BEFORE THE

PUBLIC UTILITY COMMISSION OF OREGON

UE 358

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Advice No. 19-04 New Load Direct Access	))))))	CALPINE ENERGY SOLUTIONS, LLC'S REPLY TO PORTLAND GENERAL ELECTRIC COMPANY'S RESPONSES TO BENCH REQUEST

Calpine Energy Solutions, LLC ("Calpine Solutions") hereby submits its written reply to Portland General Electric Company's ("PGE") responses to the bench request issued on September 20, 2019. In general, Calpine Solutions disagrees with several factual and legal assertions made in PGE's responses to the bench request. This written reply to the bench request responds directly to assertions PGE directed at Calpine Solutions in PGE's response to the bench request Question Nos. 4 and 5. Calpine Solutions' primary witness on the topics at issue in the bench request, Kevin Higgins, will be available at the hearing to respond to any additional questions of the Administrative Law Judge or the Commissioners. Additionally, Calpine Solutions reserves the right to more fully address PGE's factually and legal assertions through legal briefing after the hearing.

<u>Question No. 4</u>:

How would PGE design a demand response or curtailment program for NLDA customers that is specifically tailored to the problems or specific events that PGE seeks to address through the RAD?

a. Would a demand response or curtailment requirement, with conditions similar to the program proposed by Calpine Energy Solutions, LLC (Calpine) in Calpine/300, Higgins/2-3, address the resource adequacy events that the RAD is intended to address?

b. When would PGE be prepared to propose a custom demand response or curtailment solution tailored to the specific events the RAD is intended to address?

c. What parameters would such a custom program require?

Calpine Solutions' Reply to PGE's Response to Question No. 4:

PGE's last round of testimony vaguely suggested PGE would agree to a demand response program tailored for direct access customers as proposed by Calpine Solutions. *See* PGE/300, Sims-Tinker/9:17 -/10:4. Yet upon further inquiry by the Commission through the bench request, PGE now responds to the bench request by clarifying that in fact it will *not* agree to tailor a demand response program to the parameters of the NLDA program and the resource adequacy issue that PGE states it seeks to address. Instead, PGE criticizes Calpine Solutions' proposal at length – despite failing to meaningfully engage with it in the additional round of testimony PGE was afforded – and argues that PGE's proposal is to merely allow NLDA customers to participate in the existing Schedule 26 program without any meaningful design changes for the unique circumstances of the NLDA customers. PGE's assertions are misplaced, and its position is unreasonable.

PGE claims that the NLDA demand response option suggested by Calpine Solutions would discriminate against participants in PGE's existing demand response program through Schedule 26. Calpine Solutions strongly disagrees. Currently, Schedule 26 is not even available to direct access customers, yet no one has argued that the current program is improperly discriminatory on those grounds. Adopting a new demand response program that is tailored to NLDA service as proposed by Calpine Solutions would not be discriminatory to Schedule 26 participants because Calpine Solutions' proposal addresses a fundamentally different issue than does Schedule 26. Calpine Solutions' proposal, which is interim in nature, is targeted to the specific problem that PGE claims could occur due to resource adequacy concerns, namely, the possibility that, for some reason, an NLDA customer's power supply becomes unavailable.

Calpine Solutions' NLDA demand response proposal was offered in the event that NLDA customers are subject to an interim RAD charge and/or RIC while a generic investigation into resource adequacy is conducted in Docket No. UM 2024. If an interim RAD charge or RIC are not adopted prior to the completion of the generic investigation, then Calpine Solutions' NLDA demand response proposal would not be applicable.

That said, under Calpine Solutions' proposal, if the NLDA customer's power supply becomes unavailable or disrupted and the NLDA customer has opted not to pay the interim RAD and RIC, the customer's service would be interrupted or partially curtailed to match the loss of supply. In other words, PGE would not supply the power for such customer when its supply from the ESS was disrupted in material amount. As a practical matter, implementation of this arrangement would require enhanced communication between the ESS and PGE. In the case of Calpine Solutions, curtailments that occur prior to the NERC/WECC tagging deadline and are not intra-hour are communicated by way of e-tag adjustments by the third-party supplier. Under Calpine Solutions' proposed NLDA program, material curtailments would be reported from the ESS to PGE in the same manner.

This proposal is not intended to replace imbalance service (mismatches between schedule and load) but rather to address the kind of situation depicted by PGE in support of its capacity proposals, i.e., the supply of power to an NLDA customer becomes disrupted or materially curtailed. The Calpine Solutions proposal has a direct nexus to cause and consequence and is clearly not discriminatory to cost-of-service customers participating in an entirely different demand response program. Moreover, it makes little sense to interrupt an NLDA customer as part of PGE's Schedule 26 program if the NLDA customer's own supply is not impaired. Schedule 26 is a demand response program designed to reduce PGE's supply needs from its bundled power supply portfolio by providing large non-residential customers incentives for reducing a committed amount of load at the request of PGE. PGE has provided no evidence or explanation to conclude that the supply interruption events that PGE is likely to request under Schedule 26 are likely to coincide with the ESSs' supply interruption events that PGE asserts will impose costs on PGE.

