

Stakeholder Comment Template

September Workshops

Submitted on behalf of: Western Power Trading Forum (WPTF)

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Introduction and Summary

The Western Power Trading Forum (WPTF) appreciates the continued work of the Resource Adequacy (RA) work group to develop an EDAM/WEIM-aligned regional RA framework. Developing a new regional RA program is a significant undertaking, particularly given the diversity of load-serving entities, transmission arrangements, market structures, and existing RA requirements across the West. WPTF appreciates the group's willingness to work through these differences and develop proposals that reflect compromise among participants.

WPTF continues to support development of a workable regional framework that appropriately recognizes reliability needs while preserving flexibility, encouraging broad participation, and avoiding unnecessary administrative or compliance burdens. As the proposal moves toward a more detailed design, WPTF encourages the group to continue focusing on practical implementation and on ensuring that requirements imposed on both buyers and sellers are transparent, achievable, and directly related to the reliability objectives of the program.

WPTF provides the following comments on the transmission framework, governance, potential expansion of the program of the program scope, compliance and data integrity requirements, and RA contracting framework.

Transmission:

WPTF generally supports the direction of the proposed transmission framework. WPTF appreciates that the revised transmission proposal reflects several of the concerns raised in its prior comments, including recognition that transmission requirements may appropriately differ depending on the relevant transmission leg or constraint and that alternative arrangements may be necessary where firm transmission is unavailable. With these modifications, WPTF generally supports the proposed framework as a reasonable compromise.

WPTF supports recognizing the differences between constrained and secondary transmission legs. Transmission arrangements across the West vary considerably, and the requirements applicable to a particular leg should appropriately reflect the reliability risk associated with that portion of the delivery path rather than applying a uniform requirement where circumstances differ.

Geographic Framing

WPTF supports further development of the proposed geographic framework. The RA program should avoid unnecessary complexity while reflecting how entities across the West transact and arrange for the delivery of capacity. The proposed framework appears to move in this direction by recognizing existing commercial and transmission arrangements. However, additional detail is needed to understand how the framework would operate in practice and to ensure that it appropriately accommodates common transaction structures across the West.

The current proposal, however, provides limited detail regarding how this framework would operate. WPTF recommends that the initial design document provide additional examples illustrating acceptable transmission arrangements, including transactions delivered through major trading hubs and transactions involving multiple transmission segments.

Transmission Queue Requirement

WPTF generally supports the proposal requiring a participant to enter and remain in the applicable transmission queue when sufficient firm transmission is unavailable. This approach provides a pathway for addressing an identified transmission deficiency rather than simply treating the lack of existing firm transmission as a permanent barrier to participation.

Importantly, the requirement also provides participants with an incentive to support development of transmission needed to ultimately satisfy the program's preferred transmission standard. This strikes a reasonable balance between recognizing current transmission limitations and maintaining an expectation that participants take affirmative steps toward securing firm transmission when it becomes available.

Cure Period and Alternative Transmission

WPTF also supports the proposed cure period concept, under which a transmission deficiency would be identified and the participant would be expected to obtain the highest quality transmission service reasonably available. Allowing limited alternatives, including non-firm transmission under defined circumstances, recognizes the practical reality that sufficient firm transmission may not always exist.

Additional detail is needed, however, regarding when alternative transmission arrangements would qualify, the duration for which they could be relied upon, and the process for demonstrating compliance. Providing this information in the initial design will allow stakeholders to better evaluate whether the proposal appropriately balances reliability with the practical limitations of the existing Western transmission system.

Host BA Option

WPTF understands that the Host Balancing Authority option may allow the Host BA to hold transmission queue positions on behalf of load or otherwise establish a special transmission arrangement. The current materials do not provide sufficient detail for WPTF to meaningfully evaluate this option.

WPTF requests that the initial design document explain how the Host BA option would operate, which entities would be eligible to use it, the circumstances in which it is expected to be used, and the respective responsibilities of the regulating entity, Host BA, and RA participant.

Audits, Derates, and Transmission Curtailments

WPTF supports a targeted audit process that focuses administrative resources on areas presenting meaningful compliance risk rather than imposing unnecessary requirements on every transaction.

WPTF also supports the principle that an RA participant should not be penalized for transmission derates or curtailments outside of its reasonable control. However, the program should evaluate whether these events, individually or collectively, could create a material reliability risk across the RA footprint. WPTF recommends modeling the potential frequency and magnitude of transmission derates and curtailments to better understand the circumstances under which this treatment is appropriate and whether additional safeguards may be necessary to maintain program reliability.

More broadly, WPTF supports the program's proposed learning based approach to implementation. Not every design element needs to be fully resolved at the outset. Where appropriate, the program can establish an initial framework, monitor actual experience following implementation, and use the resulting data to determine whether future modifications are warranted. This approach can help avoid unnecessary requirements at program launch while allowing the design to evolve as actual reliability risks and operational experience become better understood.

