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VIA ELECTRONIC FILING

October 24, 2022

Public Utility Commission of Oregon
201 High Street SE, Suite 100
P.O. Box 1088
Salem, Oregon 97301

RE: UM 2011 — Idaho Power's Comments Regarding the General Capacity Investigation – Staff's Investigation Findings

Attention: Filing Center,

Idaho Power Company ("Idaho Power" or "Company") appreciates the opportunity to provide comments to the Public Utility Commission of Oregon ("Commission") on Staff's Investigation Findings, recommendations, and proposed next steps in Docket No. UM 2011 – General Capacity Investigation.

Below, the Company provides a brief history of this case, offers high-level feedback on the UM 2011 process, comments on the development of Staff's Capacity Value Best Practices document ("Best Practices"), and suggests specific modifications to individual elements in the Best Practices document.

BACKGROUND

On April 23, 2019, the Commission opened UM 2011 with the goal of developing a more comprehensive and harmonized understanding of capacity value and how it may inform various programs, resources, and utility systems. In this effort, Staff identified three central phases to guide this investigation scope: Phase 1) What is capacity?; Phase 2) How is capacity acquired?; and Phase 3) How should capacity be valued?

In the continuation of the Phase 3 investigation, Staff filed a report on December 15, 2020, from consultant Energy+Environmental Economics (E3) titled the Principles of Capacity Valuation. E3's report suggests a consistent set of principles focused on how much capacity a resource can provide in megawatts ("MW") and the value of capacity ($/MW). Following this report, Staff collaborated with parties in various workshops and offered deeper discussion about capacity value across varying resources and potential standardized approaches for calculating and modeling capacity value. These workshops continued from February 24, 2021, to July 15, 2021, before Staff filed an initial capacity valuation best practices document on September 30, 2021, based on key takeaways from the E3 report and stakeholder input.

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On January 25, 2022, Idaho Power, Portland General Electric, and PacifiCorp ("Joint Utilities") filed Capacity Contribution Modeling Results to further analyze the impact of contested modeling assumptions and methodologies, such as Loss of Load Probability ("LOLP") and Effective Load Carrying Capability ("ELCC"). Staff then held a workshop on February 15, 2022, to discuss these modeling results with the Joint Utilities, E3, and other parties.

Following the initially drafted best practices and the resulting modeling discussions, Staff filed an announcement on September 23, 2022, with an updated Capacity Valuation Best Practices document and a proposed strategy to finalize the best practices and implementation of the investigation findings.

COMMENTS

High-Level Feedback of UM 2011 to Date

Idaho Power is grateful to Staff and stakeholders in this case for extensive discussion and consideration of capacity and how to measure its contribution. While this investigation has included meaningful opportunities for comment and review, Idaho Power observes that the Joint Utilities' key recommendations, submitted via comments in October 2021, have, by and large, not been reflected in Staff's revised Best Practices.

The Company believes that establishing best practices for utility capacity planning is most effective when affected parties have meaningful contributions to the outcome. To that end, Idaho Power has concerns with Staff's Best Practices as currently drafted because they do not recognize the logical and reasonable variation in utility capacity contribution methodologies. Without modifications to the Best Practices, the result could be an overly prescriptive set of principles that work counter to the objectives of this investigation and that may, ultimately, hinder innovation and modernization in a rapidly changing industry. To prevent such an unfortunate outcome, the Company urges Staff to incorporate the modifications presented in these comments or—at a minimum—allow additional opportunities for discussion and review of the Best Practices text.

Considerations and Clarifications on Generic Best Practices

Over the course of this investigation, Staff has narrowed its focus from general capacity concepts to a uniform approach to capacity contribution, stating:

> *"[M]ethods for capacity contribution calculations can be standardized across use-cases, such that regardless of venue, technology, timeframe, or goal, the theoretical amount of capacity any resource provides can be compared to other resources on an apples-to-apples basis for a given system."*

Idaho Power appreciates Staff's objectives in this case, and the Company understands Staff believes efficiencies can be gained through standardization. However, the Company is concerned that Staff has not given proper attention to the substantial—and, in some use cases, unreasonable—time requirements to incorporate these best practices, particularly in the "planning" use case (addressed below in more detailed comments). Additionally, the Company recommends that Staff give considerable thought to the timeline of adoption of these methods and the cascading effects on certain dockets. For dockets that are cyclical in nature, and for

analyses that are currently in process or about to commence, Idaho Power proposes that any methodology standardization have a grace period, which would allow incorporation of Best Practices in future cycles, rather than disrupting current or near-future cases.

