

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: January 12, 2021

REGULAR  X  CONSENT \_\_\_\_\_ EFFECTIVE DATE \_\_\_\_\_ Upon Approval \_\_\_\_\_

DATE: January 6, 2021

TO: Public Utility Commission

FROM: Scott Gibbens

THROUGH: Bryan Conway and John Crider **SIGNED**

SUBJECT: OREGON PUBLIC UTILITY COMMISSION STAFF:  
(Docket No. UM 2143)  
Request to open an investigation into resource adequacy in the state.

**STAFF RECOMMENDATION:**

Staff recommends the Oregon Public Utility Commission (Commission) open an investigation into resource adequacy in Oregon.

**DISCUSSION:**

Issue

Whether the Commission should open a separate investigation into resource adequacy or allow parties in Docket No. UM 2024 to determine the appropriate steps for resource adequacy for direct access customers.

Applicable Law

Under ORS 756.515(1), whenever the Commission believes that an investigation of any matter relating to any public utility or telecommunications utility or other person should be made, the Commission may, on its own motion, investigate any such matter.

Analysis

*Background*

In recent years, concerns over the level of capacity in the region have grown. Numerous reports and studies have shown that the amount of excess capacity is shrinking as

thermal units are retired and replaced by non-dispatchable generation, these include reports from the Northwest Power and Conservation Council (NWPCC)<sup>1</sup>, Energy+Environmental Economics (E3)<sup>2</sup>, Pacific Northwest Utilities Conference Committee (PNUCC)<sup>3</sup>, and California ISO (CAISO)<sup>4</sup> among others. This led to the Northwest Power Pool (NWPP) holding a resource adequacy (RA) symposium on October 2, 2019, which ultimately led to the planned creation of an RA program in the region.<sup>5</sup> The program is expected to begin the implementation phase in mid-2021, but may not become binding until 2023 or later.

At the same time, Oregon utilities and stakeholders have been grappling with RA questions of their own. On February 5, 2019, PGE filed Advice No. 19-02 which requested the Commission approve a New Load Direct Access (NLDA) program which included a Resource Adequacy Charge (RAD) in order to minimize potential cost shifts between cost-of-service customers and direct access customers particularly during times of constrained capacity. This proposal for a charge to customers to cover costs related resource adequacy raised for stakeholders the larger question of how best to handle resource adequacy planning and cost allocation among all Oregon ratepayers. The subsequent investigation into the NLDA program (UE 358) did not provide an answer, as the Commission ultimately determined more information and a broader scope may be warranted. Following that, participants in the ongoing general investigation into direct access (UM 2024) still express uncertainty as to the proper venue for this discussion, as discussed further below.

At the August 20, 2020, Commissioner workshop for UM 2024, parties discussed the possibility of crafting a straw proposal for a potential RA solution. On October 27, 2020, Staff held a workshop where the consensus was that any potential RA program or requirements would likely be applicable to both ESSs and IOUs. This led to concerns over proper notice and venue, by addressing RA in a direct access docket. In response, Staff set a deadline to circulate proposals by November 9, 2020, and broadened the notification to include all parties of the most recent general rate case for each investor owned electric utility in Oregon.

Staff held the initial RA workshop on November 16, 2020. There was significant and robust participation at the RA workshop, which included representation from over a

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<sup>1</sup> <https://www.nwcouncil.org/reports/pacific-northwest-power-supply-adequacy-assessment-2024>

<sup>2</sup> [https://www.ethree.com/wp-content/uploads/2019/03/E3\\_Resource\\_Adequacy\\_in\\_the\\_Pacific-Northwest\\_March\\_2019.pdf](https://www.ethree.com/wp-content/uploads/2019/03/E3_Resource_Adequacy_in_the_Pacific-Northwest_March_2019.pdf)

<sup>3</sup>

[https://pnucc.org/sites/default/files/Xdak24C14w3677n7KsL43OEL4J25MW0b3d5cmx3FGD4d9OQ3B189OF/2020%20PNUCC%20NRF\\_0.pdf](https://pnucc.org/sites/default/files/Xdak24C14w3677n7KsL43OEL4J25MW0b3d5cmx3FGD4d9OQ3B189OF/2020%20PNUCC%20NRF_0.pdf)

<sup>4</sup> <https://www.caiso.com/Documents/2020SummerLoadsandResourcesAssessment.pdf>

<sup>5</sup> [https://www.nwpp.org/private-media/documents/FINAL\\_September\\_Public\\_RA\\_Presentation\\_MM1.pdf](https://www.nwpp.org/private-media/documents/FINAL_September_Public_RA_Presentation_MM1.pdf)

dozen different parties. Written comments were received from Northwest Natural, Northwest Energy Coalition (NWECC), and joint comments from Renewable Northwest (RNW), Oregon Solar Energy Industries Association (OSEIA), and NWECC. Three parties filed proposals which were discussed at the workshop; PacifiCorp, Northwest and Intermountain Power Producers Coalition (NIPPC), and PGE.

Staff tentatively would summarize that the proposals range from RA reporting requirements for Commission regulated Oregon load serving entities (LSE) or an IRP style planning process for electric service suppliers (ESSs), to a more formal Oregon RA program which would incorporate many of the same elements of the NWPP's plan with longer planning timelines to ensure adequate time to correct issues. More specifically, OSEIA/RNW's proposal offers guidance on how to move forward to ensure all resources are fairly evaluated and the state-level approach is pursued in an open and optimal manner. NIPPC and PacifiCorp offer proposals that provide a more incremental design which may be sufficient to address RA concerns without overburdening or frustrating regional efforts. PGE provides the most involved and robust solution, which aims to incorporate all of the necessary aspects of the NWPP's plan, to ensure that RA is properly addressed. Although the details or complexity of an appropriate solution are still yet to be determined, Staff finds that the majority of the parties believe that a Commission directed solution is appropriate with the correct timing, flexibility, and setup. Staff has attached the four proposals (three prior to the workshop, one following the workshop) it received from parties to this memo, which further clarifies the discussion and types of potential solutions thus far.

