BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON

UM 2143

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Investigation Into Resource Adequacy in Oregon	COMMENTS OF BROOKFIELD RENEWABLE TRADING AND MARKETING LP

BROOKFIELD RENEWABLE TRADING AND MARKETING LP

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I. INTRODUCTION & SUMMARY

Brookfield Renewable Trading and Marketing LP ("BRTM") hereby submits the following comments on the Oregon Public Utility Commission ("Commission") staff's ("Staff") straw proposal regarding resource adequacy ("RA") in Docket No. UM 2143.

BRTM recognizes the capacity constraints facing the western region and supports the Commission's investigation into appropriate and balanced solutions to address RA requirements. Based on Staff's straw proposal topics and questions, BRTM submits the below comments with the goal to: (1) provide the Commission with the information necessary to evaluate the level of RA in the state; (2) avoid duplication of regional and state RA showings; and (3) recognize the distinct characteristics of competitive electric service suppliers ("ESS"). As discussed in more detail below, BRTM recommends the following:

- Load responsible entities ("LRE") should be able to rely on their participation in the Western Resource Adequacy Program ("WRAP") to satisfy any binding Oregon RA requirements;
- The Commission should implement standardized forms for demonstrating compliance with Oregon's RA requirements;
- ESSs should only be required to demonstrate RA for Direct Access ("DA") load it is contractually obligated to serve without adders or modifications;

- For non-WRAP participants, any forward showing should be based on the LRE's annual peak demand;

- All ESS load forecasts should be treated as confidential, consistent with the approach proposed by the Northwest & Intermountain Power Producers Coalition ("NIPPC") in Commission Docket No. AR 651;

- For non-WRAP participants, transmission capacity demonstrations should be set low enough to conform with the realities of transmission procurement in the West and to allow for LREs to optimize their systems;

- Forward showings for non-WRAP participants should be limited to two years;

- The Commission should employ a streamlined review process for WRAP participants, while using the acknowledgement process, similar to that applied to the investor-owned utilities' ("IOUs") Integrated Resource Plans ("IRP"), for non-WRAP participants;

- Penalties for RA-related deficiencies should be priced at the Cost of New Entry ("CONE");

- For non-WRAP participants, the Commission should employ the applicable WRAP regional or subregional planning reserve margin; however, to the extent the WRAP planning reserve margin is unknown or the Commission determines a different planning reserve margin is necessary, the Commission should establish minimum requirements based on either a staff-conducted or overseen loss of load expectation ("LOLE") study or a reserve margin that utilizes known NERC/WECC operating reserve requirements and system-wide estimated load-forecast error and resource forced outage rates;

- RA standards should be implemented through rule;

- Binding RA standards are appropriate;

- Capacity accreditation should be based on regional (*i.e.*, WRAP) capacity accreditation values to the extent that information is available to non-participants;

- LREs should be able to demonstrate RA compliance through third-party contracts; and

- Capacity backstop charges are inappropriate if an ESS participates in the WRAP or demonstrates resource adequacy.

The below comments expand on these general recommendations. BRTM looks forward to engaging with Staff and other stakeholders as this informal rulemaking continues.

II. COMMENTS

a. Compliance Process

Staff's straw proposal requests comment on the structure of RA compliance processes, including the applicability of RA plans for different entities, the frequency of RA filings, the appropriate Commission review process, and whether penalties should be assessed.[1]

BRTM discusses below some key distinctions between ESSs and IOUs that should be considered in defining RA filing requirements. Further, BRTM (1) does not oppose a 2-year filing cadence for RA filings, (2) recommends a streamlined review process for WRAP participants, and (3) proposes employing WRAP CONE pricing for deficient RA forward showings.

i. Applicability of RA Plans

Staff's straw proposal requests comment on the applicability of RA reporting requirements between (1) participants versus non-participants in regional RA programs and (2) IOUs and ESSs.[2]

As a general matter, BRTM supports different planning and reporting requirements for entities participating in a regional RA program, such as the WRAP. Recognizing an entity's participation in a regional RA program will reduce administrative burdens and encourage regional RA program participation. Duplicative filings with potentially different standards and requirements should be avoided unless clear deficiencies in regional RA program planning and reporting requirements are identified that demand further state-specific RA showings. Accordingly, BRTM recommends that, to the fullest extent possible, Oregon RA planning and reporting requirements mirror the planning and reporting requirements of the WRAP. LREs should be able to rely on their participation in the WRAP as directly satisfying any binding

