

182 FERC ¶ 61,063
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Willie L. Phillips, Acting Chairman;
James P. Danly, Allison Clements,
and Mark C. Christie.

Northwest Power Pool

Docket Nos. ER22-2762-000
ER22-2762-001

ORDER ACCEPTING PROPOSED TARIFF

(Issued February 10, 2023)

1. On August 31, 2022, as amended on December 12, 2022, Northwest Power Pool d/b/a Western Power Pool (WPP)¹ filed, pursuant to section 205 of the Federal Power Act (FPA)² and section 35.12 of the Commission's regulations,³ the proposed Western Resource Adequacy Program (WRAP) Tariff. The proposed WRAP Tariff sets forth the framework for a new voluntary resource adequacy⁴ planning and compliance program in the Western Interconnection. In this order, we accept WPP's proposed WRAP Tariff, effective January 1, 2023, as requested.

¹ This order refers to Northwest Power Pool as WPP, as the proposed tariff and filings in this proceeding generally refer to the entity as Western Power Pool or WPP. WPP is a non-profit, mutual-benefit corporation based in Portland, Oregon, and provides several services to its members, including administering a reserve-sharing group, a frequency response sharing group, and an operating committee to facilitate communication and coordination among members, among other services.

² 16 U.S.C. § 824d.

³ 18 C.F.R. § 35.12 (2021).

⁴ Resource adequacy is the ability of an electricity system to meet demand under a broad range of conditions, subject to an acceptable standard of reliability, and the associated planning to ensure that sufficient resources are available when and where needed to serve load, meet reserve requirements, and support reliable grid operations.

I. WRAP Proposal

2. WPP explains that ensuring resource adequacy in the Western Interconnection (outside of the California Independent System Operator Corporation (CAISO) region) is currently the responsibility of utilities; each utility plans for its own resource adequacy needs, with little regional coordination, no standardization of planning reserve margin calculations, capacity accreditation or metrics, and little visibility into resource needs, capacity surpluses, and resource planning of other utilities in the region. WPP asserts this current approach fails to send appropriate investment signals, making it difficult to understand whether, where, and when new capacity is needed within the region.⁵

3. Additionally, WPP states that the electricity system in the Western Interconnection is in a state of rapid transition, as significant retirements of traditional, fossil-fueled generation resources have occurred or are anticipated, and intermittent renewable resources seek to interconnect to the grid in growing numbers.⁶ WPP explains that the system is also experiencing load growth and anticipated future load growth.⁷

4. WPP states that, starting in 2019, numerous WPP members, including investor-owned utilities, public power, and Bonneville Power Administration (Bonneville), came together to launch an effort to understand the capacity problem in the region and identify potential solutions.⁸ WPP states that it was asked by western stakeholders to lead and facilitate the effort, and that the effort grew to include 26 participating entities, collectively representing an estimated peak winter load of approximately 65,000 MW and an estimated peak summer load of approximately 72,000 MW across 10 states and one Canadian province.⁹ WPP states that these entities examined existing regional resource adequacy programs across the United States and elsewhere, identified best practices, and borrowed design elements to implement a regional resource adequacy construct tailored

⁵ Transmittal at 11.

⁶ *Id.* at 10 (citing attach. B, Affidavit of William K. Drummond at ¶¶ 4-7, 12).

⁷ *Id.* at 11.

⁸ *Id.* at 3.

⁹ *Id.* at 4.

to the unique needs and existing market structures in the west. WPP states that, throughout this process, it also conducted extensive outreach, public engagement, and negotiations with state regulators.¹⁰

5. WPP explains that the WRAP initiative is premised on the belief that resource adequacy needs to be addressed from a regional perspective. WPP states that its proposal does not establish a regional transmission organization (RTO) or independent system operator (ISO), or otherwise implement a centralized capacity market, but instead is a voluntary resource adequacy planning and compliance framework where Participants¹¹ who are the Load Responsible Entities (LRE)¹² choose to join the program and, once committed, are obligated to comply with its requirements or face penalties for non-compliance.¹³ WPP states that the WRAP does not replace or supplant the resource

¹⁰ *Id.*

¹¹ The proposed WRAP Tariff defines “Participant” as a “Load Responsible Entity that is a signatory to the WRAPA.” Proposed WRAP Tariff, § 1 Definitions. The WRAPA, or Western Resource Adequacy Program Agreement (Participant Agreement), refers to the agreement that a prospective Participant must execute to join the WRAP, as discussed below.