Below, Idaho Power provides feedback on individual items in Staff's Best Practices. The Company offers no comment on the Interactive Effects section (items 6 and 7).

1. Application of Best Practices

The first item in the Best Practices document identifies the proposed scope for applying capacity contribution calculations to supply and demand-side resources "whenever a specific resource type and not a portfolio of resources is being considered."

Idaho Power has two fundamental concerns with this scope. First, application of Best Practices to both supply and demand-side resources overlooks the substantial differences of these resources and their ability to provide capacity benefit to a utility's system. The Company has serious reservations about applying Staff's proposed Best Practices to individual demand-side resources (for planning purposes, program design, or administrative pricing) without additional review and consideration of the ways in which a prescribed capacity contribution methodology may (or may not) be responsive, practical, or reasonably accurate with respect to varied demand-side resources.

Second, Idaho Power seeks clarity from Staff and the Commission about the intent of Best Practices with respect to Integrated Resource Plans ("IRP"). Staff notes on the first page of its recent Announcement that "Because the best practice document includes details beyond the generic modeling principles of the E3 report, Staff proposed that the best practices do not need to apply to Integrated Resource Plan, Request for Proposals under Division 89, or Resource Adequacy programs."[1] Later in the same Announcement, Staff states that it "supports further discussion of this issue [of transparency and update process] in other venues like PURPA dockets, IRP's [sic], RFP's [sic], etc.,"[2] suggesting that application of Best Practices to these venues requires more consideration. And yet, Staff's Planning use case specifically notes the goal of reviewing "IRP ELCC methodologies against UM 2011 principles beginning with next IRPs filed (expected in March 2023)."[3]

Incorporation of Best Practices into IRPs in 2023 is both premature and unreasonable. Substantial modeling efforts have already commenced and the Company is scheduled to file the 2023 IRP in June of next year. As a result, the Company does not consider it feasible to incorporate outcomes of this docket into long-term planning before the 2025 IRP.

Even if the timing of IRP cycles were advantageous, though, Idaho Power has concerns that Staff's Best Practices do not contemplate the substantial impact of additional modeling time that would be required—modeling that would add time but not necessarily value to an already time-consuming and lengthy process. For example, Idaho Power currently does not have eight years of historical data for solar and, as currently drafted, the Best Practices suggest the use of synthetic data; this data would have to be vetted and incorporated into the model. In addition,

[1] Staff's September 23, 2022, Announcement at 1.
[2] *Id*. at 5.
[3] *Id.* at 6.

the Best Practices call for ELCC calculations in at least four different years of an IRP study period with annual interpolation between those selected years, significantly increasing the modeling time required for an IRP.

Finally, Idaho Power seeks clarity on specific language within this section on the Best Practices not applying to "a portfolio of resources."[4] An IRP is the primary context in which a utility considers a portfolio of resources. A simple read of Best Practice 1 implies, then, that the scope excludes IRPs. Simply put, the Company is unclear of Staff's intent and seeks clarification on application to IRPs, and requests more clear language and qualification about resource portfolios.

2. Model Determination

In the second item, Staff identifies ELCC as "the most accurate and preferred methodology to calculate the capacity contribution of all types of supply- and demand-side resources."[5] Staff goes on to state that "alternate" methods to ELCC may be considered if calculating ELCCs for many resources for many years is not practical from a utility workload perspective."[6] Idaho Power certainly appreciates this allowance, as well as Staff's recognition of time requirements. Nevertheless, the Company recommends additional flexibility within this part and other areas of the Best Practices document. For example, Staff could allow utilities the option to reduce the number of required historical data years utilized in the ELCC calculations to make the process more computationally feasible or reduce the number of "Temporal Granularity" tests if the change can be supported.

Without modification to the Best Practices, the Company worries they will turn into a low-value compliance activity. To prevent such an outcome, Idaho Power suggests that Staff consider more than one "qualifying" method for all circumstances, not just when the volume of work is prohibitive.