Following the workshop, Staff circulated a list of general areas of agreement and areas of contention that it identified at the workshop. The list included:

- **Points of Potential Agreement:**

- The Commission should address RA through a separate docket.
- ESSs and utilities should both participate in an RA solution:
  - ESSs open to investigation of backstop/charging and planning.
- There is value in NWPP approach/regional approach – parties do not want to foreclose this or frustrate the NWPP program with a state program:
  - Any state program should avoid creating conflicting requirements, etc.
- The Oregon solution should allow for time to affect change/bring about a remedy.

- **Points of Potential Disagreement:**

- Whether/what to do on a state-specific level ahead of NWPP, given:
  - Timing for development of a state-specific program.
  - Whether a state program could appropriately compliment, rather than frustrate or replace, a regional RA solution.
  - It takes time to actually develop RA resources (including storage, etc.).
- Whether RA concerns are at a critical point in Oregon and the Northwest:
  - Some seem to suggest need to move as quickly as possible; others seem to suggest we have time to see if NWPP goes somewhere and how. Urgency vs Efficiency.
- The level of resource risk/RA risk we are trying to address.
- What resources would qualify to address RA.

Staff received feedback from PGE, CUB, NIPPC, and OSEIA and RNW. The comments offered additional clarification on Staff's list and additional details surrounding parties' proposals, but no party contested the initial list circulated by Staff. Staff is encouraged that further discussion around parties' comments may yield consensus on additional areas.

### *Scope*

Staff understands that a generic investigation into RA could result in a broad set of potential issues and outcomes. Staff would clarify that the goal of this investigation is to identify 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. Staff notes that the investigation may find an appropriate level of a solution in the interim that may ultimately be different depending on the outcome of the NWPP's efforts. This process allows the Commission to ensure we are handling the concern in an open manner with the appropriate urgency while we try to maintain the ability to effect any problems before they become untenable.

### *Proposed Investigation Structure and Timeline*

Staff proposes an investigation structure that is phased, adaptive, and involves considerable stakeholder engagement. Following stakeholder comments, Staff's proposal is to begin the investigation by continuing the collaborative workshop process. As Staff noted previously, it believes there may be space to identify further areas of agreement and more clearly define the areas of disagreement. There are currently four

proposals that have been circulated by parties, further comments and discussion will help to clarify and flesh out the proposals. Staff would note that the timing and phasing may be amended based on progress or discussion amongst parties, but wanted to provide all stakeholders with a tentative plan for the path forward. The proposed structure is summarized in the following table.



<b>Time-frame</b>	October - January 2021	January – June 2021	June 2021 – December 2021	December 2021 - ongoing
<b>Goal</b>	Identify the scope and appropriate process for an RA solution	Solidify areas of agreement and identify baseline to establish need, timing, and efficacy. Determine areas where factual record is needed.	Establish a record by which the Commission may determine the merits of opposing arguments on contested issues.	Refine planning process, incorporate additional considerations and requirements
<b>Process</b>	<ul style="list-style-type: none"> <li>Staff request’s proposals and comments on state level RA program</li> <li>Stakeholder workshop: Stakeholder feedback on submitted proposals and comments. Identify where parties’ positions.</li> <li>Public meeting memo: Staff’s proposal requesting investigation.</li> </ul>	<ul style="list-style-type: none"> <li>Workshops: Staff will conduct a series of workshops to establish a baseline understanding of RA need in Oregon, further discuss proposal details and attempt to reach consensus.</li> <li>Draft proposal: Staff releases draft proposal for RA solution.</li> <li>Stakeholder comments/ workshop(s) as necessary</li> <li>Revised draft solution</li> <li>Final comments</li> </ul>	<ul style="list-style-type: none"> <li>Hold prehearing conference to set schedule for contested phase.</li> <li>Develop a record through written testimony, briefs, and hearing</li> </ul>	<ul style="list-style-type: none"> <li>Continue to implement planning process as directed by Commission</li> <li>Improve and evolve content, process, tools, and methodologies</li> <li>Continue to incorporate evolving policy and operational requirements</li> </ul>
<b>Key Objective</b>	Commission order opening investigation	Determine the need and scope for a contested case.	Commission order deciding the open issues in the docket.	Commission approval of subsequent utility/ESS RA solutions moving forward.

Following a Commission decision to open the investigation, Staff will develop, share, and begin executing a Phase 1 workshop plan. As the investigation progresses, phases, goals, milestones, and objectives will be shaped by shared learnings and continued stakeholder input. Staff will continue to work to engage a broad stakeholder group throughout the investigation.

#### *Collaboration/Integration with Regional Program*

Staff would finally note, that it has had some limited discussions with the NWPP about how a Commission directed solution might compliment as opposed to frustrate the regional effort. Staff intends to continue this dialogue and encourage the NWPP to help shape the final outcome as much as their time allows. The NWPP thus far has noted that there are areas where a state-level solution may appropriately fit into a broader plan, particularly at the planning and procurement level. The NWPP noted that their program only looks out seven months ahead, addressing more near-term RA needs, which may not cover concerns better addressed in the mid to longer-term. NWPP also notes that the Commission is in a unique position to require adherence to RA requirements or programs, whereas the regional effort is voluntary. Staff appreciates the support and time the NWPP has provided thus far and looks forward to working with all stakeholders to ensure the best outcome for customers in the state.

