

**BEFORE THE WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

In the matter of the

Clean Energy Implementation Plans and  
Compliance with the Clean Energy  
Transformation Act Rulemaking

DOCKET NO. UE-191023

NORTHWEST & INTERMOUNTAIN  
POWER PRODUCERS COALITION  
COMMENTS

**I. INTRODUCTION**

The Northwest & Intermountain Power Producers Coalition (“NIPPC”) appreciates this opportunity to submit comments on the Washington Utilities and Transportation Commission (the “Commission” or “WUTC”) rulemaking regarding Clean Energy Implementation Plans and compliance with the Clean Energy Transformation Act (“CETA”). These comments respond to the Commission’s Notice of Opportunity to File Written Comments issued January 15, 2020. NIPPC, however, is only responding to certain issues relating to resource adequacy (“RA”), and may provide broader comments later in this proceeding.

NIPPC believes that RA is of relevance for a number of aspects of today’s utility industry, and for that reason wishes to share what may be a unique perspective. Unlike most other stakeholders who may choose to participate in this proceeding, NIPPC is a trade association whose members and associate members include balancing authorities, independent power producers, marketers, and energy service suppliers active in the Pacific Northwest and Western markets selling both energy and capacity. NIPPC brings expertise from non-utility sellers of energy and capacity of all sizes and technology types, which can provide the Commission with a broader and more comprehensive

understanding of how this rulemaking can best serve the intent of the CETA by embracing competition to most effectively ensure system reliability and RA at the lowest possible cost.<sup>1</sup>

NIPPC's mission is to represent the interests of its members in developing rules and policies that help achieve a robust, competitive electric power supply market in the Pacific Northwest. This proceeding is investigating the specific actions that should be taken in a Clean Energy Implementation Plan ("CEIP") in order to be consistent with utilities' RA requirements. Regardless of how this investigation unfolds, the decisions in this docket will have implications for NIPPC's members to the extent decisions impact the design of a RA program, the sale of energy and capacity in the wholesale market, options available to end use consumers that purchase power under Washington's current and future direct access programs, power sales under the Public Utility Regulatory Policies Act, and the timing and pricing for utility requests for proposals ("RFPs"). NIPPC supports the development of a "Regional Resource Adequacy Program," such as the one being considered by the Northwest Power Pool ("NWPP"), its membership, and regional stakeholders, as NIPPC believes that a carefully crafted RA program will provide benefits to electricity consumers by improving the reliability of electricity service and minimizing long-term cost.

## **II. COMMENTS**

### **A. NIPPC Offers Seven Principles for a Regional RA Program**

NIPPC is actively engaged in RA discussions and proceedings in Washington as well as with the NWPP and the Oregon Public Utility Commission's generic capacity

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<sup>1</sup> RCW 19.405.010.

investigation UM 2011. This work has allowed NIPPC to develop core RA principles that Washington, Oregon and the NWPP should adopt. Specifically, NIPPC recommends that whatever RA Program is ultimately developed adheres to the following seven principles and features: 1) assures reliability; 2) demonstrates tangible and long-term consumer benefits; 3) is structured so that the Program Administrator is independent of market participants; 4) ensures that resource (supply-side and demand-side) evaluation be non-discriminatory; 5) facilitates broad participation and competition; 6) ensures transparent program metrics; and 7) is practical (e.g., low barriers to entry and exit, leverages existing tools and data sets, etc.).

NIPPC has adopted a Statement on RA which describes in greater detail the principles and associated features that will maximize the benefits of the program to the region. This Statement is attached as Attachment A.

**B. RA Must Be Viewed through a Regional Lens**

NIPPC recognizes that UE-191023 is a WUTC docket. Nonetheless, given the integrated nature of the industry, the goals of maintaining system reliability and RA without imposing unreasonable costs on utility customers should be considered within the context of the broader geography in which Washington's electricity market is situated, which could mean the Pacific Northwest, the Pacific Northwest plus California (given the mutual dependence of the electrical systems on one another), and potentially even the whole of the Western Interconnection.

Reliable RA is actively being discussed and continues to evolve in markets across North America, and so we caution the Commission to think broadly, beyond the State of Washington, on this topic. For example, E3 recently completed a comprehensive

analysis,<sup>2</sup> which shows significant regional capacity deficits, largely due to retiring coal generation and load growth. This study was sponsored by regional utilities including investor-owned and publicly-owned utilities in Washington.

The State of Washington’s electricity market is not an island unto itself, and NIPPC’s answers to the Commission’s questions are reflective of what we consider to be relevant to the regional marketplace, particularly as Washington becomes more integrated with other parts of the West through the Energy Imbalance Market (“EIM”) and forthcoming Expanded Day Ahead Market (“EDAM”).

