

NWPP RESOURCE ADEQUACY PROGRAM

PUBLIC WEBINAR

DATE: MAY 14, 2021



AGENDA

- › Overall Project Update
- › Governance Discussion
 - › Process Update
 - › Proposed Governance Approach
 - › Limitations on Board Authority
 - › Non-Jurisdictional Participants
 - › Point of Compliance
 - › Role of States
 - › Role of Stakeholders
 - › Role of NWPP
 - › Program Operator
 - › Up Next in Governance Discussions

Workstream Status

Forward Showing Design

- Preliminary consensus reached on majority of design
- Still under discussion are contracting, transmission discussions, and design items dependent on modeling results

Operations Design

- Preliminary consensus reached on design elements – some parking lots items still under discussion
- Operational trial – proof of concept wrapping up

Forward Showing Modeling Design

- Preliminary consensus reached on majority of design
- SPP initial simulation/proof of concept work underway

Legal/Governance

- Governance option developed and further legal considerations underway.
- Working with Project Management Organization (PMO) on timeline for approvals and administration options

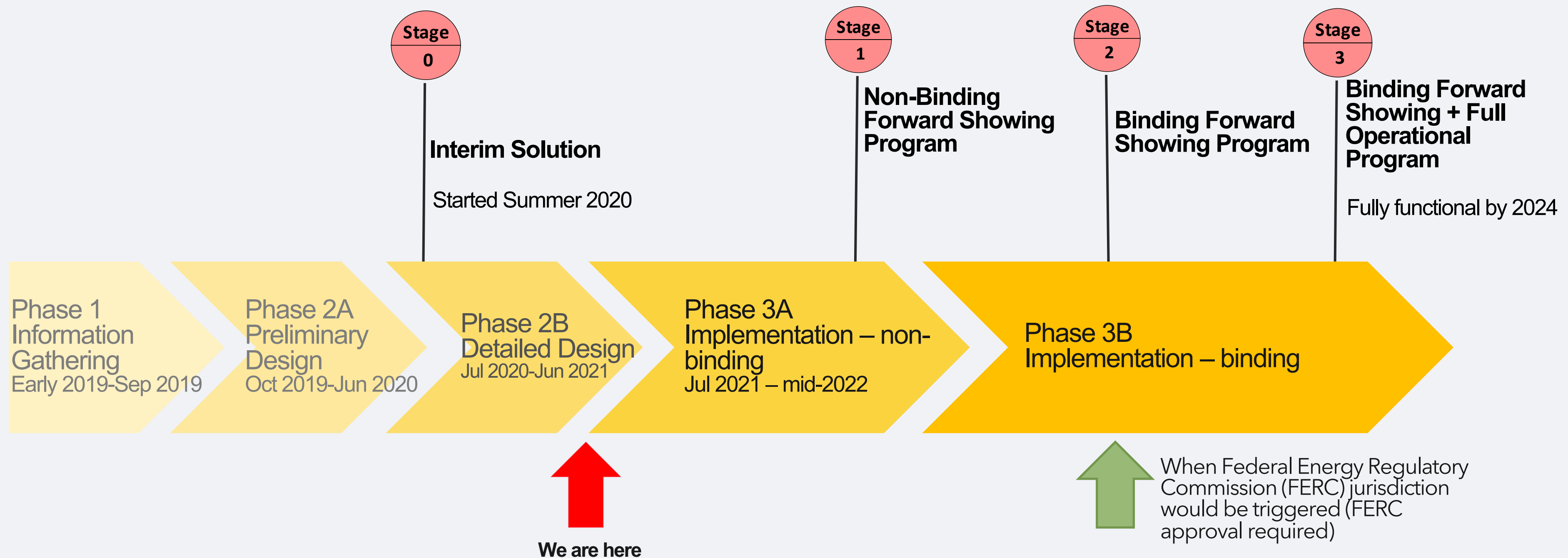
Communications and Stakeholder Outreach

- Ongoing Stakeholder Advisory Committee (SAC) meetings, technical workshops, public webinars, and external presentations

Project Management

- Ongoing project support
- In progress on schedule discussion with SWG and SC
- Still to come are implementation plan for future phases

