



WIRAB Comments on the WECC 2019 Business Plan and Budget

June 11, 2018

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The Western Interconnection Regional Advisory Body (“WIRAB”) appreciates the opportunity to comment on the proposed 2019 Western Electricity Coordinating Council (“WECC”) Business Plan and Budget (“BP&B”). WIRAB was created by Western Governors under Section 215(j) of the Federal Power Act and is charged with advising WECC, the North American Electric Reliability Corporation (“NERC”), and the Federal Energy Regulatory Commission (“FERC”) on whether proposed Reliability Standards and the governance and budget of WECC and NERC are in the public interest.

WIRAB has reviewed WECC’s 2019 Business Plan and Budget and finds the budget and assessment to be reasonable and in the public interest. WECC’s proposed 2019 BP&B provides sufficient funding for the organization to fulfill its delegated function and mission to assure the reliability of the Western Interconnection. WECC’s proposed statutory budget for 2019 is \$26.95 million.

The proposed 2019 budget is \$147,000 (0.54 percent) less than WECC’s 2018 statutory budget. WECC’s proposed statutory assessment for 2019 remains equal to WECC’s 2018 assessment of \$25.28 million. The primary drivers behind WECC’s budget changes include an increase in of \$538,000 in personnel expenses (primarily due to a budgeted 3-percent merit pool, continued refinement of labor float percentages, changes in position levels, and refinement of payroll tax and benefit rates); and a decrease of \$730,000 in consultant and contract funding (primarily due to the completion of the Gas/Electric Interdependence Study, decreased reliance on Compliance contract labor, and increased organizational and leadership development consulting).

WECC’s annual budget and reserve must be sufficient to ensure the organization’s ability to address potential, unforeseen risks within its purview, while remaining cost conscience. Therefore, WIRAB makes the following additional observations regarding the WECC BP&B:

- 1. WIRAB believes that the 2019 Business Plan & Budget (BP&B) will support WECC’s efforts to address the organization’s strategic priorities but, in the future, the BP&B should also specifically reflect the organization’s near-term priorities.** In 2017, WIRAB recommended that WECC develop an open and transparent Strategic Planning Process to guide WECC’s efforts to identify the organization’s strategic priorities and direction. WIRAB believes it is important for WECC budgets to be driven by identified strategic priorities and commends WECC on its efforts to develop and implement a strategic planning process that engages stakeholders in identifying emerging reliability challenges and opportunities for the Western Interconnection. These efforts are important to ensuring that WECC can effectively achieve its mission to assure the public of the reliability and security of the Western Interconnections’ Bulk Electric System.

WIRAB believes the proposed 2019 BP&B will be sufficient to support the strategic priorities approved by the Board in 2016. This is a substantial improvement over previous budget cycles.

However, WIRAB believes it is also important for the WECC BP&B to reflect and support WECC's near-term priorities. These short-term priorities, rooted in the Reliability Issues Steering Committee's (RISC's) ERO Reliability Risk Priorities Report and informed by WECC's members and other stakeholders, are important to WECC's efforts to effectively discharge its obligations and should be reflected in the WECC BP&B.

The BP&B should ensure that sufficient resources are available to support WECC's efforts to address these near-term priorities. In 2015, the WECC Member Advisory Committee noted that, at that time, it did not feel it necessary to budget for contingencies, "as maintaining a reserve is in part intended to cover for unanticipated challenges." WIRAB understands that the Board has yet to approve the organization's near-term priorities. WIRAB also understands that it is WECC's policy to not account for contingencies in the WECC budget but, rather, to fund contingencies from the organization's financial reserves. However, WECC's near-term priorities rise above the level of such contingencies. Therefore, in the future, WECC should revise its strategic planning process timeline to ensure the WECC Board has an opportunity to approve the organization's near-term priorities with sufficient time remaining to ensure that these priorities are appropriately funded without resorting to, and potentially being restricted by the availability of, the organization's financial reserves.

- 2. WECC should ensure that sufficient resources are available to keep WECC members and stakeholders apprised of emerging issues surrounding the evolving Reliability Coordinator (RC) landscape and, if necessary, to develop Regional Reliability Standards, Regional Variances, and Regional Criteria to ensure reliable operation of the Bulk Electric System.**

The fragmentation of Reliability Coordinator (RC) responsibilities across the Western Interconnection continues to raise questions about the ongoing reliable operation of the Bulk Electric System. Uncertainty exists about member options for obtaining RC services, interconnection-wide coordination, information sharing, and shared responsibilities for operations across RC boundaries and seams. WECC can help to resolve these uncertainties and to maintain or improve reliability in a new, multiple RC environment by leading stakeholder engagement opportunities; requiring or encouraging RC providers to analyze, coordinate, and collaborate on seams issues; and driving efforts to develop necessary Regional Reliability Standards, Variances, and Criteria.

