Western Resource Adequacy Program

RAPC Meeting

March 24, 2022 10am-12pm

Participant	Name	Participant	Name
APS	Brian Cole	NorthWestern	Joe Stimatz
Avangrid		NV Energy	
Avista	Scott Kinney	PacifiCorp	Mike Wilding
Basin Electric	Garrett Schilling	PGE	Michael O'Brien
Black Hills	Eric Scherr	Powerex	Mark Holman
BPA	Rachel Dibble	PSE	Phil Haines
Calpine	Mark Smith	SRP	Grant Smedley
Chelan	Shawn Smith	Seattle	Emeka Anyanwu
Clatskanie	Paul Dockery	Shell	Ian White
Douglas	Jeff Johnson	SnoPUD	Jeff Kallstrom
EWEB	Matt Schroettnig	Tacoma	Ray Johnson
Grant	Rich Flanigan	TEA	Ed Mount
Idaho	Camille Christen	TID	

Meeting Agenda

Call to Order	
10:00	1. Attendance 2. Agenda Overview *Agenda approved unanimously at 10:08* 3. Approve Minutes from last meeting *Motion to approve minutes* *Minutes approve as amended at 10:12*
PA/PO Report	
10:12	4. Next meeting in 3 weeks – April 14 *Motion to extend 4/14 meeting to 2 hours (10am-12pm) approved unanimously at 10:15*
	5. PO Update
External Affairs	
	No updates
Ongoing Business	
10:16	6. Legacy Contracts and Agreements Proposal *Motion to approve the proposal* *Discussion and edits provided*

	Proposal unanimously approved as amended at 10:33
	7. Credit Proposal *Motion to approve the proposal* *Discussion and edits provided* *Proposal unanimously approved as amended at 10:52*
	8. SouthWest/East Diversity Exchange (SWEDE, prev. 2nd Hub) Proposal *Update provided*
New Business	
11:10	9. Cost Allocation Proposal *Introduction to proposal provided*
	10. Participation Proposal Update *Introduction to proposal provided*
	11. WRAP Tariff Review Update / Questions
Upcoming	
11:55	12. Recommendations from RAOC: Participation, SWEDE 13. WRAP tariff preliminary review by 3/25
Adjourn	

Western Resource Adequacy Program

Legacy Contracts & Agreements – Proposal

Prepared by Legacy Contract and Agreement Task Force:

Mike Bradshaw – Chelan PUD	Jeff Johnson – Douglas PUD
Zach Kanner – PacifiCorp	Phil Haines – Puget Sound Energy
Tyler Moore – APS	Eddie Elizeh, Deb Malin – BPA
Camille Christen – Idaho Power	Emeka Anyanwu, Aliza Seelig – Seattle City Light
Jimmy Lindsay – Portland General Electric	Stewart Rossman – Avangrid
Bill Goddard – Calpine	Rebecca Sexton, Ryan Roy - WPP
Charles Hendrix, Brad Payne – SPP	

Background

Participants in the WRAP are expected to have a significant number of bilateral agreements and contracts that precede the existence of the RA program, but which they may want to count towards their Forward Showing (FS) compliance requirement. Due to the diversity of contract types, terms and conditions, and durations it is necessary for the WRAP to identify a standard process for evaluating existing agreements and how they will count in the FS.

This Task force used Section 2.4.2 Sale and Purchase Transactions of the NWPP Resource Adequacy Program – Detailed Design[1] document as a basis for the following proposal.

A task force has been identified to further consider a transition plan for moving from the non-binding program to the full binding program. The Transition Task Force will further consider the impact of legacy non-conforming agreements on the transition plan and its timing. Definition of "legacy" will be defined by the Transition Task Force and approved by RAPC.

Task Force Objectives

1. Establishing, documenting, and publishing the criteria for evaluating existing agreements
2. Creating a process for participants to submit contracts to the Program Operator (PO) including guidelines on measures that should be taken to protect commercially sensitive information
3. Establishing a process to handle potential disputes about the agreement accreditation process
4. Providing a written overview of the accreditation guidelines and processes for review by stakeholders and potential inclusion in the FERC filing subject to Wright and Talisman guidance.

