

Resource Adequacy Steering Committee Meeting

March 24, 2006 - 10 AM to 3 PM

Notes

I Introductions and Review of February 24th Notes (Attachment 1)

A INTRODUCTIONS & 2/24 NOTES: No changes were suggested to the notes.

II Paper on Resource Adequacy Implementation Alternative (Attachments 2 and 3)

A DESCRIPTION: Wally Gibson summarized the current version of the Implementation Paper using a PowerPoint presentation (Attachment 3). Wally broke out the paper into Path A (real-time market price consequences) and Path B (resource acquisition backstop contingency plan) options. Both options presuppose transparency evaluations, which would highlight both regional and individual utility resource deficiencies once an evaluation shows that the regional resource adequacy (RA) standard has not been met during the Planning Year, i.e. three or more years out. Paul Norman asked the group if they were comfortable with the spotlight being shone on individual utilities. There seemed to be general agreement that some level of utility transparency is needed—perhaps a green, yellow, red light approach.

III Next Steps in Implementation Plan Development

A COMPATIBILITY WITH NERC FUNCTIONAL MODEL: Steve Fisher suggested that whatever implementation mechanisms are selected, they need to be compatible with the NERC Functional Model. A control area, which has registered for the balancing authority function has the responsibility to balance loads and resources in real-time. Howard Schwartz pointed out that the Balancing Authority does not have the same responsibility three years out, i.e. to plan for resources to meet loads consistent with RA metrics and targets. Mary Johannis stated that this is the responsibility of the Resource Planner in the NERC Functional Model. John Prescott suggested that the load-serving entity (LSE) should have that responsibility. Therefore, the LSE would likely register for the Resource Planner function.

- B NARROWING OF IMPLEMENTATION PLAN: Wally asked the group whether Path A or Path B represents the better approach for ensuring RA going forward?
- 1 Howard pointed out that there is no central entity with the authority to implement the resource acquisition actions under the contingency plan. The group agreed that this weakens the Path B option.
 - 2 Steve asserted that one Path B option sounds like the old "Share the Shortage" mechanism, which would have shifted the burden to all parties rather than specifically those with shortages. Others indicated that they are not comfortable with the burdensome resource procurement process that Path B might entail.
 - 3 Jerry Thale expressed the concern that the outcome of the PNW RA Forum in selecting a minimum "keep the lights on" reliability-based RA standard might actually be an obstacle for the construction/procurement of new resources. For example, a number of utilities are proposing new resources right now even though the regional RA analyses (e.g. the Council's Loss of Load Probability (LOLP) studies) show the Region as resource surplus. Jerry indicated that individual utilities may be planning for the higher economic adequacy target. Tom Karier suggested that the Council's analyses could address both reliability and economic adequacy targets. Paul pointed out that the Council is inviting comments on the regional RA energy metric and target, and that Jerry's comments could be a reason to adopt a more conservative standard.
 - 4 Wally concluded that the group appears to favor Path A with additional focus on how to highlight utility shortages when the Region shows a shortage. It may be desirable to re-examine the "Share the Shortage" agreement to understand how deficiencies were intended to be highlighted under that agreement. It was pointed out that this agreement was to have been enacted in the actual operating year and did not recognize the availability of the out-of-Region spot market.
Action Item: Council or BPA staff will look at this agreement to understand the evaluation methodology and how results were to have been reported.
 - 5 John Fazio pointed out that the Energy Response Team was another, more recent, example of how the Region might

address shortages. However, the ERT was not a successful example of the ability of a process to highlight which utilities were short in 2001.

- C DEFINING INDIVIDUAL UTILITY RA METRICS AND TARGETS: Paul pointed out that we need to focus on mechanisms that work three years out when examining a planning RA standard. Wally indicated that the reporting process we are setting up should result in a uniform method to evaluate whether utilities are adequate or not. Wally pointed out that it is difficult to know how to allocate the “planning adjustment” to the individual utilities. Mary pointed out that the functionally equivalent approach is to evaluate hydro on an adverse rather than critical hydro basis since only the Region’s predominantly hydro utilities would have as their controlling metric the energy metric. This approach would not involve the need to allocate the “planning adjustment” or the uncontracted portion of the Region’s Independent Power Producers (IPPs). Jim Litchfield pointed out that another option is to proportionately allocate the “planning adjustment” and the uncontracted IPP generation. An approach that avoids this issue is to just highlight those utilities that plan to lean on the market more than others. This approach would entail utilities submitting their forecasted loads and resources, including their projected dependence on the market, to PNUCC. PNUCC or the Council would then aggregate the results to understand if there is a regional problem. Right now, if the market dependence by the individual utilities is more than 1,500 aMW, then the red light may go on if the regional analysis shows a deficiency. Ted Coates reminded the group that the 1,500 aMW number needs to be reviewed on a regular basis. If there is a regional problem, then the spotlight could be shone on those utilities that are proportionately relying more on the market than others. Howard suggested language for the paper that shows the group has successfully addressed this issue, even though the paper needs more details on the utility-specific analyses. Paul suggested the small group develop the individual utility analysis in more detail using the approach of shining the spotlight on the degree to which individual utilities rely on the market. **Action Items:** The small group will meet to develop the details of how to point out which utilities are relying disproportionately on the market when the region as whole is not meeting the regional adequacy standard. This approach will not require allocation of imports and uncommitted IPP output. The small group will also meet with Dick Adams to discuss the reporting and analytical processes.

