Western Resource Adequacy Program

Binding Transition – DRAFT Proposal

Prepared by the Transition Task Force:

Tyler Moore - APS	Steve Bellcoff, Deb Malin – BPA
Phil Haines - PSE	Josh Steiner, Barbara Cenalmor – SRP
Ed Mount, Anna Berg – TEA	Ian White, Doug Meeusen – Shell Energy
Ian White – Shell	Emeka Anyanwu, Cory Anderson - Seattle
Scott Kinney – Avista	Bill Goddard - Calpine
Shawn Smith , Janet Jaspers - Chelan	Mark Holman, Mike Goodenough - PWX
Charles Hendrix, Charles Cates, Casey Cathey – SPP	Rebecca Sexton, Ryan Roy, Lisa Hardie - WPP
Paul Flynn, Matt Binette – W&T	

Background

A thoughtful and deliberate transition from a non-binding RA program to a binding program is important for the WRAP's ability to maintain participation, remain viable, and ensure value to the region. A non-exhaustive list of considerations related to this transition include: market liquidity for RA quality resources, treatment of existing power purchase agreements without identified or inferred sources, and concerns about ability to contract for (or build) the required amount of RA quality resources in the necessary timeframe.

A few principles were identified to guide the discussion:

1. Consistency between binding Forward Showing (FS) and Operations (Ops) programs
    a. Provision of a binding FS program must be paired with provision of a binding Ops program to ensure the FS metrics appropriately account for ability to share diversity.
    b. The amount of capacity demonstrated in a binding FS should be available to the binding Ops program.
2. The region greatly benefits from keeping the footprint moving forward together:
    a. A critical mass of participation is needed to move into implementation of the binding program; participants and the Program Administrator (PA) will be well served by having a deadline to drive decisions.
    b. Modeling true-ups (truing up 3A metrics for binding program participation footprints) will necessitate program footprint certainty; Program Operator (PO)/PA timeline is pressed to ensure binding metrics are correct for the updated footprint, and participants need certainty around those updates.
3. The program needs to ensure transition provisions generally maintain the principle of all parties providing a fair share of the region's capacity need. The program does not have the ability or intent to backstop capacity for participants unable to procure it in the market.

4. Communication and coordination around the transition plan and impacts is vital.
5. The program should make reasonable efforts to accommodate any entity that desires to be part of the program.

Task Force Objectives

The objective of the task force was to develop a transition plan to move the WRAP from non-binding to binding that would not create major hurdles or barriers to entry for participants.
The task force did not consider how and when the decision to join the binding program will be undertaken (currently planned for decision-making in late 2022); pending outcomes of ongoing work (e.g. this transition plan, tariff review, other task force work, non-binding modeling), this discussion will be addressed in coming weeks/months.

Proposed Transition Plan

Timeline

- **Non-Binding FS Seasons:** Winter 22-23, Summer 23, Winter 23-24, Summer 24, Winter 24-25
- **Non-Binding Ops Seasons:** Summer 23 (trial - will include testing scenarios), Winter 23-24, Summer 24, Winter 24-25
- **Transition Seasons: (Ops + FS):** Summer 25, Winter 25-26, Summer 26, Winter 26-27, Summer 27, Winter 27-28
- **Binding Program Without Transition Provisions**: Summer 28 and all seasons following

Transition Provisions

Sign-Up

When participants sign on to participate in the binding program (and its transition), they will be given the choice as to which transition season they would like to become binding (choosing Summer 25, Winter 25-26, Summer 26, Winter 26-27, Summer 27, Winter 27-28, or Summer 28). If participants have agreed to participate in a binding manner (beginning in any of the seasons listed), they will be able to participate in the preceding seasons in a non-binding manner (details discussed further below).

Modeling for a specific season will include only participants that plan to participate in the binding program for that season.

Non-binding participants (allowed during the transition season with intent to participate in a binding manner in the future), will have the ability to:

- Participate as a member of RAPC, including voting and committee participation,
- Turn in and receive feedback on a non-binding FS portfolio, and
- Potentially receive any voluntarily offered hold-back capacity in the Operational Program not otherwise used by binding participants (tier 3)

These transition provisions are intended for participants that are committed to participating in the binding program, not for those simply interested in *considering* joining. Once a participant has moved into binding participation, the participant cannot opt to go back to non-binding. Once a participant has selected their binding season, they cannot change the selection (earlier or later) with less than two years notice (this notice is needed due to modeling requiring certainty about the binding footprint).

Similarly, the standard two-year exit provision will apply during the transition, such that participants would need to give notice of the intent to depart at least two years prior to the beginning of a season in which they had intended to participate in a binding manner.

All participants will pay WRAP's administrative costs according to the same Schedule 1 cost allocation methodology (regardless of which season they elect to become binding).

Forward Showing

During the transition seasons, binding participants with limited deficiencies will be able to pay a discounted FS Compliance Charge to retain access to the region's pooled capacity during potential 'sharing events' during the operational program. These Excused Transition Deficits (ETDs) will be limited to ensure this accommodation does not significantly decrease the reliability of the region or equity of the program.

To receive an ETD, participant must be willing to attest that they have made commercially reasonable efforts to secure additional RA quality resources but are unable to do so in the required timeframe because the market was not able to support timely or competitive acquisition of enough resources to meet the metric.