[1] *See* Staff's October 5, 2022, paper entitled "UM 2143 Investigation into Resource Adequacy in the State Process: Updated Process proposal for continuation of UM 2143" at pp. 4-5.
[2] *Id.*

compliance obligation established for Oregon LREs, and the Commission should not establish any duplicative requirements or processes. However, regardless of whether an LRE elects to participate in a regional RA program, the Commission's RA requirements should be standardized for all LREs—a standardized approach for non-participants in regional RA programs and one for participants—to avoid confusion with regard to planning and reporting requirements and to permit the Commission to readily evaluate state RA across multiple LREs. Similar to WRAP's workbook, LREs and the Commission would benefit from a standardized form provided on the Commission's website.

Regarding RA applicability to IOUs versus ESSs, there are several important differences between IOUs and ESSs that must be considered when developing RA planning and reporting requirements. First, ESSs, by definition, are competitive market participants and DA customers are free to obtain service from the ESS of their choice after the contractual commitment ends. Such commitments vary in term but are generally not long-term commitments comparable to the bundled customers of the IOUs. As such, the Commission should make explicit that ESS RA showings are limited to load the ESS is contractually obligated to serve during the term of the applicable RA showing (*e.g.*, two-years forward). Further, BRTM recommends that any load forecasts be treated as confidential consistent with the approach proposed by NIPPC in Commission Docket No. AR 651.

Second, there are important distinctions between IOUs and ESSs with regard to transmission planning and acquisition. ESSs, or their customers, are typically network integration transmission service ("NITS") customers of the applicable IOU, acting as transmission provider pursuant to their Federal Energy Regulatory Commission ("FERC") Open Access Transmission Tariff ("OATT"). Under the OATT, transmission providers are responsible for transmission

planning and making necessary network upgrades based on constraints and demand, including DA load, on the system. Other than providing load forecast information, network customers do not carry these planning and, once service commences, upgrade obligations, and it would be of no value to require ESSs to submit a resource plan similar to an IRP that includes the same transmission planning requirements as IOUs and other transmission providers. Accordingly, BRTM recommends that, with respect to transmission requirements, ESSs only be required to show that they have a NITS service agreement with the applicable IOU, which requires the customer to provide necessary load forecast information and to designate network resources. If, on the other hand, an LRE, including an ESS, is a participant in the WRAP, then the WRAP's forward transmission showing would satisfy state transmission adequacy requirements. Participants in the WRAP are required to have firm transmission rights sufficient to deliver 75% of the MW quantity of the participant's FS Capacity Requirement seven months in advance.[3] According to the transmittal letter for the WRAP tariff, the 75% threshold:

> reflects a reasonable balance of the firm transmission deliverability metric for initial implementation of the WRAP given the seven-Month deadline for making the Forward Showing. A 100% standard that would require Participants to show full transmission service seven months ahead of the Binding Season could serve as a barrier to initial participation. And that standard is not essential for reliability, *given that most Participants' experience has been that a certain amount of transmission service that is not available seven Months ahead of the Binding Season can be obtained on a shorter-term basis*.[4]

While BRTM is open to consideration of comparable transmission requirements for both WRAP and non-WRAP entities in the Oregon RA program, it will be challenging to establish comparable requirements when considering the different proposed RA showing timeframes. BRTM notes that the proposed WRAP tariff is currently under review at FERC and that certain concerns have been

[3] WRAP Tariff, Section 16.3.1.
[4] WRAP FERC filing, Charles Hendrix Aff., ¶ 42 (emphasis added).

raised with respect to the transmission requirements, including, among others, the term of required transmission service. Those concerns pertain to the proposed WRAP requirement for a participant to demonstrate that they have acquired long-term firm transmission service for 75% of their requirements seven months in advance. Similar, but greater, concerns would exist for showings made two years in advance and it would be challenging to calculate a comparable and appropriate scaled down transmission requirement. At an absolute minimum, should the Commission determine that it is necessary to establish RA program transmission requirements comparable to those ultimately accepted by FERC for the WRAP, the Commission should include an exceptions process. BRTM notes that the proposed WRAP provisions permit exceptions to transmission forward showings if the participant demonstrates that, based on prior history, there is likely to be future transmission capacity not currently available at the time of the forward showing.[5] The WRAP also permits exceptions to the transmission forward showing when there is no available transmission capacity on any single segment of a needed transmission path from either the transmission service provider or the secondary market for the months needed at the applicable OATT rate or less.[6] Both of these exceptions are necessary and appropriate should the Commission require forward transmission showings.

