

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2024

In the Matter of

ALLIANCE OF WESTERN ENERGY
CONSUMERS

Petition for Investigation into Long-Term
Direct Access Programs.

**PORTLAND GENERAL ELECTRIC
COMPANY RESPONSE TO
NOTICE OF COMMISSION AND
AGENDA MORNING AND
AFTERNOON SESSIONS**

I. Introduction

Portland General Electric (PGE or Company) appreciates the opportunity to provide comments or revisions to the UM 2024 August 20, 2020, Workshop Agenda (Agenda) issued by the Public Utility Commission of Oregon (Commission) on August 10, 2020. PGE has included potential edits to the Investigation Objectives (Agenda Item III), along with brief comments on the Discussion of Process for Developing an RA Framework for Oregon Direct Access.

II. Investigation Objectives (Agenda Item III)

The Commission asks whether the questions it poses in Section III of the Agenda are an adequate statement of the ultimate questions it should pursue in UM 2024. Overall PGE supports the Commission's questions, with minor suggestions that aim to parse out the distinction more explicitly between unwarranted cost-shifting, risk-shifting and other relevant harms to the public interest. The original questions are provided below in *italics*, with PGE's suggested revisions in strikeouts and underlined.

1. Does current implementation of Oregon's direct access law raise concerns about unwarranted cost-shifting or risk-shifting (in either direction) ~~or other relevant harms to the public interest~~? Would expansion of the current programs (in total size and customer reach) result in any additional concerns related to unwarranted cost or risk shifting ~~or other relevant harms to the public interest~~?

2. Does current implementation of Oregon's direct access law raise concerns about relevant harms to the public interest? Would expansion of the current programs (in total size and customer reach) result in any additional concerns related to relevant harms to the public interest?

2.3. Can unwarranted cost-shifting, risk-shifting, or other relevant harms be mitigated through direct access program design? What mechanisms should be used, how should such mechanisms be structured, and what are the legal or practical barriers to implementing them?

3.4. *With such mechanisms in place, are unwarranted cost-shifting, risk-shifting, or other relevant harms to the public interest mitigated to the degree that the Commission should expand access to direct access programs?*

4.5. *What evidence has been presented, or could be presented in this docket or a future docket, in order to prove that cost shifting is occurring or is not occurring, would occur or would not occur under an expansion of the program, and whether any mitigation mechanisms are or would be effective at preventing unwarranted cost shifting or risk-shifting?*

III. Process for Developing an RA Framework for Oregon Direct Access (Agenda Item VII)

The Commission proposes to engage parties in discussion of the following questions. PGE files the following brief comments to introduce its answers to the Commission's questions on the Northwest Power Pool (NWPP) and resource adequacy (RA). PGE's answers are no more than three pages; the Commission's questions are repeated for convenience.

Q1. Given the potential for duplication of efforts and inconsistency of conclusions with NWPP's development of a RA program, how should the Commission approach development of a framework to ensure Oregon direct access customers fairly contribute to resource adequacy?

ANSWER: While the NWPP regional RA program has made great strides in developing initial conceptual designs for a future program, including forward showing obligations and methodologies for determining capacity contributions of qualifying capacity resources, there are still many steps needed before a program is established. At this juncture, the NWPP has estimated that the program would not be fully implemented until 2024.

Additionally, the NWPP regional RA effort is structured as a *voluntary* effort by and between utilities and companies that are current members of the NWPP's reserve sharing program. As such, the NWPP regional RA effort will not set requirements or require all Load Serving Entities (LSEs) to be a part of the program, which leaves a significant deficiency in planning for RA and overall system reliability for the state of Oregon.

Accordingly, the Commission should proceed with a state mandated RA framework to develop an Oregon RA program. This program needs to be developed in harmony with the NWPP's indicated approach to ensure compatibility. Even under the proposed NWPP RA framework, there will still remain a role for the Commission to expand/apply such a framework to Oregon entities. For example, should the NWPP RA exist at the balancing authority area (BAA) level and all Oregon LSEs participated, an allocation process would be required to determine how such RA obligations and requirements should be distributed amongst the LSEs. Other areas likely to require Commission involvement include (i) the requirement of and timing for the utility to act as an RA "backstop" for the relevant BAA or LSE(s) should one or more entities fail, (ii) the timing of the NWPP RA's binding season(s) compared to Oregon's current resource planning framework and the need to address RA beyond the next applicable season, and (iii) Oregon specific objectives or policies that may not readily fit into the NWPP RA framework due

to its regional nature. While the above list is not all encompassing, it does highlight the need for the Commission to proceed with its own RA efforts regardless of other regional efforts.

As explained above, the Oregon Commission should proceed with its own RA framework to ensure Oregon direct access customers fairly contribute to RA to promote a reliable electric system. The Commission can consider completed and ongoing work by the NWPP to identify appropriate RA design elements and leverage existing efforts. In the event the NWPP establishes a program design and RA standard in advance of Oregon determining any RA standard, the Commission may consider the possibility of using the NWPP regional RA framework or standard as a floor for what Oregon LSEs would be required to meet for a state RA program.

a. What would a binding NWPP program require participants to do and when is the soonest it could be enacted?

ANSWER: The NWPP currently estimates that the earliest it could launch a fully operational RA program would be late 2023 or early 2024. This timeline assumes that there are no additional delays or hurdles for the program, such as approval from the Federal Energy Regulatory Commission (FERC), in the event it is confirmed that a FERC filing will be required. The NWPP currently proposes staged functionality, beginning with a non-binding informational forward showing program (Stage 1 in mid to late 2021), followed by a binding forward showing program (Stage 2 in 2023), and then a binding forward showing and full operational program (Stage 3 in 2024).. The binding forward program in Stage 2 would require participating entities to make a forward showing of adequate qualifying capacity for the next year (e.g., installed capacity adjusted for forced outages, fuel, etc.) to meet their respective allocated RA obligation to achieve the program’s reliability metric (e.g., loss of load expectation).

b. What is the likelihood that NWPP program participation will be at the load-serving entity level, allowing Oregon’s electricity service suppliers (ESSs) to be direct participants? When will that be determined?

