



WPTF Comments on the Detailed Design of the NWPP Western RA Program (WRAP): September 15, 2021

Introduction

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current, high level of system reliability. WPTF supports development of competitive markets throughout the West and of uniform rules to facilitate transactions among market participants. The membership of WPTF includes energy service providers, generators, power marketers, scheduling coordinators, financial institutions, energy consultants, and public utilities. WPTF's membership actively participates in electric power markets in the West and across the country.

WPTF appreciates the opportunity to comment and seek clarification on the Detailed Design document for the Northwest Power Pool (NWPP) Western Resource Adequacy (RA) Program or "WRAP." WPTF has been monitoring the development of the WRAP and is excited to participate as the program development and implementation moves to the next stages. WRAP is, as the participants have noted, a valuable incremental step which should provide regional benefits and promote reliability across the interconnection. Participants should be commended for their significant work in developing a detailed design and moving the region closer to uniform rules for RA, which should help to facilitate transactions across participants.

These comments seek clarification and additional details on the appeals process under the proposed governance structure and on the process for developing Variable Energy Resource (VER) zones for purposes of calculating zonal Effective Load Carrying Capability (ELCC) values. Additionally, these comments raise some concerns with the Operational Program ("Ops Program") and how the Holdback Requirement might affect bilateral markets, liquidity and entities that are not "Participants" in WRAP. Finally, WPTF requests additional study, analysis, and discussion around the proposed requirement for participants to demonstrate 75% of claimed RA resources can be delivered to load on firm, conditional firm or network service. We look forward to working with the NWPP to understand additional details of the program and to address concerns about the impacts of the Ops Program and to further explore the firm transmission requirement in the Forward Showing Program.

Finally, it should be noted that, while the current design of WRAP will rely on the bilateral market and Open Access Transmission Tariff (OATT) structure, moving to an organized wholesale market would provide greater certainty and ability to capture regional diversity and should address the concerns raised in these comments around the Ops Program and the forward demonstration of firm transmission rights. An organized market is sure to offer



substantial reliability and renewable integration benefits, among other benefit categories, to NWPP participants. WPTF hopes the development of the RA Program is an incremental step and that development of a Regional Transmission Organization (RTO) for the region will begin to be explored in the near future.

Request for Clarification and Additional Details on the Process for Appealing RA Participant Committee (RAPC) Decisions

The proposed governance structure of the WRAP includes an independent board and a very strong RA Participants Committee (RAPC). The RAPC would have substantial oversight over the governance of the program, including a provision that would deem anything approved by the RAPC as approved by the Board unless the decision is appealed to the Board. This makes the appeals process critically important in ensuring that the WRAP has the necessary levers to allow for independence from the participants themselves.

WPTF seeks clarification on the appeals process and seeks a better understanding of which stakeholder or stakeholder groups would have rights to appeal a decision to the Board and how that appeals process would work. One section of the Detailed Design document states that *“any action, or inaction, taken by the RAPC may be appealed by any stakeholder to the NWPP BOD for ultimate resolution.”* Yet other portions of the document specify that certain groups, such as the Program Review Committee (PRC), will have appeal rights, leading to some uncertainty about who will have the ability to appeal RAPC decisions to the Board. Given that the RAPC and the Program Review Committee will both have the majority of members from the load serving entity sector and understanding the proposed limited ability the Board will have to review decisions of the RAPC, ***it is critical that appeal rights be broadly available to any stakeholder in order to inject a level of independent into the governance process.***

Additionally, WPTF seeks clarification from the NWPP on the appeals process and how it would work. For instance, can any individual appeal a decision to the Board, or must the stakeholder have a certain standing in order to make an appeal? When must appeals take place and would they be directly presented by the stakeholder to the Board? These types of clarifications will be critical in determining whether the proposed governance structure offers needed independence from market participants. WPTF appreciates any clarifications that NWPP can provide on the appeals process and “who” can appeal RAPC decision to the Board.