¹² The proposed WRAP Tariff defines an LRE as follows:

An LRE is an entity that (i) owns, controls, purchases, and/or sells resource adequacy supply, or is a Federal Power Marketing Administration or an International Power Marketing Entity; and (ii) has full authority and capability, either through statute, rule, contract, or otherwise, to: (a) submit capacity and system load data to the WRAP Program Operator at all hours; (b) submit Interchange Schedules within the WRAP Region that are prepared in accordance with all NERC and WECC requirements, including providing E-Tags for all applicable energy delivery transactions pursuant to WECC practices and as required by the rules of the WRAP Operations Program; (c) procure and reserve transmission service rights in support of the requirements of the WRAP Forward Showing Program and Operations Program; and (d) track and bilaterally settle holdback and delivery transactions.

Proposed WRAP Tariff, § 1 Definitions.

¹³ Transmittal at 4-5.

planning processes used by states or provinces or the regulatory requirements of the Commission, the North American Electric Reliability Corporation (NERC), or the Western Electricity Coordinating Council (WECC), but rather is designed to be supplemental and complementary to those processes and requirements.¹⁴

6. WPP explains that, accordingly, the WRAP leverages the existing bilateral market structure in the west to develop a resource adequacy construct with two distinct aspects.¹⁵ First, the Forward Showing Program¹⁶—discussed more fully below—requires Participants to show, seven months in advance of each WRAP Winter and Summer Season,¹⁷ that they have sufficient capacity to meet a required planning reserve margin¹⁸ and have reserved at least 75% of the transmission necessary to deliver energy from that capacity to their load. The program imposes deficiency penalties on Participants who do not satisfy the minimum capacity or transmission requirements.¹⁹

7. Second, the Operations Program—also discussed more fully below—addresses any shortfalls approaching a given Operating Day within each binding Season. Participants who are short of necessary supply can call on the resources of other WPP Participants who have surplus supply of capacity. During certain capacity critical hours, Participants with excess capacity are required to hold back capacity and are required to sell (if needed) to Participants who lack sufficient resources to serve real-time load. This sale is referred to in the proposed WRAP Tariff as an “Energy Deployment.” The

¹⁴ *Id.* at 5.

¹⁵ *Id.* at 5, 12.

¹⁶ Capitalized terms used but not otherwise defined in this order have the meanings ascribed to them in the proposed WRAP Tariff.

¹⁷ The proposed WRAP Tariff defines the WRAP Summer Season as June 1–September 15, and the WRAP Winter Season as November 1–March 15. Proposed WRAP Tariff, § 1 Definitions.

¹⁸ The Forward Showing Planning Reserve Margin is an increment of resource adequacy supply needed to meet conditions of high demand in excess of available peak load forecast and other conditions such as higher resource outages, or lower availability of resources, expressed as a percentage of applicable peak load forecast. *Id.*

¹⁹ *See* Transmittal at 15-23; *see also infra* section III.B.2.

program imposes penalties on Participants who either do not hold back capacity, or do not sell the held back energy to Participants in need.²⁰

8. According to WPP, the WRAP will rely on self-supply and bilateral transactions (supported by transmission) between Participants to satisfy resource adequacy obligations. WPP states that each Participant in the WRAP is obligated to comply with the binding aspects of the Forward Showing Program and Operations Program, and Participants who fail to meet either aspect would be subject to penalties—a “deficiency” charge in the Forward Showing Program and a “delivery failure” charge in the Operations Program. WPP explains that these charges are formulated at a level to encourage Participants to make efforts to be in full compliance in advance, rather than leaning on the Operations Program to meet their needs.

