



July 7, 2020

Max St. Brown
Oregon Public Utility Commission
201 High St. SE, Suite 100
Salem, OR 97301-3398

Subject: Comments for the July 9, 2020 Workshop on UM 2011, Capacity Investigation

Filed Electronically; Please send to service lists UM 1910, 1911 and 1912

Max and other Interested Parties,

The recent report "Capacity Value Framework and Allocation Options" prepared for the Oregon PUC by E3 for the July 9 Information Workshop is interesting and thoughtful. I welcome the discussion about it Thursday morning. I hope these few comments will be useful to the discussion.

I am optimistic the report can guide to a path valuing and paying for needed capacity that will allow innovation and economic incentives towards battery and other storage technologies and away from use of fossil fuels.

First, I thought the suggestion (slide 13) to use a simplified proxy method to calculate the value (and payments) for capacity was excellent. The detail of ELCC calculations is something most of us simply cannot replicate or verify, and black box mysteries erode confidence.

Second, I thought the discussion of Loss of Load Probability (slides 14-16) was very well done. It seems that no measure to predict future uncertainty is going to be perfect.

I found the discussion of Net Cost of New Entry (Net-CONE) (slide 24) to be similar to what we have seen over the years, and well summarized. (One slide!)

The suggestion of paying for capacity using predetermined time periods (slide 30 and generally to the end) is a very good foundation for continuing the OPUC analysis. In our view, Loss of Load "heat sheets" determined and published by the utilities should form a reasonable basis for both assigning capacity value to a specific resource and for easily measuring performance and nonperformance.

We think capacity payments should be a fixed monthly amount (with a variable cost adder), combined with a penalty clause for failure to deliver the capacity during the hours defined in the capacity contract. We also think the practice of adding capacity as a per MWh "peanut butter" layer to all high load hours of production sends a vague and ineffective economic incentive (more energy all the time) rather than a targeted incentive (more energy during identified hours).

A fixed charge plus a variable cost adder should have the added benefit of enabling the utility to dispatch the storage resource (if storage is supplying the capacity) to the actual hours of need rather than the predicted hours of need.

Finally, and importantly, the idea captured in the E3 report that the capacity dollars to be allocated are all the capacity dollars determined from the cost of the proxy resource (slides 38 to the end) is very significant and entirely correct.

Thank you for your attention to these comments. Very interesting and valuable report.

Sincerely,

David W. Brown
Obsidian Renewables LLC