

The Case for Expanded Multiyear Requirements

SCOTT MURTISHAW, INDEPENDENT ENERGY PRODUCERS ASSOCIATION

GREGORY KLATT, WESTERN POWER TRADING FORUM

CPUC RESOURCE ADEQUACY WORKSHOP 9

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HISTORY OF MYR PROPOSALS, PART I

- ▶ CPUC has recognized benefits of MYRs since 2004 but...
- ▶ D.04-10-035 deferred consideration of MYRs as 'second generation' topic
- ▶ D.10-06-018 declined to adopt MYR proposals based on wishful thinking about existing programs
- ▶ D.16-01-033 & D.17-06-027 deferred MYRs pending development of durable flexible RA construct

HISTORY OF MYR PROPOSALS, PART II

- ▶ Scoping Ruling for R.17-09-020 dropped adoption of 'durable FCR program' as prerequisite for MYRs
- ▶ D.18-06-030 adopted multiyear local RA program
 - ▶ Expansion of MYRs to system and flexible RA deferred due to anticipated changes to 'flexible RA construct'
- ▶ D.20-06-002 directed parties to consider expanded MYRs along with RA restructuring proposals

EXPANDED MULTIYEAR REQUIREMENTS: WHY NOW?

- ▶ Prevent premature retirement of critical resources
 - ▶ Predictable multiyear revenue streams will allow plant operators to invest in maintenance and efficiency upgrades
- ▶ Insure against tightening supply conditions across WECC
- ▶ Provide clear investment signals for incremental capacity (and reduce reliance on reactive procurement directives)
- ▶ Facilitate orderly retirements as new resources come online
 - ▶ Failure to secure multiyear contracts will provide early signal that specific plants may no longer be needed

MULTIYEAR REQUIREMENTS IN OTHER JURISDICTIONS

▶ PJM RTO

- ▶ Three-year forward requirement set to 100% of peak load
- ▶ 'Incremental' auctions at 20, 10, and 3 months ahead enable resource substitution and revisions to peak load forecast

▶ New England ISO

- ▶ Three-year forward requirement set to 100% of peak load
- ▶ 'Reconfiguration' auctions occur annually, with the last one three months before the commitment period
- ▶ Monthly reconfiguration auctions occur from two months prior to the commitment period

Centralized vs Bi-Lateral Markets

- ▶ Load migration is less of an issue in PJM and NE-ISO
 - ▶ RTOs contract for supply
 - ▶ Although capacity procured three years ahead, costs allocated to LSEs based on actual load shares
- ▶ Auctions allow for fine tuning of committed supplies
- ▶ In a bi-lateral market, risks are managed directly by LSEs and suppliers

BARRIERS AND IMPLEMENTATION ISSUES

- ▶ Resource NQC values could change over time
 - ▶ NQC values for vast majority of resources unlikely to change significantly within three years
 - ▶ NQC values and/or QC methodologies could be “locked in” over contracted MYF period
- ▶ Peak and net peak loads may change over time
- ▶ Load migration and associated risks
 - ▶ Develop new contract language to facilitate assignments?
 - ▶ Allow inter-LSE ‘trading’ of RA obligations?

IEP/WPTF'S PROPOSAL FOR EXPANDED MULTIYEAR REQUIREMENTS

- ▶ Expand MYRs to system RA only
 - ▶ Can expand to flexible RA if/when needed
- ▶ Minimum three-year forward requirements
 - ▶ Year 1 – 100%
 - ▶ Year 2 – 100%
 - ▶ Year 3 – ??? (the higher the better)
- ▶ Resolve implementation details in Tracks 2 and 3
- ▶ Implement expanded MYRs for 2024-2026 compliance

EXPANDED MYR AND INTEGRATED RESOURCE PLANNING

- ▶ IRP would establish need for new build
 - ▶ May include carve-outs for certain attributes
 - ▶ Could also set LSE-specific GHG caps (not IEP/WPTF's proposal)
- ▶ MYRs of three years (or more) can ensure new build
- ▶ GHG limits could be 'enforced' via adjustments to RPS/Clean Energy Standard