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Northwest Power Pool
7505 NE Ambassador Place, Suite R
Portland, Oregon 97220

Lea Fisher
Public Generating Pool

Re: Feedback on Detailed Design for the Western Resource Adequacy Program

We appreciate the efforts of the Western Resource Adequacy Program (WRAP) Steering Committee and all interested stakeholders for their contributions in development of this program for the region. WRAP has the potential to offer vast benefits to load-serving entities and their customers across its footprint by leveraging the regional load and resource diversity.

These comments and recommendations jointly submitted by **Renewable Northwest, NW Energy Coalition, Western Resource Advocates and Oregon Citizens' Utility Board** highlight the importance of a fair and transparent governance structure, technical design of the RA program and ensure that meaningful voice is provided to state regulators and other stakeholders. Furthermore, the success of WRAP has implications for potential future regional coordination including expansion of a regional wholesale market that deserves additional considerations. The WRAP could set a precedent for future regional market expansion activities and we hope that any approved program design and governance framework is a stepping stone to address the future needs of a changing Western resource mix and western clean energy policies and mandates. Further, the WRAP should be set up in ways that facilitate future regional coordination efforts for wholesale energy needs, and not just capacity planning. We look forward to working with the Steering Committee to provide feedback and comments as the program kicks off in the future.

Governance

Over the past 12 months we have come to see the significance of the governance proposal of this program. During the September 10 WIEB states committee webinar Commissioner Blank (CO) requested consideration for how the proposed governance structure could be a model for best practices for governance in the region. There is clearly an expectation from outside stakeholders

that an opportunity to establish a much needed regional agreement on how to move forward in a coordinated way to address the challenges of our evolving electricity grid lies before us with the proposed WRAP. Due to the critical importance of this program, as well as the desire amongst many in the region to consider how the effort might evolve into something larger, it is crucial that the governance provisions will result in the most successful outcome for the region and all affected stakeholders. As such we offer the following comments and suggestions on the proposed governance structure.

- **Independent Board of Directors (BOD)**: We are extremely pleased to see the NWPP basing their governance structure on the existence of an independent board. We urge the NWPP to consider carefully the role of the BOD and the methods by which directors are nominated to make certain of continued adherence to principles of independence (as established by FERC in Orders 888 and 2000). Directors should be nominated and elected based on their experience, and their ability to represent all stakeholders impacted by the program and further the public interest, not to represent certain sectors. While we have commented previously that it is preferable that a BOD is created which is completely separate from the other programs offered by the NWPP, we understand that this is unlikely to be considered; therefore, we urge that strict firewalls and backstops are created between NWPP programs to ensure that any individual or organization with a financial interest in one or more NWPP governed programs are not allowed undue influence over the resource adequacy program. We further recommend that until such time that a new board is elected and full independence is demonstrated, the existing NWPP CEO should be a non-voting member of the board. This will protect from undue influence over selection of board members by someone with a current financial interest in the program. The only exception for the "existing" NWPP CEO" to be a voting member, would be in matters of NWPP "personnel management and operational expenses related matters" but even in those instances, we request that the Board agenda items be clearly identified for those items that warrant "voting or no-voting" requirements. Even in these unique instances, we recommend the NWPP CEO not be awarded "voting rights" if it's a tie. A truly independent Board should reflect the independent perspectives and decision-making of the collective Board (not salaried employees of NWPP) and not be arbited or resolved in a tie-breaking situation by the officiating NWPP CEO alone. If a tie-breaker situation is to arise, the Board should revisit the deliberations. The CEO's participation and input in board proceedings is valuable, but with influence over the voting process, this can lead to the perception that the BOD is not truly independent.

- **Role of the Board of Directors:** In the September 10 WIEB states committee webinar, Commissioner Ann Rendahl discussed how under the proposed governance proposal, the BOD is not "yet" a truly independent entity. She pointed out that the BOD may not have the option to review proposals before either amended or rejected by the RAPC and in

some cases can be assumed to have given approval for any proposals that they do not act on. We support Commissioner Rendahl's view that the BOD must have the final say on all amendments to the program and that they must have an active role in reviewing all proposals and amendments and must hold the RAPC accountable for all recommendations and actions.

