Resource Adequacy Update

No Action Required

August 16, 2021

P.U.D.
CHELAN COUNTY

Why We're Here Today

- Importance of Resource Adequacy
- Program Elements Overview and Update
- Timeline
- Move from Design to Implementation
- Next Steps & Future Considerations

Why is the Region Doing Resource Adequacy

- Ongoing resource retirements
  - Baseload thermal resources being replaced with wind and solar
  - Retirements throughout the western interconnection limit the ability to rely on imports from other regions
- Shifting weather patterns
  - Seeing west-wide heat and drought—multiple regions stressed at the same time
  - Increasing wildfire risk, limiting transmission capability between regions
- Multiple studies forecasting diminished adequacy of resources to meet load in near future
  - NWPCC's recent report presents a more optimistic outlook
  - But many in region still see resource adequacy program as necessary

Why is the District Doing Resource Adequacy

- Prefer more stable, less volatile markets—resource adequacy helps
  - Certainty about available supply, including in stress conditions
- To get there, need mandatory requirements
  - Program is voluntary to join, but each participant committing to acquire sufficient capacity
- Many calls for west-wide RTO
  - RTO may be effective solution, but staged approach allows region to address discrete problem and evolve as appropriate

Program Elements Overview and Update

Forward Showing Program—Demonstrate adequate resources to meet forecasted seasonal peak and planning reserve margin

- *Transmission and deliverability requirements added*

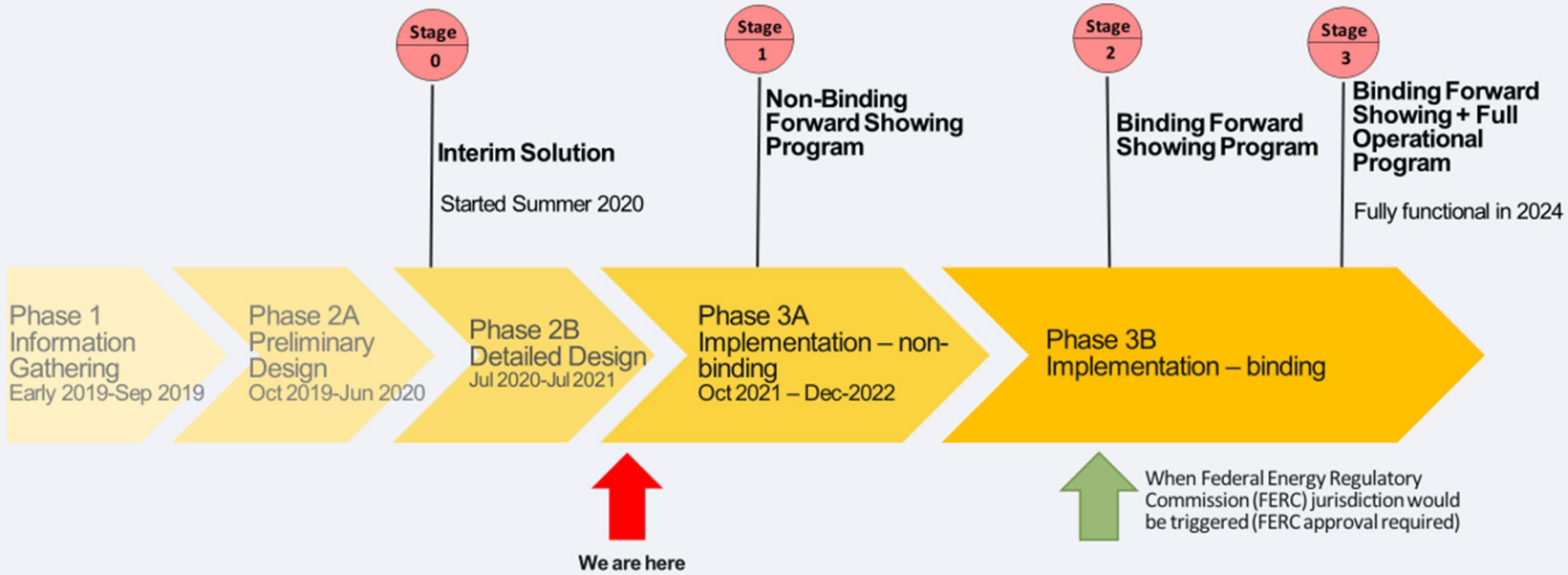
Operational Program—Pool surplus resources to meet loads that exceed forecasted forward requirements

