

**Resource Adequacy Technical Committee**  
**Notes from the Initial Meeting**  
**June 28, 2005**

**Summary:** There was widespread support at this first meeting of the technical committee for a region-wide Resource Adequacy (RA) standard, and shared concerns about specific planning assumptions such as critical water, economic versus physical adequacy, and reliance on the IPPs and California. However, some public utilities remain concerned about where the RA work is going regarding utility-specific requirements. BPA and the Council staff suggested that a well-functioning RA standard is still the best way to avoid any regulatory approach to implementation. BPA also suggested that the development of a consensus-based regional RA framework might preclude extensive resource adequacy provisions in BPA's new long-term Power Sales Contracts; rather a reference to the framework might suffice. The group seemed to favor convening the Steering Committee more on a parallel track with the technical work than originally planned, in order to address the question of whether and how an RA standard might evolve as it applies to specific utilities. It was agreed that a technical sub-committee work group would be established to tackle some of the analytical issues. Over the next few weeks, a draft outline for a white paper on the technical aspects of resource adequacy will be distributed to the entire technical committee. The sub-committee work group will fill in the details and explore various options for metrics and standards. The white paper will provide a good starting point for further discussion.

The next meeting of the technical committee, to discuss the white paper, will be August 8, 2005 from 9 a.m. to 2 p.m. at the Council offices in Portland. An agenda will be sent as early as possible.

**Allen Burns** opened the meeting by talking about the purpose of developing a resource adequacy standard. He noted that BPA's power rates increased almost 50 percent in 2001 following the West Coast energy crisis. The crisis was precipitated by a number of factors, some of which the Pacific Northwest could not control. He said, however that one factor we could control is assuring that we have an adequate power supply in the Pacific Northwest. BPA's first strategic objective is to encourage regional actions that ensure an adequate, efficient, and reliable transmission and power supply. "The system is only as good as its weakest link," he added.

**Terry Mundorf** said that utilities are receiving conflicting messages about BPA and the Council's goals in developing the RA standard. "Is this a regional look or a utility-specific look," he asked. **Burns** responded that it would be both and that it would be very useful to develop a measure that utilities can use for their long-term planning. A utility specific metric or standard has not yet been defined in relation to a region-wide standard. A short discussion of how such a standard would be implemented then ensued. For investor-owned utilities, the existing utility commission process would seem to be a logical choice. A much more difficult task will be to develop some sort of implementation strategy for publicly owned utilities. **Wally Gibson** reminded the committee that both NERC (through WECC) and the states are currently developing west-wide metrics and standards for resource adequacy. The expertise to develop a standard for the northwest is in the northwest. Wally added that, "this is the group to provide information on energy-related RA" to provide to WECC.

**John Fazio** briefed the group on the power supply forecast for the region. He said the region is currently surplus for the next 10 years based on critical water and the assumptions that IPPs are available to the northwest, but that high demand growth could precipitate a deficit 4-5 years out. He said that the Council used a combination of models (Genesys, AURORA xmp® and the Portfolio Model) to develop its current power plan. In its plan, the Council differentiated between a physical risk (keeping the lights on) and an economic risk (minimizing the likelihood of future price spikes). The Council chose to adopt a plan that minimizes economic risk for the region. That plan translates into more firm resources, less dependence on the spot market and consequently a higher average cost, than one that protects only against physical risk of curtailment. **Mary Johannis** suggested that this group (for compatibility with WECC related efforts) should probably start out looking at a standard to protect against physical risk only.

John went on to describe two potential metrics to assess physical risk: annual energy load/resource balance (LR balance) and loss of load probability (LOLP). Although much easier to calculate, the LR balance is a much cruder metric than the LOLP. However, John has developed a process to “calibrate” the LR balance using an LOLP analysis. The idea is to identify the relationship between the LOLP and the LR balance (taking into account availability of spot market supply). Once calibrated, the region (or utilities) can use the LR balance as a planning guide. No work has been done yet to translate this potential regional metric into a metric for use by individual utilities. **Steve Kern** noted that IPPs would have a real challenge running their CTs with the current high gas prices, and so wouldn’t necessarily be available in a pinch.

**John Saven** said that the work that this committee is trying to do is a good thing, but that it is being done at the wrong time. He suggested that the policy committee should be convened prior to the technical committee working on details. “I would want to know what was my responsibility and what was BPA’s responsibility before jumping into the details of this,” he said. Grid West, TIG, GTAs, transmission path loadings, are all key concerns for full requirements customers. The outcome of major litigation on FCRPS operations “could potentially drive your models crazy.”