Governance:

WPTF understands the desire to establish a governance framework that protects participating Load Serving Entities (LSE) and allows sensitive compliance matters to be appropriately reviewed. Those protections, however, should extend to sellers when the program imposes direct or indirect obligations on suppliers.

The proposed governance framework continues to rely on an RA "super sector" within ROWE while excluding sellers from direct participation in the Technical Review Committee (TRC). WPTF remains concerned that this structure could produce program requirements that are workable from an LSE perspective but create unnecessary or unmanageable obligations for suppliers. Ultimately, additional risks imposed on sellers may reduce available supply, discourage participation, or increase the costs associated with providing RA products.

WPTF recognizes the concern that merchant participation in closed TRC discussions could create confidentiality issues where commercially sensitive information is discussed. However, the governance structure should also recognize that some participating LSEs are net sellers and may control substantial portions of the supply available to the program. Providing detailed RA position information to a limited group of market participants therefore

raises confidentiality and competitive concerns regardless of whether those participants are categorized as LSEs or merchants.

At a minimum, WPTF recommends establishing a mechanism through which merchant suppliers can formally participate in the development of requirements that directly affect them. One option would be a merchant or supplier subcommittee with the ability to review relevant proposals, send proposals through the remand process, and elevate concerns to the broader stakeholder process when a proposed requirement could create undue commercial or operational harm.

WPTF also requests clarification regarding the voting rights of TRC participants. Specifically, the initial design document should address whether an entity participating in the TRC and RA super sector would also retain voting rights within its regular Stakeholder Representative Committee sector on RA matters. WPTF recommends avoiding duplicative representation that would allow an entity to participate through both the RA super sector and its regular sector on the same RA issue.

Expanded Program Scope:

WPTF supports continued exploration of expanding the regional RA framework to allow participating entities to collectively satisfy the Resource Sufficiency Evaluation (RSE). Conceptually, a pooled RSE could provide an opportunity to translate the regional diversity benefits achieved through forward RA planning into operational benefits closer to real time.

WPTF looks forward to reviewing a more detailed proposal. As the concept is developed, several important questions should be addressed:

1. Would participation in the pooled RSE be elected at the Balancing Authority level or by individual LSEs?
2. How would a pooled RSE operate if some EDAM participants do not participate in the regional RA program?
3. Would participation create a Must Offer Obligation or other direct operational requirement for suppliers that provide capacity to the RA program? If suppliers would become subject to direct compliance obligations, this further supports providing suppliers with appropriate representation in the TRC and governance structure.
4. What implementation timeframe does the group envision for expanding the program to the RSE? For example, is this contemplated as a nearer-term enhancement or a longer-term objective extending into the 2030s?
5. Could resources participating in other recognized RA programs receive appropriate recognition for purposes of the pooled RSE?
6. Would the market rule changes necessary to implement a pooled RSE ultimately be developed through the CAISO stakeholder process, or does the group anticipate initially developing those requirements through this regional RA process and then carrying them through the market stakeholder process?

WPTF encourages the group to clearly distinguish between the requirements necessary to establish the initial forward RA program and longer-term enhancements such as a pooled RSE. Doing so will help avoid delaying implementation of foundational program elements while still providing a pathway toward realizing additional regional benefits.

Compliance and Data Integrity Charge:

WPTF agrees that accurate and sufficiently robust data will be necessary to model the reliability metrics underlying the regional RA program to demonstrate the program's value. Reliable data is therefore an important component of the program.

WPTF is not yet convinced, however, that a data integrity charge is necessary at the outset of the program. The initial focus should be on establishing clear data requirements, identifying deficiencies, and providing participants with a reasonable opportunity to develop the systems and processes necessary to comply.

If the program ultimately adopts a data integrity charge, WPTF supports applying cost causation principles and establishing the charge at a level that provides an appropriate incentive to comply without becoming unnecessarily punitive. The benefits and incentives associated with compliance should remain greater than the consequences associated with noncompliance.

WPTF also supports limiting any data integrity charge to actual data submission obligations. Generator testing requirements and operational performance requirements raise different considerations and should not be incorporated into a data integrity framework designed primarily to ensure complete and accurate program data.

As the program develops its data reporting framework, WPTF also encourages the group to consider information that could provide broader value to stakeholders. For example, reporting whether the region's aggregate Installed Qualifying Capacity is sufficient to satisfy forecast regional load and reliability requirements could provide useful information regarding whether additional generation is needed and could support longer-term resource planning efforts across the West.

Capacity Shortfalls

WPTF's general position is that program without strong and transparent capacity requirements cannot ensure reliability. That said, it is also important to not make penalties so onerous that they artificially inflate the bilateral RA market or be implemented in a manner that removes the incentive to cure any capacity shortfall.

