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Western Resource Adequacy Program

106 Qualifying Contracts

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106 Qualifying Contracts

1. Introduction

The Qualifying Contracts Business Practice Manual (BPM 106): describes how a contract may be able to receive Qualifying Capacity Contribution (QCC); explains when a Joint Contract Accreditation Form (JCAF) is required to ensure resources are not double counted and QCC is tracked entering and leaving the WRAP Region; outlines the calculations for determining Net Contract QCC; and explains the process of Resource Adequacy (RA) Transfers (the transfer of QCC) between Participants. In addition, BPM 106 includes attestations required for Qualifying Contracts.

1.1. Intended Audience

BPM 106 is intended for Western Power Pool (WPP) Western Resource Adequacy Program (WRAP) Participants and other interested individuals or entities. BPM 106 will be particularly useful for individuals responsible for their organization's Forward Showing (FS) Submittal (see *BPM 108 FS Submittal Process*) that need to ensure their organization's Qualifying Contracts are recorded appropriately.

1.2. What You Will Find in This Manual

BPM 106 includes information on contract eligibility, JCAF requirements, QCC calculations, and RA Transfers.

1.3. Purpose

BPM 106 provides an overview of Qualifying Contracts and the processes for determining QCCs.

1.4. Definitions

All capitalized terms that are not otherwise defined in this BPM have the meaning set forth in the Tariff. Any capitalized terms not found in the Tariff are defined here.

Resource-Specific Capacity Agreements: Bi-lateral agreements that convey capacity from specific resources from one party to another party.

Contracted Capacity Firm Delivery Point: The point up to which the seller of a Qualifying Contract attests to using NERC Priority 6 or NERC Priority 7 point-to-point transmission service or network integration transmission service (NITS) rights to deliver the energy. This is the point from which the Participant is responsible for mapping transmission to load in the FS Submittal (see BPM 108).

FS Demonstration: As defined in *BPM 108 FS Submittal Process*.



Joint Contract Accreditation Form (JCAF): A standard form available at an appropriate location on the Western Power Pool (WPP) website, to be completed by a Participant, to support its claim in an FS Submittal for contracted capacity by demonstrating agreement between the Participant and its selling counterparty regarding details relevant to establishing a Qualifying Capacity Contribution (QCC) value for the capacity contract.

Qualifying Contract: A contract that meets the requirements to be assigned a QCC.

Resource Adequacy Transfer (RA Transfer): The transfer of QCC from one Participant to another in accordance with the requirements of the Tariff and BPM 106.

2. Background

A Participant's FS Submittal shall include a FS Demonstration with the necessary information for each Binding Season to demonstrate the Participant has sufficient capacity and transmission service to satisfy the FS Capacity Requirement and FS Transmission Requirement (see *BPM 108 FS Submittal Process*). The FS Demonstration will include the Participant's demonstration of QCC to meet its FS Capacity Requirement, which can be from Qualifying Resources and from Net Contract QCC. Net Contract QCC may be either positive or negative, to take account of, for example, a Participant's agreements for the sale of capacity to any other party. BPM 106 provides implementing details and supporting requirements to determine the QCC associated with a capacity contract. Note that while contract QCC in the FS Submittal is based on availability during Capacity Critical Hours (CCH), the Operations Program assumes monthly FS Capacity Requirement is met each hour of the Preschedule Day.

JCAF requirements for Resource-Specific Capacity Agreements and Systems Sales are also explained: for contracts between Participants (to allow QCC to be tracked within the WRAP Region), for contracts from Participants to non-Participants (to track QCC leaving the WRAP Region), and for contracts from non-Participants to Participants (to track QCC entering the WRAP Region). BPM 106 also describes how a Participant can transfer some of its Portfolio QCC to help meet another Participants' FS Capacity Requirement via an RA Transfer.

3. Contracts Eligible for QCC value

In accordance with the Tariff, two distinct categories of capacity agreements can qualify to provide QCC: Resource-Specific Capacity Agreements and System Sales,.