WPTF Requests Additional Information on the Process and Timeline for Developing Variable Energy Resource (VER)

As the WRAP prospective participants no doubt understand, the development and definition of VER Zones will be critically important for current and future renewable resource capacity valuation and, consequently, renewable procurement activities of participating entities. We understand that the VER Zones are not yet developed and that, going forward, the Forward



Showing Program will determine and demarcate geographic VER Zones for different renewables resource types. Effective Load Carrying Capability (ELCC) studies will then be performed for existing VERs and for future VERs, with future VER studies assessing various levels of incremental capacity additions for each resource zone to calculate an ELCC curve for future capacity values which is dependent on resource penetration levels.

It would be helpful for NWPP to further explain the process and timeline for developing VER Zones and associated ELCCs under WRAP. Stakeholders would benefit from an early understanding of the timeline, process, and any opportunities they may have to be involved in this determination. Given that the definition of these zones will be crucial to future renewable development, NWPP should be as transparent as possible about the development of VER zones and the criteria that will be used to demarcate VER zones. We encourage NWPP to consider opportunities for stakeholder involvement in the determination and finalization of these zones and look forward to opportunities to participate in the process.

Operational Program, Including Hold Back Requirement May Prove Problematic for Liquidity in Broader Bilateral Markets

NWPP has proposed an Operational Program or “Ops Program” to complement the Forward Showing Program. The Ops Program is intended to monitor Participants’ forecasted load and available generation to determine whether a Participant may be likely to not have sufficient capacity to meet its demand. The Ops Program would include a sharing element, under the bilateral market construct, to enable sharing of “held back” capacity to WRAP Participants that are deficient.

The goal of the Ops Program is to provide diversity and reliability benefits to Participants under the confines of existing frameworks (e.g. the bilateral energy market and contract path transmission framework). This goal is laudable and, in the absence of an RTO in the region, WPTF recognizes that WRAP must develop unique mechanisms to help ensure capacity can be shared and to increase reliability. We also recognize that the Ops Program and sharing provisions include limitations preventing the sharing program from being used very frequently and, additionally, are designed to ensure that WRAP participants will not be asked to “hold back” capacity above and beyond their forward showing obligations. These elements help to temper, but not eliminate, concerns around the potential impact of the Ops Program on the bilateral markets.

The Ops Program might give pause to entities across the West which may not be part of the WRAP, such as the California Independent System Operator (CAISO), marketers, and other Load Serving Entities (LSEs) that, for whatever reason, will not be WRAP “Participants.” The Ops Program is designed around determining “Holdback Requirements” in defined instances. In these defined situations, Participants that have surplus capacity, within their forward showing



obligation, would have to “hold back” that capacity for use by other Participants and would not be able to offer held back capacity for sale in the bilateral or CAISO markets. The Detailed Design document provides significant details regarding the Holdback Requirements and when and how held back capacity would be released (or when it must be retained to provide energy to Participants in need). But, the fact remains that any Holdback Capacity would be withheld from any non-participants, and these Holdback Requirements are most likely to occur during times of system shortages. This is likely to decrease liquidity in the bilateral market during Holdback events, which are likely to be closely correlated with shortage conditions in the region and will likely have implications for market prices during shortage conditions.

While not the intention of the Ops Program, this effectively creates withholding of capacity from non-participants, including marketers and the CAISO. Though we recognize that the amount of held back capacity by any participant would not go above their Forward Showing obligation, the impacts to market liquidity and prices still require additional analysis and consideration. NWPP should thoroughly consider the impacts of the Ops Program and determine if there are modifications to the program that can achieve its laudable goals without creating withholding conditions in the broader western electricity markets, even if those conditions would be somewhat limited in their application and by the amount any WRAP participant could be required to hold back.

While we recognize the NWPP is not ready to consider an RTO, it should be noted that development of an RTO would address these concerns and would alleviate the withholding concerns created by the development of the Ops Program. We look forward to working with NWPP on potential solutions/modifications to the Ops Program and to further considering the impacts to the bilateral markets that might result from the implementation of the proposed Ops Program.

WPTF Requests Additional Study and Analysis of the 75% Firm/Conditional-Firm/Network Service Requirement in the Forward Showing Program

The proposed Detailed Design for the NWPP WRAP includes a requirement for participants to demonstrate, seven months in advance, that at least 75% of the resources shown in their forward showing obligation are deliverable on Firm/Conditional-Firm or Network transmission service that is procured or contracted for by the Participant. WPTF is concerned that this forward transmission requirement hasn’t been sufficiently studied and that it could result in numerous market providers being excluded from, or unable to comply with, the proposed requirements of WRAP.