- **Board of Directors Nominating Committee (NC):** We commend the NWPP for considering the use of a NC to support election of a BOD. The NC should be fairly balanced and represent all impacted stakeholders. This sentiment is shared by not only the public interest organizations represented in this letter, but also by state regulators. In the WIEB/NWPP webinar on August 6th, Oregon PUC Chair Decker stated "Balance of power matters," when referencing the makeup of the NC. Several other commissioners weighed in in support of Chair Decker's request that equal weighting of representation on the committee be considered. To meet the request of state regulators as well as public interest organizations, we recommend that the NC process adhere to the following operational structure and principles:

    - **NC Participants:**
        - Utilities:
            1. IOUs (1)
            2. COUs (1)
            3. Retail Competition LRE (1)
            4. Federal PMA (1)
            5. Independent power producers/marketers (1)
        - Public Interest Organizations (1)
        - Customer advocacy groups (1)
        - States committee representative (1)

    - **NC Principles:**
        - The NC shall be sector appointed individuals and once established the nominating committee shall have the opportunity to review the application of any incoming committee members.
        - The NC shall strive for consensus and rely on voting only when consensus cannot be reached
        - The NC shall prioritize nomination of the most qualified members of the BOD, whose responsibility shall be to represent the interests of all stakeholders involved across the entire geographic region

- **RA Participant Committee (RAPC):** As mentioned previously to ensure full transparency and maintain an independent governance structure, the RAPC must not have

final authority to approve amendments or reject proposals without full review of the BOD. Furthermore, RAPC meetings should be held open to the public and opportunities for public comment should be provided. In the September 10 WIEB states committee webinar, Colorado PUC Chair Blank requested that a member or member(s) of the states committee be allowed to participate in the RAPC. We support this recommendation and feel it will go a long way to demonstrate the appropriate level of coordination between program participants and state representatives and also serve to address perceptions that the RAPC's structure and role potentially undermines the full independence of the BOD and NWPP decision-making process.

- **Program Review Committee (PRC):** We commend the NWPP for considering the use of a PRC made up of sector representatives to evaluate and provide input on all operational and governance amendments. We recommend equal weighting across sectors for members of the PRC as recommended above for the NC. To ensure a fair and balanced process, we recommend that the PRC process adhere to the following operational structure and principles:
  - **PRC Participants:**
    - Utilities
      1. IOUs (2)
      2. COUs (2)
      3. Retail Competition LSE (2)
      4. Federal Power Marketing Administration (1) *(if there are two FPMAs participating in the NWPP RA program, a participant from each should be represented)*
    - Independent power producers/marketers (2)
    - Public interest organizations (2)
    - Customer advocacy groups (2) - (We request an opportunity to discuss the definition of Customer advocacy groups in this context)
  - **PRC Principles:**
    - PRC participants shall be sector appointed representatives and once established the PRC shall have the opportunity to review the application of any incoming members.
    - The PRC shall strive for consensus in recommended design or governance changes, however it acknowledges that not all issues shall achieve consensus, therefore shall strive to ensure that the opinions and recommendations of all PRC members are fully transparent to the BOD prior to final decision making.
    - If any PRC recommendations or proposals upon review by the RAPC are amended or denied, the PRC shall have an opportunity to amend prior to review

or recommendation to the full BOD. Individual PRC members shall also have the opportunity to provide feedback directly to the BOD on any issues.

- **Committee of State Representatives (COSR):** We value a meaningful role of state regulators in the resource adequacy program. Through the WIEB hosted webinars, we clearly heard a desire for states to play a role that is greater than "advisory." This may require a unique governance structure as no template for state regulator participation in a stand alone RA program currently exists. We heard clearly from some regulators that retaining authority over reliability and resource adequacy for the utilities they regulate was important. In the September 10 WIEB states representative webinar, Commissioner Thompson (OR) explained how states' current authority to determine many aspects of the proposed program for the utilities they regulate needs to be retained. It is unclear if the RA program will have FERC 205 filing rights. If so, we support Commissioner Thompson's suggestion that the states' authority be retained by the granting of Section 205 filing rights by FERC upon the approval of the program. RNW supports this suggestion and notes that New Mexico State Commissioner C. Hall also voiced support for the granting of FERC Section 205 and 206 filing rights as "*backstop provisions*" to address situations where states feel they need the ability to petition a decision.