3.1. Resource-Specific Capacity Agreements

A Resource-Specific Capacity Agreement (for a resource, or group of resources of the same resource type, or percentage contracted of a resource or group of resources of the same resource type) qualifies to provide a QCC if:

- i) the contract is specific to an identified generating resource or group of resources;
- ii) there is an assurance that the generating capacity will not be used for another entity's Forward Showing Capacity Requirement or to meet the requirements of any other resource adequacy program;
- iii) there is an assurance that the supplier will not fail to deliver in order to meet other supply obligations;
- iv) there is an affirmation that the energy will be delivered on NERC Priority 6 or NERC Priority 7 point-to-point transmission service or network integration transmission service (NITS) rights from the resource to an identified Contracted Capacity Firm Delivery Point; and
- v) the identified resource meets the QCC accreditation requirements for its resource type.

The QCC associated with a Resource-Specific Capacity Agreement will be calculated as equivalent to the QCC of the resource(s) identified for the agreement. Resource(s) associated with a Resource-Specific Capacity Agreement must be registered consistent with *BPM 105 Qualifying Resources*. Participants unable to provide sufficient information to fully register the resource may have limitations on the amount of QCC that can be claimed (see *BPM 105* for additional information). Each Resource-Specific Capacity Agreement must have an associated and identified Contract Capacity Firm Delivery Point acknowledged by the seller and buyer, or able to be inferred via a review of the power purchase agreement, depending upon the demonstration required as noted in sections below. If the Contract Capacity Firm Delivery Point is not at a location sufficient to demonstrate firm deliverability from the identified resource to the Participant's load, then the Participant shall make such additional showings of firm transmission service rights as necessary to ensure it meets its Forward Showing Transmission Requirement (see *BPM 108 Forward Showing Submittal Process*). A Participant seeking QCC for a Resource-Specific Capacity Agreement must include a JCAF and/or other attestation, as applicable, as described below and summarized in Section 4 of this BPM.



3.1.1. *Participant-Buyer – Participant Seller*

A JCAF for a Resource-Specific Capacity Agreement where both buyer and seller are Participants allows QCC to be tracked within the WRAP Region. The amount of QCC matches the resource(s) identified and agreed to in the JCAF without the need for the Program Operator to review the contract. This scenario requires an initial one-off JCAF signed by both buyer and seller, and then an annual attestation signed by the Participant buyer that the contract has not changed (see Appendix C - Attestation in lieu of an Annual JCAF).

3.1.2. *Participant-Buyer – Non-Participant Seller*

For scenarios where a Participant is the buyer of a Resource-Specific Capacity Agreement but a non-Participant is the seller, a demonstration is required to track QCC entering the WRAP Region. BPM 106 considers three sub-scenarios:

- No JCAF is necessary for Participants required to purchase energy from a resource as available from such resource, including but not limited to a qualifying facility as defined under the Public Regulatory Policies Act, and purchasing 100% of that output (referred to as “100% off take and must take” in Table 1). In lieu of a JCAF, the Participant must attest that it is receiving 100% of the output of such resource and is unable to decline any of it (see Appendix D – Attestation for 100% Off-Take, Must Take Resources).
- For Participants voluntarily purchasing 100% of the output of a resource (i.e. not “must take” and referred to as “100% off take” in Table 1):
 - When a Participant first claims the capacity or experiences a change in the terms of the power purchase agreement, the Participant buyer may demonstrate the terms in Section 3.1 are met by providing either:
 - A JCAF completed by the Participant buyer and supported by language from the executed power purchase agreement; Participants will provide the Program Operator a copy of the agreement annotated to identify terms relevant to supporting the terms in Section 3.1 (commercial terms related to pricing may be redacted). If the Program Operator determines that any terms within the agreement make it such that the agreement cannot meet any of the requirements in Section 3.1, that agreement will not qualify to provide QCC; or
 - A JCAF completed and signed by both the Participant buyer and the non-Participant seller, including a seller attestation as provided in Appendix B – JCAF: Non-WRAP Participant Seller’s Attestation.
 - In years following the first year, the Participant buyer may make an annual attestation that the terms of the contract have not changed (see Appendix C – Attestation in lieu of an Annual JCAF).



- For contracts in which the buyer is purchasing less than 100% of the output of a resource,
 - When a Participant first claims the capacity or experiences a change in the terms of the power purchase agreement, the Participant buyer will demonstrate the terms in Section 3.1 are met by providing a JCAF completed and signed by both the Participant buyer and the non-Participant seller, including a seller attestation as provided in Appendix B – JCAF: Non-WRAP Participant Seller’s Attestation.
 - In years following the first year, the Participant buyer will make an annual attestation that the terms of the contract have not changed (see Appendix C – Attestation in lieu of an Annual JCAF).