- *Capacity holdback processes added*

Governance—Control, Administration, Operation, and Oversight

- *NWPP and stakeholder roles added*

Overview of Project Timeline



NWPP released [Detailed Design]() document on July 28

NWPP

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Implementation Differences

Participation

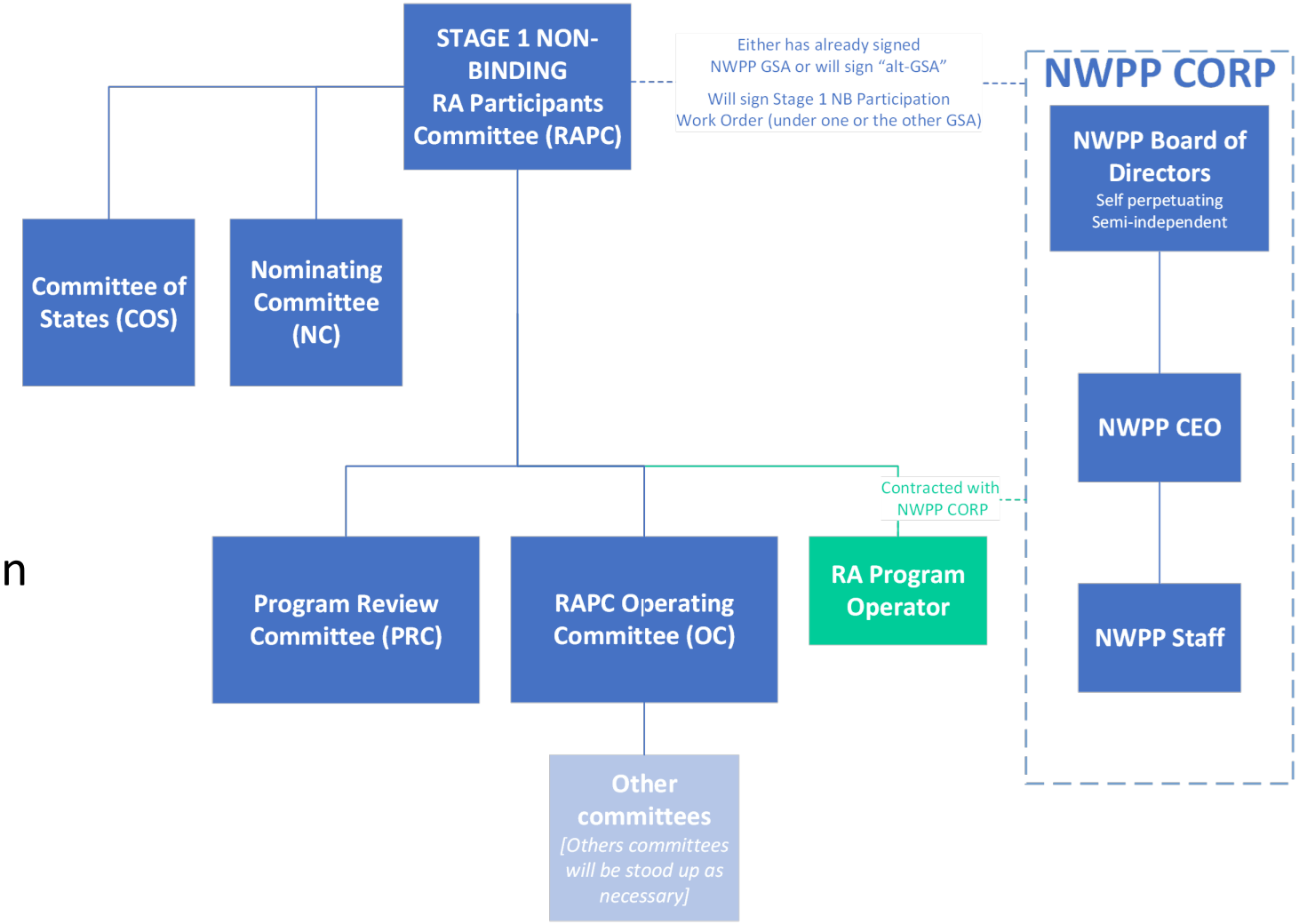
- Open to eligible Load Responsible Entities (LREs) in WECC
- Participation agreement—voting rights, funding, data sharing obligations
- Voting and funding allocated “House and Senate” style
  - 1-participant, 1-vote in Senate, load-weighted voting in House
  - 50% of program costs allocated pro-rata, 50% allocated on load basis

Governance

- Moving to formal decision-making process
- Participants sit on Resource Adequacy Participants Committee (RAPC)
  - Decision-making body for 3A-non-binding
  - Delegated authority with Independent Board oversight for 3B-binding

Governance in 3A Non-Binding

- Participants Committee
  - LREs
- NWPP (current form)
  - Service agreements
- Nominating Committee—under formation
  - Sector-based (participants and stakeholders)
- Committee of States—under formation
  - Regulators or state energy officials
- Program Review Committee
  - Targeted stakeholder forum
- Program Operator
  - Contracted service provider (agreement in principle with SPP)



