

October 26, 2018

Steven V. King,  
Executive Director and Secretary Washington Utilities and Transportation Commission  
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**RE: U-161024— Washington Utilities and Transportation Commission’s October 11, 2018 Notice of Opportunity to File Reply Comments on Competitive Resource Acquisition by Request for Proposals, WAC 480-107. Docket U-161204**

Invenergy LLC (“Invenergy”) appreciates the opportunity to submit these reply comments regarding the Washington Utilities and Transportation Commission (“Commission” or “UTC”) Questions for Consideration.

Invenergy is North America’s largest independent, privately held renewable energy provider. The Company develops, owns and operates large-scale renewable and other clean energy generation and storage facilities in North America, Latin America, Japan and Europe. Invenergy has contracted, started construction, or operates 12,772 MW of wind projects, 1,249 MW of solar projects, 6,126 MW of natural gas capacity, and 68 MW of energy storage projects.

Invenergy has developed or operates several wind, solar and thermal generating assets in Washington, Oregon, Idaho, Montana, and California. Invenergy’s regional assets in operation include the Vantage (WA), Willow Creek (OR), Wolverine Creek (ID), and Judith Gap (MT) wind farms; the Desert Green (CA) solar installation; and the Grays Harbor Energy Center (WA) natural gas-fired combined-cycle combustion turbine project.

In this reply comment, Invenergy only addresses one of the Commission’s questions for consideration. Invenergy’s lack of comment on other questions does not imply a position on those issues. Except to the extent they directly conflict with the comments contained herein, Invenergy supports the comments of Renewable Northwest and the Northwest and Intermountain Power Producers Coalition.

In its previous written comment submitted September 21, 2018, Invenergy urged the Commission not to adopt a rule that would allow electric utilities with large resource deficits to seek exemptions from competitive resource acquisitions so that they can instead rely on short-term market purchases of wholesale power. Invenergy continues to believe that such a rule is ill-advised as it would relax the utilities’ fundamental obligations to procure adequate, cost-effective power resources to ensure reliable service to customers at reasonable cost. If the Commission adopts the rule as proposed, it will deliberately create a process that could allow retail electric consumers to be exposed to potentially massive risks. In order to avoid adverse outcomes such as power shortages or cost spikes, the Commission should fulfill its responsibility to balance the interests of ratepayer and shareholders by eliminating or narrowing the proposed exemption from competitive bidding.

If the Commission proceeds to adopt a rule allowing exemptions from competitive resource acquisitions, Invenergy offers the following recommendations.

#### **Question #4 – Market Purchases Resource Adequacy Exemption**

*The draft rules at WAC 480-107-015(3)(b) rely on the Northwest Power and Conservation Council’s resource adequacy assessment to reduce the number of requests for exemptions from rule and allow resource needs to be covered by short-term market purchases. This is not intended to eliminate the need for a utility to perform its own resource adequacy assessment within an IRP and the exemption has no bearing on the determination of market risk. During the workshop, stakeholders suggested adding additional language to limit the degree of reliance on the market a utility may have in order to qualify for this type of automatic exemption.*

*a. If this idea were to be incorporated into rule, what level of reliance on the market would be reasonable?*

Reply Comment: Short-term power markets are inherently uncertain and subject to potentially significant supply and price volatility. Loads and resources in utility portfolios are also subject to variabilities. As a result, utility reliance on the short-term market to serve firm retail loads exposes consumers to low-probability, high consequence risks. Large, ongoing exposure to such risks raises the likelihood that a severely adverse outcome will eventually occur.

Attempting to define a universally allowable degree of reliance on the short-term market would not be meaningful. Instead, Invenergy recommends that the Commission rule establish specific requirements for any utility that requests an exemption from competitive procurement. The requirements should include:

1. Types and Amounts of Resource Deficits: Any utility requesting an exemption should identify all types of resource deficits (e.g., energy, capacity, flexibility), including the amounts and timing/tenor of each, that it proposes to supply with short-term market purchases.
2. Volumetric Stress Testing: The utility’s identification of resource deficits should include results of stress tests for key uncertainties such as hydroelectric conditions and retail loads.
3. Market Stress Testing: The utility’s request for exemption should also include the results of stress testing for the availability and prices of short-term market purchases from the wholesale market.
4. Overall Risk Assessment: The utility should use the results of the three steps identified above to quantify the overall risk exposure it is proposing to incur. The risk assessment should include ranges of potential outcomes for both power costs and reliability of service.

If the utility nevertheless proceeds with short-term market purchases to meet their firm retail peak, the utility should identify the physical generating units that will be used to meet their entire firm retail peak, much like how the California Independent System Operator (“CAISO”) requires hedge transactions to identify physical generating units.

In addition, if a utility proceeds with short-term market purchases, then ratepayers should not bear the entire responsibility for when the utility’s decision results in increased costs. Utility shareholders should bear at least some of that risk.

*b. Should the degree of reliance be tied to a separate metric? If so, what metric should be used?*

Invenergy does not believe that a single metric can serve as a meaningful indicator for a prudently acceptable degree of reliance on the short-term market. Instead, Invenergy recommends that the Commission require any utility requesting an exemption to provide a more robust assessment substantiating the degree of market reliance it is proposing, as described in its reply to Question 4.a, in addition to the risk-sharing described above.

*c. Should an RFP be required for firm resources whenever there is significant market risk?*

In very general terms, it seems intuitively reasonable that less reliance on the short-term market is advisable when there is significant market risk. However, as noted above, short-term power markets are inherently uncertain and subject to volatility. Further, risk management experts have noted that *perceived risk* and *actual risk* are not highly correlated. History has shown – including during the Western Energy Crisis of 2000-2001 – that severe market events can suddenly occur after lengthy periods of low perceived risk. Invenergy notes that regional power markets currently appear to be in a period of low perceived risk and recommends against being lulled into assuming that such conditions will persist indefinitely, or that realization of risks can be predicted. This is especially true given the planned and anticipated retirements of significant levels of dispatchable generation in the region in the near future.

In other words, Invenergy does not believe it is possible for utilities or the Commission to accurately assess the degree of current or future actual risk in the short-term wholesale power market. Thus, Invenergy recommends the Commission avoid making rules that vary based on the perceived extent of market risk.

*d. This section also uses the undefined term “short-term market purchases.” Please provide comments on the following proposed definition: “Purchases of energy or capacity on the spot or forward market contracted for a term less than four years.”*

Invenergy recommends that the Commission adopt a significantly more meaningful definition of reliance on the short-term market.

In terms of duration, reliance on purchases in the short-term wholesale market to serve firm retail load should be limited to no more than one or at most two years.

Further, the Commission should require utilities who have received an exemption from competitive procurement to make short-term power purchases under terms that provide greater certainty of supply. This should include a requirement that short-term power purchases identify the specific generating units that will be used to support the utility’s purchases. This approach would be consistent with existing requirements for retail electric utilities and other load-serving entities in the CAISO.