Therefore, based on the above, BRTM recommends that the Commission find that, for WRAP participants, a WRAP showing is sufficient to demonstrate compliance with the Oregon RA program, and that, at least for non-WRAP ESSs, an executed NITS service agreement, and its concomitant requirements, is sufficient to demonstrate adequate transmission for Oregon RA compliance.

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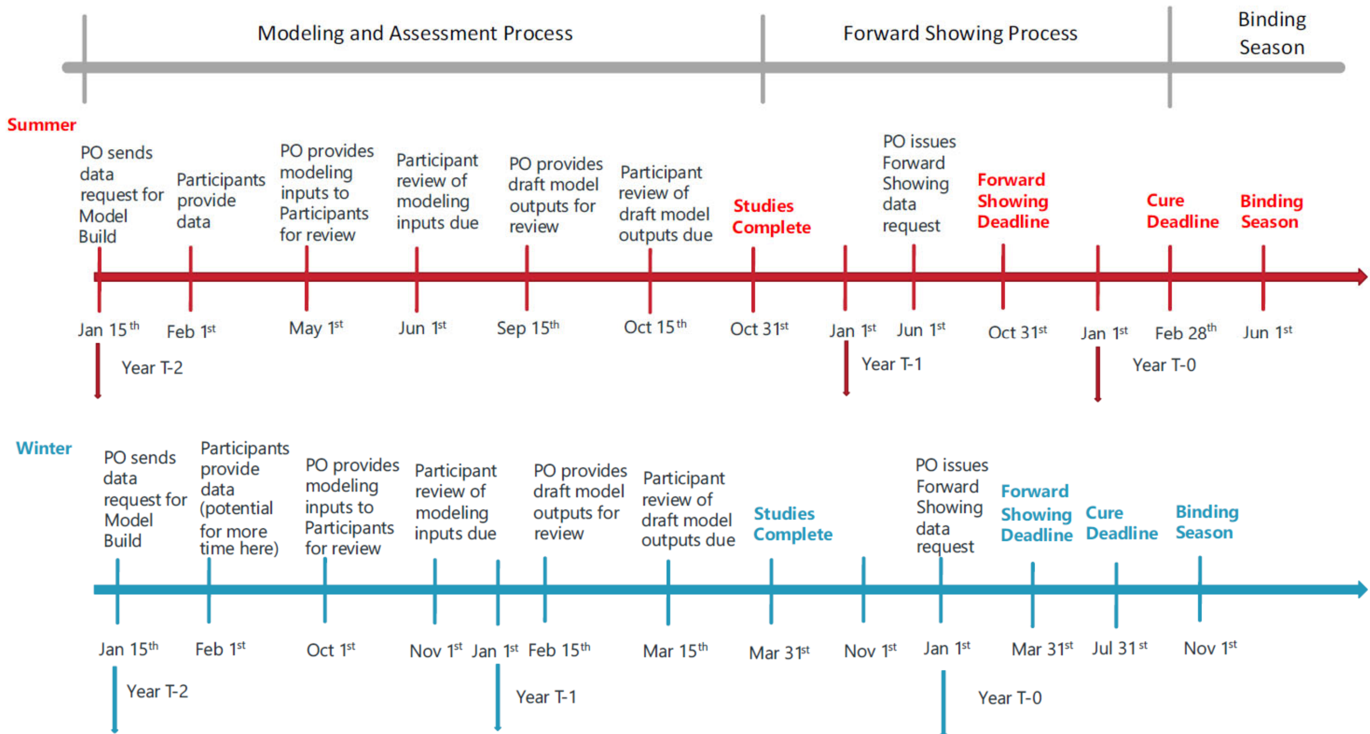
[5] WRAP Tariff, Section 16.3.2.2.
[6] WRAP Tariff, Section 16.3.2.1.

ii. Frequency of RA filings

Staff's straw proposal includes a two-year cadence for RA filings.[7] BRTM is not opposed to making RA filings every two years; however, BRTM supports aligning the RA forecast with the filing cadence. Specifically, Staff's current straw proposal includes a three-year load, transmission, and resource forecast. However, the WRAP only includes a seven-month forward showing for RA and transmission adequacy.[8] WRAP's data submission, modeling, and forward showing timeline is depicted below[9]:



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[7] *See* Staff's October 5, 2022, paper entitled "UM 2143 Investigation into Resource Adequacy in the State Process: Updated Process proposal for continuation of UM 2143" at p. 5.