#### Conclusion

After consulting stakeholders, Staff finds that it is necessary to begin taking steps to establish a transparent, robust, and holistic regulatory process for RA planning. Staff proposes to launch a phased investigation into RA that ensures reliable power for all Commission regulated Oregon ratepayers. The investigation would develop a transparent, robust, holistic regulatory planning process for ESSs and regulated utilities.

#### **PROPOSED COMMISSION MOTION:**

Open an investigation into resource adequacy in the state.

Investigation into resource adequacy



December 22, 2020

*Submitted via email*

To,  
Scott Gibbens  
Senior Economist  
Public Utility Commission of Oregon  
scott.gibbens@state.or.us

**Re: Straw Proposal and Comments on State-level Resource Adequacy in Oregon**

Prior to the November 16, 2020 Oregon PUC (OPUC) workshop on Resource Adequacy (RA), Renewable Northwest (RNW) along with Northwest Energy Coalition (NVEC) and Oregon Solar Energy Industries Association (OSEIA) submitted joint comments to stakeholders, previously submitted to the Northwest Power Pool's (NWPP) regional RA program Steering Committee on the conceptual design of the program. In our comments and in the Oregon PUC workshop, we stated that any state-level RA program developed in Oregon should primarily include all load-serving entities (LSE) including electricity service suppliers (ESS) to **ensure that all capacity resources are identified** and included to provide a holistic view of the any potential shortages in the state. Additionally, we also stated that a state-level RA program should be aligned with the regional program being developed currently, but also ensure that all capacity resources are **transparently and fairly** assessed including but not limited to renewables, standalone storage, hybrid and demand response resources. This joint proposal, submitted by RNW and OSEIA, addresses in further detail the primary components of a robust state-level process to initiate further discussions and review. Please feel free to reach out if you have any questions or concerns.



### **Primary Proposal:**

- State RA requirements should not hinder the development and operation of a regional resource adequacy (RA) program that may allow all LSEs including Electricity Service Suppliers (ESS) to access pooled resources in the region.
- State-level RA requirements should be aligned with the regional RA program developed by NWPP to provide maximum cost benefits to customers in addition to avoiding unnecessary hurdles in the operational phase.
- Any state-level RA obligations should allow both IOUs and ESSs to comply with the voluntary regional RA program as a pathway towards compliance with the state-level RA obligations.
- The OPUC should allow a robust stakeholder process to understand, analyze and address any near-term capacity procurements and deficits in the state, prior to the start of the regional RA program. Interlinkages between this and other dockets like UM 2011 should be addressed and reconciled to avoid duplication of efforts.
- Any specific RA metric developed on an interim basis for utility planning purposes must be formulated based on sound probabilistic analysis of resources and should not be set administratively without transparent and thorough reasoning for why such adequacy reserves will provide needed capacity without leading to excess cost/overbuilding.
- A state-level RA program should primarily be an oversight entity, provide guidance on planning requirements and not administer penalties for non-compliance separate from the regional RA program to avoid double-penalties.

### **Operational Steps:**

- The Oregon PUC (OPUC) should initiate a robust stakeholder process to understand and analyze the capacity needs/potential shortfalls in OR, utility procurement efforts, and put forward a framework to align a potential state-level RA compliance mechanism with NWPP's regional RA program.
- The stakeholder process should include technical committees or workshops open to stakeholders to discuss/understand capacity modeling assumptions such as: climate related weather and impact on hydro system, capacity contributions of VERs and other resources, import/export assumptions, impact of retirements and planned resource procurements
- The OPUC should coordinate with NWPP's regional RA program to initiate a mechanism to conduct state-level oversight with particular interest in ensuring transparency and fairness for: capacity contribution/accreditation of all resources including but not limited to renewables, hybrids, standalone storage, demand response resources and other hybrid and emerging technologies. This could be an interlinkage covered in detail in the UM

2011 docket, especially focusing on methodologies to fairly assess capacity contribution of all resources.

- A state-level RA program should not be overly prescriptive but act as an oversight entity to the regional RA program. Provided the regional RA program meets state-level objectives around transparency, fairness and adequacy, all IOUs and ESSs should be allowed a pathway to participate in a regional RA program as a requirement to comply with a state-level RA program.
- The OPUC should ensure that planning guidelines for utility integrated resource plans (IRP) reflecting the reliability requirements, are updated and aligned to the elements of the regional RA program to avoid conflicts.
- LSE reporting requirement: These reporting requirements must be discussed with stakeholders in an additional workshop and should be informed by impending resource procurement efforts and potential capacity needs in the state (and region).

We look forward to having further discussions and conversations with interested parties on this proposal and look forward to participating in a docket that delves into these issues in a transparent and meaningful manner. .

Sincerely,



Nicole Hughes  
Executive Director  
Renewable Northwest



Angela Crowley-Koch  
Executive Director  
Oregon Solar Energy Industries Association (OSEIA)



November 9, 2020

### **Re: Straw Proposal – Resource Adequacy Workshop**

In preparation for the upcoming workshop, Northwest & Intermountain Power Producers Coalition (NIPPC)<sup>1</sup> submits the attached straw proposal for addressing resource adequacy (RA) in Oregon with respect to electricity service suppliers (ESSs) and taking advantage of the possible establishment of a regional RA program.

NIPPC has engaged in preliminary conversations with a number of other stakeholders and anticipates that there is the potential for broad agreement on several core principles:

- As a general matter, a regional program should be open to all load-serving entities within the program's footprint in order to ensure RA by the most efficient means.
- Any state-level RA requirements should harmonize as much as possible with a regional program and not conflict with such a program.
- The load-serving entity should generally be the point of compliance for an RA obligation at a regional and state level.
- To the extent that Oregon utilities ultimately participate in a regional program, ESSs in Oregon should generally participate as well.

