

Federal Energy Regulatory Commission

Technical Conference: Resource Adequacy Developments in the Western Interconnection

June 24, 2021

Docket No. AD21-14-000

Remarks of Commissioner Kristine Raper, Idaho Public Utilities Commission,

on behalf of the

Western Interconnection Regional Advisory Body (WIRAB)

Good afternoon Chairman and Commissioners. My name is Kris Raper. While I serve as a Commissioner at the Idaho Public Utilities Commission, I am here today in my capacity as the chair of the Western Interconnection Regional Advisory Body (WIRAB) and speaking on behalf of WIRAB.

WIRAB is the only Regional Advisory Body recognized by the Commission under Section 215(j) of the Federal Power Act to provide advice to the Commission on reliability matters in the Western Interconnection. WIRAB serves a unique role in the West. All appointed WIRAB members represent the public interest of their respective states and provinces and WIRAB speaks with a single voice on behalf of all the states and provinces of the Western Interconnection to advise FERC, NERC, and WECC on bulk electric system reliability matters.

I am going to focus my remarks today on three key messages:

1. The resource adequacy problem in the West is a regional capacity sharing and information sharing problem.
2. The solution to the resource adequacy problem in the West is a regional organization that serves as an information clearinghouse. The organization must be independent, transparent, and respect the authority of utility executives, and state and provincial regulators and policymakers, to determine the future resource mix of electric utilities.
3. WECC's role should be to alert western states and provinces to emerging reliability risks in the West. WIRAB will continue to advise WECC on improving its "Western Assessment of Resource Adequacy" and to complement this planning work with additional education and outreach on how adequacy problems impact real-time system operations.

The resource adequacy problem in the West is primarily a capacity sharing and information sharing problem. Yes, climate change is driving extreme temperature events. Yes, the historical datasets that we use in Integrated Resource Planning are no longer indicative of future probabilities. Yes, we need to improve our methodologies for estimating the capacity contribution of variable energy resources like wind, solar, and hydro. We can always improve our planning for the future; and

regulatory commissions and electric utilities are always advancing Integrated Resource Planning. So – to be clear - The RA problem in the West is not primarily a planning problem.

Yes, demand-side resources need to be part of the solution. Yes, battery storage needs to be part of the solution. Yes, we currently lack a large-scale dispatchable clean capacity technology. Perhaps, modular nuclear reactors will be available in the future. Perhaps, green hydrogen will power combustion turbines in the future. Of course, these technologies are not currently/immediately ready for prime time. But we are always on the lookout for a silver bullet technology. But, regardless, the RA problem in the West is not primarily a technology problem.

For clarity I will repeat how I began: **The RA problem in the West is primarily a capacity sharing and information sharing problem.** Electric utilities in the West have historically relied on the bilateral wholesale electricity market in the West to exchange capacity and energy to meet resource adequacy requirements. The capacity and energy exchanges have largely been seasonal to exploit the resource diversity in the West. California imports capacity and energy in the summer and the Pacific Northwest imports capacity and energy in the winter. Utility executives and utility regulators have long recognized regional sharing of capacity and energy to be part of a low-cost resource strategy for utility customers. In the past, this exchange of capacity and energy between electric utilities was uncomplicated and did not warrant constant scrutiny on the part of regulators or policymakers. These market transactions were routine and in the background because the West enjoyed a large surplus of generating capacity.

Today the resource strategy remains largely the same, but its implementation is complicated because the regional surplus is gone. The West continues to enjoy great resource diversity across the geographic footprint. Market transactions can be a low-cost solution to meeting capacity requirements. Market transactions can also be a low-risk solution to avoiding stranded investments while we wait for that silver bullet technology. So, what is the problem? The problem is that utility executives and utility regulators are no longer willing to assume that the bilateral market is a reliable means of meeting the future needs of customers. We can no longer reliably count on the bilateral wholesale electricity market.

This is where information sharing becomes critical. The reason utility executives and utility regulators cannot count on the wholesale market is because we lack good information about the capacity position of our neighbors. We cannot rely on market imports, because we do not know if the counterparties are good for it. When supply and demand conditions are tight across the entire Western footprint how can you count on imports? The situation is somewhat like deciding whether to attend an in-person meeting during a pandemic: Can you trust that all the attendees are fully vaccinated? The lack of information about your neighbors becomes the issue – and it is making people nervous without additional assurances.

Instead of assumption-driven resource adequacy regulators are demanding data-driven resource adequacy. The problem in the West is that we do not have a regional organization or clearinghouse that collects transactional load and resource information from individual electric utilities and distributes information on the size of the regional surplus (or deficit) to utility executives, utility regulators, policymakers, and the public. The institutions and practices we relied on in the past will not work in the

future. If the West is going to continue to enjoy the diversity benefits of exchanging capacity and energy across its geographic footprint, we need to improve our information sharing framework and institutions.

The solution to the resource adequacy problem in the West is a regional organization that serves as an information clearinghouse. The Northwest Power Pool (NWPP) is working to develop a regional resource adequacy program that could include a significant number of load-serving entities in the West. Its proposed Forward Showing Program would function as a clearinghouse that collects transactional load and resource information from individual electric utilities and distributes information on the size of the regional surplus (or deficit) to policymakers, regulators, and the public. The entities working to develop the NWPP regional resource adequacy program understand that capacity sharing and information sharing comprise the core RA problem in the West and are working on a data-driven solution. The program will collect confidential and market sensitive information from the individual electric utilities. The NWPP will need to protect this information. However, to be a successful information clearinghouse, the NWPP must disseminate the information and data to support its regional resource adequacy findings. Policymakers and regulators will not and should not just accept assertions of adequacy without evidence. Many will likely take a trust-but-verify approach to the pronouncements of the regional program administrator. This is precisely why the governance structure of this new regional organization is going to be paramount. **The organization must be independent, transparent, and respect the authority of utility executives, and state and provincial regulators and policymakers, to determine the future resource adequacy needs and appropriate resource mix of the electric utilities in the West.**

Finally, WIRAB believes that WECC has an important role to play as a trusted voice on electric grid reliability in the Western Interconnection. WECC recently published its new “Western Assessment of Resource Adequacy.” WECC’s assessment now includes both “pessimistic” and “optimistic” scenarios that examine the resource adequacy of a subregion with and without imports from neighboring regions. **WECC’s role should be to alert western states and provinces to emerging reliability risks in the West. WIRAB will continue to advise WECC on improving its “Western Assessment of Resource Adequacy” and to complement this planning work with additional education and outreach on how adequacy problems impact real-time system operations.**

The resource adequacy problem in the West is not insurmountable. But it will take trust and sharing and collaboration. Everyone has to be willing to play well in the Western Interconnection sandbox.