

Resource Adequacy Steering Committee Meeting

January 24, 2006 - 10 AM to 3 PM

Council Offices

851 SW 6th, Suite 1100

Portland, Oregon 97229

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Agenda

Meeting attendees: Tom Karier, Paul Norman, Jerry Thale, Steve Weiss, Kevin O'Meara, Ted Coates, David Clement, Karl Bokenkamp, Mark Stauffer, Howard Schwartz, Dick Adams, Lee Beyer, Stefan Brown, Greg Duvall, Steve Fisher, Scott Spettel, Terry Morlan, Massoud Jourabchi, Wally Gibson, John Fazio, Mary Johannis

Discussion of "Successful Outcome" Paper (Attachment 1)

Paul Norman reviewed the paper, whose purpose is to provide a vision of how a successful end product of this effort might look, but not necessarily to lock in the specifics at this point. Tom Karier emphasized the need for regional consensus on how to judge whether the Region is resource adequate.

Steve Weiss asked how this end product fits in with Bonneville's Regional Dialogue Process. Steve stated that Bonneville's incentive for compliance through the unauthorized increase mechanism is insufficient to ensure that "the lights stay on" in the Region because by definition there won't be any power to purchase when it is needed. Steve advocated for Bonneville to be the backstop through a mechanism for securing back-up resources in case the public customers do not plan adequately for their systems. In this situation, Bonneville would need to maintain some level of reserves to enable it to function as the backstop, but who pays and how do the reserves count toward meeting the regional metrics and targets?

Howard Schwartz indicated that the state of Washington is in the process of implementing a requirement for all utilities to prepare IRPs, which should provide information on an individual utility basis. In response to a question, Paul indicated that Bonneville has a fairly good idea of the needs of the full requirements. Many of these customers have stated their intent to continue to have Bonneville meet all of their power requirements. Scott Spettel asked, whether Bonneville's unauthorized increase provision, which is now defined on an operational timeframe, would be defined for a planning time horizon (e.g. one or two years out) in the future? Paul said that these kinds of details are not defined yet.

Steve Fisher mentioned that he is very concerned with how the regional resource adequacy metrics and targets translate into individual utility targets because NERC will be looking at how individual utilities comply with resource adequacy guidelines. He advocated for proceeding concurrently on regional and individual utility metrics and targets. Mark Stauffer made the point that the goal of this process is to ensure that all

utilities meet the resource adequacy standard. If we get to the compliance phase of the process with Bonneville levying an unauthorized increase charge, this process has failed. Steve Fisher asked, who has the obligation to serve? In California, it is very clear that the LSEs have the obligation to serve. In the NW, IOUs clearly have the obligation to serve. However, in the case of the public utilities, does Bonneville have the obligation to serve or the public LSE. Paul indicated that the local boards of the public utilities have the responsibility to ensure sufficient resources are secured to meet load obligations. Howard stressed that the PUCs and state energy offices need the utility-specific resource adequacy metric and target to make this process workable for the IOU-PUC relationship.

So the key question is--are there sufficient mechanisms to ensure that individual utilities and their regulators will follow through with plans to secure sufficient resources to meet the RA standard. Paul pointed out that this is not just a public—Bonneville issue, but also a PUC—IOU issue. After all, in 2001, some of the IOUs were short. Dick Adams pointed out that for the Committee to be able to get its arms around the issue, we need to get into the details of how the resource adequacy standard might be met by the different Bonneville customer classes. Scott mentioned that perhaps the level of detail needs to go from the regional to the control area level.

Paul explained that the watershed issue for Bonneville is how to treat resource adequacy in its 20-year Power Sales Contracts. The two major options include:

- Incorporate an individual utility resource adequacy requirement in the power sales contracts; or
- Rely on reporting mechanisms to ensure resource adequacy.