3.1.3. Non-Participant-Buyer –Participant Seller

A Resource-Specific Capacity Agreement where a non-Participant is the buyer and the seller is a Participant requires a JCAF to track QCC leaving the WRAP Region. The amount of QCC matches the resource(s) identified and agreed to in the JCAF without the need for the Program Operator to review the contract. This scenario requires a JCAF signed by both the Participant seller, and then an annual attestation by the Participant seller that the contract has not changed (see Appendix C – Attestation in lieu of an Annual JCAF).

3.2. System Sale

A Participant that is part of a System Sale (whether as buyer or seller) must provide a JCAF and/or other attestation, as applicable, as described in Section 4 of this BPM so QCC can be tracked within the WRAP Region (Participant Buyer – Participant Seller), entering the WRAP Region (Participant Buyer – non-Participant Seller), and leaving the WRAP Region (non-Participant Buyer – Participant Seller) Each System Sale must have an associated and identified Contract Capacity Firm Delivery Point acknowledged by the seller and buyer. If the Participant is the buyer and the Contract Capacity Firm Delivery Point is not at a location sufficient to demonstrate firm deliverability from the identified resource to the Participant’s load, then the Participant shall make such additional showings of the required firm transmission service rights as necessary to ensure it meets its Forward Showing Transmission Requirement (see *BPM 108 Forward Showing Submittal Process*).

3.2.1. Participant Buyer – Participant Seller

A System Sale where buyer and seller are Participants will require a JCAF to track QCC within the WRAP Footprint for the first FS Demonstration claiming the System Sale. Subsequent FS Demonstrations will require an attestation by the Participant buyer (see Appendix C – Attestation in Lieu of an Annual JCAF) updated at least once every Forward Showing Year. The QCC of such a System Sale will match the MW value of the



agreement as reported in the jointly signed JCAF without the need for the Program Operator to review the contract between Participants. The QCC will accrue to the purchasing Participant's FS Submittal, and the selling Participant will debit the QCC available from its Qualifying Resources associated with the System Sale as reported in its FS Submittal (see *BPM 108 FS Submittal Process*).

3.2.2. Participant Buyer – Non-Participant Seller

A System Sale for which a Participant is a buyer, but a non-Participant is the seller, will require a jointly signed JCAF (updated at least once every Forward Showing Year) to track QCC entering the WRAP Region and be assigned a QCC upon demonstration of the following supporting conditions:

- i) the system capacity sold is surplus to the seller's needs to meet its own loads and other obligations (as attested to with Appendix B – JCAF: Non-Participant Seller's Attestation;
- ii) there is an assurance that the seller will not fail to deliver to meet other commercial obligations; and
- iii) there is an affirmation that the energy will be delivered on NERC Priority 6 or NERC Priority 7 point-to-point transmission service or NITS rights from the resource to the Contracted Capacity Firm Delivery Point.

Resources associated with qualified System Sales from sellers that are not Participants do not have to be registered unless the Participant buyer is seeking allocation of over/under performance or forced outages in the Operations Program (see variable output System Sales in Section 4.1).

3.2.3. Non-Participant Buyer – Participant Seller

A System Sale where a non-Participant is the buyer and the seller is a Participant will require an initial JCAF signed by the Participant seller for the first FS Demonstration claiming the System Sale to track QCC leaving the WRAP Region. Subsequent FS Demonstrations will require an attestation by the Participant seller (see Appendix C – Attestation in Lieu of an Annual JCAF) updated at least once every Forward Showing Year. The Participant seller will debit the QCC available from its Qualifying Resources associated with the System Sale as reported in its FS Submittal (see *BPM 108 FS Submittal Process*). The QCC of such a System Sale will match the MW value of the agreement as reported in the JCAF.



4. Joint Contract Accreditation Forms

With limited exceptions, a Participant shall provide a completed JCAF for each Resource-Specific Capacity Agreement (Table 1) and each System Sale (Table 2) included in its FS Submittal. JCAFs allow the QCC of contracts to be agreed between buyer and seller while avoiding the need for contracts to be reviewed and evaluated by the WRAP. JCAFs will be validated by the Program Administrator and the Program Operator; validation may require additional supporting information from Participants, as determined by the Program Administrator or Program Operator. The JCAF is available on the WPP website and includes sufficient information for the Program Operator to determine the QCC value of the contract. Signatories to the JCAF vary depending upon circumstance, but JCAFs will always be signed by the Participant using the JCAF for demonstration in its FS Submittal. The intent of the JCAF is to ensure capacity is not double counted and that QCC is tracked entering, transferring within, and leaving the WRAP Region. The JCAF is intended to be used for Participant-to-Participant transactions as well as transactions made by Participants with external parties for capacity to meet Participants' FS Capacity Requirement.