**C. To Demonstrate Reliable RA, Certain Information Must be Provided in Utility CEIPs**

This docket’s fundamental question is “What information should utilities include about their system reliability and resource adequacy in the CEIP?” NIPPC believes that there are five sets of data needed to demonstrate reliable RA starting with: 1) load forecasts under various stress conditions; 2) resource accreditation (also described as capacity contribution) for both supply- and demand-side resources; and 3) planning margins that protect against unplanned events. While utilities may evaluate and present information on these topics in different ways, all should demonstrate robust analysis, and where necessary, standardization, in order to support a common, regional program. By way of example, some utilities may use end-use modeling to forecast load, while others may use econometric models, or hybrids of these two approaches. As long as the load forecast modeling is robust, it can be used effectively with standardized approaches to

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<sup>2</sup> Northwest Power Pool, *Exploring a Resource Adequacy Program for the Pacific Northwest* (Oct. 2019), available at [https://www.nwpp.org/private-media/documents/2019.11.12\\_NWPP\\_RA\\_Assessment\\_Review\\_Final\\_10-23.2019.pdf](https://www.nwpp.org/private-media/documents/2019.11.12_NWPP_RA_Assessment_Review_Final_10-23.2019.pdf)

resource accreditation, loss of load analyses, and planning reserve margins. Said differently, there is room for some individual analysis and standardized regional metrics to co-exist.

In addition, NIPPC encourages the Commission to require two other informational elements that address process and transmission. Utilities should incorporate the timelines for compliance under an RA program into the deadlines associated with state competitive procurement requirements and execution of bilateral transactions, in order to avoid the need to seek waivers to expedited procedures. The institutional climate for the development of and sustaining existing non-utility generation provides an important procedural structure that is needed to support both a viable RA program and one that works in concert with state-endorsed IRP structure.

Finally, NIPPC suggests that the utilities may need to provide additional information regarding transmission planning and operations. At a minimum, it is critically important to demonstrate consistency in the assumptions and models for both the power supply and transmission functions. And, from an operational standpoint, adequate transmission or transfer capability, is needed to ensure that load serving entities can reliably deliver supply to loads.

**1. Utility CEIPs Should Require Standardized Data and Analysis, Where Possible**

RA is an operational concept. For example, in the Pacific Northwest, *real-time* RA is supplemented with the Northwest Power Pool Reserve Sharing Group (“RSG”). The RSG allows all members to meet North American Electric Reliability Corporation (“NERC”) standards by sharing what is defined as the Most Service Single Contingency

resource, resulting in significant financial savings by sharing, through diversity, the cost and dispatch of contingency resources. The RSG members adhered to specific requirements and procedures to effect the RSG program.

Currently, individual utilities assume the *near-term* RA obligation individually. This is because the region does not currently have an organized capacity market or consistent process for counting physical capacity. In fact, it has become a common practice for some large utilities to rely on “market purchases” or “front office transactions” to satisfy projected capacity requirements in their Integrated Resource Plans (“IRPs”). Such market purchases can serve to reduce customer costs by avoiding unnecessary investment as long as there is an adequate supply of available and affordable surplus capacity. If there is a shortage of capacity, however, reliance on financial contracts and risk-hedging instruments that do not involve an identified physical asset or Balancing Authority system commitment can jeopardize reliable electric service, expose customers to high costs, or both. The magnitude of the capacity deficit forecast for the region is therefore creating pressure on regulators to take action to relieve what is predicted to be a capacity crisis. Region-wide coordinated resource planning is intended to avoid such crises and minimize uneconomic short-term capacity procurement. NIPPC supports the development of an RA obligation that includes capacity demonstration requirements consistent with well-designed capacity-based markets similar to those that have proven to be effective elsewhere.

A *near-term*, e.g., day-ahead to five years out, RA program is expected to be used to ensure operational reliability and cost savings by capturing the diversity of loads and resources across a regional footprint, such as the NWPP or sub-zones within the NWPP.

The savings from such an arrangement result directly from load diversity which produces a lower, aggregate coincident peak and, in turn, a lower aggregate reserve margin.

A *near-term* RA program necessitates standardization of resource accreditation. Currently, the metrics used to claim firm capacity and energy vary among utilities, the Pacific Northwest region, and across the country. Moreover, resource accreditation or the determination of a resource's capacity contribution, varies among resource types. Standardization is necessary to meet the stated intent of CETA, i.e., to eliminate coal-fired generation by the end of 2025, to ensure retail sales are greenhouse gas neutral by the end of 2030, and to source 100 percent of power from renewable and non-emitting resources by the end of 2045.<sup>3</sup> Standardization is also necessary to ensure reliability and to demonstrate with confidence, the ability of a resource (or the ability of a resource portfolio) to withstand disturbances or unplanned underperformance of system components, including generators, demand-side resources, transmission facilities, relay equipment, etc.<sup>4</sup> Additionally, a standardized approach to resource accreditation is necessary in order to enable a common planning margin among the participants in a RA program.

