

Resource Adequacy Steering Committee Meeting

April 28, 2006 - 10 AM to 3 PM
Portland Airport Conference Center

Notes

I Introductions and Review of March 24th Notes

Meeting attendees included: Tom Karier, Paul Norman, Steve Fisher, Steve Weiss, Ted Coates, Jerry Thale, Stefan Brown, Howard Schwartz, Dick Adams, Lou Ann Westerfield, Terry Morlan, Wally Gibson, John Fazio, Syd Berwager and Mary Johannis

No changes were proposed to the meeting notes.

II Decision on Revisions to Energy Metric and Target Issue Paper

A Summary of Comments received by Council on Issue Paper

John Fazio reviewed the comments on the Council's PNW Resource Adequacy Standard paper. Following are the major substantive comments and the conclusions of the Steering Committee in addressing these comments:

- Delay the process

Response to comment: Tom Karier stated that there is a distinction between the voluntary regional standard and the associated implementation issues. The Council would like to achieve the first milestone in this process, i.e. adoption of the resource adequacy (RA) assessment standard. Stefan Brown, Steve Fisher and Ted Coates all supported the recommendation to move forward with the adoption of the energy metric and target. Steve said that we need to keep moving in light of the WECC efforts to develop RA adequacy guidelines and NERC's ERO application, which addresses the reliability/adequacy assessment mandated by the Energy Policy Act of 2005. Paul Norman suggested that the Council may want to acknowledge the concerns and note that there is a process for periodic review of the assumptions. Tom indicated the Council could explicitly acknowledge the periodic process to review the standard in the cover letter. **Decision:** The group agreed that cover letter should reflect that the standard will be tested and adjusted over time.

- Do not refer to this as a standard because this implies an enforceability

Response to comment: John suggested that we address this issue by adding the word 'voluntary' before the word "standard." Steve Weiss suggested that we always refer to this as a voluntary standard because Council adoption does not imply enforceability. The standard becomes binding when state regulators or local boards adopt it. Paul indicated for the PNW Region, this is the standard. The red light will come on if the standard is not met, which will result in follow-up actions. So, it is not

voluntary at the regional level. The question is--does the word “standard” imply sanctions in the case of noncompliance. **Decision:** The group agreed to place the word “regional” in front of “standard” to address this issue.

- Consider also referring to an economic standard to avoid disincentives to construction and to address the uncertainty as to whether IPPs are available to the Region

Response to comment: John clarified that the Fifth Power Plan shows regional resources associated with a least-cost, least-risk, i.e. an economic standard. He suggested that the red, yellow and green light indicator for adequacy could be applied as follows:

- Green light when both economic and physical RA standards are met;
- Yellow light when resources are between the economic and physical standards; and
- Red light if resources are less than adopted RA standard.

Tom suggested the Forum consider this type of implementation further into the process, but not change the energy standard currently. Paul agreed with the suggested change in the paper, which indicates that an economic standard is a secondary standard. The group agreed that this is an important concept. Perhaps the cover memo should include a commitment to develop this economic standard. **Decision:** Dick Adams suggested and the group agreed to add the development of a regional economic standard to the work plan for the Forum.

- Do not translate regional metrics and targets into utility-specific ones

Response to comment: Tom clarified that he thought this comment referred to a desire to not have a mandatory, regulatory utility standard. The group has only discussed the development of non-binding utility-specific guidance as to the significance of a regional standard to individual utilities. **Decision:** The group agreed that a guidance methodology should be developed to allow individual utilities and state commissions to understand how regional metrics and targets relate to utilities’ load and resource mixes.

- Suggest that IPP generation not contracted to the Region might be de-rated to account for the uncertainty

Response to comment: The Council paper calls for a periodic re-evaluation of the availability of within-Region IPP generation and “planning adjustment” as part of the periodic analysis. **Decision:** The group agreed that this periodic re-evaluation is sufficient to address this comment.

