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September 23, 2021

Northwest Power Pool
7505 NE Ambassador Place, Suite R
Portland, Oregon, 97220

RE: Commission Comments on Phase 2B

Dear Steering Committee:

On July 28, the NWPP Resource Adequacy Steering Committee issued the NWPP Resource Adequacy Program- Detailed Design (Design Document). The Steering Committee provided an opportunity for public comments on the Design Document by September 15, 2021. The Washington Utilities and Transportation Commission (Commission) provides these comments in response.

The Commission remains supportive of the vision of a comprehensive resource adequacy program across the Western Interconnection. The work necessary to launch an effective resource adequacy program is substantial and the participants in the Western Resource Adequacy Program (WRAP) have made substantial progress toward establishing a comprehensive resource adequacy program.

Our comments focus on the WRAP's long-term goals and objectives. Our comments address modeling energy constraints, incorporating the effect of global warming on loads and resources, the need for adaptive technical design features, and investor-owned utilities' public stakeholder obligations. The Commission is not commenting on governance issues, including the proposed internal structure of WRAP, as those issues are being addressed in separate comments.

The Commission remains concerned that one of the program's products, a qualified capacity product, will not meet the standards the Commission applies to Washington investor-owned utilities. We recommend the WRAP include analysis of energy constraints and the effect of global warming on loads and resources during Phase 3B of the program development. We also advise that the WRAP remain realistic and flexible regarding the need to reexamine technical design elements as the resource adequacy program continues to be fleshed out and a governance mechanism allows additional input on the design elements.

Energy Constraint Modeling

The Detailed Design Document states that an energy constrained resource adequacy analysis will not be resolved during Phase 3A, the non-binding forward showing program that runs through December 2022. The WRAP has not committed to a date or a program phase for incorporating energy constraints into its resource adequacy analysis. The Commission is concerned with the lack of commitment to this key design feature. For the WRAP to contribute to an understanding of the resource development needs that are already present in the Northwest region, WRAP will need to include energy constraints in its resource adequacy modeling.

The Detailed Design Document states that the first fully functional binding forward showing will be in place by 2024 at the end of Phase 3B. The Commission cautions that this is only two years prior to end of 2025 when multiple coal plants are planned to be retired and those operating will no longer be available as long-term resources for Washington utilities under the State's Clean Energy Transformation Act, or CETA.[1] Even if an energy constrained resource adequacy program is launched at the end of Phase 3B, there will be little time for the program analysis to inform decision making on the need and type of resource build.

Including the energy constraints of the Northwest region in resource adequacy analysis is an established part of planning and acquisition decision making in the Northwest region and a requirement of Commission's regulatory statutes, rules, and practices for the electric utilities it regulates. One only needs to look back to the 2000-2001 energy crises or to the events leading up to the loss-of-load events and system emergencies of August 2020 to understand the need for considering energy constraints in resource adequacy. In addition, the integration of renewables and their capacity contribution to the Western Interconnect and an individual utility's capacity needs will not be sufficiently understood without including modeling of energy constraints.

The Commission recognizes the effort that modeling energy constraints entails. However, Washington electric investor-owned utilities (IOUs) must include energy constrained resource adequacy modeling in their planning, acquisitions, and operations. To the extent a west-wide resource adequacy program does not incorporate energy constraints, Washington IOUs will need to perform that modeling on an individual basis.

We make one additional observation about the lack of energy constrained resource adequacy analysis. The evaluation of the performance of energy storage as a capacity resource is incomplete without considering its performance in a range of energy supply conditions, including variations in the hydroelectric production and in future supply mixes that include larger amounts of variable energy resources. The Commission remains concerned that utility reliance on capacity analysis that lacks consideration of energy constraints in its resource

[1] Chapter 19.405 RCW.

position and resource acquisition decisions is not the data and methods that a reasonable management would use for decision making.

The Commission recommends the WRAP commit to modeling energy constraints in its resource adequacy in phase 3B.

Global Warming

Global warming potentially affects two broad elements of Washington electric utility obligations: 1) achieving the lowest reasonable cost for decreasing greenhouse gas emissions and complying with CETA, and 2) assuring reliable electric service as global warming affects load and resource performance. Our comments will primarily focus on the latter concern. The Commission recommends the WRAP establish an independent committee to incorporate the effects of global warming on load forecasts and resource performance during Phase 3A.

The Detailed Design Document states in the introduction that during Phase 3A the WRAP is not trying to solve "every issue facing the region" including the issue of global warming.[2] The Detailed Design Document does not make specific commitments to, or provide a timeline for, including the effects of global warming in any of its program phases. Indeed, beyond the introduction it makes no further mention of global warming.

Nonetheless, the Commission believes that the WRAP's Resource Adequacy Program must include an analysis of the potential impacts of changes in climate, which affects all three of the major inputs for determining resource adequacy, namely load forecasts, and generation and transmission facility performance. While the Steering Committee members have expressed orally in meetings that they agree that the effects of global warming need to be considered and suggested that it be considered by performing a scenario analysis, the WRAP should commit in its planning documents to incorporate global warming into its core resource adequacy analysis. Such a commitment will improve the value of the WRAP's qualified capacity product.

Technical design features

The Detailed Design Document provides many technical details of the proposed resource adequacy program. The Commission recommends the WRAP retain flexibility and the ability to examine these components anew as it works to fully develop its program. The Detailed Design Document states that, "The Steering Committee fully recognizes that the design will likely be updated and evolve as the RA Program is stood up; the design proposed here is a starting point…"[3] The Commission agrees with this statement and wishes to emphasize that as new

[2] NWPP Resource Adequacy Program, Detailed Design, Executive Summary, page 8.

[3] NWPP Resource Adequacy Program, Detailed Design, Executive Summary, page 8.

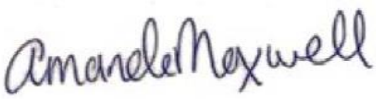
details are determined the detailed design features described in the Detailed Design Document will need to be modified or replaced to accommodate program improvements.

The Commission also notes that the detailed design was developed without the benefit of inputs from a governance structure, and multiple meetings of Resource Adequacy Committees were conducted in closed door session with the participants or participant organizations hand selected by the utilities of the Northwest Power Pool effort.

Once the governance and public participation process is in place and operating, the detailed design features of the program can be further vetted in conjunction with the continued development of the resource adequacy program. The creation of the public participation process will also be an opportunity to accommodate the IOU's public participation requirements for the development a resource adequacy analysis they use for planning.

The Commission appreciates the opportunity to submit comments on the Detailed Design Document and remains supportive of the vision of a comprehensive resource adequacy program across the Western Interconnection. The Commission recognizes the progress that participants in the Western Resource Adequacy Program have made toward establishing a comprehensive resource adequacy program that will benefit the participants, as well as electric consumers in the region, by working to ensure reliability and cooperation in the region. The Commission looks forward to continuing to engage in the process of establishing and perfecting a comprehensive resource adequacy program,

Sincerely,



Amanda Maxwell
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