9. WPP explains that each Participant will execute the Participant Agreement to join the WRAP. WPP asserts that because all of the main terms and conditions for participation in the WRAP, including governance and cost allocation, are set forth in the proposed WRAP Tariff, and given that the WRAP is only one service offered by WPP, WPP and its members did not see the need to develop a separate membership agreement like those in RTO/ISO markets.²¹ WPP states that in this regard the Participant Agreement is akin to a form of service agreement under a tariff. WPP notes, however, that the Participant Agreement contains important provisions surrounding termination of participation in the program that would typically be found in an RTO/ISO membership agreement.²²

10. Under the proposed WRAP Tariff, WPP serves as the Program Administrator, responsible for ensuring that tariff requirements are fulfilled, and providing overall program administration and oversight. This includes providing legal, regulatory, and accounting support for the WRAP (including making Commission filings), and providing logistical support to the WPP Board of Directors (Board) and the stakeholder process. To run the Forward Showing Program and Operations Program, WPP states that it has recruited Southwest Power Pool, Inc. (SPP) to serve as the Program Operator under a Program Operator agreement.²³

²⁰ See Transmittal at 29-47; *see also infra* section III.B.3.

²¹ Transmittal at 64.

²² *Id.* at 64-65.

²³ *Id.* at 12-13.

11. WPP states that the Program Operator will be responsible for performing planning studies, establishing planning reserve margins, administering the Forward Showing Program (including analyzing non-compliance charges), applying capacity accreditation rules, monitoring and administering the Operations Program, and maintaining the technical systems to administer both programs. WPP explains that the Program Operator will also provide WPP the necessary data to perform administrative functions, such as settlement and program evaluation, and to support inquiries from stakeholders and regulators. In addition to the technical and operational duties, the Program Operator will also communicate and work with the WRAP committees and Independent Evaluator in helping refine the program design, evaluate updates to the proposed WRAP Tariff or Business Practice Manuals, and oversight.²⁴

12. WPP also explains that it will engage an Independent Evaluator to conduct an annual review of WRAP's performance. However, WPP states that, since WRAP is not an organized market, the Independent Evaluator will not function as a typical market monitor; instead, the Independent Evaluator will analyze prior-year program performance, accounting and settlement, and program design. According to WPP, the Independent Evaluator will make recommendations for improvements to WRAP design but will not monitor individual Participants or day-to-day operations, and will not have decision-making authority.²⁵

13. WPP states that it began the WRAP with a non-binding phase in the 2022/2023 Winter Season and intends to start the first binding Season in summer 2025. WPP explains that the non-binding phase will provide information to Participants regarding their resources and ability to satisfy WRAP requirements and provide insight into overall regional resource adequacy.²⁶ According to WPP, during the non-binding phase, Participants would not be subject to any deficiency charges, delivery failure charges, holdback requirements, or energy deployment obligations. However, WPP states that Participants would still be required to submit Forward Showing data as required by the proposed WRAP Tariff and be eligible to receive holdback capacity offered *voluntarily* by the other Participants. Additionally, Participants would have the rights and be subject to the obligations of WRAP's governance, voting, and stakeholder committee processes, and would be obligated to pay WRAP administrative costs.²⁷

²⁴ *Id.*

²⁵ *Id.* at 14.

²⁶ *Id.* at 68.

²⁷ Filing, attach. A (Affidavit of Sarah E. Edmonds) at ¶¶ 35-36 (Edmonds Aff.).

14. Once the first binding Season begins, WPP proposes a three-year transition period from Summer 2025 to Summer 2028. According to WPP, the transition phase is just and reasonable as it accommodates the needs and readiness of Participants, while enabling those who are ready to engage in full binding participation. WPP notes that beginning the non-binding portion in 2023 nevertheless increases regional coordination and will supply much-needed situational awareness for full participation in 2025 to 2028.²⁸

II. Notice of Filing and Responsive Pleadings

15. Notice of WPP's filing was published in the *Federal Register*, 87 Fed. Reg. 54,995 (Sept. 8, 2022) with interventions and protests due on or before September 30, 2022.

