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July 1, 2005

## MEMORANDUM

**TO:** Power Committee

**FROM:** John Fazio  
Wally Gibson

**SUBJECT:** Implementation Progress on Action Items ADQ-1 and ADQ-2 relating to Resource Adequacy

### Purpose

This is an informational briefing on power plan implementation. There is no decision associated with this agenda item but there are some issues that warrant Council discussion.

### Background

The Council adopted two action items related to resource adequacy in its 5<sup>th</sup> power plan. Action item ADQ-1 calls for the establishment of regional and west-wide reporting standards for the assessment of resource adequacy. Action item ADQ-2 calls for the Council to establish a Resource Adequacy Forum, which will work toward developing a regional adequacy standard. To implement these action items, two groups would be formed, a Steering Committee (to deal with policy issues) and a Technical Committee to develop options for an adequacy metric (something that can be measured) and a standard (an acceptable level for that metric). The first meeting of the Technical Committee was held at the Council offices on June 28, 2005. A summary of that meeting follows.

### Summary of the June 28, 2005 Resource Adequacy Technical Committee

- Generally, the group supported the idea for a region-wide resource adequacy standard.
- Representatives of several public utility associations expressed concern about where this group was headed regarding utility-specific requirements. BPA and Council staff suggested that a well-functioning standard might still be the best way to avoid a regulatory approach to implementation, if the implementation framework can be agreed upon.

- Some concerns were raised about specific planning assumptions to be used in developing the standard. Those assumptions include whether to use critical water or some other level of adverse hydro conditions, whether to aim for economic adequacy (minimizing the risk of price spikes) or to aim for physical adequacy (keeping the lights on), whether to count generation from Independent Power Producers in the assessment, and how should the out-of-region import spot market be incorporated into the equation.
- The group seemed to favor convening the Steering Committee earlier rather than later (more on a parallel track with the technical work) in order to address the question of how a standard might apply to specific utility requirements.
- It was proposed that the Technical Committee set up a sub-committee work group that will prepare a white paper addressing the key planning assumptions and issues identified at this meeting. That group was established, led by Council staff.
- The next meeting of the technical workgroup was scheduled for August 8, 9 a.m. to 2 p.m. in the Council offices in Portland. It was suggested that the Steering Committee be established and scheduled for a meeting in August also or alternatively that the issue of applying standards to individual utilities be taken up as part of the Regional Dialog workshops scheduled for August.

### **Issues for Discussion**

- Should the Council establish and convene the Steering Committee earlier?
- Does the Council have an opinion regarding how the standard should be applied to individual utilities, especially public utilities?