

# 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 February 24, 2016, Regional Resource Adequacy Straw Proposal (Straw Proposal). The UTC regulates the rates and charges for electric service PacifiCorp provides to retail ratepayers within the State of Washington.

The work in this specific initiative involves the development of a new Regional Resource Adequacy (RA) proposal to allow PacifiCorp to join in a regional ISO as a participating transmission owner, or PTO. How this effort moves forward depends upon the form of the ISO, i.e., a new, truly regional ISO or an expanded California ISO. Developing a regional ISO with an expanded balancing authority (BA) beyond California may offer potential net benefits in the western region, but is a significant undertaking that requires time, transparency and significant discussion among all affected entities and states. It is important to ensure that governance, policy development and technical details, including RA, are all considered thoroughly and completely, as there could be region-wide unintended consequences of inadequate development.

A net benefits study is a key factor for state commissions to determine whether PacifiCorp's participation in an ISO is in the public interest, i.e., whether it provides net benefits to ratepayers in the states in which PacifiCorp provides service. The UTC's primary focus in submitting these comments to the Straw Proposal is the lack of development of the rules and assumptions for RA necessary to perform a thorough net benefits study of PacifiCorp joining an ISO. Specifically, the results of applying both the proposed maximum import capability (MIC) calculation and allocation methodology to determine a utility's share of capacity for RA purposes are necessary to perform a net benefits study.

Please provide feedback on the Regional RA Straw Proposal topics:

1. Load Forecasting

The UTC's regulatory framework and long term planning requirements, i.e., integrated resource planning (IRP), provide load forecasting equivalent to that performed by the California Energy Commission (CEC) for determining resource adequacy. Though California and other western states have different regulatory frameworks for producing forecasts, the methods are generally

compatible and, if implemented in a collaborative manner, should be able to prevent utilities from leaning on others for sufficient capacity.

The UTC agrees with the “blended approach” in the Straw Proposal in which the ISO will not attempt to create a new methodology for load forecasting for the entire regional system. Instead, the ISO will use the existing load forecasting method undertaken by the CEC, and will use the load forecast data submitted by PacifiCorp and all load serving entities (LSE) in the expanded footprint. This is a common-sense approach that both builds upon the existing practices in California and respects the validity of existing load forecasting methods used by PacifiCorp and other LSEs in the western states.

## 2. Maximum Import Capability Methodology (MIC)

The Straw Proposal states that “the current MIC calculation and allocation methodology are still appropriate in most respects.” The UTC has concerns about applying the MIC to PacifiCorp’s external interties because the Straw Proposal lacks detail of how the MIC would be applied to PacifiCorp’s interties with adjacent BAs, and robust analysis of the resulting impacts. Such analysis and data are necessary to perform a net benefits study of PacifiCorp joining an ISO.

PacifiCorp has historically determined its maximum import capability in the context of its IRP processes in each of the non-California states. It is not clear whether the method PacifiCorp uses to determine such capability is the same as the ISO MIC methodology. If PacifiCorp joins a regional ISO, the interties PacifiCorp has with other non-ISO utilities will become interties of the ISO, and, as proposed, the capacity imported on those interties will be subject to the MIC. As a standalone utility, PacifiCorp can import capacity on those interties to meet its capacity needs. However, if the MIC methodology is applied to all of PacifiCorp’s external interties for RA purposes, it is not clear whether the capacity PacifiCorp currently realizes from those interties will be reduced. In order for PacifiCorp to perform a net benefits study, it must determine and quantify any change in the import capacity under the ISO MIC methodology it can use for RA requirements.

## 3. Internal RA Transfer Capability Constraints

Both PacifiCorp and the ISO have existing interties that, once joined in a single ISO, will become internal constraints. As stated above in our discussion of the MIC and its impact on PacifiCorp’s external interties with non-ISO BAs, it is essential for purposes of developing a net benefits study to identify the amount of capacity that can be transferred across the interties between PacifiCorp and the ISO before and after the formation of a regional ISO. In this respect, we agree with the statement in the Straw Proposal that “any reliability constraint that limits the transfer of RA resources between major internal areas in an expanded BA are properly respected.” The UTC is aware of the constraint methodology that the ISO and the California Public Utilities Commission have agreed upon. However, we are still reviewing the methodology. The UTC suggests that the ISO discuss the constraint methodology further at currently scheduled stakeholder sessions concerning how it applies to a regional system to ensure that reliability and transfer constraints are properly respected. The UTC will evaluate after these

workshops whether the issue of transfer capacity has been sufficiently addressed for purposes of preparing a net benefits study.