B Recommendations re: Changes to Issue Paper

John summarized the changes that will be made to the paper and/or cover letter:

- Specify that there is a process to periodically evaluate the assumptions underlying the RA metrics and targets and to refine them;
- Commit to develop an economic standard;
- Reformat energy metric and target to show assumptions in bullet rather than in footnote format. Explicitly state how firm out-of-region resources should be included in the load/resource balance.
- Mention that Forum is developing a capacity metric and target, but omit conceptual description from paper.

III Implementation Plan Development

A Small Group Implementation Paper

Wally Gibson reviewed the changes from the last version of the implementation paper. Dick questioned whether there really is a mandate for NERC to perform adequacy assessments. Mary Johannis responded that this mandate is in the Energy Policy Act of 2005. Steve Weiss stated that a resource deficient utility cannot be physically isolated and have only their power shut off. The inadequacy consequences will spread to other utilities, also. Paul indicated such a utility would not have the contractual right to ask for power. However, they could certainly call Bonneville up and request power. The question is would Bonneville declare a power emergency under the Biological Opinion in order to “keep the lights on.” Paul said this is a really valid question, but stated this is beyond the scope of a Resource Adequacy Forum. Howard agreed that the paper should not deal with actions in actual operations.

Steve Weiss stated that he believes some definition of real-time prices (and penalties) is necessary if the “market consequences of prices” is intended to be the main motivator for resource adequacy. Otherwise, the better implementation mechanism might be contractual mechanisms for resource adequacy. This was a good segue to a short paper asking if all of the pertinent implementation mechanisms in the Region are sufficient to reasonably assure resource adequacy for the PNW going forward.

B Are Implementation Mechanisms sufficient?

Paul reviewed the short paper and asked the group whether these mechanisms are sufficient? Steve Weiss suggested that the cost of declaring a Power Emergency under the Biological Opinion be allocated only to those utilities that did not add their share of resources to help meet the Regional Standard, if the red light is on for the Region. Paul indicated that it might be difficult to determine which utility might share responsibility for the inadequate situation. In an actual operational year, Bonneville and the Council perform probabilistic analyses to understand the likelihood of the “lights going out” and base their decisions on these analyses. Then, after-the-fact it is very difficult to assess what utility was short. Howard indicated that the principle might be that any utility that causes environmental harm should pay that cost. The harm might be in terms of fish operations or air quality impacts of

diesel generation. Howard suggested adding a sentence to the paper stating that the deterrence mechanisms include both high prices and the costs of environmental mitigation.

Dick complimented this short presentation of the implementation approach and suggested that Mechanism #9 needs to be developed in more detail. Specifically, what is the process to alert the Region and any utilities with significant reliance on the market to inadequacy concerns? What additional studies are needed for sensitivity analyses? What are the next steps to address the inadequacy concerns?

Mary reviewed a portion of the FERC's Final Rule on ERO Certification and Electric Reliability Standards, which indicates that FERC wants NERC and the Regional Entities to evaluate resource adequacy down to the utility-specific level. A reference to the FERC Rule will be included in the implementation paper.

Decision: Wally will revise the implementation paper to incorporate the structure and points of the short bullet-point presentation into text format. Bullet 9 will be expanded. The suggestion by Howard will replace the discussion of emergency operations in the current paper. Wally and Mary will work with Dick to expand the example, using the current format of the NRF.

IV Development of Capacity Metric and Target

A Technical Committee's Progress on Bottoms-Up Sustained Hydro Peaking Analysis

Mary described the bottoms-up sustained hydro peaking capacity analysis, which the Technical Committee is currently undertaking.

B Possible Linkage of Capacity Metric and Target to Council's LOLP Analysis

John presented the PowerPoint on this topic. He reviewed the proposed capacity standard with the group. The different types of capacity (thermal, hydro and wind) were discussed. Stefan Brown requested a write-up as to why there is more sustainable peak wind capacity over time. John then presented a couple of tables depicting sustained peaking capacity for an energy surplus condition and an energy balanced condition using the proposed energy metric and target.

V Next Meeting

The next meeting is scheduled for June 9, 2006 from 10:00 a.m. to 3:00 p.m.