Paul asked, whether the details of the outcome paper make sense? Howard raised the issue as to what is confidential and what is not? Steve Fisher indicated that probably the confidential information relates to the IPPs because IOUs have public IRPs and the information is discoverable for public utilities. Karl Bokenkamp mentioned that a utility's maintenance outage data should be confidential. In response to a question of whether it is feasible for this data flow to go directly to WECC—members (Mary Johannis and Wally Gibson) of WECC's Loads and Resources Subcommittee indicated that they believe the data flow to WECC from the PNUCC data process versus the current control area submittal is feasible. Paul asked, which entity is the responsible party for performing the assessment and raising the red flag. The value of multiple assessments was discussed; however, in the end most agreed, there should be a responsible entity for deciding if the Region has a resource adequacy problem. This entity should probably be the Council.

ACTION ITEM: Develop compliance options and pros and cons for: (1) outcome paper; (2) incorporate binding contract provisions to demonstrate adequacy in Bonneville contracts and a binding PUC-IOU process; (3) Region maintains a resource adequacy reserve and/or (4) place the requirement at the control area on the transmission entities.

SUBCOMMITTEE: Steve Weiss, Scott Spettel, Ted Coates, Stefan Brown, Howard Schwartz, Mark Stauffer, Mary Johannis, **Wally Gibson**

Discussion of the Process (Attachment 2)

John Fazio reviewed the process PowerPoint, which reflects implementing resource adequacy forum actions generally according to the Outcome Paper. Tom asked, whether the capacity metric schedule could be accelerated? Mary explained that it will take time to flesh out the various methodologies and reach agreement on a technical basis. The suggestion was to include some of the WECC deadlines and work plan dates in the process document.

Discussion and Decision on the Proposed Recommendation from the Technical Committee (Attachment 3)

John Fazio reviewed the first page, which emphasizes that the resource adequacy standard does not, necessarily, imply an enforceable standard. He then reviewed the energy metric and target. Stefan Brown asked, is winter defined as six months? John responded that the Council defines winter from December through March.

John went on to explain the linkage between the 1500 aMW “planning adjustment” in the annual load resource balance and the Council’s traditional manner of modeling resource adequacy using the Council’s GENESYS model and employing the Loss of Load Probability metric with a 5% target. This planning adjustment is comprised of out-of-region energy, hydro flexibility and, on occasion, emergency power—which does not include energy associated with violating the Biological Opinion under a declared power emergency. **Action Item: Mary will reference the emergency operational procedures to which the TMT has agreed.** John explained that he has validated the GENESYS assumptions regarding hydro flexibility with hydro operators. Dick mentioned that his major concern is that we tie the annual load resource balance to an LOLP metric and 5% target, which has not had much discussion yet. John responded that the Technical Committee has a continuing process to benchmark the LOLP model and the underlying assumptions to validate the energy metric and target on a going forward basis and to evaluate the risks and benefits in terms of the costs and benefits of varying the LOLP methodology and targets. Steve Weiss said that it might be good to consider an LOLP metric and target based on economics rather than physical reliability. The suggestion was made to elaborate the description of the LOLP methodology.

John explained the counting protocols for the load resource balance. There was a discussion whether the planning adjustment should be assumed to be zero and the adjustment incorporated into the hydro resource by counting hydro at the 86% percentile rather than at critical hydro. Steve Fisher proposed that energy metric and target should zero out the planning adjustment and instead use the 86% hydro condition. This change would simplify addressing how the 1500 aMW “planning adjustment” is allocated among the individual utilities when defining individual utility

resource adequacy metrics and targets. Dick mentioned that this still leaves an outstanding question of how to allocate the uncontracted IPP generation in the utility-specific metrics and targets? Others mentioned that the regional energy metric and target does not have to be defined in the same way as the utility-specific metric and target. **The consensus of the group is to accept the energy metric and target, as written, with the caveat that the regional resource adequacy metrics and targets will not prejudice the definition of the utility-specific metrics and targets.**

Status of Technical Committee Tasks (Attachment 4)

John requested the Steering Committee review the tasks and provide additional tasks, if needed. David Clement suggested adding sensitivity studies to the list of tasks.

The next meeting will be on February 24, 2006.

The next meeting will focus on how this forum can satisfy the need to address resource adequacy in the Bonneville Power Sales Contracts. So, an assignment to the Technical Committee is to perform a first attempt to translate the regional resource adequacy metrics and targets into utility-specific metrics and targets.