Table 1 and Table 2 below show which types of agreements require a JCAF, how frequently a JCAF must be submitted to ensure it is current, and which other forms of attestation may be required in addition to or in lieu of a JCAF, in certain circumstances.

4.1. Allocation of Over/Under Performance or Forced Outages in the Operations Program

In the Operations Program a Participant may be exposed to the impact of contract over/under performance or associated forced outages depending upon the transaction type (for more details see *BPM 202 Sharing Calculation Inputs*). A Participant buyer must identify a contract's transaction type in the JCAF based on the guidance below and indicate whether the Participant buyer assumes the risk associated with under/over performance and forced outages and therefore be allocated those impacts in the Operations Program.

- For Resource-Specific Capacity Agreements any associated over/under performance or forced outages in the Operations Program are allocated to the Participant buyer.
- For fixed output System Sales any associated over/under performance or forced outages in the Operations Program remain allocated to the Participant seller.
- For variable output System Sales any associated over/under performance or forced outages in the Operations Program are allocated to the Participant buyer



provided the identified resources meet the QCC accreditation requirements for their resource type.

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Table 1 – Resource Specific Capacity Agreements - JCAF and Similar Attestation Requirements and Frequency

		Buyer	
		Participant	Non-Participant
Seller	Participant	<p>JCAF must be provided first time a contract is claimed; JCAF must be signed by both Participant buyer and Participant seller. No updated JCAF need be submitted thereafter, but the Participant buyer must provide the attestation shown in Appendix C with each subsequent FS Demonstration, updated at least once per Forward Showing Year.</p>	
	Non-Participant	<p>100% off take</p> <p>In first year contract is claimed, or when contract terms change, provide <i>either</i>:</p> <ul style="list-style-type: none"> • JCAF signed by both Participant buyer and non-Participant seller, <i>or</i>, • JCAF signed by buyer and supported by an executed power purchase agreement. <p>No updated JCAF need be submitted thereafter if terms are unchanged, but the Participant buyer must provide the attestation shown in Appendix C with each subsequent FS Demonstration, updated at least once per Forward Showing Year.</p>	

		Less than 100% off take	In first year claimed, or when contract terms change, provide JCAF signed by both Participant buyer and non-participant seller. No updated JCAF need be submitted thereafter if terms are unchanged, but the Participant buyer must provide the attestation shown in Appendix C with each subsequent FS Demonstration, updated at least once per Forward Showing Year.	
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Table 2 - System Sales - JCAF and Similar Attestation Requirements and Frequency

		Buyer	
		Participant	Non-Participant
Seller	Participant	JCAF must be provided the first time a contract is claimed; JCAF must be signed by both Participant buyer and Participant seller. No updated JCAF need be submitted thereafter, but the Participant buyer must provide the attestation shown in Appendix C with each subsequent FS Demonstration, updated at least once per Forward Showing Year.	JCAF must be provided for new and updated contracts; JCAF must be signed by the Participant seller. No updated JCAF need be submitted thereafter, but the Participant seller must provide the attestation shown in Appendix C with each subsequent FS Demonstration, updated at least once per Forward Showing Year.
	Non-Participant	JCAF required with each FS Demonstration, updated at least once per Forward Showing Year signed by both non-Participant seller and Participant buyer, including attestation by non-Participant seller shown in Appendix B.	

The JCAF includes a seller’s transmission attestation (for both Participants and non-Participants), in the form shown in Appendix A to this BPM, to affirm the contracts meet the transmission requirements for Resource-Specific Capacity Agreements and System Sale found in Sections 3.1 and 3.2 of this BPM. The JCAF also includes a non-Participant seller’s attestation that a System Sale meets the requirements of Section 3.2, in the form shown in Appendix B to this BPM.