While PGE's claim that such an NLDA-tailored demand response program would be discriminatory is difficult to understand on its face, it can perhaps be understood through the lens of the policy prescription that PGE is pursuing. It is apparent that PGE has already identified the "solution" it wants: NLDA (and ultimately all LTDA) customers are to become permanent cost-of-service capacity customers of PGE. PGE hopes to provide for the generation capacity needs for all customers – cost-of-service, NLDA, and LTDA – on an integrated basis. (In PGE's view, it does not matter that Oregon's direct access law statues requires otherwise. *See* Calpine Solutions/100, Higgins/11-12.) Calpine Solutions' demand response proposal is "discriminatory" only when viewed from the outcome that PGE wants, which is that in the future cost-of-service, NLDA, and LTDA customers will all be cost-of-service capacity customers of PGE. However, Calpine Solutions strongly disagrees with the premise that resource adequacy products should only be provided by PGE to NLDA and LTDA customers.

PGE also states that Calpine Solutions' proposed approach to NLDA demand response "would allow for customers to opt-out of demand response under any event of the customer's choosing." It is not clear why PGE is drawing this conclusion because Calpine Solutions' proposed approach does not suggest that the NLDA demand response customer would have an event-by-event "opt out" right since it is limited only to events involving a material curtailment of the NLDA customer's power supply.

<u>Question No. 5:</u>

PGE's RAD proposal would require all NLDA customers to pay the cost of capacity to match 100 percent of monthly peak demand. That capacity requirement is justified primarily by reference to extreme conditions of zero forward capacity contribution by ESS supply combined with a regional market shortfall, and the capacity procured through the RAD is not asserted to be used to benefit NLDA customers at other times.

> a. Does PGE's RAD solution assume ESS non-performance during 100 percent of peak demand events?
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> b. Please address the characterization at Calpine/100, Higgins/7 of the RAD as "a very expensive 'insurance policy.'"
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> c. If the Commission were to accept Calpine's characterization of the RAD as an "insurance policy," for purposes of adopting an interim measure, please address whether it would be more reasonable to calculate the RAD based on a lower percentage of an NLDA customer's peak load, such as the percentage associated with a commonly used planning reserve margin (like the 16 percent used in the 2019 PNUCC Northwest Regional Forecast).

Calpine Solutions' Reply to PGE's Response to Question No. 5

Among its responses this question, PGE states that Calpine Solutions mischaracterizes the intent and application of the RAD when describing it as a "very expensive insurance policy in which NLDA customers would be required to purchase *in advance* from PGE the capacity the NLDA customer *would* need *if* the customer were to switch from direct access service to Company supply service at some point in the future." Calpine Solutions stands by this characterization by its witness Kevin Higgins.

In Mr. Higgins' reply testimony, the characterization in question follows a direct quote from the narrative PGE provided in Advice Filing No. 19-02, in which PGE portrays the RAD charge as representing "the operational costs of securing a Customer's capacity should they return to Company energy supply." *See* PGE Advice Filing No. 19-02, p. 7. The characterization by Mr. Higgins fits very closely to PGE's own language in its advice filing.

One of the challenges for parties to this case is understanding exactly what problem PGE is trying to solve with its RAD proposal. On pages 8-10 of his Reply Testimony, Mr. Higgins describes his search for other possible justifications offered by PGE besides that provided in its Advice Filing No. 19-02, but concludes that it is really not clear what other NLDA supply situations PGE is trying to remedy.

There is an important distinction to be made between the NLDA "problem" PGE says it is trying to head off and the policy outcome PGE is pursuing. PGE appears uninterested in remedies to its stated problem that do not involve NLDA (and ultimately LTDA) customers becoming just another class of PGE cost-of-service customers. Calpine Solutions stands by its position that PGE's proposal violates Oregon's direct access statutes, which require that non-residential customers be allowed to purchase "electricity" – defined as "electric energy, measured in kilowatt hours, or electric capacity, measured in kilowatts, or both", ORS 757.600(14) – from the market through direct access. ORS 757.601(1), 757.600(6).

As stated in Mr. Higgins' Reply Testimony, Calpine Solutions does not object to a thorough investigation of resource adequacy and capacity provided on behalf of NLDA customers (or direct access customers generally) in a generic docket. But Calpine Solutions believes such an investigation should include a close examination into the means by which ESSs can self-supply capacity rather than simply accepting the premise that this product can only be provided by PGE.

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