- **Program Operator (PO):** It is critical that there are no financial ties to the PO and any program governed by the BOD other than the operation of the NWPP RA program itself. RNW & WRA suggests that language be included to ensure that individuals with leadership positions in programs governed by the BOD do not have any ties to the PO. Prohibited ties would include the PO or a PO representative (employee or member) having a governing position within the organization or being a "member participant" of the RA program.

- **Term Limits:** We support consideration of term limits for the BOD members with the document proposed maximum of two terms. We believe a third term would be valuable from a continuity perspective but grounds for that consideration to be explicitly made.

Role of Independent Evaluator (IE) (RNW and WRA)

- RNW & WRA recommend defining the role and responsibility of an independent evaluator prior to the non-binding forward showing phase to assess the program operation, benefits to participants and overall health & functioning of the RA program.

- The IE should be provided access to substantive data to conduct independent evaluation of QCC methodology and values to ensure that all resources and participants are being accounted for fairly and accurately.
- Data sufficient to prove out the success of the program should also be made publicly available. Such data may also include summaries of how the program operated during major west wide weather events. WRAP should strive to make aggregate data available where possible, while protecting detailed data that is CEII or demonstrated to have commercial sensitivity.
- We also recommend creating specific "trigger event" scenarios which would entail a closer look and data transparency for the IE to conduct an independent analysis into QCC analysis, forward showing, transmission & deliverability and the operational program.

Forward Showing Program Design

- We appreciate the use of synthesized solar and wind generation profile data going back to 2010 to inform capacity critical hours (CCH) especially for resources which do not have operational data. We suggest using a publicly available historical hourly meteorological dataset (TMY-3) - National Solar Resource Database (NSRDB)[1] for solar and Western Wind & Solar Integration Study[2] or WIND toolkit[3] data (or similarly granular public data) for wind to provide a uniform framework for data collection and analysis. The selection of primary source datasets should be a topic of discussion in the PRC.
- We suggest using or requiring (from utilities) the same source or use of publicly available sources to develop synthesized profiles to calculate the ELCC values (Section 2.5.2) for solar, wind and the VER component of hybrid resources. This would avoid a disconnect between the two analyses and ensure a robust framework which is data-intensive. Currently, the CCH analysis uses a 10 year data set while the ELCC values are proposed to be calculated using "at-least 3 years" of data. We recommend increasing this requirement to capture inter-annual variability of resources like solar and wind which may have material effect on ELCC values. Additionally, we also suggest providing the SAC with insights into what modeling tool, methodologies and platform would be used to conduct ELCC analysis for renewable energy resources.
- We recommend including the worst performing year in the dataset to evaluate the capacity contribution of thermal resources using the UCAP methodology to ensure that the effects of thermal inefficiencies in resources due to higher or lower temperatures are

[1] https://nsrdb.nrel.gov/about/tmy.html

[2] https://www.nrel.gov/grid/wind-integration-data.html

[3] https://www.nrel.gov/grid/wind-toolkit.html

accounted for. At the minimum, this should be a key topic of discussion for the PRC. Excluding years based on performance could essentially lead to issues during the operational timeframe leading to loss of load events across the region due to lack of capacity as was the case in California last summer or Texas in 2021.

- We are still unclear as to the methodology used to select storage's 5-hour requirement. We are supportive of the additive or "sum of parts" method to evaluate the QCC value of hybrid resources but recommend using a 4-hour duration requirement for storage for the initial years followed by an update to a performance-based methodology using ELCC when more operational data is available. It is important to point out that the CCH methodology arbitrarily chooses the 95th percentile instead of actual RA modeling which entails looking at specific durations of the expected unserved energy (EUE) events.

Thus, we propose the following QCC formula for hybrid resources limited to the injection limit specified by the Participant:

QCC of Hybrid Resources = ELCC of VER Component + ICAP of 4-Hour Energy Storage Equivalent

- The design document mentions that:

  "The FS Program will determine and demarcate geographic VER zones for each VER resource type and assign existing VERs to a zone. Effective load-carrying capability studies will be performed for each VER zone (and VER type), calculating a total capacity value of the resource of interest in that zone. The capacity calculated for each zone will be allocated to VERs of that type in that zone on a pro-rata basis."