If the seller is a:

- Participant; or
- non-Participant in a Resource-Specific Capacity Agreement as to which there is a 100% off-take obligation for the identified resource;

then the Participant buyer need only submit a JCAF the first time a contract is claimed, but will subsequently be required to complete the attestation in the form shown in Appendix C to this BPM as part of its FS Submittal each year thereafter during the life of

the contract, attesting that the contract still meets the requirements affirmed in the JCAF.

5. Calculating Net Contract QCC

The Net Contract QCC for a Participant will be calculated by the Program Operator using the FS Submittal. The Net Contract QCC is a monthly value equal to the sum of the Participant's contract QCCs. In terms of a Participant's monthly QCCs, import contracts (purchases) are additive while exports (sales) are subtractive. The Net Contract QCC may be positive (net supply of capacity) or negative (net obligation of capacity). The Net Contract QCC formula is as follows:

$$\text{Net Contract QCC} = \sum \text{QCC of all Participant qualified contracts}$$

Firm capacity sales by a Participant to parties outside the WRAP Region must be declared and included as a capacity obligation in the Participant's FS Submittal. Non-firm capacity exports will not be deducted from a Participant's FS portfolio but must be curtailable in the operational timeframe, i.e. they must still be curtailable after the determination of any Sharing Event in the Operations Program (*see BPM 201 Operations Timeline*).

6. Resource Adequacy Transfers (RA Transfers)

A Participant may agree with another to transfer some of its Portfolio QCC to meet the other Participant's FS Capacity Requirement. Such transfer is available only between WRAP Participants and must be submitted by both Participants to the Program Operator along with the transmission service arrangement(s) between the two Participants' systems supporting such transfer as part of the FS Demonstration as described in the FS Instruction Manual. RA Transfer transmission must be met with NERC Priority 6 or NERC Priority 7 point-to-point transmission service or NITS rights from the RA Transfer seller's system to the RA Transfer buyer's load; a Contracted Capacity Firm Delivery point for the RA Transfer must be identified, to which the seller will deliver energy with NERC Priority 6 or NERC Priority 7 point-to-point transmission service or NITS rights and from which the Buyer will be responsible for demonstrating NERC Priority 6 or NERC Priority 7 point-to-point transmission service or NITS rights as further detailed in the FS Submittal Instruction Manual and as with other contracts and resources.

Upon verification, each RA Transfer shall result in an adjustment to the Portfolio QCC values of the transferor and transferee Participants. Specifically, the amount of each RA Transfer will be added to the purchasing Participant's Portfolio QCC and subtracted from the selling Participant's Portfolio QCC. The contracts for these transfers will be



provided to the Program Operator. For Participants engaged in multiple RA Transfers, as either a purchaser or seller, the overall adjustment to the Participant's Portfolio QCC will be determined by the following formula:

$$\textit{Total RA Transfer} = \sum \textit{Participant RA transfer contracts}$$

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Appendix A – JCAF: Seller’s Transmission Attestation for both Participants and Non-Participants

I, the undersigned, who as [title], serve as a senior official of [seller], hereby attest that energy will be delivered to the identified Contracted Capacity Firm Delivery Point on NERC Priority 6 or NERC Priority 7 point-to-point transmission service, or will be delivered on a path with counterflow from a Qualifying Resource to load on NERC Priority 6 or NERC Priority 7 point-to-point transmission service or network integration transmission service (NITS) rights.

Appendix B – JCAF: Non-WRAP Participant Seller’s Attestation

I, the undersigned, who as [title], serve as a senior official of [seller], hereby attest that the capacity subject to the contract is not used for another entity’s resource adequacy requirements, is surplus to [seller’s] estimated need and that the energy will not fail to be delivered in order to meet [seller’s] other commercial obligations.

Appendix C – Attestation in lieu of an Annual JCAF

I, the undersigned, who as [title], serve as a senior official of [Participant buying from another Participant OR Participant selling to a non-Participant OR Participant buying resource-specific contract from a non-Participant], hereby attest that terms of the contract between [seller] and [buyer] with Contract ID [identifying # from Participant’s FS Submittal] have not changed since the latest review (JCAF or power purchase agreement review) on [date of last demonstration].

Appendix D – Attestation for 100% Off Take, Must Take Resources

I, the undersigned, who as [title], serve as a senior official of [Participant], hereby attest that any resources claimed within [Participant’s] FS Submittal that are not owned and operated by [Participant] are resources where [Participant] receives 100% of the output of the resource without an option to decline to take any of such output.