## **2. Utility CEIP Requirements Should Recognize the Intersect between RA and Long-term Planning**

While an RA program is intended to ensure reliability in near-term operations, it is not intended to replace the role of long-term planning. As a result, NIPPC wishes to

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<sup>3</sup> RCW 19.405.010.

<sup>4</sup> NIPPC is supportive of efforts, as captured in SB 6135, to regularly evaluate, e.g., every twelve months, efforts underway to adapt to the changes in the composition of the portfolio of assets that are depended upon to reliably serve regional load. (SB 6135).

emphasize the critical intersection between RA and resource procurement. To be effective, coordination between and among the region's regulators who oversee resource procurement on behalf of the various utilities involved in the NWPP effort is required. For example, clarification of the relationship between Integrated Resource Planning and compliance with the proposed NWPP RA Program is needed. The timeline for compliance under a RA program should allow a participating entity adequate time to follow state competitive procurement requirements, enable PURPA acquisitions, and execute bilateral transactions, without needing to seek waivers to expedited procedures. NIPPC believes that state laws and policies regarding what is a settled and uniform institutional climate for the development and sustenance of non-utility generation provide an important procedural structure for a viable RA program.

### **3. Utility CEIP Requirements Should Recognize the Intersect between RA and Transmission**

The interplay between the RA Program and transmission planning and operations must be considered. While the RA Program anticipates savings as a result of load diversity, i.e., the non-coincidence of an aggregated regional peak load, it seems appropriate that diversity in transmission usage would also produce benefits. We recognize that many of the RA participants have transmission planning obligations under Orders 888 and 1000, as a result, the transmission planning processes will need to ensure adequate transmission capability. Specifically, we encourage consistency in the assumptions and models for both the power supply and transmission functions.

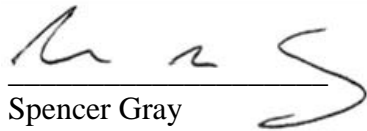


### III. CONCLUSION

NIPPC appreciates the opportunity to submit comments on this critically important issue for Washington and the region, and looks forward to further engagement in this rulemaking.

Dated this 28th day of February 2020.

Respectfully submitted,



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**Attachment A**

**NIPPC Statement on  
Resource Adequacy in the Northwest Region**



## Northwest & Intermountain Independent Power Producer's (NIPPC) Statement on Resource Adequacy in the Northwest Region

### Background

The Northwest is expected to face significant capacity deficits during the 2020-2030 time period. Recent studies by E3 and the Northwest Power and Conservation Council have demonstrated a need for 5,000 megawatts of net new capacity by 2025, growing to as much as 8,000 megawatts by 2030 to maintain reliability.<sup>1</sup> In response, the region's utilities have convened a process through the Northwest Power Pool to investigate the formation of a Regional Resource Adequacy Program.

### Statement on Coordinated Planning

The region does not currently have an organized capacity market or consistent process for counting physical capacity. In fact, it has become a common practice for some large utilities to rely on "market purchases" or "front office transactions" to satisfy projected capacity requirements in their Integrated Resource Plans (IRPs). Such market purchases can serve to reduce customer costs by avoiding unnecessary investment as long as there is an adequate supply of available and affordable surplus capacity. If there is a shortage of capacity, however, reliance on financial contracts and risk-hedging instruments that do not involve an identified physical asset or Balancing Authority system commitment, can jeopardize reliable electric service, expose customers to high costs, or both. The magnitude of the capacity deficit forecast for the Northwest is therefore creating pressure on regulators to take action to relieve what is predicted to be a capacity crisis. Region-wide coordinated resource planning is intended to avoid such crises and minimize uneconomic short-term capacity procurement. NIPPC supports the development of a Resource Adequacy obligation that includes capacity demonstration requirements consistent with well-designed capacity-based markets similar to those that have proven to be effective elsewhere.

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<sup>1</sup> Z. Ming, A. Olson, H. Jiang, M. Mogadali, N. Schlag, 'Resource Adequacy in the Pacific Northwest', [ethree.com](http://ethree.com), San Francisco, Energy and Environmental Economics, Inc., March 2019, page 38, [https://www.ethree.com/wp-content/uploads/2019/03/E3\\_Resource\\_Adequacy\\_in\\_the\\_Pacific-Northwest\\_March\\_2019.pdf](https://www.ethree.com/wp-content/uploads/2019/03/E3_Resource_Adequacy_in_the_Pacific-Northwest_March_2019.pdf) (accessed January 20, 2020).