[8] Data to support WRAP's seven-month forward showings are submitted to the WRAP approximately two years prior to the applicable binding season to complete modeling regarding planning reserve margins and qualifying capacity contributions for resources.

[9] NWPP Resource Adequacy Program – Detailed Design, July 2021, p. 92.

As stated above, if an Oregon LRE is a participant in the WRAP, it should be able to use its compliance with the WRAP requirements as satisfying Oregon RA. Given the rigorous analysis put into WRAP workbooks and extensive review of the same through the WRAP, employing these shorter forward showings for participants leverages that extensive analysis and review and avoids additional administrative burdens.

For non-WRAP participants, RA showing beyond the maximum of two years provides minimal benefit. As shown above, the WRAP only requires a forward showing seven months prior to each binding season. While it may be appropriate to require more advance forward showings for LREs that do not participate in the WRAP, non-participant LREs should be provided with the flexibility to make short-term optimizations to their generation and transmission acquisitions. Requiring RA showings beyond two years would require LREs to unnecessarily lock in resources. Limiting the flexibility of LREs three years into the future could unnecessarily raise costs to customers and jeopardize the most efficient use of generation and transmission resources. A two-year forward showing aligns forward showings with Staff's proposed filing cadence, appropriately extends the forward showing for non-WRAP participants, and provides flexibility for non-WRAP participant LRE's to optimize their resources and the resources of the region.

Therefore, while BRTM does not oppose a two-year filing cadence, forward RA showings for non-WRAP participants should similarly be limited to two years.

iii. Commission review process

Staff's straw proposal initially contemplates an acknowledgement process for LRE RA filings similar to the Commission's current acknowledgement process for IOU IRPs.[10] Staff's

[10] *See* Staff's October 5, 2022, paper entitled "UM 2143 Investigation into Resource Adequacy in the State Process: Updated Process proposal for continuation of UM 2143" at p. 5.

proposal further notes that it is open to an alternative process for ESSs that are part of a regional RA program.[11]

BRTM supports an IRP acknowledgement process for those LREs that are not members of a regional RA program and an alternative process for LREs (ESSs and IOUs) that are part of a regional RA program. The IRP acknowledgement process is appropriate for non-WRAP participants because the LRE and the Commission would not have the benefit of WRAP's extensive review. A streamlined review for WRAP participants is warranted because the WRAP RA forward showing is extensive and analyzed by a program administrator and third-party program operator for the sole purpose of ensuring each entity is entering the binding season with adequate resources. Leveraging this extensive filing and review promotes administrative efficiency and avoids duplication. Accordingly, for LREs that are participants in a regional RA program, BRTM supports a review process in which, after the LRE files its RA filing with the Commission, the filing is deemed approved unless within 60 days the Commission issues an order deeming the filing incomplete, inadequate, or inaccurate. If such an order is issued, the LRE should be given an opportunity to cure any deficiencies, as described in more detail below. This approach would reduce the number of filings and processes while providing the Commission with the appropriate tools to address any concerns that may arise from an LRE's filing.

Therefore, BRTM supports an alternative, less burdensome compliance process for LREs that are participants in regional RA programs.

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[11] *Id.*

iv. Cure of deficiencies and penalties

Staff's straw proposal includes a general description of a cure period for any deficiencies found in an LRE's RA filing followed by potential penalties if deficiencies are not cured.[12] Specifically, Staff's straw proposal states: "The Commission will direct the LRE on how to cure the deficiencies."[13] If deficiencies are not cured, Staff supports imposing a yet-to-be-defined penalty.[14]

As an initial matter, BRTM is concerned with Staff's statement that the "Commission will direct the LRE on *how* to cure the deficiencies." BRTM recommends that Staff clarify that, under the proposed process, the Commission will *identify* deficiencies in any LRE's RA showings and *direct* the LRE to cure such deficiencies within an established timeframe and subject to appropriate Commission review.