In the context of primarily proposing to take advantage of a regional program, NIPPC acknowledges the value of evaluating possible targeted state-level RA requirements but emphasizes the need to develop an appropriate record first at the Commission.

NIPPC's straw proposal is attached. We look forward to a productive discussion on this topic.

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<sup>1</sup> NIPPC represents competitive power participants in the Pacific Northwest. NIPPC members include owners, operators, and developers of independent power generation and storage, power marketers, and affiliated companies.

## NIPPC Resource Adequacy Straw Proposal (UM 2024)

**I. Core proposal:** Oregon should rely on a regional resource adequacy (RA) program as much as possible in order to satisfy a state-level RA requirement.

The Northwest & Intermountain Power Producers Coalition (NIPPC) is open to supporting the establishment of a state-level RA requirement that meets the following design principles:

1. All things being equal, a regional resource adequacy (RA) program open to all load-serving entities (LSEs) is a more efficient and less costly means of ensuring RA than a program limited to a single state.<sup>1</sup>
2. Utility bundled customers and Direct Access customers should not be subject to state RA obligations that duplicate, at a higher cost, the features of a regional program.
3. State RA obligations should not hinder the development of transparent and liquid mechanisms that allow all LSEs to access available RA in the region.
4. The Oregon Public Utility Commission (OPUC) should establish, conditional on reviewing final details of the Northwest Power Pool (NWPP) proposal, that the regional RA program being designed through the NWPP is the primary and preferred means of compliance for all LSEs under any Oregon RA obligation, should the OPUC choose to establish such an obligation.<sup>2</sup>
5. The OPUC should work alongside other state regulators and stakeholders to ensure that the regional RA program includes an appropriate and meaningful oversight role for relevant state officials in parallel with an independent board that oversees the program administrator.
6. LSEs, including electricity service suppliers (ESSs), should be the sole point of compliance for any Oregon RA obligation, rather than Balancing Authorities or individual customers. The compliance obligation should remain with the ESS regardless of the means by which it procures RA for the load it serves.
7. In complying with an Oregon RA obligation and assuming a regional RA program has been established, an ESS may:

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<sup>1</sup> E3 has found that taking advantage of the geographic load diversity of NWPP (not counting supply diversity yet) would lower the region's capacity requirement by 3%, or 1,700 MW (NWPP Resource Adequacy Stakeholder Advisory Committee Presentation, August 21, 2020, slide 47, *available at: [https://www.nwpp.org/private-media/documents/FINAL\\_August\\_Advisory\\_Committee\\_Presentation21.pdf](https://www.nwpp.org/private-media/documents/FINAL_August_Advisory_Committee_Presentation21.pdf)*).

<sup>2</sup> NIPPC supports the successful launch of a well-designed regional program through the NWPP initiative but also recognizes the possibility that it may not launch as currently envisioned. This eventuality deserves further discussion and planning.

- I. directly participate in the regional program to cover the load of all its direct access customers with the same responsibilities as any participating LSE, including being subject to deficiency penalties, in which case the ESS may procure some or all RA directly from the utility responsible for the surrounding Balancing Authority Area (BAA), to the extent such utility has RA available beyond its own needs; or
  - II. in limited and defined circumstances, in lieu of participating in the regional program, procure some or all RA directly from the utility responsible for the surrounding BAA.
8. The OPUC should review the forward showing filings by the regulated utilities in the regional program to ensure that excess RA is not being unreasonably withheld from other participants in the regional RA program.

**II. Additional OPUC actions:** NIPPC supports exploring the following potential OPUC actions in addition to relying primarily on a regional RA program:

1. *LSE reporting requirement:* Establish an RA reporting requirement on all LSEs, consistent with PacifiCorp's August 19 recommendation in advance of the August 20 workshop (p. 5, second bullet), until such time as the regional program's forward-showing phase is underway.
2. *Backstop procurement:* Establish a record with respect to the value, if any, of creating an RA "backstop" procurement mechanism that includes the following information:
  - Whether an imminent RA shortage exists in Oregon in the next 24 months, including accounting for uncommitted capacity in the region that can be delivered to Oregon loads;
  - What remedies the OPUC has under existing law to alleviate an imminent RA shortage;
  - Whether and in what manner utilities within the NWPP successfully used the "Stage 0" interim RA solution during August 2020;
  - Whether and to what extent the operational phase of the regional RA program (facilitating access to regional pooled capacity on a day-ahead and real-time basis) might still leave Oregon LSEs deficient;
  - Whether additional longer-term RA demonstrations beyond the proposed seasonal "forward showing" requirement of the NWPP proposal are appropriate;
  - By what manner and at what cost Oregon utilities might procure RA for an ESS with an RA deficiency that the ESS does not or cannot cure itself; and
  - How the OPUC can ensure that RA procured on a backstop basis by a utility is no more than the amount and type needed by the deficient ESS.

3. *Long-term ESS RA procurement:* Establish a stakeholder process involving all interested market participants to evaluate and recommend ways to ensure that firm liquidated damages contracts, including existing contracts, used for RA purposes become associated with actual physical capacity.
4. *Provider of last resort relief:* Evaluate the utilities' existing provider of last resort service charge to consider including an RA adder for any returning customers.

