

PUBLIC UTILITIES COMMISSION  
505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



May 25, 2007

Western Area Power Authority  
Ms. Sonja A. Anderson,  
Acting Power Marketing Manager  
114 Parkshore Drive  
Folsom, CA 95630-4710

**Re: WAPA Proposed Resource Adequacy Program**

Dear Ms. Sonja Anderson:

The CPUC appreciates the opportunity to comment on the Western Area Power Administration's ("WAPA") proposed Resource Adequacy ("RA") plan. The CPUC offers these comments in hopes of facilitating a consistent state-wide RA regime in California that appropriately allocates costs and benefits among participants.

The CPUC is concerned that WAPA's proposed Planning Reserve Margin ("PRM") does not adequately address the variety of concerns necessary to assure reliable grid operations. The CPUC has adopted a PRM of 15-17% and has proposals before it to raise that percentage. Several factors contributed to the adoption of this PRM. The CAISO suggests maintenance of 7% operating reserves in order to meet Western Electricity Coordinating Council ("WECC") requirements. This 7% does not include accounting for a variety of additional concerns, including forced generator outages, forecast error, and uncertainties in resource counting conventions.

The CPUC believes that all Local Regulatory Agencies within California should use comparable criteria for counting capacity from RA resources. In decision ("D.") 04-10-035 the CPUC adopted counting conventions for a variety of resources after extensive stakeholder discussion. The CPUC would hope that WAPA could establish comparable counting conventions. For example, while FERC may have given WAPA authority to count LD contracts as RA capacity, the CPUC would urge that WAPA adopt rules consistent with the CPUC. Under the CPUC program, firm imports and unit specific LD contracts may be counted as RA capacity, while non-unit specific LD contracts are limited as RA resources.

The CPUC also urges that WAPA consider including local RA requirements in its final plan. The CPUC RA program requires all load serving entities, regardless of size, to fulfill local RA requirements. To the extent that WAPA has load in any local area, the CPUC would expect it to provide local area resources to support that load.

For your reference, we have provided selected information below from our adopted RA program. Our RA Guide and templates are available at [http://www.cpuc.ca.gov/static/hottopics/1energy/060824\\_resourceadequacyletter.htm](http://www.cpuc.ca.gov/static/hottopics/1energy/060824_resourceadequacyletter.htm).

**D.04-01-050/ Rulemaking ("R.") 01-10-024:** In conjunction with the adoption of a long-term procurement regulatory framework for the three major California investor-owned utilities (IOUs), the Commission adopted a policy of establishing near-term forward procurement obligations applicable to all LSEs, including electric service providers (ESPs) and community choice aggregators (CCAs). This LSE-based forward procurement policy was premised on a planning reserve margin (PRM) requirement targeted to be phased in and fully effective by January 2008. The PRM, which had been preliminarily set at 15% (see D.02-10-062 and D.02-12-074), was modified to a 15%-17% requirement to reflect "lumpiness" in resource procurement. The primary procurement obligation is that LSEs must demonstrate acquisition of 90% of the capacity needed to meet their forecast peak load, plus the PRM, on a "year-ahead" basis for the following May through September.

**D.04-10-035/ R.04-04-003:** Concurring with concerns raised by Governor Arnold Schwarzenegger regarding grid reliability in the near term, the Commission accelerated implementation of the 15-17% PRM requirement from January 2008 to June 2006. It also provided definition and clarification regarding the RA policy framework. Key elements of the decision included load forecasting protocols, resource counting conventions, month-ahead compliance showings by LSEs in addition to year-ahead showings, and a policy that resources that qualify for RA compliance purposes should be obligated to bid into the CAISO's day-ahead market if not scheduled by the LSE.

([http://www.cpuc.ca.gov/PUBLISHED/FINAL\\_DECISION/41416.htm](http://www.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/41416.htm))

**D.05-10-042/ R.04-04-003:** The Commission ordered the implementation of what has come to be known as the "system" RA program beginning in June 2006 and stated its intention to establish Local RA procurement obligations beginning in 2007. It also addressed several RA program implementation issues, including the nature of the RA obligation (monthly system peak), the role of the California Energy Commission (CEC) in reviewing and adjusting LSE load forecasts, coordination of the RA program and CAISO operations, load forecasting and resource counting issues not resolved in earlier decisions, standard RA contract elements, the phase-out of the ability to count non-unit specific contracts for RA showings, the "must-offer obligation" (MOO) of RA resources to be available to the CAISO, and penalties for an LSE's failure to meet RA procurement obligations. ([http://www.cpuc.ca.gov/PUBLISHED/FINAL\\_DECISION/50731.htm](http://www.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/50731.htm))

**D.06-06-064/ R.05-12-013:** The Commission established local procurement obligations for 2007 based on a 2007 LCR study by the CAISO, and set the stage for establishing local procurement obligations in future years. The decision addressed various local RA policy and implementation issues including LCR study methodology, allocation of LCRs to Commission-jurisdictional LSEs, aggregation of local areas for compliance purposes, the compliance filing process, coordination with the CAISO's Reliability Must Run (RMR) designations, market power, waivers, and penalties for non-compliance.

([http://www.cpuc.ca.gov/PUBLISHED/FINAL\\_DECISION/57644.htm](http://www.cpuc.ca.gov/PUBLISHED/FINAL_DECISION/57644.htm))

**D.06-07-031/ R.05-12-013:** This decision addressed certain RA policy issues to establish clearer expectations among market participants regarding how contracts for RA resources will count towards meeting LSEs' procurement obligations. Among other things it adopted protocols for forced and scheduled outages and it refined the Commission's definition of the essential elements of an RA capacity product that can be readily traded.

**D.06-12-037 R.04-04-003:** In response to various petitions for modification of D.05-10-042, the Commission modified D.05-10-042 to (1) require that RA-qualified firm liquidated damages import contracts specify a delivery point at an interconnection with the CAISO control area or a CAISO scheduling point, (2) exempt certain import contracts from the general requirement that RA resources be available to the CAISO in real time, and (3) make minor clarifying wording changes.

Please feel free to contact Donald Brooks of our RA implementation staff if you have any questions regarding our program at (415) 703-2626 or [DBR@cpuc.ca.gov](mailto:DBR@cpuc.ca.gov).

Sincerely,

/s/ Sean Gallagher

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