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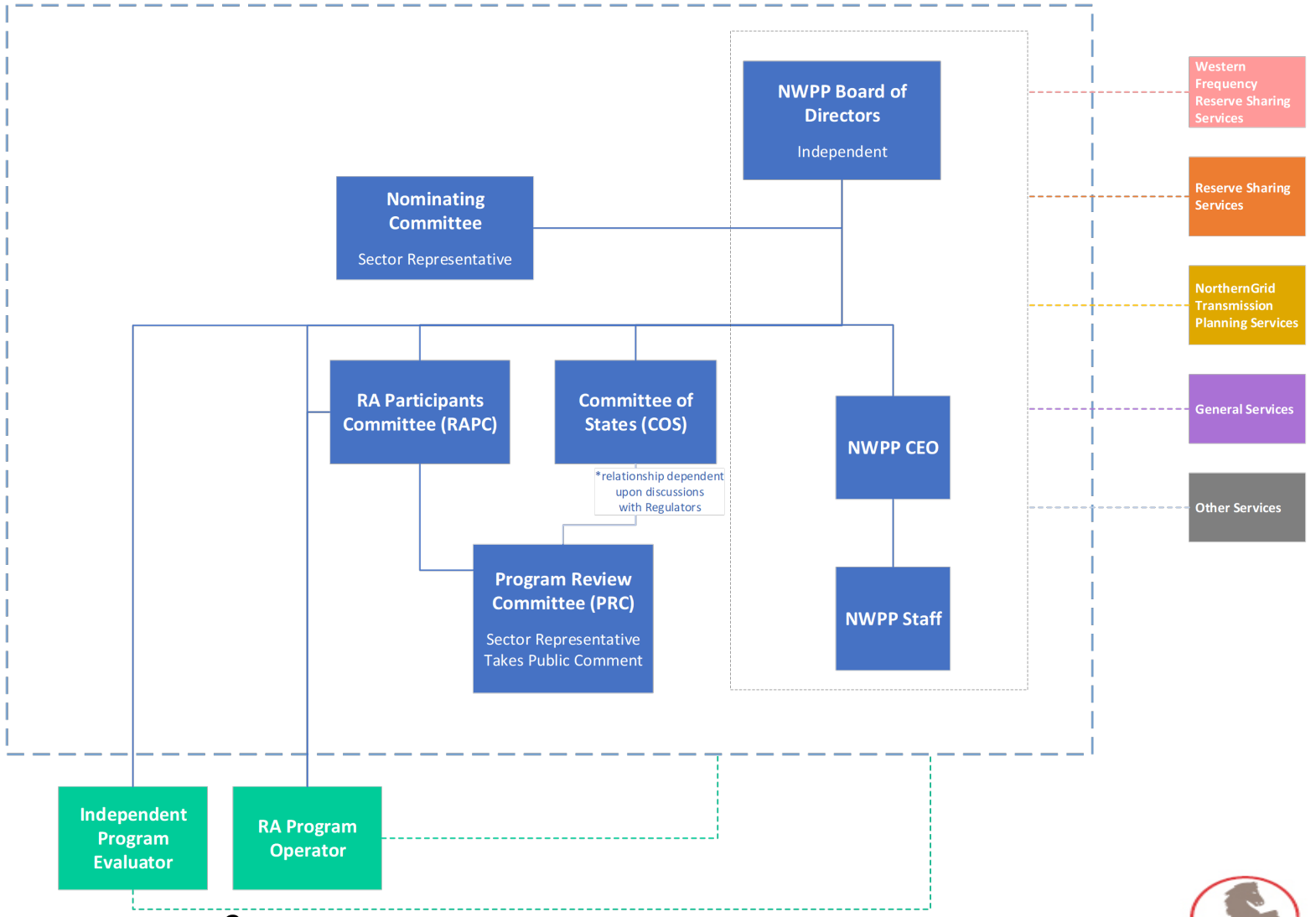
Governance in 3B Binding

- NWPP (reformed)
  - will continue to provide existing services, governed separately from RA
- Participants Committee
- Committee of States
- Nominating Committee
- Program Review Committee
- Program Operator
- Independent Evaluator
  - External program review resource



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Program Next Steps

- Develop governance details and enabling documents
  - Committee processes, dispute resolution, exit provisions
  - Bylaws, tariff, participation agreements, committee charters
- Hire Market Operator and begin technical setup
  - Services agreement between NWPP and SPP
- File for FERC approval of tariff
  - Other steps for NWPP as “public utility”