## **PacifiCorp Resource Adequacy Straw Proposal (UM 2024)**

***PacifiCorp's proposal is based on the fundamental issue of maintaining system reliability, which requires consistency of applicable requirements across the region. This is not the appropriate proceeding to address developing market related solutions to meet resource adequacy (RA) requirements, but caution should be taken to avoid inhibiting the development of market-based solutions. Development and maintenance of a separate state program with metrics and modeling that could at that point be out of sync with the regional program do not support system reliability and could limit market participation by both Oregon Investor Owned-Utilities (IOU) and Energy Service Suppliers (ESS). The Northwest Power Pool has an ongoing effort to develop regional RA requirements and potential market-based solutions. If a regional RA program is adopted and IOU participation is approved by the OPUC, ESSs should be required to participate.***

### Basis for Straw Proposal

- Any state RA requirements established by the OPUC should be modified if regional RA requirements are established.
- Utility bundled customers and Direct Access customers should not be subject to state RA obligations that deviate from regional program requirements.
- State RA obligations should not hinder the development of transparent and liquid market mechanisms that may allow all LSEs to access available RA in the region.
- ESSs should be the sole point of compliance for any state-specific RA obligations adopted by the OPUC, rather than the Balancing Authority (BA) or individual customers. The compliance obligation should remain with the ESS regardless of the means by which it procures RA for the load it serves.
- In complying with an Oregon RA obligation and assuming a regional RA program has been established that establishes the ESS as the point of compliance, an ESS should be able to participate in the regional program, which requires an entity to cover the load of all of its direct access customers with the same responsibilities as any participating LSE, including being subject to deficiency penalties.

### PacifiCorp's Alternative to NIPPC's Oregon-specific RA Steps

PacifiCorp is concerned that any Oregon-specific ESS RA requirements that are too prescriptive at this time and could disrupt development of a regional RA program. Oregon-specific RA steps by the OPUC should be additive rather than duplicative of, or in conflict with, a regional program. Consequently, PacifiCorp would propose evaluating whether some of the reliability requirements in the OPUC's Integrated Resource Plan (IRP) planning guidelines might serve as a starting point for a flexible but meaningful framework for ESS RA planning requirements in the interim.

PacifiCorp, however, believes that the Commission should establish some level of mandatory Oregon-specific RA near-term commitments to prevent cost-shifting to other customers. PacifiCorp proposes that the Commission establishes a reporting requirement for ESSs as an excellent first step. It would also seem prudent to begin developing an RA program for ESSs at the OPUC in the short term for several reasons:

- (1) while PacifiCorp is hopeful that the regional RA program will be successful, program implementation is uncertain and some time away;
- (2) capacity deficits may be seen in the region before the program has gone into effect; and
- (3) it would seem worthwhile to begin developing some RA requirements for ESSs now, given these contingencies.

Consequently, PacifiCorp would propose the following alternative procedural steps:

Goals and principles:

1. Given the near-term capacity deficits in the region, the OPUC should take limited but meaningful action in the short term to impose state specific RA obligations on ESSs.
2. These RA obligations should be designed to avoid conflict with development of a regional RA program.
  - RA planning requirements could be similar to the subset of utility IRP requirements that focus on utility reliability.
  - Specific RA metrics or program design elements intended to be included in the regional program should not be imposed in the short-term on ESSs.
    - Regional RA program modeling is not complete, and any metrics established in that modeling would apply to the region as a whole, not to Oregon specifically (let alone an ESS' footprint).
    - Developing certain specific RA metrics on a state-level in advance of the regional RA program could undermine the development of that program and/or the ability of Oregon LSEs to transition to that program.
3. RA obligations for ESSs should evolve from simple reporting requirements to more robust planning and procurement requirements over time.
  - This pathway recognizes that ESSs have not necessarily had experience with RA or resource planning requirements and allows ESSs to start with simple but meaningful steps and progress to a more robust RA planning and reporting obligations.



- The OPUC has recognized the benefit of developing planning and reporting requirements over time in an incrementally more complex fashion (see docket UM 2005, the utility distribution planning docket).
4. Should a cost-effective regional RA program develop in the interim, ESSs should join the regional program rather than continue with state-specific RA planning and procurement requirements. If the program does not become operational, the OPUC will have moved the issue forward in the interim.

Procedural Steps:

1. *LSE reporting requirement:* During the first year, impose an RA reporting requirement on all LSEs, consistent with PacifiCorp's August 19 recommendation in advance of the August 20 workshop (p. 5, second bullet).
2. *Establish a process for developing interim RA requirements for ESSs.*
  - The OPUC should commence workshops to develop interim RA requirements.
  - The OPUC's IRP planning guidelines contain elements that could be tailored to create a foundation for ESS RA planning requirements.
  - These guidelines could be workshopped and developed into a basic ESS RA planning framework.
3. *Impose more robust planning and procurement requirements over time, unless and until a regional RA program is implemented and approved by the OPUC.*

**PORTLAND GENERAL ELECTRIC STRAW-PROPOSAL FOR A STATE RESOURCE ADEQUACY PROGRAM**

**I. INTRODUCTION**

Portland General Electric (PGE) presents our straw-proposal for a state resource adequacy (RA) program based on the Northwest Power Pool’s (NWPP) current conceptual design for a regional RA program.<sup>1</sup> PGE has taken the key elements of the conceptual design as described in Table 1 of the NWPP conceptual design document, and built on those elements to accommodate Oregon-specific concerns in two main ways:

- Participation by Oregon IOUs and ESSs in a state RA program would be mandatory, as would participation in the NWPP regional program.
- The proposed state RA program would include forward showings<sup>2</sup> of RA two and three years in advance of the peak seasons (e.g. summer and winter) in Oregon to ensure sufficient time to procure RA resources. These showings would seek to leverage the advisory showing information produced by the NWPP regional program.