For capacity compliance shortfalls, WPTF recommends that the program focus not only on the financial consequences of a deficiency but also on mechanisms for obtaining the supply necessary to resolve it. A penalty alone does not cure a reliability shortfall during the compliance period.

The program should focus on encouraging as much competitive supply as reasonably possible to become registered and accredited before the compliance period. Additionally, it would be beneficial for the program to develop tools that allow deficient participants to access available excess capacity. While an appropriately designed penalty may provide an incentive for participants to meet their obligations, a penalty by itself does not cure a capacity shortfall. If a participant pays a penalty but remains deficient, the underlying reliability concern remains.

For this reason, WPTF encourages the program to place greater emphasis on mechanisms that can help participants cure deficiencies before penalties are assessed. This could include tools that improve the visibility of available accredited capacity, a voluntary seller bid platform through which suppliers can offer excess capacity to deficient participants, or other market-based mechanisms that facilitate procurement of additional capacity. The objective should be to bring as much competitive supply as possible into the program and provide participants with a reasonable opportunity to procure that supply before relying on financial penalties.

Penalties may have an appropriate role in encouraging compliance and allocating the costs associated with a deficiency, but they should not be the substitute for tools designed to actually resolve the capacity shortfall. WPTF therefore encourages the program to prioritize mechanisms that facilitate procurement and cure deficiencies, with penalties serving as a subsequent compliance mechanism when participants fail to take reasonable steps to meet their obligations.

RA Contracts:

WPTF generally supports further development of a standardized RA contract structure that allows the program participant to claim the capacity amount to meet the program requirements, while the asset controller bids the resource into the market for the contracted period. A standardized contract could provide value by establishing clear and consistent terms for demonstrating capacity and associated performance obligations under the program. However, WPTF requests clarification that the proposed contract would be one option available to market participants and would not become the exclusive form of capacity contract eligible to satisfy program requirements.

The regional RA program should preserve flexibility for participants to rely on bilateral contracts and other capacity products that satisfy the program's underlying eligibility, accreditation, deliverability, and performance requirements. WPTF would have concerns with a structure in which ROWE effectively becomes a third-party administrator of the only permissible capacity contract for the program. Rather, the program should establish objective requirements that eligible capacity products must satisfy while allowing buyers and sellers flexibility to determine the contractual arrangements that best meet their commercial needs.

Because the proposed contracting framework could also establish direct compliance or performance obligations for sellers, its development further demonstrates the importance of

providing suppliers with meaningful representation in the TRC and broader governance process.

The September workshops provided only an initial overview of the proposed contracting framework. WPTF therefore recommends that the Initial Design Document provide additional detail regarding the intended role of the standardized contract, the requirements that other bilateral capacity products would need to satisfy, and any obligations that would apply directly to sellers. This additional information will allow stakeholders to better evaluate the implications of the proposal for existing and future contracting arrangements.

Transition Period for Existing Contracts

WPTF strongly supports establishing a meaningful transition period for existing contracts. RA procurement and contracting decisions are often made years in advance, and parties may have entered long-term agreements before the requirements of this regional program were known.

If the RA working group determines that certain existing contract structures will not satisfy future program requirements, the program should establish a transparent, multi-year transition rather than abruptly excluding those arrangements. The design should clearly explain why particular contract structures will eventually be limited and provide a predictable pathway for participants to come into compliance.

WPTF recommends grandfathering qualifying existing long-term contracts for a defined period, with the applicable end date and transition requirements clearly established in the governing tariff or program rules. The transition should be sufficiently long to recognize existing commercial commitments and allow market participants to adjust future procurement strategies. WPTF recommends a transition period of no less than five years, with incremental requirements where appropriate.

A deliberate transition will provide market participants with greater regulatory and commercial certainty while reducing the risk that new program requirements unnecessarily strand existing contractual arrangements or disrupt otherwise viable RA supply.

Conclusion:

WPTF appreciates the substantial progress made by the self-organized RA work group and supports continued development of an EDAM/WEIM-aligned regional RA framework. The initial proposals demonstrate meaningful progress toward balancing reliability objectives with the practical realities of transmission availability, regional diversity, bilateral contracting, and existing market structures across the West.

As the design becomes more detailed, WPTF encourages the group to continue prioritizing flexibility, transparency, broad supplier participation, and requirements that are tied to demonstrated reliability needs. In particular, the next phase should provide additional detail regarding transmission alternatives, seller representation and confidentiality protections, the

potential pooled RSE framework, compliance mechanisms, and the treatment of existing contracts.

A successful regional RA program will ultimately depend not only on establishing enforceable requirements, but also on creating sufficient value and workable incentives to encourage broad participation from both load-serving entities and suppliers. WPTF looks forward to continuing to engage in this process and working with stakeholders to develop a durable and effective regional framework.