Next, BRTM does not oppose the imposition of a penalty if RA deficiencies are not cured and agrees with Staff's assertion that fines should be high enough to encourage RA compliance. In this context, deficiencies can take one of two forms: (1) LRE failure to demonstrate that they are resource or transmission adequate during the forward showing period and (2) other deficiencies (*e.g.*, filing errors, omitted data). The first type of deficiency affects the LRE's ability to reliably serve load; the second does not. To address concerns related to the first type of deficiency, the WRAP employs CONE pricing as a penalty for failing to comply with forward showing requirements. Assuming the WRAP CONE proposal is ultimately adopted and the pricing is publicly available, BRTM believes that the same penalty structure could be applied in the Oregon

[12] *See* Staff's October 5, 2022, paper entitled "UM 2143 Investigation into Resource Adequacy in the State Process: Updated Process proposal for continuation of UM 2143" at p. 5.
[13] *Id.*
[14] *Id.*

RA program. Specifically, the WRAP CONE pricing proposal is based on the annual revenue requirement (capital and fixed operating costs) for a new peaking gas plant. Failure to come into the operational period with sufficient resources may cause reliability issues and leaning on other LREs. Accordingly, there is justification to impose penalties based on the estimated cost of generation necessary to fill the deficiency. BRTM posits that it is appropriate to establish comparable penalties for non-compliance between the Oregon RA program and WRAP so as to not establish inappropriate incentives with respect to participation in the voluntary WRAP program.[15] Consistent with the WRAP, and as is typical in other jurisdictions, compliance penalty revenues should be distributed to compliant entities. As discussed more fully below, such a penalty and revenue distribution incentive structure should alleviate concerns related to capacity backstop charges and provider of last resort.

With respect to more administrative deficiencies that do not impact resource or transmission adequacy, BRTM recommends that the Commission establish clear cure rules and, for uncured deficiencies, pre-defined penalties with monies used to defer program costs.

b. Reliability Standard

Staff's straw proposal includes discussion of the appropriate reliability standard for Oregon RA requirements, whether the RA standard should be binding, and whether the applicable standard should be set by rule or Commission order.[16] Specifically, Staff proposes to adopt a planning reserve requirement that is consistent with a 1 in 10 LOLE or the applicable regional RA program

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[15] Importantly, however, if an LRE is a participant in WRAP and a penalty is imposed by the WRAP, Oregon should not impose a similar penalty. Doing so would double collect for the same deficiency.

[16] *See* Staff's October 5, 2022, paper entitled "UM 2143 Investigation into Resource Adequacy in the State Process: Updated Process proposal for continuation of UM 2143" at p. 4.

planning reserve if the LRE is a participant.[17] Staff further proposes to make RA standards binding for all LREs. Finally, Staff suggests that the standards be set by rule as opposed to order.[18]

BRTM generally supports Staff's proposals. BRTM particularly supports the adoption of the applicable regional RA program planning reserve margin for LREs participating in the regional program. Doing so reduces administrative burdens, leverages regional planning and expertise, and encourages LRE participation in regional RA programs. For LREs not participating in the WRAP, ideally, the Commission would adopt and establish a state-specific reserve margin based on the WRAP-established reserve margin, if known. Alternatively, if the WRAP reserve margin is unknown or the Commission has demonstrated concerns with the WRAP requirements or the underlying methodology, the Commission could establish minimum requirements based on either a Staff-conducted or overseen LOLE study or a reserve margin that utilizes known NERC/WECC operating reserve requirements and system-wide estimated load-forecast error and resource forced outage rates. The former is both resource and analytically intensive and thus dependent on access to good data, while the latter would be an approximation, which would be potentially less "accurate" and potentially less aligned with more robustly established regional requirements. While there are clear trade-offs between these two options, BRTM suggests, for the sake of simplicity and reduced administrative burden, and in the absence of being able to utilize the WRAP standard, that the Commission may want to consider establishing a more approximate, minimum (*i.e.*, no lower than), reserve requirement based on the aforementioned latter methodology.