We recommend avoiding an overly simplistic selection of resource zones, instead looking at different geographical variations granularly prior to selection of resource zones to avoid under or overcounting renewable generation profiles for eventual input into the ELCC analysis. The document also mentions conducting "additional ELCC analysis for future VER resources" to account for decreasing marginal contribution to meet capacity needs. It is important to note here that addition of storage resources to future and existing renewable energy resources would essentially firm this capacity and provide a diversity benefit. Thus, the synergistic effect of storage resources should be accounted for in any such study or modeling effort in a co-optimized manner instead of conducting analyses on standalone resources like solar, wind and run-of-river hydro and separately for storage resources. There may also be cases when new resources added

within a zone perform well above zone averages which make a timely ELCC update process essential for the RA program.

- While we appreciate the detailed description of details for the Forward Showing program, we continue to have concerns about many aspects where it would be helpful to have dialogue to provide more context. For example, the distinction between Load Modifier and Capacity Resource demand response (p. 79) focuses on reserve requirements. We do not believe that DR programs are so easily classified in these binary terms. With several utilities such as PGE and PacifiCorp already taking significant steps to scale up DR resource acquisition, and with much more potential across the footprint, the WRAP program design should take a forward-looking approach to facilitate DR resources and provide significant near-term RA value.

Operational Program Design

The Ops Program would be an essential component of the RA program to enable participants to tap into the regional diversity of resources and loads across the program's geographical footprint. With discussions of an Extended Day-Ahead Market on the horizon, it would be important to ensure flexibility in the Ops program especially with the parallel operation of the Western Energy Imbalance Market (EIM). In light of these other programs and future market developments, we have the following questions on the functioning of the operational component of the RA program:

1. The Ops Design section mentions "equitable benefits" as one of its core principles. We have concerns over the ability of the program to ensure these benefits flow to all participants equitably in light of differing levels of transmission interconnections among the participants. For example, participants like NorthWestern Energy may be disadvantaged compared to a utility like PacifiCorp because of their location and transmission availability to tap into the Ops program.
2. The program design calls for participants to demonstrate at least 75% of firm transmission for the resources (or contracts) claimed in the FS portfolio from source to load at FS deadline. When sharing is forecasted in the Ops program, participants need to demonstrate firm transmission for resources not previously shown to have NERC priority 6/7 transmission. With recognition that timely release of unused transmission would be critical for complying with WRAP obligations, we are concerned that firm transmission holders could exercise market power by withholding rights thereby creating a situation in which an LSE has firm resources but does not have firm transmission to participate in the program. We recommend providing analytical justification for the "75% firm

transmission" obligation in light of these facts and recommend serious consideration of NIPPC's proposal to limit these requirements to specific upstream or downstream transmission paths or exempting wheeled service across BPA territory since BPA transmission rights are particularly prone to curtailment, even if an entity has firm transmission rights.

3. We recommend that transmission and deliverability be discussed in detail in a workshop setting to provide the opportunity for stakeholders to ensure that the key design elements are well-understood and provide an opportunity to ask targeted questions.

4. The eligibility criteria for participants to access the pooled capacity depends on the following formula:

   Sharing Requirement = [***P50*** + ***PRM*** − ***Δ Forced Outages*** + ***ΔRoR Performance*** + ***ΔVER Performance***] – [***Load Forecast*** + ***ΔCR*** + ***Uncertainty***]

   a) We have particular concerns over how the PO would decipher whether the change in the level of "forced outage" term for thermal or hydro resources is not due to a fuel or economic decision which is stated to be excluded from this formula. We recommend more thought be put into this aspect to ensure a level playing field among resources.
   b) In the case of transmission de-rates affecting a participant, we recommend clarifying the time horizon available for the entity to inform the program operator.
   c) We recommend necessitating thorough documentation to the PO for cases when a participant claims a transmission-related forced outage, including, but not limited to, contracts, transmission contracts, e-tags, etc. to support the participant's forced outage report especially in cases where multiple participants may be affected by the unavailability of the transmission. This is essential to ensure that the actions of one participant are not affecting the operation of the entire RA program.

We appreciate the thoughtful consideration of our comments and questions and look forward to further conversations on these topics at the next Stakeholder Advisory Committee meeting.

Sincerely,

Nicole Hughes
Executive Director
Renewable Northwest

Lauren McCloy
Policy Director
NW Energy Coalition

Vijay Satyal Ph.D.| Manager, Regional Energy Markets
Western Resource Advocates
307 West 200 South, Suite 2000
Salt Lake City, UT 84101
541-231-7473 (m)

Mike Goetz
General Counsel
Oregon Citizens' Utility Board