PGE envisions that Oregon investor owned utilities (IOUs) and electricity service suppliers (ESSs) participating in a state RA program could also participate in the NWPP regional RA program once it is running and binding, allowing them to take advantage of regionally diverse RA resources.

In this document, PGE first outlines the key elements of an RA program, the current states of how the NWPP is addressing those elements, and how PGE’s proposal aligns with or builds on the NWPP effort.

**II. OVERVIEW OF STRAW PROPOSAL**

**A. Market Procurement**

**NWPP Concept:** Bi-lateral; entities will continue to be responsible for determining what resources and products to procure and from where (the NWPP concept includes a penalty for failing to meet RA requirements, see Section II. H)

**PGE Proposal:** No change from the NWPP conceptual design, with the exception that ESSs unable or unwilling to meet their RA requirements (either via self-supply or a third-party) could be obligated to purchase RA services from their host utility, and that the utility would be

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<sup>1</sup> NWPP, Resource Adequacy Program – Conceptual Design, August 22, 2020. [https://www.nwpp.org/private-media/documents/2020-07-31\\_RAPDP\\_PublicCD\\_v2.pdf](https://www.nwpp.org/private-media/documents/2020-07-31_RAPDP_PublicCD_v2.pdf)

<sup>2</sup> For clarity, the term “forward showing” refers to the point in time ahead of the applicable peak season where entities make a showing comparing the capacity contributions of their resources/contracts to the determined RA obligation.

compensated fairly. PGE is designating the provision of such a service under this scenario as the utility acting in an RA backstop role.<sup>3</sup>

## **B. Participation**

**NWPP Concept:** Voluntary to join; joining commits participants to meeting established requirements or incur penalties (i.e., not “voluntary” to comply once committed) and to an operational program where they are obligated to deliver diversity benefits when called upon. Process will be established to join or leave the program.

**PGE Proposal:** Oregon IOUs and ESSs will be required to join a state RA program. In addition, Oregon IOUs and ESSs will be required to also participate in, as practicable, the NWPP regional RA program. This would allow those Oregon IOUs and ESSs to access potentially more cost-effective and diverse sources for resource adequacy.

## **C. Point of Compliance**

**NWPP Concept:** For further discussion with stakeholders in Phase 2B: Detailed Design.

**PGE Proposal:** The point of compliance for a state RA program should be at the LSE level to capture both IOUs and ESSs.

## **D. Compliance Period(s)**

**NWPP Concept:** Two binding seasons: Summer and Winter. Fall and Spring seasons would be advisory (no penalties for non-compliance, but metrics would be provided).

**PGE Proposal:** Same as the NWPP preliminary design, with additional forward showings ahead of the binding seasons two and three years out (see Forward Showing Period Section II.E).

## **E. Forward-Showing Period**

**NWPP Concept:** Forward showing will occur 7 months in advance of binding compliance periods (see above), with a 2-month cure period.

**PGE Proposal:** In addition to the NWPP’s binding forward showing in year 1, additional forward showings two and three years ahead of the binding season (with potentially increasing RA requirements e.g. 60% in year 3, 80% in year 2, growing to 100% in year 1 to align with the NWPP year 1 obligation). Requiring binding RA showings in year two and three for both IOUs and ESSs in Oregon would ensure that those LSEs are planning for and procuring RA resources comparably. In addition, this modification would ensure that the complying entity - or the utility if acting as an RA backstop - has sufficient time to procure RA services. The current design of the NWPP program has the program administrator providing advisory assessments several years ahead of the binding season, which could be used in the state RA year 2 and year 3 assessments proposed above.

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<sup>3</sup> For clarity, this proposal uses the term “RA backstop” to refer exclusively to a scenario where an entity is unable/unwilling to demonstrate resource adequacy and the utility must act to procure/provide RA for its entire footprint, including the deficient entity.

## **F. Planning Reserve Margin (PRM)**

**NWPP Concept:** Seasonal Planning Reserve Margins will be determined for summer and winter periods and expressed as a percentage of the 1-in-2-year seasonal peak load forecast. The PRMs will be based on a 1-in-10 Loss of Load Expectation (LOLE) analysis for each season.

**PGE Proposal:** For the state RA program, Planning Reserve Margin would be determined for summer and winter periods (as with the NWPP conceptual design), but only apply to relevant load in the Oregon (as opposed to regional) footprint. Ahead of the NWPP program becoming operational, the PRM would be informed by current NWPP and regional work, but would be administratively (as opposed to analytically) determined. For example, IRPs and regional work could show a 10-16% PRM is appropriate, and the OPUC could establish 13% as a simple solution. If the NWPP program is successful, the PRM would be aligned to/informed by the NWPP advisory analysis produced for years beyond the binding season.

## **G. Resource Capacity Accreditation**

**NWPP Concept:** Resource Capacity Accreditation will be based on methodologies appropriate to resource type, including:

- Variable Energy Resources and Run of River Hydro: ELCC analysis
- Storage Hydro: Still under development. Current proposal is based on historical data, ELCC analysis, and capabilities of hydro projects during capacity critical hours.
- Thermal: Unforced Capacity (UCAP) methodology
- Other resources (e.g., demand-side resource, energy storage, behind-the-meter): Being developed in the ongoing Phase 2B: Detailed Design work.

**PGE Proposal:** In order to implement a state RA program in a reasonable time (in other words, before the NWPP regional program becomes binding in Phase 3 Stage 2 – Summer 2023), the state program could leverage existing information on resource capacity contribution from regional IRPs without the need to conduct additional Oregon specific studies. Requirements and limitations for the qualification and contribution of contracts and market purchases should be aligned with the NWPP regional design.