16. Timely motions to intervene were filed by: NV Energy, Inc. (NV Energy); Northwest Requirements Utilities; Utah Associated Municipal Power Systems; Balancing Authority of Northern California; Brookfield Renewable Trading and Marketing LP; Pacific Gas and Electric Company; SPP; Black Hills Power, Inc.; Cheyenne Light Fuel and Power Company; Public Power Council; Salt River Project Agricultural Improvement and Power District; Southern California Edison Company; NRDC/FERC Project and Sustainable FERC Project; Avista Corporation; The Energy Authority, Inc.; Truckee Donner Public Utility District (Truckee Donner PUD); Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, CA (Six Cities); Western Resource Advocates; Public Utility District No. 1 of Cowlitz County, Washington (Cowlitz County PUD District No. 1); Western Area Power Administration; Calpine Energy Solutions, LLC; Solar Energy Industries Association; Modesto Irrigation District; American Public Power Association; Southwest Public Power Agency, Inc. (Southwest Public Power Agency); Northern California Power Agency; and Colorado Springs Utilities.

17. Timely motions to intervene and comments were filed by: Snohomish County Public Utility District No. 1 (Snohomish PUD); Pacific Northwest Utilities Conference Committee; National Hydropower Association; Bonneville; American Clean Power Association and Interwest Energy Alliance; Xcel Energy Services Inc.; PacifiCorp; Clean Energy Buyers Association (Clean Energy Buyers); Public Utility District No. 1 of Chelan County, Washington (Chelan PUD); City of Seattle; Public Generating Pool; Idaho Power Company (Idaho Power); Powerex Corp. (Powerex); Shell Energy North America (U.S.) L.P. (Shell Energy); Portland General Electric Company (PGE); Western Power Trading Forum (WPTF); PNGC Power; Electric Power Supply Association; Northwest & Intermountain Power Producers Coalition (NIPPC); and Committee on Regional Electric Power Cooperation (CREPC).

²⁸ Transmittal at 69.

18. A timely motion to intervene and protest was filed by Montana Large Customer Group (MLCG) and Wyoming Industrial Energy Consumers (WIEC).
19. Comments were filed by Gallatin Power Partners, LLC (Gallatin Power Partners) and Public Interest Organizations.²⁹
20. A motion to intervene out-of-time was filed by Californians for Green Nuclear Power, Inc. (Californians for Green Nuclear Power).
21. On October 14, 2022, Snohomish PUD, Public Power Council, and Cowlitz County PUD District No. 1 jointly filed an answer. On October 24, 2022, WPP filed an answer. On October 25, 2022, Truckee Donner PUD filed an answer. On October 28, 2022, Southwest Public Power Agency filed an answer. On November 15, 2022, NIPPC filed an answer. On November 18, 2022, Californians for Green Nuclear Power filed an answer.
22. On November 21, 2022, Commission staff issued a letter informing WPP that its filing was deficient, and requested further information (Deficiency Letter). On December 12, 2022, WPP submitted a response to the Deficiency Letter (Deficiency Response), further amending the August 31, 2022 filing.
23. Notice of the Deficiency Response was published in the *Federal Register*, 87 Fed. Reg. 77,589 (Dec. 19, 2022) with interventions and protests due on or before January 2, 2023.
24. Comments on the Deficiency Response were filed by Californians for Green Nuclear Power, PacifiCorp and NV Energy (jointly), and Idaho Power. Puget Sound Energy, Inc. filed a timely motion to intervene and comments. NIPPC filed a protest. Arizona Public Service Company filed a motion to intervene out-of-time. On January 12, 2023, Powerex filed an answer.

III. Discussion

A. Procedural Matters

25. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2021), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d), we grant the late-filed motions to intervene of Californians for Green Nuclear Power and Arizona

²⁹ Public Interest Organizations consist of Natural Resources Defense Council, Sustainable FERC Project, Western Resource Advocates, and NW Energy Coalition.