- D REAL-TIME MARKET CONSEQUENCES: Wally pointed out that Steve Weiss had suggested the inclusion in the paper of some type of penalty on Bonneville, if Bonneville's resource planning results in a Biop Power Emergency declaration. Paul acknowledged the importance of the concern over hydro operations in a power emergency, but questioned whether this is the right place to address all the issues around hydro emergency declarations. He argued that the group's task is to determine how to avoid such a crisis, not to resolve how the region would actually manage through such a crisis if this effort fails. Wally questioned why any utility would go to Bonneville and pay market plus a penalty? Paul suggested that perhaps there is no Bonneville alternative since the Regional Dialogue is going in the direction of defining how the low-cost Federal system will be allocated. In this paradigm, Bonneville would not be obligated to sell additional power beyond the amounts it has contracted with its customers. Presumably notice requirements in the contracts would preclude customers from being able to unilaterally demand additional power from BPA within a crisis year.
- Action Item:** The small group needs to make additional changes to the implementation paper to reflect the contractual concepts between Bonneville and its public customers under development in the Regional Dialogue process.

IV Progress on Developing a Capacity Metric and Target (Attachment 4)

- A John Fazio reviewed the current status of the development of the regional capacity metric and target through a PowerPoint presentation (Attachment 4). The Technical Committee will be looking at a sustained capacity metric and a target, which covers reserves, adverse loads and generation uncertainties. The bottoms-up capacity analysis involves summing available capacity to meet the load plus target over the peak hours for a number of durations, e.g. 1, 2, 4, 10, 24 and 72 hours. The desired result is to select a duration, which represents the most critical duration for the Region, and to select a capacity target above load, which represents the same level of reliability as the energy metric and target, i.e. an LOLP for the Region of 5%. Phillip Popoff questioned whether selecting a longer duration period for the metric still allows us to make the assumption that the generation could be shaped for the peak hour.
- Action Items:** Questions/issues the Technical Committee needs to consider include:
- 1 If a longer duration sustained peaking capacity is selected as appropriate for the Region, then a one-hour peak analysis should also be done.

- 2 Check if regional load really does increase as shown in the HELMS Subroutine, e.g. check if the penetration of electric heating assumed in HELMS reflects reality, etc.
- 3 What is the critical day of a cold snap? Scott Spettel thinks the most critical day might be the third, fourth or fifth day, i.e. three days to saturation. John indicated that we can look at a period of 5 days with a peak of 10 hours a day.
- 4 What should the water year be? Perhaps 1937 water is not the right assumption. Maybe the assumption should focus on conservative starting elevations for hydro.
- 5 What are significant events in a GENESYS simulation from a capacity standpoint?
- 6 What are the joint probabilities of critical water, 1 in 10 loads and other conservative assumptions? What joint probabilities are reflective of an LOLP of 5%?
- 7 What are the demand response options? How should these options be included in the analyses?
- 8 What is the availability of the out-of-region spot market over a number of durations, especially if Northern California is also in a cold snap?

V Proposed Comments for the Council's Issue Paper (Attachment 5)

- A John Fazio discussed the need to add an assumption to the capacity metric specifying the hydro water condition.
- B Tom indicated that the Council, at its May meeting, will actually be only considering for adoption the energy metric and target rather than the capacity metric and target. The capacity metric and target are only included in outline form. Howard questioned whether the public understands that only the energy metric and target is suggested for adoption? Howard suggested that this committee comment to the Council clarifying that the focus is on the energy metric and target and adding attributes to the capacity metric. The consensus is that the group will not officially comment, but that the Council staff will make changes to clarify the intent in the final version of the paper when the full capacity metric and target are proposed for adoption.

VI Review of Timeline and Topics for Next Meeting (Attachment 6)

- A John Fazio reviewed the timeline for the PNW Resource Adequacy Forum. No suggestions for revisions were received.

VII Schedule Next Meeting and Adjourn

- A The next meeting is scheduled for **April 28 from 10 to 3** probably at the PDX conference center.