OVERVIEW OF PROJECT TIMELINE



PHASE 3A CONCEPT

- **Balancing Act:** hustling to put program in place, while giving NWPP RAPDP funding entities time to create/review business cases
- Tentatively, 3A would be a commitment to:
 - › *Participating in non-binding forward showing program*
 - › *Beginning implementation (early stages of building lasting infrastructure)*
 - › *Funding 3A and meeting established schedule*
 - › *Providing a production quality data submittal for non-binding Forward Showing modeling and portfolio*

2B DELIVERABLES

- Design documentation from SPP (forward showing and operational program design, including consideration of operational trial/proof of concept data)
- ELCC and LOLE/PRM simulation outcomes from SPP
- Executive summary of program benefits
- Implementation plan
 - › *Phase 3 schedule and budget*
 - › *Governance straw proposal*
 - › *Support, administration, needs and approach identified*

GOVERNANCE



STATUS UPDATE

- Legal/structural work group with the help of Wright & Talisman law firm researched key legal/governance questions to inform program governance approach
- Applied Dec. 2020 FERC precedent on governance included in the WEIS market proposal
- Developed a recommended governance approach (for discussion today)
 - › **Some items still outstanding*

GOVERNANCE CONSIDERATIONS

WRIGHT & TALISMAN RESEARCH

Threshold question: Would the program as currently contemplated trigger FERC jurisdiction, and if so, what independence criteria would be required?

Threshold conclusion:

- › In all likelihood various aspects of the program would trigger FERC jurisdiction. These include:
 - defining the regional reserve margin requirement
 - resource eligibility
 - mandatory/penalty aspect of the program
 - Deliverability
- FERC precedent is that these issues fall under its jurisdiction
- FERC precedent does not clearly address this issue in the context of an enforceable RA program outside an RTO/ISO - however, the approach most likely to garner FERC acceptance would be to model the governance of the program on FERC's regulations and policies addressing RTO/ISO governance and specifically FERC's independence requirements