Public Service Company given their interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

26. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2021), prohibits an answer to a protest or answer unless otherwise ordered by the decisional authority. We accept the answers filed in this proceeding because they have provided information that assisted us in our decision-making process.

B. Substantive Matters

27. We accept WPP's proposed WRAP Tariff effective January 1, 2023. We find the WRAP Tariff to be just and reasonable and not unduly discriminatory or preferential. The WRAP Tariff will allow WPP to implement a regional resource adequacy planning and compliance program in the Western Interconnection. This program will help ensure that Participants have sufficient capacity resources available to serve their load and that excess capacity is held back for potential use by Participants who do not have sufficient resources to serve their load in real-time. As a whole, we find that the WRAP will enhance reliability and resource adequacy among its Participants.

28. More specifically, we find that greater coordination between entities or regions (such as that proposed under WRAP) can help address the resource adequacy trends and challenges faced in the west. The evolution towards more variable generation (such as wind and solar in the northwestern and Rocky Mountain western areas) and an anticipated loss of thermal generation—combined with the increasing incidence of extreme weather events—presents a challenge for certain entities or areas to preserve sufficient reserve margins.³⁰ Moreover, in recent years, entities in the Western Interconnection have increasingly recognized the importance and potential benefits of a coordinated, regional framework to enhance reliability that is tailored to the western

³⁰ See, e.g., Western Electric Coordinating Council, The Western Assessment of Resource Adequacy Report at 4 (Nov. 1, 2022) (finding that resource adequacy risks are expected to increase over the next decade, primarily due to increasing variability from the addition of large amounts of variable energy resources and increasing demand variability with record levels of peak demand); 2021 Technical Conference on Resource Adequacy Developments in the Western Interconnection, Docket No. AD21-14, June 23 Tr. at 16-17 (Jordan White), 80-81 (Frank Lawson), 87 (Carrie Bentley), 92-93 (Bryce Freeman), 166 (Robert Olsen) & June 24 Tr. at 179-180 (Tammy Cordova), 282-283 (Ed Randolph); NWPP Comments at 2; EPSA Comments at 2-3; and WECC Comments at 4.

region.³¹ Through increased coordination, we find that the WRAP has the potential to enhance resource adequacy planning, provide for the benchmarking of resource adequacy standards, and more effectively encourage the use of western regional resource diversity compared to the status quo. In accepting WPP's filing, we acknowledge the efforts of the diverse set of stakeholders involved in developing the WRAP proposal and we support continued efforts at coordination in the Western Interconnection.

29. Commenters generally agree that addressing impending resource adequacy shortfalls and the risks of extreme weather events is critical, and that regional coordination as proposed by the WRAP can provide benefits.³² Commenters also note that, in addition to ensuring enhanced reliability, the WRAP would be able to do so in a cost-effective manner, and provide cost savings for customers.³³ Commenters also support the WRAP framework as one that is flexible enough to incorporate participants with diverse jurisdictional status and a very large geographic area, and assert that the program strikes a necessary balance among various parties borne out of intensive stakeholder negotiation.³⁴

30. In the sections below, we discuss certain aspects of the WRAP proposal and find that they are just and reasonable and not unduly discriminatory or preferential. Our discussion and findings below address the aspects of the proposal that have been either contested by commenters or require specific discussion. To the extent that aspects of WPP's proposal are not specifically discussed herein, we find that they are just and reasonable and not unduly discriminatory or preferential.

³¹ *See, e.g.*, 2021 Technical Conference on Resource Adequacy Developments in the Western Interconnection, Docket No. AD21-14, June 23 Tr. at 16 (Jordan White), 45 (Frank Lawson), 86-87 (Carrie Bentley), 130-131 (Elaine Hart), & June 24 Tr. at 31-32 (Kristine Raper), 24, 68 (Scott Miller), 100 (Letha Tawney), 317 (John Hairston); CAISO Comments at 10; and Six Cities Comments at 3.