#### 4. Allocation of RA Requirements to LRAs/LSEs

As a local regulatory authority (LRA), the UTC requires additional information and analysis to determine which of the options proposed in the Straw Proposal is preferable: namely, allocation to the LRA, which then will allocate RA requirements among the load-serving entities (LSE's) jurisdictional in Washington state, or allocation by the ISO directly to LSE's. For the ISO to achieve its goal of stakeholder consensus, the UTC recommends the ISO provide further examples in revised straw proposals and stakeholder meetings that demonstrate how RA requirements will be calculated and allocated, as well as additional opportunity for stakeholders to discuss these options and provide the necessary information to conduct a net benefits study.

#### 5. Updating ISO Tariff Language to be More Generic

The UTC agrees that the ISO tariff language must be updated to enable it to apply generically to states with different RA methodologies. The update should not change the meaning or effect of the tariff unless the change in meaning is unavoidable. To ensure that all stakeholders understand that the updates do not alter the meaning, or whether there are changes in meaning, to the tariff, the ISO should modify its existing stakeholder process to provide an opportunity to comment on the final revised tariff. Under this proposal, the ISO would provide an opportunity to comment on a tariff proposal, and after revising the tariff following comments, provide an opportunity for comment on the revised tariff proposal.

#### 6. Reliability Assessment

##### a. Planning Reserve Margin for Reliability Assessment

PacifiCorp has historically operated its western BA reliably using a 13 percent planning reserve margin (PRM), which the UTC has accepted and acknowledged in successive IRPs in Washington state. The UTC understands that the ISO must be able to assess the level of reliability on a comparable basis across an expanded BA, but the ISO has not provided any study showing that on a standalone basis PacifiCorp's west BA cannot be reliably operated with a 13 percent PRM.

The ISO currently operates with a PRM in the range of 15-17 percent. The UTC does not disagree with the assertion in the Straw Proposal that a regional ISO must determine a system-wide minimum PRM for the "collective system-wide procurement of RA resources." If the ISO determines, through a study of the integrated BAs, that all load must carry a 15 percent PRM, the ISO should identify which system resources and load drive that requirement, given reliability and transfer constraints in the system. The determination of whether a system-wide minimum of 15 percent PRM is necessary should be made through study and stakeholder process, as the Straw Proposal points out. This will require a comprehensive study, or studies with third parties in addition to the ISO, beyond what the ISO currently proposes for this initiative. For example, the level of resource adequacy is under review currently in the Pacific Northwest by LSEs and the

Resource Adequacy Advisory Committee of the Northwest Power and Conservation Council. Such studies should be considered in this RA process.

b. Resource Counting Methodologies for Reliability Assessment

The capacity contribution of generation resources is an essential input to the proposed reliability assessment. The capacity contribution of variable energy resources (VER) is being debated and discussed in a number of forums within the Western Interconnection, including many state commissions as part of the IRP planning process. The UTC agrees with the statement in the Straw Proposal that there is a need for “consistent counting rules” throughout a regional ISO in order to operate the system reliably. Consistency in counting methodologies throughout the system should be able to prevent LSEs from leaning on others for capacity. However, more work must be done to assess how each of the LRAs involved in or affected by a regional ISO assess capacity contributions from VER and baseload generation resources in their IRP planning and reliability processes. The UTC requests that the ISO provide details of its proposed methodology and conduct additional workshops beyond what is currently planned to explain its proposed methodology, including examples of its application.

c. ISO Backstop Procurement Authority for Reliability Assessment

The issue of legal authority for backstop procurement is a threshold issue that must be vetted and discussed thoroughly in this stakeholder process. The UTC understands that the ISO having backstop procurement authority could be a useful incentive for LSEs in an expanded BA to ensure that they procure adequate capacity resources without leaning on other LSEs or the ISO. However, the ISO should clarify its legal authority to exercise its backstop authority when it concludes that the load forecast of a load serving entity is too low. In addition, the UTC believes that it would be useful for the ISO should clarify whether it has legal authority to exercise its backstop authority, under current practice in California, in the event it does not agree with the load forecasts produced by the CEC. If the CEC’s determination is binding on the ISO, the ISO should clarify if that result is due to the ISO effectively delegating its authority to the CEC. This clarification will assist stakeholders in determining how backstop authority might apply throughout a regional ISO.

7. Other

There are a number of different approaches to determining RA. Though the ISO uses a single method, LSEs in the Pacific Northwest and other regions use a variety of methods that bring important diversity to the question of RA. Pacific Northwest LSEs must model a large and varied hydroelectric system with environmental operational constraints and interdependent dispatch constraints in order to determine the capacity available for RA. As discussed above, the ISO should consider other RA studies underway, including that by the Northwest Power Planning Council. The ISO should examine the unique challenges of modeling capacity in the Pacific Northwest and the methods used before determining the RA methodology appropriate for a regional ISO that includes the Pacific Northwest.