It will be important to flag any differences in accreditation between the Oregon and NWPP approach to ensure the programs can merge harmoniously and Oregon LSEs can take advantage of what the NWPP regional RA program produces. If the NWPP program is successful, advisory information produced by the Program Administrator could be used to establish resource capacity credit.

## **H. Penalty for Non-Compliance**

**NWPP Concept:** Deficiency payment based on Cost of Next Entrant (CONE) for a new peaking gas plant (e.g., SPP's CONE calculation). Further discussions on deficiency payments are anticipated in Phase 2B.

**PGE Proposal:** PGE is continuing to consider this element, which may potentially depend how many years ahead of the binding season it is. For example, if a utility acting as RA backstop supplies an ESS with RA three or two years ahead of the peak seasons, a penalty would be unnecessary. However, once an LSE is seven months ahead of the peaks season (for example in year one of the NWPP regional RA program), a dissuasive penalty for non-compliance is necessary as likely insufficient time would remain to procure resources.

### **III. CONCLUSION**

PGE is grateful for this opportunity to share a straw proposal and looks forward to discussing other parties' submission at the workshop scheduled for November 16, 2020.

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- **Points of Potential Agreement:**

- The Commission should address RA through a separate docket
  - Yes, resource adequacy (RA) is a critical element of building an affordable, reliable, clean energy future. Portland General Electric (PGE) recommends that RA be addressed through a separate docket to ensure all electricity providers are contributing to this essential part of our shared reliability and climate goals. PGE recommends that such a docket should address RA holistically by focusing on both near-term interim solutions before the Northwest Power Pool’s (NWPP) regional program is launched (state RA framework part 1, discussed below), and longer-term solutions that ensure reliability in Oregon, without compromising the goals of decarbonization or affordability (state RA framework part 2, also discussed below).
  - RA has been discussed and explored explicitly in multiple rounds of comments and three workshops over the last year in docket UM 2024. The Commission should consider what type of proceeding would be most efficient and at the same time ensure robust stakeholder engagement. As it follows, the Commission may find that an uncontested case with comments will enable broader stakeholder participation. However, a contested case is likely necessary at a later juncture for the Commission to develop the record needed to render an evidence-based decision and determine whether an RA program is in the public interest.
- ESSs and utilities should both participate in an RA solution
  - Yes, both investor-owned utilities (IOUs) and electricity service suppliers (ESSs – providing power for direct access customers) need to plan transparently to meet minimum resource adequacy standards and ensure that adequate physical capacity resources are procured to meet future demand.
  - ESSs open to investigation of backstop/charging and planning
    - PGE would welcome further investigation into the role of the utility as RA backstop. PGE understands that in the future, ESSs would likely be responsible for determining what products and resources to procure in order to comply with any RA requirements, whether self-supplying or via a third party (including the host utility). In the scenario where an ESS is unable to meet their RA requirements, PGE envisions a framework where the ESS would be obligated to purchase RA services from their host utility, and that the utility would be fairly compensated. Shifting the RA obligation to the host utility could require the adjustment of planning processes to reflect the increased RA requirement.
- There is value in NWPP approach/regional approach – parties do not want to foreclose this or frustrate the NWPP program with a state program
  - Any state program should avoid creating conflicting requirements, etc.

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- PGE agrees that the NWPP’s regional program could allow Oregon IOUs and ESSs to access potentially more cost-effective and diverse resources for addressing nearer-term resource adequacy several months ahead of need. A state framework could have two components, both of which could be designed to harmonize with the NWPP program without duplicating or disrupting it:
  - **Part 1** – A mandatory “interim” RA framework for Oregon IOUs and ESSs that could be deployed ahead of the NWPP’s program becoming binding (the NWPP is currently targeting Summer 2023 with an RA showing in fall 2022). This could take advantage of features in IOU’s existing integrated resource plans (IRPs) as well as the conceptual design elements of the NWPP’s regional RA program. This would also facilitate the transition into the NWPP program if and when it is successful; and
  - **Part 2** – In the longer term, consideration of additional design features that could supplement the NWPP program to overcome the limitations of its regional approach and address unique elements of the electricity industry in Oregon. The limitations in the NWPP’s current conceptual design include the voluntary nature of participation and the insufficient time to respond to RA needs. **Addressing these limitations will be necessary whether or not an interim RA framework is pursued** (part 1 above). To address these limitations in the NWPP conceptual design, a state RA framework could:
    - Mandate participation by Oregon IOUs and ESSs in the NWPP regional program.
    - Include forward showings of RA two and three years in advance of the peak seasons (summer and winter) for Oregon IOUs and ESSs to ensure sufficient time to procure RA resources. These showings would seek to leverage and integrate the advisory showing information produced by the NWPP regional program as well as information and analysis available in IRPs or IRP updates filed with the Commission.
- An interim state RA framework (part 1) should avoid or minimize potential conflicts with the NWPP’s regional program, and where discrepancies are identified they should be resolved in a way that facilitates the transition into the NWPP program.
- Additional design features to supplement the NWPP regional program (part 2) should be implemented in a complementary manner than consciously builds upon – rather than frustrates – the NWPP’s design.
- The Oregon solution should allow for time to affect change/bring about a remedy.
  - PGE agrees that an Oregon RA framework should allow for sufficient time for IOUs and ESSs to respond to RA gaps, whether as part of an interim RA process at the state level (part 1 above) or as part of additional design considerations to supplement the NWPP’s regional program (part 2 above).

