LOLE).[7] The UTC strongly prefers the use of a probabilistic approach such as the LOLE. The UTC recognizes the LOLE approach is more complicated and will take the

[4] Revised Straw Proposed, at 24.
[5] Revised Straw Proposed, at 29.
[6] Revised Straw Proposed, at 29.
[7] Revised Straw Proposed, at 32

ISO longer to develop. The Commission believes a probabilistic method will result in a more accurate assessment of the resources needed for a given level of reliability, which in turn will likely lead to a lower cost system.

Further, probabilistic approaches are or are becoming the industry standard outside of California. As the Revised Straw Proposal states, PJM, ISO-NE, NYISO, MISO, and IESO all use an LOLE approach.[8] In addition, utilities and agencies in the Pacific Northwest use or are developing probabilistic approaches to PRM.

Pacific Power uses three probabilistic methods to evaluate its PRM: Expected Unserved Energy (EUE), Loss of Load Hours (LOLH), and LOLE.[9] The Northwest Power and Conservation Council (the Power Council) uses a Loss of Load Probability (LOLP) approach in its resource adequacy assessment of the Pacific Northwest region and is considering the use of EUE and LOLE methodologies. Puget Sound Energy (PSE) has adopted the Power Council's LOLP approach and is working to identify the best application of the EUE approach.[10] We believe that the evidence is clear, both in the Pacific Northwest and in other regions, that the use of a probabilistic approach is becoming a standard method. Accordingly, the Commission believes that the ISO should adopt a probabilistic approach to achieve least-cost planning in developing a PRM throughout the regional ISO.

b. Uniform Counting Methodologies

The ISO requests feedback on two options for determining a uniform counting methodology for solar and wind: an exceedance methodology or Effective Load Carrying Capability (ELCC).[11]

The UTC strongly supports the use of an ELCC for wind and solar generation. The UTC also recognizes that the ELCC is more complicated and will take the ISO longer to develop than an exceedance methodology, but the geographic diversity of a regional ISO and the level of solar and wind penetration mandated by state renewable portfolio standards necessitate the use of the ELCC to stay abreast of best practices and achieve least-cost planning.

The ELCC is currently used in the Pacific Northwest. Pacific Power uses an ELCC methodology and PSE is in the process of developing a method equivalent to an ELCC methodology.[12] An all-party settlement and testimony has recently been filed at the Oregon Public Utilities Commission proposing to establish the ELCC or a capacity factor based on an LOLP analysis as the method of determining the capacity of variable energy resources.[13] The Power Council's use of an LOLP approach for resource adequacy reflects a probabilistic modeling of wind and solar capacity.

The UTC acknowledges the diversity of approaches used to determine the capacity of solar and wind resources and the wide variation in results utilities produce even when using the ELCC

[8] Revised Straw Proposal, at 31.
[9] PacifiCorp 2015 Integrated Resource Plan, Volume II, at 135.
[10] Puget Sound Energy 2015 Integrated Resource Plan, Appendix G, at G-9.
[11] Revised Straw Proposal, at 37.
[12] Puget Sound Energy 2015 Integrated Resource Plan, Appendix N, page N-49.
[13] Oregon Public Utilities Commission, UM-1719, Settlement Stipulation 4/29/2016, ¶ 8.

concept. Importantly, utilities, national laboratories, and stakeholders throughout the Western Interconnection continue to discuss how to properly design an ELCC method for variable resources like wind and solar. Again, the UTC reiterates its concern that the revised RA schedule does not provide sufficient time for the ISO to develop and vet an ELCC model throughout the region. We encourage the ISO to commit the procedural time necessary to receive the diverse perspectives of the region's stakeholders and build trust and transparency around an ELCC proposal.

c. Backstop Procurement Authority

The UTC does not provide additional comment on this topic at this time.