³² *See, e.g.*, Powerex Comments at 1-2; Public Interest Organizations Comments at 2-3; PacifiCorp Comments at 2-3; Portland General Electric Company Comments at 1-2; Clean Energy Buyers Comments at 1; CREPC Comments at 3; EPSA Comments at 2-3; Pacific Northwest Utilities Conference Committee Comments at 3.

³³ CREPC Comments at 2; Chelan PUD Comments at 2; EPSA Comments at 2; Powerex Comments at 6-7.

³⁴ *See, e.g.*, Powerex Comments at 7; Bonneville Comments at 2; Snohomish PUD Comments at 3; Public Generating Pool Comments at 2.

1. Governance

a. Proposal

31. WPP explains that its proposed governance structure is intended to ensure broad consensus of industry, state, regulatory, and stakeholder views.³⁵ WPP states that, while it is unaware of Commission precedent setting forth governance requirements for a standalone regional resource adequacy program like the WRAP, WPP examined the Commission's policies addressing the governance of RTOs/ISOs set forth in Order Nos. 888 and 2000, and determined that setting up an independent board of directors would be an important step toward ensuring that WRAP administration is independent, just and reasonable, and not unduly discriminatory or preferential.³⁶

32. WPP explains that the WRAP will be overseen by WPP's independent Board.³⁷ WPP notes that all Board members will be financially independent of any Participant, which WPP states is consistent with Commission-authorized RTOs/ISOs. WPP explains that after approval of the proposed WRAP Tariff, it will amend its bylaws to specify a nomination process for the Board. WPP states that because it offers other programs besides the proposed WRAP, it should only be bound to the Commission's requirement of financial independence for its Board.³⁸

33. WPP proposes that the Board will have sole authority to amend the proposed WRAP Tariff and approve any FPA section 205 filings to be made with the Commission, and that all amendments will go through the stakeholder process prior to consideration by the Board. The proposed WRAP Tariff specifies that any tariff amendments or changes to the Business Practice Manual must be voted on in open session, that the Board will generally meet in open session, and that the Board may only meet in closed session at the discretion of the Board Chair. Stakeholders and individual members of the Board may appeal any outcomes they are dissatisfied with to the Board, which WPP asserts is consistent with Order No. 719 even though that order does not apply to WRAP.³⁹

³⁵ Transmittal at 6.

³⁶ *Id.* at 47-48.

³⁷ *Id.* at 47. WPP explains that part of the Board nominating committee is comprised of stakeholders, interested parties, and WPP members who are not Participants. WPP Deficiency Response at 2; *see also* Proposed WRAP Tariff, § 3.

³⁸ Transmittal at 48.

³⁹ Proposed WRAP Tariff, §§ 3.1-3.3.

34. WPP explains that the proposed WRAP Tariff includes several limitations on the Board: (1) the Board cannot assume control over Participant generation or transmission assets, administer an open access transmission service or balancing authority service, or impose any other requirements on Participants beyond financial charges under the proposed WRAP Tariff; and (2) the Board is constrained from amending the proposed WRAP Tariff to establish an organized market, including a capacity market, without supermajority support from the Resource Adequacy Participant Committee (RAPC).⁴⁰

35. There are three proposed stakeholder bodies (committees) within the WRAP: the Committee of State Representatives (COSR), the RAPC, and the Program Review Committee (PRC).⁴¹ Any stakeholder can propose a Tariff or Business Practice Manual change to the PRC, and then the PRC reviews and prioritizes proposals as well as gathers public comments and comments from the COSR. The PRC then decides whether it will recommend the change to the RAPC or not; if the PRC chooses to make the recommendation, the RAPC will then vote on the recommendation it will make to the Board.⁴²

36. WPP explains that the RAPC is the Participant representative committee, with each Participant entitled to nominate one representative.⁴³ WPP states that the RAPC considers all proposed amendments to the WRAP Tariff and makes a recommendation to the Board; and that the RAPC also advises the Board on the WRAP administrative budget and operational cost allocations to Participants. Further, WPP explains that the RAPC has special rights over some matters, including limitations on the Board's authority to implement other programs under the proposed WRAP Tariff and ability to advise the Board on amendments to the Schedule 1 administrative cost recovery charge/mechanism and the Participant Agreement. WPP states that these are reasonable rights to reserve to the RAPC because only Participants are obligated to pay charges under Schedule 1 and agree to be bound by the Participant Agreement. The RAPC will vote using a "House and Senate" style structure under which each Participant's House vote is weighted by its share of regional peak load, and each Participant receives one Senate vote.⁴⁴ WPP notes

⁴⁰ Transmittal at 50 (citing Proposed WRAP Tariff, § 3.4).