[1] 2021-08-30_NWPP_RA_2B_Design_v4_final.pdf

Proposed Approach

Evaluation of existing agreements

Included in this proposal is a 'guide' for evaluating the Qualifying Capacity Contribution (QCC) of existing contracts. This proposal deals only with the evaluation of the QCC and does not address the associated transmission deliverability requirement which is evaluated and addressed separately. While the task force recognized that many contracts would fall outside the bounds of those identified in this guide, the group hoped to catch as many commonly-utilized contracting structures and types as reasonable. The guide includes additional information about use and applicability.

Process for Qualifying Legacy Contracts

One of the considerations for qualifying existing agreements is the fact that few agreements will have specifically identified capacity as part of the commercial transaction, and none will have identified a qualified capacity contribution (QCC) value that aligns with the rules of the WRAP.

Under ideal circumstances, both parties (purchaser and seller) will be able to use the guide to determine and agree upon the QCC value of the legacy contract. The two parties will execute the 'Joint Contract Accreditation Form' (JCAF), identifying the agreed-upon value and relevant details of the legacy contract. Attached as Exhibit A is an example JCAF which will be finalized as the non-binding FS workbook is completed in the coming months. The JCAF contains fields that should map to the participant's FS workbook. This mapping will allow the Program Operator to easily identify the contracts in the JCAF that also appear in the FS workbook and validate the agreed on QCC.

All legacy contracts will require a JCAF, though the participation-status of the contracting parties is relevant to its execution:

- Both Seller and Purchaser are WRAP Participants: both parties will complete and sign a JCAF and record QCC values (either *sold against* their system/resources or *added to* their portfolio of contracts/resources)
- Purchaser is a WRAP Participant and seller is a non-Participant: Participant is responsible for completing a JCAF and having the non-Participant seller complete the attestation (assumes their portfolio of resources is not fully registered with the program). *Note that this attestation will be the same one under review with the WRAP Exhibit group (same for legacy as for future contracts).*
- Seller is a WRAP Participant; purchaser is a non-Participant: Participant is responsible for completing a JCAF and for deducting the sale from their resource portfolio in the FS showing.

Seller		Purchaser	Verification Process
Participant	–	Participant	Parties complete JCAF, PO signs off on the JCAF, Purchaser credits, seller debits QCC value on forward showing workbook in the amount reflected on the JCAF.

Non-Participant	–	Participant	• Non-Participant seller signs a standard attestation developed by the WRAP stating exclusive rights to capacity, specified source; *or* Participant can demonstrate historical performance of a resource or facility (not of a counterparty) sufficiently • Participant completes JCAF and credits QCC value of contract in Forward Showing workbook
Participant	–	Non-Participant	Seller completes the JCAF and debits QCC value of contract from Forward Showing Workbook.

In addition to the JCAF, participants may be required to provide the PO with copies of the associated contracts. Commercially sensitive information would be redacted before these contracts were provided, if necessary. *(this pending feedback from Wright and Talisman, and will be determined before the Tariff is filed with FERC)*

Importantly, the WRAP design (and JCAF, as proposed) requires that any contract to be credited with capacity value (QCC) for the WRAP has either a specified source (specific resource or system) or the source can be inferred. Contracts where a source cannot be inferred (and is not identified) will not be credited as capacity. All descriptions below for contract QCC accreditation assume that a source can be identified and a JCAF has been completed (i.e. attestation is offered, if necessary).

Accreditation Overview

The Forward Showing compliance requirement (P50 + PRM) is a monthly requirement so even if not specifically noted below the contract accreditation process will determine a **monthly** QCC value for all qualifying contracts. Contracts may span multiple months, multiple seasons, or multiple years. The result of the accreditation process is a QCC value for each month of the contract.

Light Load WSPP Schedule C / Edison Electric Institute (EEI) Equivalent

Light load contracts will not receive any capacity contribution / QCC.

Heavy Load WSPP Schedule C / EEI Equivalent

The contract will receive QCC equal to the full monthly heavy load contracted amount.

Super-Peak WSPP Schedule C / EEI Equivalent

The contract will receive a QCC value equal to the contract MW x monthly super peak accreditation factor. The accreditation factor was determined by counting the capacity critical hours (CCH) that fall within the super-peak hours in each month and dividing that by the total number of CCHs in the month. This provides the percent of total CCHs that could be covered in each month by the super-peak product. The monthly super peak accreditation factor is found on the 'Super Peak Accreditation' tab of the WRAP Resource and Contract Accreditation Guide.

Long-Term Power Purchase Agreement (PPA)

Dispatchable

PPAs for dispatchable resources receive the QCC / effective load carrying capability (ELCC) of the underlying resource or the contracted amount if not resource specific, adjusted for percentage share if necessary).