Early and robust stakeholder engagement will be necessary to keep WECC members and stakeholders engaged and informed of the evolving RC framework and potential reliability risks as additional entities seek and achieve RC certification. In the proposed 2019 BP&B, WECC notes that new Regional Reliability Standards, Variances, or Criteria may be necessary to "address potential reliability concerns resulting from the addition of multiple new Reliability Coordinators in the Western Interconnection." WECC also notes an expectation that much of the work required to revise Regional Reliability Standards, Variances, or Criteria will be performed through voluntary stakeholder participation and with existing resources. With this stated expectation, WECC indicates that it will rely heavily on stakeholder input to meet its reliability obligations.

These efforts will be essential to maintaining interconnection-wide situational awareness and to ensuring that any new or updated RC reliability standards appropriately account for the unique operating characteristics of the Western Interconnection. In the future, WECC should review this matter closely to ensure that the organization has sufficient resources available to support this level of stakeholder engagement during the RC certification and transition process. Resources may need to be reallocated to ensure that WECC members and stakeholders can be kept apprised of and engaged with emerging issues surrounding the evolving RC landscape and, if necessary, to develop Regional Reliability Standards, Variances, and Criteria.

3. **The WECC 2019 Business Plan and Budget should reflect WECC’s authority, or lack of authority to conduct Reliability Assessments on its own initiative.** Section 215(g) of the FPA requires NERC to conduct periodic assessments of the reliability and adequacy of the bulk-power system. WECC assists NERC in performing this statutory activity by “develop[ing] assessments of the reliability of the Bulk-Power System [in the Western Interconnection], or ensur[ing] that data and information are collected, analyzed and provided to NERC in support of the development of reliability assessments.”¹ However, some WECC members have challenged WECC’s authority to conduct reliability assessments on its own initiative. If WECC does not have this authority, it would be appropriate to decrease the number of FTE’s—and associated funding—dedicated to providing reliability assessments not initiated by NERC.

WIRAB does not question WECC’s authority to conduct reliability assessments on its own initiative. However, a final resolution of this matter is needed. WECC should clarify its authority to conduct reliability assessments and, as appropriate, maintain the necessary number of FTEs to do so.

4. **The WECC 2019 Business Plan and Budget should support the Reliability Assessment Committee’s (RAC’s) efforts to anticipate changes to the generation resource mix.** The resource mix of the Western power system is rapidly changing. Environmental regulations and shifting market forces have resulted in announced retirements of traditional generation resources and an expansion of renewable generation resources. These changes to the generation resource mix will present new opportunities and reliability challenges for the Western Interconnection in both the near and long term.

It is important that WECC’s Reliability Assessment Committee (RAC) continue its work to integrate power flow modeling and production cost modeling and work with stakeholders to develop an Anchor Data Set that improves WECC’s ability to perform reliability assessments of essential reliability services and assess potential reliability risks under a wide-range of future scenarios. However, some data submitters are reluctant to speculate about increased renewable generation, referring to such projections as a “fictional resource mix.”

¹ Amended and Restated Delegation Agreement Between North American Electric Reliability Corporation and Western Electricity Coordinating Council. (Effective January 1, 2016).
https://www.nerc.com/FilingsOrders/us/Regional%20Delegation%20Agreements%20DL/WECC_RDA_Effective_20160101.pdf

WIRAB believes it is essential to model the changing resource mix. This information is essential to helping WECC to better analyze emerging issues (e.g., ramping, frequency response, and voltage stability) and system vulnerabilities under a wide-range of future scenarios. In the future, if the “fictional resource mix” stance prevails and data providers will not speculate on changes to future generation, WECC may need to increase funding—to provide contract dollars or fund additional FTEs—in order to produce this data.

5. **WIRAB appreciates the WECC Finance and Audit Committee’s (“FAC’s”) efforts to provide stakeholders with additional time to provide comments on the 2019 WECC BP&B.** In 2017, WIRAB recommended that WECC expand the timeline for developing WECC’s future BP&Bs to provide the WECC Member Advisory Committee (MAC), WIRAB, and other interested stakeholders with sufficient time to provide the Board of Directors with thoughtful and informed comments. Developing and submitting informed comments requires time and deliberation and is important to assisting the decision-making of the WECC Board. WIRAB recognizes and appreciates the FAC’s efforts to address this concern with respect to the proposed 2019 BP&B.

Following review, WIRAB finds the proposed statutory budget and assessment for 2019 to be in the public interest and recommends that the WECC Board approve WECC’s 2019 Business Plan and Budget.