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- A ‘forward showing period’ period describes how far ahead of the compliance period (for example, winter peak season) an entity is required to ‘show’ it is holding enough resources to be adequate. Currently the NWPP conceptual design has a 7-month forward showing period, but PGE believes that is insufficient to respond to RA gaps and cost-effectively plan for procurement. A state RA framework for the NWPP program (part 2 above) could contemplate additional showings two and three years ahead of the peak season, ensuring IOUs and ESSs have sufficient time to plan and procure for resource adequacy as necessary.
- **Points of Potential Disagreement:**
  - Whether/what to do on a state-specific level ahead of NWPP, given:
    - Timing for development of a state-specific program:
      - PGE understands the NWPP’s regional RA program’s first binding period is currently targeting summer 2023 (at the earliest) with a forward showing seven months in advance in fall 2022. Like many regional efforts, the NWPP RA program design is a complex undertaking that will take substantial time to design and implement. While the effort is making progress and continuing ahead, it has been made clear that dates outlined by the NWPP are “at-best” estimates.
      - If a state RA framework were to include provisions for an interim process ahead of the NWPP program becoming binding (part 1 above), highly analytical and time consuming metrics such as the planning reserve margin (PRM – the amount of capacity that that needs to be held above load to ensure acceptable levels of reliability) and resource capacity accreditation (the extent to which different resources - wind, solar, thermal, hydro, demand-side – count towards meeting load plus PRM) could be determined administratively and be informed by current NWPP and regional work as well as filed IOU IRPs.
      - There would appear to be sufficient time to explore how a state RA framework could consider additional design features that could supplement the NWPP program once it is launched (as discussed in part 2 above).
    - Whether a state program could appropriately complement, rather than frustrate or replace, a regional RA solution.
      - PGE believes that a state RA framework could both build upon and complement the NWPP’s regional solution. Like many other utility members of the NWPP, PGE is supportive and playing a leadership role in many aspects of the regional RA effort and we neither intend nor want a state RA framework to replace or frustrate the regional work. Rather, we believe our role in the NWPP RA efforts positions us well to ensure that a state RA framework (whether an interim process ahead of the NWPP program



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and/or additional design features to supplement the NWPP program once it is launched) is complementary.

- It takes time to actually develop RA resources (including storage, etc.)
    - PGE agrees that both physical resources and contracts can take many months to years to procure, and that is why we advocate for a state RA framework that would ensure sufficient time to respond to RA gaps, whether as part of a state RA process ahead of the NWPP (part 1) or as further forward showings for Oregon IOUs and ESSs participating in the NWPP once it is launched (part 2).
  - Whether RA concerns are at a critical point in Oregon and the Northwest
    - Some seem to suggest need to move as quickly as possible; others seem to suggest we have time to see if NWPP goes somewhere and how. Urgency vs Efficiency.
    - The public expects that with the flip of a switch, the lights will turn on. But, a lot of planning goes into making that happen: constant balancing of the system to ensure reliable flow of power to meet current demand (reliability), next hour and next day planning and adjustments (resource sufficiency) and planning years in advance and acquiring resources to ensure there is enough capacity to meet future needs (resource adequacy). As fossil fuel plants continue to retire and be replaced by cleaner generation, it is essential that both IOUs and ESSs work together to ensure the system is resource adequate. A state RA framework that included an interim RA process for Oregon's IOUs and ESS would be the initial means by which the OPUC could determine the urgency of the RA issue. A separate RA docket would allow us to efficiently explore this aspect of a state RA framework together.
  - The level of resource risk/RA risk we are trying to address
  - What resources would qualify to address RA
    - If a state RA framework were to include provisions for an interim process ahead of the NWPP program becoming binding (part 1 above) resource qualification and capacity accreditation (the extent to which different resources - wind, solar, thermal, hydro, demand-side - count towards meeting load plus PRM) could be determined administratively and be informed by current NWPP and regional work as well as filed IOU IRPs. Parties may initially disagree on what resources qualify and the extent to which their capacity counts towards any RA requirements, but a dedicated docket would provide an efficient procedural pathway to addressing these issues in a timely manner and provide transparency into what planning already occurs and what resources are counted on.
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- **Specific Areas for Further Investigation/Understanding**

### General

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- How eminent is a capacity shortfall in the state? What is the level of risk to ratepayers?
- See PGE’s comments on ‘Whether RA concerns are at a critical point in Oregon and the Northwest’.

### PGE

- More detail on how a RA backstop program would work.
  - Does it need to be the BAA who provides?
    - In a scenario in which the RA backstop role is triggered, the ESS would have exhausted all other options for procuring products to comply with its RA requirements, whether self-supplying or via a third party (including the host utility). Within the context of a state RA framework (whether part 1 or part 2), PGE’s understanding is that the OPUC’s is in charge of state resource planning and its jurisdiction extends to IOUs, not BAAs, so it is the utility that would have to be the final RA backstop.
  - How do we avoid double penalties if ESS is operating in NWPP?
    - If an ESS failed to comply with the advanced forward showing periods overlaid on the NWPP regional program (state RA framework part 2), a financial penalty may not make sense to address the inadequacy as there is time for the utility to step in as RA backstop if necessary (and be compensated fairly). Ultimately, the objective of an RA program or standard is to ensure adequacy and reliability, which is best accomplished through adequate resources rather than financial ramifications.
    - The NWPP program is contemplating a financial penalty should an entity fail to meet its 7-month ahead showing (with perhaps an additional two months to “cure” or resolve the inadequacy). Under such a scenario, there would be very little time to respond to the RA need - in that situation an approach using a dissuasive penalty could be useful. As stated above, PGE’s goal is to harmonize with and complement the NWPP RA program.
    - The role of RA backstop and interactions with the NWPP’s penalties should be more fully explored in an RA docket.
  - How quickly can something be set up?
    - PGE refers to the above discussion on “Timing for development of a state-specific program.”