Regarding the appropriate medium to memorialize RA requirements, BRTM agrees with Staff that including RA standards in rules is appropriate given the general applicability of RA

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[17] *Id.*
[18] *Id.*

standards. Last, while BRTM agrees that binding standards are appropriate, it is important to define binding with regard to Oregon RA. The WRAP uses binding to mean both a binding forward showing such that failure to satisfy requirements leads to imposition of penalties *and* a binding requirement to hold back a share of surplus resources to help meet the needs of other WRAP participants that are forecast to be capacity deficient in the operating day.[19] BRTM understands Staff's position to only apply a binding requirement with regard to forward showing requirements and supports that approach.

c. Compliance Standards

Staff's straw proposal requests comment related to (1) RA compliance standards for WRAP participants versus non-participants, (2) the appropriate capacity contributions to be used in LRE RA filings, and (3) whether ESSs should have alternative compliance options.[20]

As discussed in more detail below, BRTM does not oppose different RA compliance standards for WRAP and non-WRAP participants. WRAP participants should be able to use WRAP compliance to satisfy Oregon RA. As such, BRTM supports a single Oregon RA standard, from which WRAP participants would be exempted upon filing WRAP compliance certificates with the Commission.

i. Compliance standards for WRAP and non-WRAP participants

Staff outlined initial RA compliance standards as shown in the table below[21]:

Year	Non-WRAP Participant	WRAP Participant
1	100%	95%
2	95%	90%
3	80%	75%

[19] WRAP FERC filing, Charles Hendrix Aff., ¶ 9.
[20] *See* Staff's October 5, 2022, paper entitled "UM 2143 Investigation into Resource Adequacy in the State Process: Updated Process proposal for continuation of UM 2143" at pp. 6-7.
[21] *Id.* at p. 6.

As a preliminary matter, there are multiple considerations that influence the applicable RA compliance standard. Specifically, the RA forward showing percentage is impacted by how peak load is to be determined; the capacity contribution ascribed to LRE resources; and the planning reserve margin LREs are required to achieve, based on the applicable reliability metric, such as the 1 in 10 LOLE. In addition, the period of time (*e.g.*, monthly peak, yearly peak, seasonal peak) for which LREs are required to demonstrate RA is also a consideration in compliance standard requirements. All of the above influence RA standards generally and must be understood and defined prior to developing standards for WRAP and non-WRAP participants.

As detailed above, ideally, the Commission would establish a minimum reserve margin based on the WRAP-established requirements. WRAP employs a dynamic planning reserve margin based on season, months within the season, and subregion within the WRAP.[22] This more refined and detailed approach recognizes changing market conditions (load and resource balance and mix); whereas, a static annual reserve margin may not reflect these variations. Accordingly, BRTM supports adoption of the then-existing planning reserve margin developed by the WRAP on a regional (or subregional, if applicable) basis for use in RA compliance standards for WRAP participants. As discussed above, the Commission can either utilize, if available, the WRAP reserve margin for non-WRAP participants or can establish a separate minimum reserve requirement.

Second, WRAP requires forward showings to meet peak demand (plus a planning reserve margin) on a monthly basis during each binding season.[23] BRTM does not believe that monthly forward showings are necessary for Oregon RA program compliance. WRAP participants will

[22] WRAP FERC filing, Charles Hendrix Aff., ¶ 20.
[23] WRAP Tariff, Section 16.1.

have this information available from their submissions to the WRAP and can provide it to the Commission, subject to confidentiality protections discussed above, which should operate to satisfy Oregon RA requirements. However, for non-WRAP participants monthly RA forward showings will be of limited value because Oregon RA filings are not proposed to be made on a seasonal basis when monthly forward showings have more certainty. Projecting monthly forward showings two years or longer into the future provides limited benefit. Accordingly, BRTM recommends that any forward showing be based on the LRE's annual peak demand.

Third, peak load determinations by the WRAP are based on a P50 load forecast, or adjusting load to account for a 50 percent chance of exceedance.[24] Here, differences between ESSs and IOUs must be recognized. IOUs serve captive ratepayers, including residential customers, whose loads can vary significantly such that on- and off-peak usage can contain wide deviations. IOUs must *estimate* what that load will be in the future. ESSs, on the other hand, generally serve large, sophisticated energy consumers whose load is relatively flat and much more predictable. In contrast to IOUs, ESSs typically have agreements with their customers defining the loads they are obligated to serve. Thus, the ESSs have far less uncertainty regarding their load requirements and requiring probabilistic modeling to determine ESS load does not have the same justification as it does for IOUs that serve variable loads. Accordingly, BRTM recommends that the Commission not establish strict and/or onerous requirements for developing and submitting load forecasts. Again, to the extent that an ESS participates in the WRAP, those RA showings would be used to demonstrate compliance with Oregon state-specific RA requirements.

[24] WRAP Tariff, Sections 16.1, 16.1.1; WRAP FERC filing, Charles Hendrix Aff., ¶ 13.