Block

Block based PPAs receive a monthly QCC equal to the contracted MW amount in each month, per the guidance provided for contracts above.

Non-dispatchable / must-take / equivalent energy

PPAs for these resources will be accredited using ELCC if available or historical performance during the CCHs of the contract.

Gas Tolling Agreement

The monthly QCC for these contracts will be accredited at the QCC of the underlying resource, adjusted for percentage share if necessary.

Call Option

Available during all heavy load hour CCHs / not energy limited

These contracts will have QCC equal to the full contracted amount.

Energy Limited

Call options that are energy limited or only available for a given number of hours will receive a QCC value equal to the contract MW x the monthly call option accreditation factor for the corresponding number of hours. The accreditation factor was calculated by assuming max utilization of the call option on those days with capacity critical hours, counting the number of hours where the call option was exercised and dividing that by the total number of CCHs in the month. Call options of 10 hours to 16 hours receive 100% QCC or the full contract amount. Call option of 9 hours or less receive a QCC that decreases as the number of hours decrease. The call option accreditation factor is found on the 'Call Option Accreditation' tab of the WRAP Resource and Contract Accreditation guide.

Exchange

Each direction of the exchange is accredited separately based on its underlying contract type. If the exchange includes a non-Participant, it will require verification from the PO (assumed source or attestation).

Customer Resources

Customer resources must be both controllable and dispatchable at the request of the participant or its affiliate to be considered directly in the FS program. Such resources are accredited based on their ability to demonstrate load reduction over a 5-hour period. If an entity has 5 MWs of demand response and can show a reduction for four hours (5 MWs x 4 hours = 20 MWh) they will be accredited at 20 MWh /

5 hours = 4 MWs. If made up of separately metered on-site generation than the QCC will be assigned based on resource with similar fuel type or average monthly performance on the CCHs.

Customer resources can be accounted for in the FS program as either load modifiers or as capacity resources. If treated as a load modifier, the value of the resource is subtracted from the P50 load used in the FS Capacity Metric. If treated as a capacity resource, it is listed as any other resource in the FS workbook. Purchasing participant must denote how it plans to treat the customer resource in the JCAF.

Non-standard

If a contract cannot be qualified using the guidance from the categories above, the Participant should first check the Non-Standard Guidance FAQ in the WRAP Resource and Contract Accreditation Guide for a like product. If there is no existing guidance select the non-standard select the non-standard contract type on the JCAF and enter a brief description and the PO / Program Administrator (PA) will assist in providing guidance.

Un-registered Resources

If a Participant has a unit-specific contract (either specifically enumerated or can be reasonably assumed to be unit-specific) with a non-Participant and cannot acquire enough historical information to register the resource, with the PA and have an accreditation (QCC value) assessed, the Participant can claim an 'un-registered resource' option. Depending upon the resource type, an un-registered resource will be assessed a QCC value of either 75% of the class average (for non-variable energy resources (VER)) or 95% of the lowest accredited ELCC value within the resource's zone (for a VER resource). Because the program has very little information about these un-registered resources, they can constitute no more than 10% of the total FS Capacity Requirement for an individual Participant.

Dispute Resolution

This process will address two primary categories of disputes:

1. **Participants agree the contract in questions conveys capacity from the seller to the buyer but cannot agree on the QCC valuation of the underlying resource –**The Program Operator will be responsible for accrediting the underlying resource and the decision will be binding. This is not intended to be a review by the Program Operator of the commercial terms of the contract. It is a determination of the appropriate QCC. This is expected to be a collaborative process between seller, buyer and the Program Operator.
2. **Dispute with PO over validation of JCAF or contract accreditation –** would be reviewed by the BOD.