For *each year* of the transition (regardless of when a particular Participant elects to go non-binding), the maximum total allowable ETD for each participant will decrease:

- S25 and W25-26: up to 75% of a participant's PRM may be excused with an ETD
- S26 and W26-27: up to 50% of a participants' PRM may be excused with an ETD
- S27 and W27-28: up to 25% of a participants' PRM may be excused with an ETD

The discount for ETDs will similarly decrease each year of the transition and will be a function of the program-established cost of new entry (CONE) FS Deficiency Charge:

- S25 and W25-26: 75% discount from program-calculated seasonal and monthly CONE charges (see CONE write-up for more details on this calculation)
- S26 and W26-27: 50% discount from program-calculated seasonal and monthly CONE charges
- S27 and W27-28: 25% discount from program-calculated seasonal and monthly CONE charges

Furthermore, during the transition, participants may attest that they have made commercially reasonable efforts to execute a Joint Capacity Accreditation Form (JCAF) with a supplier of an existing contract (executed before October 2021), but the supplier was unable or unwilling to counter sign the

JCAF ensuring RA-quality capacity, e.g. for WSPP schedule C contracts without an identified or inferred source (only eligible for contracts executed before October 2021). In this situation, participants would not be levied a deficiency charge if the total value of such contracts is less than 25% of their PRM (in total MWs across all workbooks for which said Participant is responsible). This is referred to as the "no-JCAF option."

If participants exercise the no-JCAF option, whatever % of their PRM is covered by contracts without a JCAF will be subtracted from their allowable ETD total (e.g. if Participant A has an unspecified source contract – no JCAF – worth 20% of their PRM in year 1, they may utilize ETDs for 55% of their PRM).

Revenues from ETDs will be distributed to binding participants who did not use of ETDs and did not exercise the no-JCAF option to meet their FS capacity requirement. Participants receiving these revenues will not see increased FS capacity requirements (need not bring additional capacity to the program).

If a binding participant's deficit is larger than can be accommodated by ETDs and/or the no-JCAF option, they will be subject to the program's standard FS deficiency charge for the deficiency beyond the allowable ETD MW amount.

Operations

Participants who have pay for ETDs or pay a FS deficiency payment will have their Operations Sharing Calculation modified to reflect the amount of capacity they demonstrated (subtracting the amount of MW for which they paid a fee); this is consistent with how the WRAP will treat sharing calculations if a participant pays an FS deficiency payment after transition provisions expire. A term will be added to the sharing calculation to subtract the amount of MWs for which the participant paid an ETD or FS deficiency payment.

In the Operations Program, during the three-year transition period, WRAP participants will get access to one another's capacity via the following tiers. Following the transition period, the 2nd and 3rd tiers will effectively be empty (no more ETDs, no non-binding participants), leaving WRAP participants in Tier 1 and non-participants in Tier 4.

	Who's in it?	What do they get?	What can/must they give
1st Tier	– Binding Participants who have passed the FS without use of ETDs or no-JCAF option – Binding Participants who have paid a FS deficiency charge	– Voluntarily offered capacity (additional holdback) from participants – Mandatory hold-back in the Ops Program	– Mandatory holdback – Voluntary holdback

2nd Tier	– Binding Participants who utilized ETDs – Binding Participants who exercised the <25% "no-JCAF option"	– Voluntarily offered capacity (additional holdback) from participants not utilized by Tier 1 – Mandatory hold-back in the Ops Program not utilized by Tier 1	– Mandatory holdback – Voluntary holdback
3rd Tier	– Non-Binding Participants	– Voluntarily offered capacity (additional holdback) from participants not utilized by Tiers 1 or 2	– Voluntary holdback
4th Tier	– Non-Participants	– Any Participant capacity offered outside the program (not otherwise utilized by Participants through WRAP)	– No access through the program

Binding Season Deferral Vote

Given the numerous moving parts and uncertainties involved in implementing the WRAP, it is also necessary to consider that the Phase 3A RAPC and the PA/PO cannot predict all circumstances that are forthcoming. Thus, a binding participant can request the RAPC take a vote to defer implementing compliance charges and the binding nature of the program for up to two seasons (one year). Deferral of compliance charges would require support from 75% of the RAPC (binding participants only), by both house and senate tallies.

This deferral vote may only occur for the first instance of binding FS and binding Ops seasons. If compliance charges for the FS program are deferred, compliance charges for the Ops program are automatically deferred, however if compliance charges are kept for the FS program, participants may still decide to vote to defer Ops program compliance charges.

Examples

Here is what it looks like for an entity with 6 GW of load, a 10% PRM who is short the maximum amount every month (both seasons) of all three years (450,300,150) and the resulting charge in total and in $/MW.

	P50	PRM	PRM (MW)	Available ETDs (% of PRM)	Available ETDs (MW)	PRM (MW)	Disount (reclative to FS Deficiency)	Total ETD Charge	$/MWh Capacity Charge*
Year 1	6000	10%	600	75%	**450**	150	75%	$ 29,264,437.50	$17.67
Year 2	6000	10%	600	50%	**300**	300	50%	$ 39,019,250.00	$35.34
Year 3	6000	10%	600	25%	**150**	450	25%	$ 29,264,437.50	$53.02

For a smaller entity, 1GW of load, a 10% regional PRM, short the max amount every month (both seasons) of all three years.

	P50	PRM	PRM (MW)	Available ETDs (% of PRM)	Available ETDs (MW)	PRM (MW)	Cost (relative to FS Deficiency)	Total ETD Charge	$/MWh Capacity Charge*
Year 1	1000	10%	100	75%	**75**	25	75%	$ 4,877,406.25	$17.67
Year 2	1000	10%	100	50%	**50**	50	50%	$ 6,503,208.33	$35.34
Year 3	1000	10%	100	25%	**25**	75	25%	$ 4,877,406.25	$53.02

*The $/MWh Capacity Charge is calculated as: $\dfrac{\boldsymbol{Total\ ETD\ Charge}}{\sum(\boldsymbol{Monthly\ Deficit\ X\ Heavy\ Load\ Hours\ in\ Month})}$

Note: Only half of September and March are included in the binding season but for the purposes of the $/MWh Capacity Charge calculation all of the HLH hours in those months were included.