3. Model Methodology/Tuning

In the third item, Staff outlines a step-by-step process for calculating ELCCs. Staff also includes a chart that suggests a 1 day in 10 year LOLE (0.1 LOLE), but Idaho Power believes this is too prescriptive and, alternatively, proposes that each utility have the ability to choose a reliability target based upon their unique systems.

4. Baseline Resource Assumptions

The fourth item details specific assumptions that utilities should take when applying ELCCs. Idaho Power finds most of these requirements logical and reasonable, with the exception of 4(a)(i), which states that a utility must use "no less than eight years of the most recent output data for the resource."[7]

Idaho Power does not agree that resource output modeling should have such a historical data requirement. Further, the Company disagrees with the alternate approach that "where eight

[4] *Id.* at 7.
[5] *Id*.
[6] *Id.*
[7] *Id.* at 8.

years of actual data is not available, the utility should use synthetic data."[8] Utilities should not be required to analyze eight years of resource output data if it does not exist and reasonable alternatives are available. Instead, Idaho Power recommends that Staff amend the Best Practices to encourage utilities to utilize their preferred data sets (even if those data sets contain less than eight years, and irrespective of historical or synthetic origin). Eight years is an arbitrary number and capacity contribution can, in many cases, be calculated effectively with fewer years. For example, if a utility has six years' worth of historical data, that data would provide better results than eight years' worth of synthetic data. Adjusting this requirement would allow utilities to consider the quality of available historical data and synthetic data (or a combination of the two) and decide the best information to use for a given analysis.

5. Temporal Granularity

The fifth item, specific to resource timing, states: "At a minimum, the IRP index of proxy resources must include at least four ELCC modeling year resource capacity contribution values. Unless otherwise warranted, the first ELCC modeling year shall be the first year where a major resource need is identified, and the last ELCC modeling year shall be the last year of the study period." Idaho Power considers this approach overly prescriptive and is concerned about negative short- and long-term impacts. Given the fast-changing resource and policy environment, having a rigid methodology is likely to limit utilities' ability to innovate and improve their methods.

Idaho Power encourages a balance of efficiency and model accuracy—both of which are best left to the discretion of the individual utility; such a balance is necessary because utilities have varying circumstances (e.g., load patterns, the size of each utility's resource fleet, the complexity and quantity of resource types under consideration, etc.). Idaho Power proposes that Staff support each utility's decisions on how to determine the number of ELCC modeling years required to generate a reliable portfolio and reflect this discretion within the Best Practices document.

8. Items Addressed in Use-Case Circumstances

Idaho Power does not have any recommended changes to the eighth item but is grateful for Staff's specific statement that best practices with respect to the calculation of a resource's capacity contribution do not translate to capacity value or compensation for capacity. Idaho Power agrees and feels strongly that this statement remain a prominent feature of the Best Practices to ensure the guiding principles are not distorted or used for unintended purposes in parallel or future regulatory proceedings.

9. Avoided Resource Definition

Item nine introduces the topics of avoided resources and avoided capacity. Idaho Power is uncertain of the purpose of this introduction, as it speaks to concepts far outside the scope of this investigation and the practical use of Best Practices. The Company understands that Staff is attempting to connect issues of resource cost-effectiveness, avoided resources/costs, and ELCC, but the Company believes any discussion of avoided resources and costs requires dedicated review. Similarly, statements about issues that must be considered when identifying avoided resources/costs also fall outside the scope of this capacity investigation. As a result, the

[8] *Id.*

Company suggests striking this section and moving related discussion to a venue where avoided resources/costs would be addressed in the appropriate context.

CONCLUSION

Idaho Power appreciates Staff's considerable work to develop these Best Practices, considering the many and varied stakeholder perspectives. The Company respectfully requests that Staff review and revise its Best Practices in light of the utility's very real concerns about application. Specifically, Idaho Power requests the additional flexibility to make utility-specific decisions on capacity contribution calculations, data, and analysis across all use cases.

The Company looks forward to ongoing discussion and is happy to provide additional information or suggestions on how to revise Best Practices to ensure they achieve the objectives of this investigation.

Sincerely,

Alison Williams
Regulatory Policy and Strategy Leader
Idaho Power

cc: OPUC Filing Center