⁴¹ Proposed WRAP Tariff, §§ 4.1-4.3.

⁴² Transmittal at 55; Proposed WRAP Tariff, § 4.2.

⁴³ Transmittal at 52.

⁴⁴ *Id.* at 53; Proposed WRAP Tariff, § 4.1.

that this resembles the voting structure of the Western Energy Imbalance Service (WEIS) Market's Western Markets Executive Committee.⁴⁵

37. WPP states that the PRC is a stakeholder committee comprised of representatives from different sectors including Participants (comprising separate representatives for investor-owned utilities, publicly-owned utilities, federal power marketing administrations, and retail competition load-serving entities) and non-Participants (such as independent power producers, public interest organizations, retail consumer advocacy groups, states, and others). WPP explains the PRC will review all proposed changes to the WRAP Tariff and Business Practice Manual before they are considered by the RAPC and the Board. According to WPP, the PRC will operate by consensus, but the proposed WRAP Tariff contains backstop voting procedures if consensus cannot be reached. The PRC may not consider amendments to Schedule 1 or the Participant Agreement.⁴⁶

38. WPP asserts that the WRAP has a strong engagement process for state representatives.⁴⁷ WPP states that each state or provincial jurisdiction that regulates at least one Participant will have one representative on the COSR. WPP explains that the COSR will be able to engage with the RAPC on any amendments it does not agree with prior to Board vote and the COSR may send a representative to all meetings of the RAPC. The COSR will determine its own leadership, voting process, and funding.⁴⁸ WPP states that the proposed COSR is just and reasonable because it affords a strong role in the WRAP process, provides the COSR flexibility to determine its processes, and involves provisions that were carefully negotiated between WPP and states.

b. Comments and Protests

39. Powerex states that the WRAP provides a robust and collaborative governance structure that ensures no single interest across the multi-state region will be in a dominant position.⁴⁹ Powerex explains that the WRAP couples an inclusive stakeholder process, which enables meaningful input from Participants, state regulators, public interest organizations, and others, with a transparent, equitable governance structure.⁵⁰ Powerex

⁴⁵ Transmittal at 52-54.

⁴⁶ *Id.* at 55; Proposed WRAP Tariff, § 4.2.

⁴⁷ Transmittal at 56.

⁴⁸ *Id.* at 57; Proposed WRAP Tariff, § 4.3.

⁴⁹ Powerex Comments at 7.

⁵⁰ *Id.* at 10.

argues this has proved to be the catalyst for the program's appeal across the west because the unifying element of consensus-driven leadership and collaboration has resulted in an inclusive, balanced program with meaningful state participation.⁵¹

40. CREPC states that the WRAP is a collaborative effort between stakeholders across the west and has a governance and program design that is robust and sustainable for the region.⁵² CREPC states that through the COSR, state representatives that regulate at least one participating entity in the WRAP may provide perspective on governance and operational matters, such as the determination of regional planning reserve margins and the capacity contributions of various electricity generating technologies. CREPC further notes that WPP incorporated state recommendations by providing the COSR the means to engage with the RAPC. CREPC notes that this engagement includes insight into closed meetings and a formal resolution process if the COSR disagrees with a RAPC decision and wishes to appeal to the Board. CREPC states that allowing the COSR to meaningfully engage with the RAPC during the program enhancement process will ensure that state perspectives and the public interest continue to be reflected in the program design.