## Statement of Support for Region-wide Capacity Planning

NIPPC supports the development of a “Regional Resource Adequacy Program” and believes that it will provide benefits to electricity consumers by improving the reliability of electricity service and minimizing long-term cost. A broad footprint can reflect the complimentary nature and diversity of a broad set of resources and obtain the benefits of geographic diversity to the economic benefit of ratepayers. NIPPC believes this effort could not only address future regional capacity needs but could also foster regional coordination, establish common metrics, and create tradable products that would further improve regional reliability while increasing market efficiency and decreasing costs. An agreed upon independent planning entity would be needed to determine the annual load serving entity’s capacity obligation and the capacity value of the region’s assets, for those who voluntarily participate.

## NIPPC Statement on FERC Jurisdiction

NIPPC understands that some Northwest utilities wish to establish a program as quickly as possible due to the looming capacity shortfalls. NIPPC further understands that the region’s publicly-owned utilities and federal power marketing agencies wish to minimize FERC jurisdiction over the program. These practical considerations constrain the program design to a voluntary, multilateral compliance obligation in which each state may have differing, potentially conflicting, market rules about the level of capacity required, resource eligibility and capacity counting requirements and compliance requirements that will leave the region’s capacity market balkanized and inefficient. A region-wide, formal, capacity procurement obligation that manages reliability on a region-wide basis will facilitate the development of a capacity product that is well-defined and will provide a framework for facilitating market-based transactions that ensure reliability at the lowest possible cost. NIPPC recognizes the practical political constraints in the Northwest region and does not oppose state-based development of the capacity construct in the near-term, but notes the need for a high level of uniformity and coordination among the states for the development of a workable, successful system.

## NIPPC Principles for a Regional Resource Adequacy Program, and Specific Program Features

NIPPC offers the following seven principles and associated features for the region’s consideration in its development of a “Regional Resource Adequacy Program”. NIPPC believes adherence to these principles and features will maximize the benefits of the program to the region.

1. **Reliability:** The Program should assure reliability of electricity service to the region based on industry-standard reliability metrics.
  - a. The Program should have binding requirements with meaningful penalties for non-compliance.
  - b. The Program should evaluate individual resources based on the contribution they make toward regional resource adequacy, including stand-by generation.
  - c. The Program should ensure that each eligible resource is counted once, and none is counted twice.

- d. The Program should appropriately consider the stochastic, variable nature of energy supplies for wind, solar, and hydro resources, including the role of drought years in causing the potential for loss-of-load events in the Northwest.
2. **Efficiency:** The Program design should demonstrate tangible and long-term consumer benefits.
  - a. The Program should appropriately consider the effects of diversity and correlation among the region's portfolio of variable energy resources.
  - b. The Program should allow for expansion to include or integrate with adjacent regions and market designs, including existing and emerging dispatch markets such as the EIM and EDAM.
3. **Independence:** Determination of need and evaluation of resource eligibility must be overseen by a Program Administrator that is independent of market participants.
  - a. The Program Administrator should have independent authority for capacity certification/accreditation ratings, test procedures, and deliverability verification.
4. **Non-discrimination:** The resource evaluation must be technology-neutral and must enable all resources to participate regardless of ownership or location.
  - a. The Program should provide for equitable treatment of supply-side and demand-side resources.
5. **Competition:** The Program design should facilitate participation in the program by all regional suppliers and customers, including those that participate in direct access programs.
  - a. The Program should facilitate capacity price transparency and product tradability so that competitive entities can manage the risks associated with compliance.
  - b. The Program should have well documented and defined processes for participation, multiple contracting options, and published market prices to encourage development of new capacity resources.
  - c. The Program should ensure that there is well-formed market oversight to avoid the exercise of market power by either buyers or sellers of capacity resources, and address market power issues if they arise.
  - d. The Program should abide by all open access transmission principles and requirements.
6. **Transparency:** The Program Administrator should undertake all calculations as to capacity requirements, resource eligibility, and compliance in a transparent, auditable manner and all information should be public to the maximum extent possible.
  - a. The Program Administrator should provide forecasts of each BA's net positions over time.

7. **Practicality**: The Program should not be unduly burdensome to comply with and should be consistent over time.
  - a. The Program should have low barriers for entry and exit.
  - b. Variable generation, such as intermittent wind and solar, should be expected to be mechanically available during performance periods but should not be subject to a performance requirement. Capacity counting would be based on the historical ability to deliver when peak loads occur.
  - c. Due to the regional nature of the Program, a showing of capacity should not include a requirement to hold firm transmission rights. A showing of capacity accompanies an obligation to deliver energy if required.
  - d. The Program should leverage existing market institutions as much as possible, e.g., WSPP standard contracts. The capacity obligation should be consistent with other WECC capacity programs such as the resource adequacy construct used by the CAISO.