**Burns** responded that “things can change quickly, and we don’t want to be caught again. Just how to count resources is a huge obstacle to getting an overall solution set. We can’t have a policy discussion without the technical information, so these need to run on a parallel track.” **Mary Johannis** added that the timing was right, with NERC, reliability legislation, and WECC activities coming together. **Steve Weiss** noted that the RA standard could inform a lot of utility decisions.

**Saven** responded that it’s OK to debate the best model, etc., but “we need to know our responsibilities.” **Mundorf** added that the region isn’t talking about changing the responsibility for serving load growth; it’s just talking about changing the price signal. “The process is backward,” he said, “what is the technical work in aid of?” Utility-specific vs. regional needs are “wildly different. This requires a policy discussion up-front.” **Kevin O’Meara** said the process has “the possible implication to turn BPA or the Council into regulators. We need to establish an understanding.” **Burns** asked, “don’t we need numbers? When we ask utilities

about supply, he said, everyone says, “I’m OK, but by what standard? For regulators, at what point do you know that you have a problem, and how will you know at the individual utility level?” **Howard Schwartz** said that the Governor and legislature in Washington had asked him the same question last year, and that he had had to survey individual utilities and get their assessments.

**Mundorf** suggested that the regional standard be agreed upon first, and that a policy-level group be convened before proceeding with the utility-specific standard. **Burns** said that the region needs some level of understanding how regional measures might translate to the utility level, e.g., are IPPs available to serve load. “Otherwise, the Steering Committee is just going to have this philosophical discussion with no technical grounding on the costs of the choices. The Council had that experience two years ago (with the Power Supply Adequacy Forum).”

**Kern** said that the concept of critical water planning, with changing fish operations needs, has “grayed substantially. After operating the system for 4 years (as a Slice customer),” he said, “I have no confidence in critical water planning. If we could come up with a common understanding of what we use for hydro, it would benefit everybody.”

**Burns** assured the group that a good RA approach is the best way to keep an RA requirement out of the BPA power sales contract. “Right now, it’s hard to say with no data. My hope is to avoid rather than cause that discussion.”

**Lou Ann Westerfield** suggested that the technical and policy aspects could go forward at the same time. “I don’t feel comfortable with just a regional look,” she said, “it avoids accountability and responsibility. Ultimately, someone has to be held accountable.” **Burns** said that the question would be how quickly the technical group could turn around something and what it could provide would be informative for the Steering Committee.

**Dirk Borges** said that his utility wants to know how much BPA will make available through the allocation. “BPA giving that signal could optimize this process,” he said. **Scott Spettel** said he is concerned about too much reliance on markets. **Weiss** suggested that the region look at the economic risk of being a little short. “We could cover all of our needs with California,” he said, but “if some other utility doesn’t take action, that forces other utilities to take up the slack. It’s a social problem.” **O’Meara** said that some utility managers had lost their jobs on their handling of the West Coast energy crisis, so there already is accountability.

**Weiss** said the question was where along the cost/risk continuum to select the target. It’s a policy decision, and the Steering Committee needs numbers in order to pick a point. **Chris Turner** said the region should stick with physical reliability. **Rod Noteboom** said the model the committee develops needs to be appropriate for utility use. **Jim Litchfield** suggested that the 5% loss of load probability standard and critical water planning might in fact end up being pretty much the same point. **Fazio** noted that (based on his analysis) if the region chose not to depend on the out-of-region spot market supply, the LR balance planning standard should be about 500 aMW in order to maintain a 5% LOLP. **Noteboom** said capacity shaping for fish, and now wind, was very limiting to the mid-C’s hydro operations.

**Fazio** suggested that the sub-committee workgroup write a white paper providing definitions and options. The paper will be sent to the entire technical committee for review in advance of the next meeting.

Other issues that were raised are listed below.

- Metric to look at winter and summer and to look at capacity as well as energy
- Encourage transparency of information
- Can regional metric be translated into a utility metric? (i.e., reserve margin)
- Method of meeting standard up to utility
- More research on how the market works
- How do we count resources; PNGC and PNUCC don't count IPPs
- Local assessment of "critical" hydro
- "Keep lights on" vs. minimize price spikes or somewhere in between?
- Examine relationship between L/R bal and economic risk
- Utility metric must be simple
- Scope of tech group is regional
- What role does out-of-region surplus have in determining the metric or standard?
- How much dependable out-of-region surplus is there?
- How do we count wind?
- How to calculate hydro sustained peaking
- How do we count demand side management

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