

WESTERN RESOURCE ADEQUACY PROGRAM

Legacy Contracts and Cost Allocation

May 11, 2022

AGENDA

- » WRAP Update
- » Legacy Contracts
- » Cost Allocation
- » Wrap Up

WRAP UPDATE

- » Nominating Committee (NC) working to recruit for future independent Board of Directors (BOD)
- » Program Review Committee (PRC) standing up and working on chartering and process development
- » WPP and RA Participant Committee (RAPC) working on WRAP tariff – now aiming to file in June
- » First non-binding forward showing will take place in June for Winter 2022-2023

You can contact your NC and PRC sector representatives here:
<https://www.westernpowerpool.org/resources/wpp-nominating-committee-and-wrap-program-review-c>

WRAP Update

Legacy Contracts

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Wrap Up

LEGACY CONTRACTS

BACKGROUND

- » Participants will have bilateral agreements that precede existence of WRAP
- » Will want to count such contracts toward their Forward Showing (FS) capacity requirement
- » Proposal focuses on contracts specifically – not focused on the broader transition to binding program

OBJECTIVES

- » Establish **criteria for evaluating existing agreements**
- » Create a **process for participants to submit contracts** to the Program Operator (PO)
- » Establish a process to **handle potential disputes** about the agreement accreditation

PROPOSED APPROACH

- » Evaluation of existing agreements
 - Guide for evaluating QCC
 - Assumes source is specified or can be inferred (per WRAP standards)
- » Process for qualifying legacy contracts
 - Purchase and seller execute the 'Joint Contract Accreditation Form' (JCAF)
 - Includes an attestation

Seller	Purchaser	Verification Process
Participant	- Participant	Parties complete JCAF → PO validates → Purchaser credits, seller debits QCC value on FS Workbook
Non-Participant	- Participant	Non-Participant Seller signs a standard attestation stating exclusive rights to capacity, specified source <u>OR</u> Participant demonstrates historical performance of resource or facility (not of a counterparty) → Participant completes JCAF → PO validates → Credits QCC value of contract in FS Workbook
Participant	- Non-Participant	Seller completes the JCAF → PO validates → Seller debits QCC value of contract from FS Workbook.

QCC VALUE GUIDE

- » Includes guidance regarding evaluation of various legacy contract types, for example:
 - Light, heavy, super peak hours
 - Tolling arrangements, call options
 - Blocks, slices of system
- » Applies principles for assessing QCC value:
 - How well have they historically performed during CCHs?
 - Is it must-take or is the delivery limited?

LEGACY CONTRACTS

DISPUTE RESOLUTION

- » If Participants agree the contract conveys capacity, but cannot agree on the QCC value of the resource
 - PO will accredit the resource
 - Decision will be binding
 - No PO review of commercial terms of the contract
 - Collaborative process between seller, buyer, and the PO
- » In a dispute with PO over validation of JCAF or contract accreditation, BOD will review

COST ALLOCATION

BACKGROUND

- » In Phase 3A: costs are split 50% equally per participant and 50% based load ratio share
- » Issues with this methodology
 - 50/50 split was grounded in house/senate voting, not in cost causation
 - Per-participant payment is higher than like-programs
 - > Could be deterrent for small entities
 - > Could be undue burden in FERC's eyes
 - > Could be justifiable for unique RA-only program

COST CONTROL

» FERC-Filed Admin Rates

- WRAP tariff will include max rates
- Participants will pay actual costs monthly
- If at all practicable, rate change (which would go through 205-filing process) will be noticed to participants to provide sufficient exit time, if needed
- Annually, provide Participants two-year forward estimates of rates, budgets, and contingencies based on available information for use in planning and decision-making

COST CONTROL

» Budget Approval

- Ultimate authority on budget approval falls to BOD
- RAPC will be provided the proposed budget in advance of BOD in open meeting with opportunity to comment by all stakeholders
- RAPC will take advisory vote which will be shared with BOD
- All proposed design changes and updates will include cost estimates and resource implications

COST CENTERS

- » Participant facilitation and engagement allocated pro-rata
 - e.g., facilitation of RAPC meetings, onboarding of new participants, maintenance of documentation and program interfaces, participant trainings, some BOD engagement on WRAP issues
- » All other costs will be allocated to participants based on their share of the regional P50 load
 - e.g., modeling, forward showing program design and workbook review, Operations Program operations, non-participant committee facilitation, some BOD engagement on WRAP issues

EXAMPLE COST CENTERS

Budget Estimates: post-implementation	Notes	Equal Per- Participant	% Share of P50
WPP			
Program Management (non-participant)	Stakeholder engagement, external communications, PRC management		X
RAPC Management, participant engagement	RAPC facilitation, analytics and support of participants	X	
WRAP portion of BOD costs	BOD salaries, facilitation, travel	50%	50%
SPP			
Staffing	FS and Ops program staff		X
Technology	Programs to run FS and Ops Programs		X
Overhead			X
Legal			
In-house			X
FERC Attorney			X
Independent Evaluator	Annual assessment		X



WRAP UP

Most up to date information can be found at
www.westernpowerpool.org/wrap

To be added to our email list, reach out at
WRAP@westernpowerpool.org

APPENDIX MATERIALS

LEGACY CONTRACTS

QCC GUIDE

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Wrap Up

- » Light Load WSPP Schedule C / Edison Electric Institute (EEI) Equivalent
 - Will not receive any capacity contribution / QCC
- » Heavy Load WSPP Schedule C / EEI Equivalent
 - QCC equal to the full monthly heavy load contracted amount
- » Super-Peak WSPP Schedule C / EEI Equivalent
 - QCC value equal to the contract MW x monthly super peak accreditation factor

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QCC GUIDE

Long-Term Power Purchase Agreement (PPA)

» Dispatchable

- QCC / effective load carrying capability (ELCC) of the underlying resource or the contracted amount if system sale, adjusted for percentage share

» Block

- Monthly QCC equal to the contracted MW amount in each month

» Non-dispatchable / must-take / equivalent energy

- ELCC if available or historical performance during the CCHs of the contract

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QCC GUIDE

- » Gas Tolling Agreement
 - QCC of the underlying resource, adjusted for percentage share if necessary
- » Call Option
 - Available during all heavy load hour CCHs / not energy limited - QCC equal to the full contracted amount
 - Energy Limited - QCC value equal to the contract MW x the monthly call option accreditation factor for the corresponding number of hours
- » Exchange
 - Each direction of the exchange is accredited separately based on its underlying contract type

LEGACY CONTRACTS

QCC GUIDE

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- » Customer Resources
 - Must be both controllable and dispatchable
 - Accredited based on their ability to demonstrate load reduction over a 5-hour period
- » Non-Standard
 - Program Administrator (PA)/PO will provide guidance
- » Unregistered Resource
 - If participant has unit-specific contract but cannot get enough historical info to register resource, resource can be assessed at 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)
 - Unregistered resources cannot constitute greater than 10% of a participant's FS capacity requirement