Import Resource Adequacy in California: Impacts on NW Hydro

NATIONAL HYDROPOWER ASSOCIATION
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What is PGP?

- Public Generating Pool (PGP) is a trade association, representing 11 consumer-owned utilities in Oregon and Washington.
- PGP members own more than 8,000 MW of generation and purchase approximately 45% of BPA’s preference power.
- Member owned generation is 97% carbon-free with approximately 7,000 MW of hydro.
Objectives

- Describe why changes to import RA rules in California are under consideration today
- Discuss some of the key changes to import RA rules that came out of a recent California Public Utilities Commission (CPUC) Proposed Decision
- Describe PGP’s perspective on the impacts of the key changes to import RA rules on NW hydro resources
Why Changes to CPUC Import RA Rules?

Gaps in Import RA Rules Have Led to Harmful Bidding Behavior

- Unlike internal RA resources, import RA resources currently are not required to identify the physical resources behind the RA contract.

Harmful Bidding Behavior:

- Some non-resource specific imports have sold speculative supply as import RA. They have satisfied their RA must-offer obligation by bidding significantly above projected prices in the day-ahead market, so the bid does not clear, there is no further obligation to offer in real-time, and yet they get the capacity payment from their import RA contract.

Impacts of Speculative Supply:

- Reliability risks in CAISO’s markets
- May inhibit further market expansion
Impacts to NW Hydro of CPUC Proposed Decision on Import RA

CPUC Proposed Requirement #1:

- To qualify as resource-specific imports must be pseudo-tied or dynamically scheduled into the CAISO’s markets

Impact on NW Hydro:

- Restricts import RA opportunities for NW Hydro
  - A pseudo-tie is operated on a stand-alone basis, but PNW hydro is largely a coordinated operation of multi-facility hydro systems
  - Dynamic scheduling in the PNW is incompatible with the forward contract requirements proposed and dynamic transfer capability is limited to 600 MW North to South on the California-Oregon Intertie (COI)
Impacts to NW Hydro of CPUC Proposed Decision on Import RA

**CPUC Proposed Requirement #2:**

- Non-resource specific imports (those that are not pseudo-tied or dynamically scheduled) must:
  - Self-schedule into the day-ahead and real-time CAISO markets for delivery during the CAISO’s availability assessment hours (HE17-HE21)
  - Or in the alternative, bid in at levels between negative $150/MWh and $0/MWh

**Impact on NW Hydro:**

- New risk of financial loss to a NW hydro seller of import RA due to inability to manage energy costs through bidding
- Discourages sales of import RA from the NW altogether or increases contract costs to offset the risk of financial loss
- Discriminatory treatment of external resources as compared to internal resources
Alternative Solutions to Address Speculative Supply That Are Workable for NW Hydro

- PGP supports solutions that will best enhance the reliability of the CAISO grid and that are workable for the largest possible number of reliable suppliers of real physical capacity.

- The most efficient and effective way to ensure RA imports are backed by real physical resources, without harm to NW hydro, is to put in place measures that allow for verification of the supply behind the RA contracts.

- PGP supports key elements of the CAISO and Powerex proposals that recommend up front identification of the physical resources supporting an import RA contract and imposing ongoing obligations during the delivery term to prevent speculative supply.