In the OATT transmission world, a key mechanism for preventing the exercise of market power by entities that own long-term transmission rights is the required release of transmission rights by firm holders who aren’t utilizing those rights. Though there are differences in the process



and timing of this release by Transmission Providers, the release of unused transmission rights helps provide other market participants with access to necessary transmission and power supply that would otherwise be unavailable.

Under the WRAP's proposed forward requirement to have 75% firm/conditional firm transmission, WPTF is concerned that the current OATT mechanisms that help prevent market power would be ineffective as there is no associated, timely requirement for transmission rights holders to release rights that are unused under the WRAP. Without the release of unused transmission rights under a timeframe that is coordinated with the WRAP forward showing obligations, some prospective WRAP market participants may be unable to access RA supply and/or may see artificially high RA prices due to a small number of entities holding the transmission rights deemed necessary for the vast majority of the forward showing obligations under the program.

The requirement to demonstrate 75% deliverability with firm/conditional firm transmission rights may be particularly problematic for entities that schedule across the BPA network. Monthly and yearly firm transmission rights are scarce across the BPA network and there are many paths across which firm transmission isn't available seven months in advance. However, many of those same paths are generally unconstrained during the day-ahead and real-time scheduling windows, once the rights are released by firm transmission rights holders including grandfathered contracts which can limit the availability of advance purchase of transmission capacity across multiple paths. The NWPP WRAP needs to more thoroughly consider the proposed 75% transmission requirement and how it would interact with transmission availability across the BPA network prior to moving forward with the proposed firm/conditional firm transmission requirement.

It is also worthwhile to note that, in a recent CAISO RA-related proposal, a similar requirement was considered for imported RA resources. The CAISO proposal was met with concerns about the potential for exercise of transmission market power by multiple stakeholders. Many stakeholders pointed to the timing of release of firm transmission capacity under the OATT framework as a key consideration in preventing the exercise of transmission-related market power and the criticality of considering that timing in any transmission requirements imposed on RA resources. CAISO's Department of Market Monitoring agreed with stakeholders that *"the process for release of firm transmission rights... should be considered further to understand"* whether the implementation of a proposal to hold firm transmission rights could create competitive advantages for the owners of long-term transmission rights.¹ The same concern needs to be thoroughly evaluated in the context of the NWPP's proposed WRAP design and vetted with stakeholders.

¹ See, DMM comments available here: <http://www.caiso.com/Documents/DMMComments-ResourceAdequacyEnhancementsWorkingGroupSept15and17-Oct12020.pdf>



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While we recognize the interest in ensuring deliverability of generation to load, there are significant concerns about the potential for transmission market power to be exercised under a program which requires 75% of resources to be deliverable on a forward basis using firm transmission rights, especially when the impacts of this requirement have not been thoroughly studied. WPTF respectfully requests that the NWPP conduct additional analysis regarding the threshold of firm transmission that may be required under WRAP and how transmission market power and associated RA supply liquidity concerns can be addressed under the WRAP design.

Conclusion

WPTF appreciates the work that NWPP continues to undertake to improve transparency around resource availability and improve reliability in the Western Interconnection. After reviewing the Detailed Design document and participating in various NWPP stakeholder meetings, WPTF requests additional information on the appeals process under which stakeholders will be able to appeal decisions of the RAPC. Additionally, WPTF seeks additional information on the process and timelines for making VER Zone determinations and requests that NWPP consider how stakeholders might be involved in that process. Finally, we have highlighted concerns about impacts to western electricity markets from the implementation of the Ops Program's Holdback Requirements and, have asked for additional review and discussion of the proposed 75% forward firm conditional firm transmission requirement, especially as it related to transmission flows across the BPA network.. We look forward to working collaboratively with NWPP to evaluate potential improvements or solutions to these concerns with the Ops Program, to explore and discuss the 75% transmission requirement, and to develop additional details of the program as it moves toward implementation.