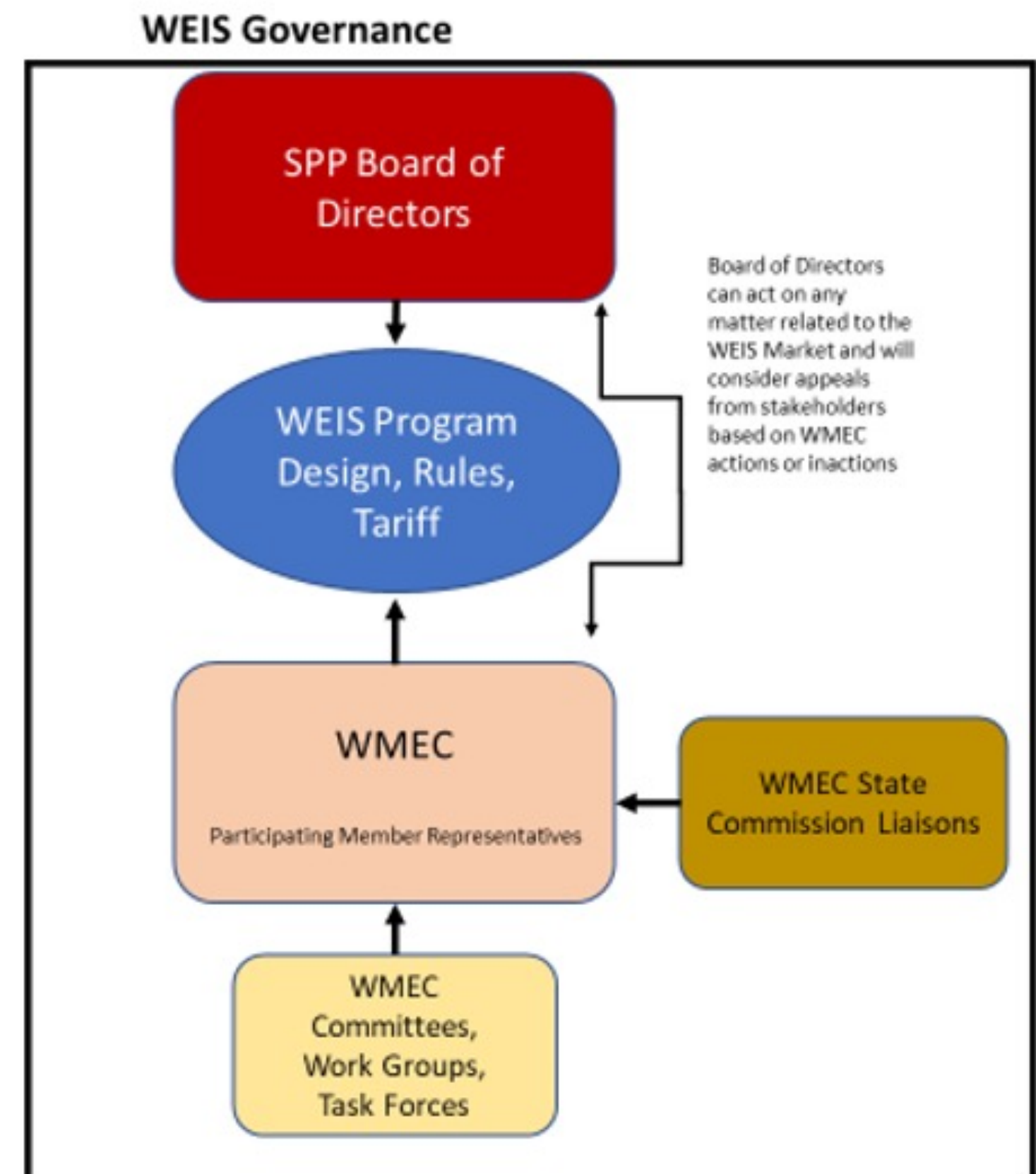
GOVERNANCE CONSIDERATIONS

WRIGHT & TALISMAN RESEARCH

- **Federal Power Act:** mandates all rates and charges for transmission or sale of electric energy in interstate commerce and all related rules be just and reasonable and not unduly discriminatory or preferential
- Orders 888 and 2000 provide guidance on RTO and ISO governance structure that FERC is most likely to find J&R and not unduly discriminatory or preferential:
 - › *RTOs/ISOs must be independent from market participants*
 - › *Broad representation of various stakeholders in decision making processes*
 - › *RTO/ISO must have exclusive filing rights under Section 205*
- Order 2000 did allow that an independent board of directors could be a stakeholder board or hybrid board, but no one stakeholder class could override decisions of the board

WEIS UPDATE

In December, 2020 FERC approved SPP's WEIS market proposal, including governance provisions which provides helpful context for NWPP governance considerations.



WEIS UPDATE

FERC's order approves a member committee's authority to:

- Approve or reject amendments to the tariff*
- Approve or reject market rules*
- Recommend amendments to the member agreement
- Consult with the program administrator regarding tariff amendments and the administrative rate charged to participants

*subject to stakeholder rights of appeal to independent board

WEIS UPDATE

GOVERNANCE
APPROACH

LIMITATIONS ON
BOARD
AUTHORITY

NON-
JURISDICTIONAL
PARTICIPANTS

POINT OF
COMPLIANCE

ROLE OF STATES

ROLE OF
STAKEHOLDERS

ROLE OF NWPP

PROGRAM
OPERATOR

UP NEXT

PROPOSED GOVERNANCE APPROACH

- › Independent board of directors
- › Member committee with certain substantive control
 - › Approve or reject amendments to the RA Program
 - › Approve or reject RA Program rules
 - › *Subject to stakeholder right of appeal to independent board*
- › Once the initial structure of the board and program is established, the board has authority to hire and fire administration and support; approve budgets; provide direction and set priorities
 - › Recommend amendments to the RA Program member services agreement
- › Some limitations on board authority are permissible



WEIS UPDATE

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LIMITATIONS ON BOARD AUTHORITY

- » Respect existing control and responsibility over generation and transmission assets
- » Respect existing resource adequacy requirements
- » No authority over provision of transmission service, operations, or planning
- » Independence from members



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NON-JURISDICTIONAL PARTICIPANTS