With the foregoing inputs to the compliance standard undefined, it is difficult to propose different compliance standards at this time. However, LREs should be provided an opportunity to make short term optimization decisions in both resource and transmission planning. Requiring 100% RA showings one year out removes this flexibility, which could lead to increased costs to customers and inefficient use of market resources. Therefore, BRTM recommends that any RA forward showings provide sufficient flexibility for LREs to optimize their systems. Following refinement of the above considerations, BRTM looks forward to further discussion on the appropriate RA standards.

ii. Capacity contribution

Staff's straw proposal recommends using WRAP capacity contributions for purposes of Oregon RA.[25] BRTM supports using the WRAP capacity contribution calculations. Capacity accreditation is a data and analysis intensive process, and there is good reason to leverage WRAP accreditations. Specifically, the WRAP region includes Oregon, and many Oregon LREs have expressed interest in joining the WRAP. It is highly likely that the resources LREs use to serve load in Oregon will be within WRAP's region, such that WRAP's capacity accreditation would provide accurate regional capacity values. However, it is unclear whether WRAP's capacity accreditations will be made public. The NWPP Resource Adequacy Program – Detailed Design published July 2021 states that capacity accreditations for resources "will be available to all Participants."[26] Accordingly, further discussion is warranted to determine the availability of capacity accreditations for non-WRAP participants.

[25] *See* Staff's October 5, 2022, paper entitled "UM 2143 Investigation into Resource Adequacy in the State Process: Updated Process proposal for continuation of UM 2143" at p. 7.
[26] NWPP Resource Adequacy Program – Detailed Design, July 2021, p. 97.

iii. Alternative options for ESSs

Staff's straw proposal includes discussion of whether to permit ESSs to procure capacity from third parties in order to demonstrate compliance with RA standards.[27] Staff suggests that if an ESS demonstrates RA compliance for each year of the compliance period and its customers can be preferentially curtailed, the ESS (or its customers) could avoid capacity backstop charges.[28]

As permitted by the WRAP, Oregon RA should permit any LRE, including ESSs, to contract with third parties to procure capacity in order to demonstrate RA compliance. The WRAP includes the LRE's "Net Contract QCC" in LRE capacity contribution analyses, which is defined as the qualifying capacity contribution "calculated, in sum and on net, for a Participant's power purchase agreements and power sale agreements."[29] Whether an LRE demonstrates RA through owned resources and/or contracted resources, there is no reason to not consider both in evaluating RA compliance. Accordingly, all LREs, including ESSs, whether or not they are participants in WRAP, should be permitted to demonstrate compliance with state RA standards through contracted capacity.

Further, whether an ESS contracts for or employs its own resources, demonstrating RA compliance should alone operate to prevent prospective capacity backstop charges for several reasons.[30] First, ESSs receive NITS service from IOUs. To obtain NITS service, ESSs must demonstrate that their resources are Network Resources. By contracting for power supply from an ESS, DA customers, and not an IOU, take on the risk that their ESS will not provide them the

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[27] *See* Staff's October 5, 2022, paper entitled "UM 2143 Investigation into Resource Adequacy in the State Process: Updated Process proposal for continuation of UM 2143" at pp. 6-7.
[28] *Id.*
[29] WRAP Tariff, Section 1, "Net Contract QCC."
[30] Further discussion on the inappropriate nature of capacity backstop charges is included in BRTM's comments filed in AR 651 on November 18, 2022.

power necessary for their individual operations. This risk *includes* facing the consequences of non-delivery through potentially extraordinarily high market prices for energy pursuant to the terms and conditions of Schedule 4 Energy Imbalance Service under Portland General Electric's ("PGE") or PacifiCorp's ("PAC") OATT when electric supplies are tight. DA customers manage this pricing risk through the terms and conditions of their contract with their respective ESS, while ESSs manage the risk passed on to them by their contracts with DA customers, including maintaining sufficient supply and demand resources through ownership, lease, or contract to meet the requirements of their contracts with their DA customers. To meet those requirements, ESSs often carry extra resources, essentially, the equivalent of planning reserves, which, under a state or regional RA program, will be thoroughly evaluated.

