

Docket No. UM 2011 – General Capacity Investigation

Phase II Staff Workshop: How Oregon Utilities Acquire Capacity

Date: October 24, 2019
Time: 9:00 am to 12:00 noon
Location: OPUC Hearing Room
Beardsley Building, 1st Floor
201 High St SE
Salem, OR 97301
Call-in: 866-390-1828 or 216-706-7075
Access code: 2252868

UM 2011 PURPOSE

Per the April 23, 2019 Commission Order (Order No. 19-155), this proceeding will investigate “capacity” (generally) to develop a broadly applicable methodology for valuing capacity. The investigation aims to answer three central questions:

1. What is capacity?
2. How is capacity acquired?
3. How should capacity be valued?

PHASE II WORKSHOP GOALS

- Build a deeper understanding of how utilities acquire capacity
- Clarify how utilities’ priorities, needs, and processes for capacity acquisition vary by timeline or horizon
 - o i.e. Long-term, mid-term, hourly, seasonal, etc.
- Describe the acquisition methods that utilities employ to fulfill these needs
 - o i.e. RFPs, bi-lateral negotiations, market purchase, QFs or other capacity that is ‘put’ to the utility, etc.

KEY QUESTIONS FOR PHASE II

- Utilities giving Phase II workshop presentations should answer the following:
 - o What is the approach to acquiring capacity?
 - o Does this approach differ depending on the period of need, i.e., short-term, long-term?
 - o Does the approach to acquiring capacity differ for supply-side versus demand-side resources?

- What is the impetus for procuring capacity resources? Does the utility look to system need alone, to reliability / reserves requirements, to economics, or to some combination of these?
 - Does the answer to this question depend upon timeframe (long-term, day-ahead, etc.) or upon supply-side versus demand-side resources, or upon some other factor(s)?

WORKSHOP AGENDA

9:00 – 9:05 Welcome and Introductions

9:05 – 9:15 Staff Presentation

- Summary of Docket Purpose
 - Phase I Findings
 - Phase II Workshop Goals
 - Next Steps / Phase III
 - Introduce Regulatory Assistance Project (RAP)'s role

9:15 – 9:45 Portland General Electric Presentation
Presenter: Jimmy Lindsay, Resource Strategy Integration & Planning

9:45 – 9:55 Questions for Portland General Electric

9:55 – 10:00 Break

10:00 – 10:30 Idaho Power Presentation
Presenters: Phil DeVol and Perry Kerfoot (via video conference)

10:30 – 10:40 Questions for Idaho Power

10:40 – 10:45 Break

10:45 – 11:15 PacifiCorp Presentation
Presenters: Paul Wood, Cory Scott, and Rick Link (to be confirmed) or Ron Scheirer (to be confirmed).

11:15 – 11:20 Questions for PacifiCorp

11:20 – 11:40 NW Natural Presentation

Presenter: Matt Doyle

Key Aspects

- Other ways to consider / acquire “capacity” (for a different resource)
- How does gas system capacity impact electric system capacity, and vice-versa?

11:40 – 11:55 Capacity Questions for Any or All Utilities

11:55 – 12:00 Closing; Staff Describe Next Steps

BACKGROUND ON UM 2011

In other proceedings (specifically, the three RVOS dockets: UM 1910, UM 1911, and UM 1912), the Commission noted a lack of consistency in how capacity is valued across different programs. Staff presented a memo to the Commission April 23, 2019, which noted “several methodologies used to establish capacity values based on resource type, such as distributed generation, utility-scale generation, energy efficiency and other upcoming technologies such as energy storage and demand response... [as well as] the overall system need for capacity, as in utility IRP planning and the determination of a sufficiency / deficiency demarcation. A holistic investigation into these issues related to capacity could lead to a harmonization of some of these disparate approaches.”

Other important potential applications of a more consistent and robust capacity valuation, including:

- Demand response programs
 - o Might render new capacity resources unnecessary
- Time-of-use rates
 - o Higher rates for those increasing system costs
- Transportation electrification
- Energy storage

Phase I: The original goal of Phase I was to develop a single definition of “capacity.” Staff held a public workshop June 14, 2019. Utilities and stakeholders presented their perspectives on what “capacity” means to them, in various contexts. For example, utility planners look at “capacity” on a long-range basis, while those who work on trading floors look at it from a more immediate perspective. Various presenters understood “capacity” to mean:

- Nameplate capacity,
- Maximum dependable capacity,
- Baseload capacity,

- Ability to meet energy needs,
- Effective load-carrying capacity (ELCC), or
- Peaking capacity, among other concepts.

After considering the information provided by utilities and stakeholders, staff determined that a single, simplistic definition of “capacity” would not be the most beneficial way to frame the questions to be considered in Phases II and III. Instead the to-be-developed methodology should be tailored to appropriately value the type of capacity / resource that is being considered.

Phase II: This October 24, 2019 public workshop will address how utilities acquire capacity.

Phase III: To develop appropriate method(s) to calculate a value for capacity, and present these recommendations to the Commission. Based on the April 23, 2019 Commission order:

- Methodologies could be consistent across utilities, but based upon the value to each utility’s system
- Methodologies may need to vary by resource type / characteristics

Staff will consider the following questions, among others:

- Currently, simple-cycle gas plant costs are generally used to value capacity. Is this still the correct approach?
- Should consideration of flexibility, and potential ancillary services offered by resources be included?
- Should supply-side and demand side resource be valued in the same way?
- Should multiple approaches be considered in valuation, or can a one-price fits all method work?

SCHEDULE OF PHASE III EVENTS / NEXT STEPS

- Phase III Timing – Overview
 - November 2019 through March 2020
 - Staff work with utilities, stakeholders, and RAP to identify options, develop one or more methodology to recommend to the Commission
 - April 2020
 - Staff present recommendations to the Commission during a Public Meeting
- Phase III Timing – Public workshops and public comment periods (anticipated):
 - Public Comment Period #1 – Open November 13, 2019 through December 13, 2019
 - Open-ended scoping questions to frame the methodology development
 - Phase III Workshop #1 – December 2, 2019, 9:00am-12:00pm
 - Portland State Office Building
 - Discuss and refine the scoping questions and clarify major issues

- Discuss experiences from other states, what has been attempted elsewhere and what Oregon might learn from
- Comment period remains open after the workshop, so utilities and stakeholders can submit additional material post-workshop, if they wish
- Phase III Workshop #2 – January 13, 2020, 9:00am-12:00pm
 - Portland State Office Building
 - Discuss a suite of potential options for how methodology could develop, based on comments received
 - Utilities and stakeholders identify preferences to help develop a proposed methodology (or several)
- Public Comment Period #2 – Open January 13, 2020 through January 28, 2020
 - Opportunity for utilities and stakeholders, especially those unable to attend workshop in-person, to express identify preferences and key aspects for methodology
- Phase III Workshop #3 – February 11, 2020, 8:30am -12:00pm
 - PUC Hearing Room, Salem
 - Staff present a proposed methodology and receive utility and stakeholder feedback
- Public Comment Period #3 – Open February 25, 2020 through March 10, 2020
 - February 25, 2020 – Staff circulate a revised proposed methodology and a draft set of recommendations for utility and stakeholder feedback
- April 7, 2020 – Staff present recommendations and proposed methodology to the Commission during a Public Meeting

STAFF CONTACT:

Nicholas Colombo

503-373-1016

Nicholas.colombo@state.or.us