- » Participation consistent with existing legal and regulatory authorities and requirements
- » Any governance documents drafted to ensure that FERC's authority is limited
- » Participation shall not violate any federal statutory requirements



WEIS UPDATE

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POINT OF COMPLIANCE

- » Point of compliance is which entity will have an obligation to the RA program - **recommend this is the LSE** (consistent with other RA programs)
- » Ideally, all LSEs in the footprint would participate, but **program will be voluntary, absent any contractual or other regulatory requirements**



POINT OF COMPLIANCE

We will move forward with LSE as point of compliance

We recognize that direction could change depending on externalities

- States could adopt regulatory policies
- Novel use of the OATT - could undertake declaratory order to investigate, but OATT may not be a viable option for all potential TSPs
- BPA will need to consider approach for contracts (e.g. slice/block customers are likely to be voluntary)
- Working to determine process/timing for LSE's that are not NWPP members to participate in Stage 1 of the program

ROLE OF STATES/PROVINCES

Why is this important to resolve?

- LSEs that are regulated by PUCs will need the support of their state commissions to participate in the regional RA program.
- State/provincial buy-in and engagement for the regional RA program is critical to its success.

IMPACT OF REGIONAL RA PROGRAM ON AREAS OF STATE- PROVINCIAL AUTHORITY

- » While the regional RA program is not part of an RTO, it will have impacts on traditional PUC resource planning
- » In general, the regional RA program will determine RA targets and obligations and monitor member compliance, states retain authority over resource planning to meet those targets (i.e., the future resource mix) and how to allocate costs

Table ES-1 IRP RA components, impact from a regional RA program on these components, and how control of these components is allocated

IRP RA Component	Report Section	Impact of Regional RA Program on IRP	Control of RA Elements of IRP
RA Reliability Targets	3.1.1	High	Regional
Net Load Forecast	3.1.2		
Load Forecast	3.1.2.1	Medium	Shared
Demand-side Resources	3.1.2.2	Low	Local
Future Resource Portfolio	3.1.3		
Modelling Approach	3.1.3.1	Low	Local
Resource Capacity Credit	3.1.3.2	High	Regional
Market Transactions	3.1.3.3	Low	Local
Transmission Expansion	3.1.4	Medium	Shared
Emerging Technologies	3.1.5	Low	Local
Load Uncertainty	3.2.1	Low	Local
Power Supply Uncertainty	3.2.2	Low	Local
Preferred Portfolio / Utility Resource Mix	Overall	Low	Local

LBNL Study: Implications of a regional resource adequacy program on utility integrated resource planning

PROPOSED ROLE FOR STATES/PROVINCES

- Propose a Regulators' Committee with an incremental approach for State/Provincial authority and an evaluation process to re-examine role
- A Regulators' Committee be established for Stage 1 (non-binding forward showing) with Advisory authority as an initial step
 - › *State/Provincial representatives would provide advice and guidance*
 - › *The Regulators' Committee would work together with the RA Program and the Member's Committee during Stage 1 to:*
 - Learn and understand Stage 1 inputs/outputs; build trust and understanding*
 - Evaluate the Regulators' Committee to determine authority structure for future Stages pursuant to a set timeline*

ROLE FOR OTHER STAKEHOLDERS

- Recognize it will be important to ensure there are avenues for other stakeholders to have input
- Seeking SAC feedback on the role of other stakeholders in the RA program governance framework

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UP NEXT

Role of the NWPP

- » Steering Committee discussion on fleshing out concept of NWPP housing governance structure of RA Program
- » Considerations include
 - Preserving existing NWPP functions*
 - Committee structures*
 - Roles and responsibilities split with more technical services*



PROGRAM OPERATOR

- Steering Committee currently working through process to hire a Program Operator
 - › *Released on Request for qualifications on April 30, qualified candidates will be asked to provide a proposal/bid.*
 - › *Process expected to be complete by July 30*
- Program Operator will perform Forward Showing and Operations Program functions (modeling/system analytics, real-time operations, manages continual technical improvement, IT, etc.)