As Balancing Authorities, PAC and PGE are required to balance all loads and supply in their control areas on an hourly and sub-hourly basis. PAC and PGE recover the portion of the cost of balancing their systems that they incur on behalf of their bundled retail customers through Oregon-jurisdictional retail electric supply rates applicable to bundled retail customers. On the other hand, PAC and PGE recover the portion of the cost for balancing their systems that they incur on behalf of wholesale customers and DA customers through the ancillary service charges applicable to those customers under PAC's and PGE's respective OATTs.[31] These include both

[31] *See* OAR 860-038-0590 ("An electric company shall not give preference or priority in transmission and distribution pricing, transmission and distribution access, or access to, pricing of, or provision of ancillary services and local generation resources, to itself or its affiliate relative to persons or entities requesting transmission or distribution access to serve direct access consumers. No preference or priority may be given to, nor any different obligation assigned to, any consumer based solely on whether the consumer is purchasing service from an electric company or an ESS. … Energy imbalance obligations, including the pricing of imbalances and penalties for imbalances, shall be developed to reasonably minimize imbalances and to meet the needs of the direct access market environment. The electric company shall address such energy imbalance obligations in its proposed FERC tariffs. Energy imbalance obligations imposed upon ESSs, including the entity serving the standard offer load, and consumers purchasing service from the electric company, shall comply with the following: … The obligations shall enable an electric company and ESSs, including the entity serving the standard offer load, to settle for energy imbalance obligations on a financial basis.")

hourly and sub-hourly balancing capacity charges (*i.e.*, regulation, spinning operating reserve, and supplemental operating reserve charges) through PGE and PAC OATT Schedules 3, 5, and 6 and hourly and sub-hourly energy (*i.e.*, energy imbalance charges) through PGE and PAC OATT Schedule 4. Schedules 3, 5, and 6 require network customers to purchase from PGE or PAC or procure themselves sub-hourly capacity, including reserves, which mitigates ESS leaning and promotes reliability. Through Schedule 4, PGE's energy charges are based on the hourly Mid-Columbia Price Index published by Powerdex.[32] PAC's energy charges are based on the applicable LAP price where the load is located.[33] The price per MWh for imbalance energy from PAC or PGE can be potentially extremely expensive at times of peak or net peak electric demand on the system. As a result, high market prices for imbalance service send appropriate price signals to DA customers and ESSs and incentivize them to ensure they have sufficient resources to balance their loads. Therefore, given that ESSs are NITS customers of IOUs, this relationship already includes mechanisms and rates for capacity backstop service on an hourly basis. Further prospective capacity backstop charges are inappropriate and duplicative.

Second, on a longer-term basis, imposing capacity backstop charges on ESSs that are WRAP participants is duplicative and would undermine competition. The WRAP requires participants to satisfy certain specific upfront resource adequacy requirements (*i.e.*, show they are resource adequate), thus obviating, in the first instance, the need for any capacity backstop. Further, while the WRAP is not a capacity market, the WRAP does bind participants to make excess capacity available to other participants in the event that a participant becomes capacity deficient in any operating day.[34] In other words, the WRAP is envisioned as a planning reserve

[32] PGE OATT, Schedule 4, Sheet No. 138-40.
[33] PAC OATT, Schedule 4, p. 229.
[34] WRAP FERC Filing, Charles Cates Aff., ¶ 4.

sharing and mutual assistance pool. To ignore this core benefit of the WRAP and require ESSs to pay capacity backstop charges to IOUs would eliminate any incentive for ESSs to participate in the WRAP. Put differently, if an ESS is required to pay for capacity backstop service from an IOU, there is no incremental capacity sharing benefit from participating in the WRAP. WRAP provides participants with capacity insurance; further capacity insurance through prospective capacity backstop charges is unnecessary.

Finally, while there are capacity constraints in the western region, ESSs have been able to serve their customers in Oregon. Absent specific concern of a particular ESS's inability to serve their customers, capacity backstop charges should be avoided. Should specific concerns arise, those should be captured in regional or state RA filings, and any deficiencies would be remedied through the application of penalties distributed to the respective IOUs in whose territory an ESS has load. Further charges (and charges absent specific concern) shift costs unnecessarily and erode the commercial viability of DA in the state.[35]

III. CONCLUSION

BRTM appreciates the thought and time Staff put into developing its straw proposal and looks forward to engaging with Staff and other parties in the forthcoming rulemaking process.

[35] Or. Rev. Stat. § 757.646(1) (requiring the Commission to "eliminate barriers to the development of a competitive retail market between electricity service suppliers and electric companies.").

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