ANSWER: The NWPP regional RA program has a very diverse membership of utilities and companies; some are investor-owned utilities, some are consumer-owned utilities, some are also Balancing Authority Areas (BAAs) and there is also Bonneville Power Administration, a federal power marketing administration and a BAA. Many of the BAAs that are part of the regional effort have multiple LSEs serving load within their BAA boundaries, and as such, the issue of ensuring that RA obligations are fairly borne by LSEs is a significant one for many of the members. The NWPP regional RA effort has identified the issue of “appropriate point of compliance” as an issue to explore in its detailed design phase which has commenced and will continue through early 2021.

The NWPP regional RA program is designed as a voluntary program, and as such, ESSs (or other LSEs) will not be required to participate. While the NWPP regional RA effort is looking carefully at the issue of LSE RA obligations, there do not appear to be any clear avenues that would allow the NWPP regional RA effort to compel LSE participation. Because of the interest of the members in ultimately identifying a point of compliance that would allow for LSE-level participation, there remains great interest in the group in ensuring that, at a minimum, the granularity of the data and the analytics that might be used to establish the program have LSE-level detail. In other words, the current trajectory of the NWPP regional RA effort is to continue

to examine point of compliance flexibly, allowing for BAA-level compliance, or also for multiple LSE-level compliance inside of a BAA, provided a clear RA obligation is established by the relevant state jurisdiction for the LSEs.

c. Could fair ESS contribution to RA be achieved by (i) requiring ESSs to participate in the NWPP program (assuming participation is at the LSE level); or (ii) by placing procurement and reporting requirements on ESSs equivalent to those adopted for the NWPP program (assuming NWPP program participation is at the BA level)?

and

d. If the above would not be sufficient to meet your definition of fair contribution to RA, what is missing? Are there specific requirements not being considered or that may potentially not be adopted in a NWPP program that the Commission would have to impose, in your view, to achieve fair ESS contribution to RA? If so, when should the Commission consider those?

ANSWER: Fair ESS contribution could be achieved through both the implementation of a state mandated RA program and the NWPP RA program. However, as a threshold matter, it is critical that there be a state mandated program to ensure compliance by all ESSs because the NWPP program is a voluntary effort in which not all ESSs may choose to participate. While the NWPP RA program can serve as a strong complimentary program to a state RA program, it is unlikely that the NWPP effort will sufficiently address the unique attributes of Oregon Direct Access programs and the resource planning framework established by the Commission. For example, the scope of the NWPP regional RA program will be limited to a binding forward showing seven months in advance of the applicable season. While there are advisory periods which will consider future years beyond the binding period, they are intentionally designed to complement existing utility long-term planning processes, which are not applicable to ESSs, and are informational only. This leaves a significant RA gap beyond the next applicable season covered by the NWPP RA program and little time to address shortfalls. Additionally, the NWPP RA framework relies on compliance penalties, but does not address the need for an entity to act (e.g., backstop) to continue to provide RA for the relevant BAA or LSE(s). PGE believes that a successful RA program must involve planning and procurement activity beyond the next year and should also allow for the necessary time to provide backstop provisions in the event of compliance failure. This, among other Oregon-specific considerations, are some of the key considerations that are likely to require Commission action in establishing RA and harmonizing such a program with the NWPP regional RA program.

Q2. In Order No. 20-002, the Commission expressed a view that a decentralized RA procurement framework for ESSs is most consistent with direct access if it is coupled with a program design that achieves the obligation to sufficiently support and ensure reliability.

a. Should the Commission focus first in this proceeding on the specific design details necessary to make a decentralized procurement framework successful?

and

b. If not, how can the parties avoid developing a record that presents parties' arguments for and against a centralized/decentralized framework, but in which parties fail to adequately engage with the details of the non-preferred alternative?

ANSWER: PGE recognizes and does not oppose the Commission’s expressed view that a decentralized RA procurement framework for ESSs is most consistent with direct access. It is PGE’s position that key specific design details of an RA program - such as the target reliability metric(s) and resources qualifying as capacity resources in terms of RA - can be applied to either a centralized or decentralized procurement framework. The focus should be the establishment of these key elements in the UM 2024 docket (or parallel process) in the interest of ensuring an Oregon RA program is rolled out in a timely manner. PGE notes that even under a decentralized procurement framework, there still remains a strong need for coordination to ensure that decentralized procurement does not in any way diminish reliability and RA, and there is also a likely need for central procurement in order to facilitate a “backstop” role should an entity fail to comply with the established RA requirements.

Q3. Given discussion of the above questions, can and should a RA framework phase be accelerated, with detailed development occurring during or simultaneously with the evidentiary stage proposed above?

ANSWER: While PGE does not underestimate the challenge of doing this, current events in California are a strong reminder as to why Oregon should accelerate an RA framework. While much of the potential evidentiary record to be built during testimony focuses on the costs and benefits of direct access, there should be a deeper exploration of alignment between parties on the urgent need for an RA standard and there may, in fact, be agreement on an Oregon RA framework given our participation in the NWPP RA process

Thank you again for the opportunity to comment.

Dated this 19th day of August 2020.
Respectfully Submitted,

/s/ Jay Tinker
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