Western Resource Adequacy Program
Settlement and Pricing Proposal – Credit

Prepared by Settlements and Delivery Failure Task Force:

Barbara Cenalmor – SRP	Ryan Atkins - NVE
Zach Kanner - PacifiCorp	Phil Haines, Sachi Begur – Puget Sound Energy
Ian White, Chris Nichol, Bo Tully, Hilary Bell, Doug Meeuwsen – Shell	Dan O'Hearn, Mike Goodenough, Derek Russell - Powerex
Ben Brandt – Idaho Power	Cory Anderson – Seattle City Light
Jeff Johnson – Douglas PUD	Ray Johnson – Tacoma Power
Deb Malin, Eddie Elizeh, Rahul Kukreti - BPA	Mike Bradshaw, Janet Jaspers – Chelan
Tyler Moore - APS	Rebecca Sexton, Ryan Roy - WPP
Charles Hendrix, Alex Crawford – SPP	

Background

To ensure a well-functioning RA Program, it is critical that the settlement pricing be calculated appropriately. Pricing should encourage entities with a negative Sharing Requirement to address capacity shortfalls using other means before accessing the program's pooled capacity. When those entities with a positive Sharing Requirement holdback and/or deliver energy, the pricing should adequately compensate their contribution to the program without being punitive to entities truly in need.

Proposal Topics

[note that this proposal was originally included in the settlement and delivery failure task force proposal, but has been separated for ease of continued consideration]

1. Counterparty credit
    a. Forward Showing Failure Charge and Operational Program Delivery Failure Charge
    b. Settlement of holdback and delivery

Participant Credit for Penalties / Charges and Settlement

This section of the proposal addresses the creditworthiness requirements of individual Participants related to the ability to pay Cost of New Entry (CONE) based charges for Forward Showing Failures and Operational Program non-delivery charges as well as the credit required to settle holdback and energy delivery between counterparties.

Forward Showing Failures and Non-delivery Charges

The WRAP will not require Participants to provide credit assurances (letter of credit, collateral etc.) to the PA to cover any charges related to deficiency in the Forward Showing (CONE) or for non-delivery.

If a Participant receives a CONE penalty or non-delivery charge it will be invoiced by the PA. If the invoice is not paid within 90 days of receipt, the PA has the right to pursue payment of the debt and the Participant may be expelled from the program.

Settlement for Holdback and Delivery

As described in the Phase 2B detailed design document any settlement of holdback and delivered energy is intended to be settled bilaterally. Neither the PA nor PO will take title to energy or be a party to the settlement. The settlement will occur bilaterally between Participants. Additionally, the Operations Program where the holdback and amount to be delivered is calculated will not be credit aware. Meaning it will be agnostic to whether Participant 'A' the entity who is deficit, has credit with Participant 'B' the entity who is delivering.

The expectation of the program is that Participants will at a minimum establish credit with the third-party service provider to ensure that they can receive delivery of holdback from all other participants. Participants maintain direct credit with many other WRAP participants and can utilize direct credit in those situations where it is mutually agreeable.

1. **Establish credit directly with each Participant** – Participants can establish credit directly with other Participants from whom they may receive energy delivery. The credit should be established in advance of the season. The amount of the credit / credit limit is at the discretion of each Participant. A reasonable credit limit could be informed by the operations trial and non-binding operations season but given the unique nature of each Participant's credit rules this value will not be dictated by the PA or PO.
2. **Establish credit with a third-party service provider who can clear settlement transactions** – Participants have indicated that it may be difficult to establish and maintain credit with all other Participants in the WRAP. Because of this, the PA will use a competitive solicitation process (RFP) to identify a third-party service provider who could serve in a clearing-house like role. Once a service provider is selected, all Participants would then establish credit with the service-provider if they had not already established credit with all other WRAP Participants directly. The third-party service provider would be notified by the PA of the holdback and delivery quantities for Participants and clear the transactions accordingly. Ideally the service-provider would charge a per-transaction fee which would be allocated to the deficit entity. If there is a flat fee associated with the service, it would be included in program administration costs.

Although the program cannot dictate individual counterparty credit and risk policies, for the benefit of facilitating delivery in the Operations program, participants should attempt to maintain their selected counterparty credit mechanism throughout the binding season. If during the season participants change their selected credit mechanism or can no longer transact with WRAP counterparties for credit related reasons, they should notify the PO, which will update and post the changes to the credit selection within one business day.

All entities are expected to make good faith and commercially reasonable efforts to establish and maintain credit either with all other entities or with the third-party provider. If the deficit entity has not made such efforts directly with the delivering entity and has not established credit with the third-party service provider, the delivering entity will be granted a waiver for non-delivery. If the deficit entity *has* set up credit with the third-party service provider, a waiver for non-delivery will not be granted. If good faith and commercially reasonable efforts have been made to establish credit and a Participant was non-responsive the PA should be notified at that time.

The PA or the third-party service provider will maintain a list of who has established credit with the third-party provider; this list will be made available to all participants.