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UP NEXT IN GOVERNANCE DISCUSSIONS

Steering Committee has begun (or plans to begin) discussion on the following topics

- » Program exit provisions
- » Role of the NWPP
- » Role for other stakeholders in governance structure
- » Consider stakeholder feedback from the Stakeholder Advisory Committee and public



LSE INFORMATION FORUM

- LSE Information Forum (LIF)
 - › Series of webinars open to all LSEs and other interested parties
 - › Goal is to provide LSE's with information to help inform program participation decisions
 - › LSE sign-on and data collection targeted for late Summer/early Fall 2021
 - › First meeting May 21, 2-4 p.m.; anticipating monthly discussions
 - › For more information visit: <https://www.nwpp.org/events/95>

APPENDIX

Snapshot of NWPP RA Program

Preliminary Conceptual Design: Forward Showing Program

Market Structure	Bi-lateral - entities will continue to be responsible for determining what resources and products to procure and from where
Participation	Voluntary to join - joining commits participants to meeting established requirements or incurring penalties (i.e., not “voluntary” to comply once committed) and to an operational program where they are obligated to deliver diversity benefit when called upon. Process will be established to join or leave the program.
Point of Compliance	Compliance obligation at the LSE level – details under consideration at the Steering Committee.
Administration	Program Administrator will likely have to be a FERC jurisdictional entity to the extent that it administers program elements that are subject to FERC jurisdictions, which means it will also have to meet federal “public utility” standards for neutrality - Phase 2B will also consider multiple layers of program administration that may not require FERC jurisdiction
Compliance Periods	Two binding seasons: Summer and Winter Fall and Spring seasons would be advisory (no penalties for non-compliance, but metrics would be provided)
Contractual Supply Qualifications	Two general types of contracts: <ul style="list-style-type: none"> - Energy + RA - include energy and specified QCC resource value (more detail in following slides); includes both unit specific and block-type contracts - RA Transfer - one entity agrees to take on obligation for another

Snapshot of NWPP RA Program

Preliminary Conceptual Design: Forward Showing Program

Forward Showing Period	Forward showing will occur 7 months in advance of binding seasons, with a 2-month cure period
Planning Reserve Margin	Seasonal Planning Reserve Margins will be determined for summer and winter periods and expressed as a percentage of the 1-in-2-year seasonal peak load forecast
Resource Capacity Accreditation	<p>Resource Capacity Accreditation will be based on methodologies appropriate to resource type, including:</p> <ol style="list-style-type: none"> 1. Variable Energy Resources: Effective Load Carrying Capability (ELCC) analysis 2. Run of River Hydro: historical data and ELCC analysis 3. Storage Hydro: Common hydro model that considers appropriate set of water conditions allowing Program Administrator to verify data. Phase 2A included development of a conceptual storage hydro capacity methodology, which will be further considered as part of Phase 2B: Detailed Design 4. Thermal: Unforced Capacity (UCAP) method 5. Other resource capacity crediting: <ol style="list-style-type: none"> a. Customer resources – capacity resource or load modifier b. Short-term storage – ICAP testing c. Hybrid resources – sum of parts
Penalty for FS Non-Compliance	Deficiency payment based on CONE for a new peaking gas plant (e.g., SPP's Cost of new entry (CONE) calculation) - further discussions on deficiency payments are anticipated in Phase 2B

Snapshot of NWPP RA Program

Preliminary Conceptual Design: Operational Program

Framework for Accessing Pooled Capacity

Accessing Entity:

- › Can only call on pool capacity when Load + Contingency Reserves > Forecasted peak load + Planning reserve margin (PRM) – forced outages – VER underperformance + VER over-performance
- › Participants can only access pooled capacity equal to the amount of load over their reliability metric

Providing Entity:

- › Administrator will ask those not experiencing loads over their RA obligations assist
- › Could request the difference between their RA obligations and forecasted load

Transmission and Deliverability

- › Will require modeling to identify any transmission considerations in the operational time frame
- › Plan to develop a zonal approach of sufficient granularity to capture all major constraints that might impact the delivery of RA capacity
- › Recommendations associated with transmission availability in the operational time horizon will be made in Phase 2B

RT Delivery Failures

- › SC discussing what delivery failure entails, how it is dealt with operationally, and how penalties are structured