41. Snohomish PUD supports the proposed WRAP governance structure, stating that it is robust and provides the ability for all stakeholders to give their input.⁵³ Specifically, Snohomish PUD supports the limitations on the Board in section 3.4 of the proposed WRAP Tariff, emphasizing that these are important because Snohomish PUD is a public utility governed by an elected board of commissioners.

42. Chelan PUD supports the proposed governance structure and states that it is suitable to represent a program with such expansive coverage and participation. Chelan PUD also states that the governance structure offers opportunities for input and collaboration between participants and stakeholders.⁵⁴

43. Public Generating Pool also supports the proposed governance structure, stating that it ensures a robust and inclusive process that results in fair decision-making. Public Generating Pool maintains that the proposed governance structure is critical to the success of the WRAP and accounts for the diversity of participants appropriately.⁵⁵

⁵¹ *Id.*

⁵² CREPC Comments at 3.

⁵³ Snohomish PUD Comments at 3.

⁵⁴ Chelan PUD Comments at 3.

⁵⁵ Public Generating Pool Comments at 2-3.

Public Generating Pool states that it is important that the tariff clearly states the authority and limitations thereon of the Board.⁵⁶

44. Public Interest Organizations argue that the proposed WRAP Tariff language governing when a meeting will be open or closed is impermissibly vague and could lead to undue discrimination.⁵⁷ Although Public Interest Organizations acknowledge that meetings of the Board may need to be held in closed session, they state that the proposed WRAP Tariff language is overly broad and subjective. Public Interest Organizations express concern that too much discretion is provided to the Board chair in determining when a meeting may be closed.⁵⁸ Further, Public Interest Organizations argue that the proposed WRAP Tariff is inconsistent on the standards for holding closed board meetings versus the standards for holding closed stakeholder and participant group meetings. Public Interest Organizations state that this discrepancy can cause confusion among stakeholders and potentially result in different standards applied over time.⁵⁹ Public Interest Organizations state that no reason is given for this difference and suggest that although the WRAP is not an RTO/ISO, RTO/ISO governance practices can be illustrative of appropriate practices and that having an exclusive transparent list of reasons for why a meeting may be closed, as is the case in Midcontinent Independent System Operator, Inc. (MISO), would be appropriate. Accordingly, Public Interest Organizations suggest that the Commission require the WRAP to adopt a universal open meeting policy with a “limited and objective standard for closing meetings.”⁶⁰

45. Clean Energy Buyers state that stakeholders need more assurance that WRAP governance will uphold transparency and broad stakeholder engagement.⁶¹ Specifically, Clean Energy Buyers note that the proposed WRAP Tariff provides for confidential meetings without clear guidance for when meetings can be moved from open to confidential.⁶² Clean Energy Buyers urge WPP to consider tariff provisions that have standardized practices including requiring meetings and information to be made publicly available and open to all stakeholders, except in specific circumstances due to concerns

⁵⁶ *Id.* at 3.

⁵⁷ Public Interest Organizations Comments at 4.

⁵⁸ *Id.* at 5.

⁵⁹ *Id.* at 6.

⁶⁰ *Id.* at 6-7.

⁶¹ Clean Energy Buyers Comments at 5.

⁶² *Id.* (citing Proposed WRAP Tariff, §§ 3.2, 4.2.4, 5.3).

over issues such as critical energy infrastructure information.⁶³ Further, Clean Energy Buyers argue that, as western markets and programs advance, the Commission and WPP should support adaptive governance principles in order to ensure broad stakeholder engagement and representation, such as periodically revisiting sector membership and their composition.

46. While NIPPC does not protest WRAP's governance structure,⁶⁴ it argues that if WPP evolves to become the platform for new programs beyond the WRAP, the proposed Tariff provisions that limit eligibility to be a program Participant solely to load-serving entities (as LREs) "must be eventually revisited and reformed."⁶⁵ It contends that the proposed provisions limit generators' eligibility for deliberating and voting on the RAPC, despite such bilateral capacity sellers already being underrepresented in WPP,⁶⁶ and argues that "this core aspect of program governance" is not "scalable beyond the WRAP."⁶⁷ While NIPPC acknowledges that the proposed participant structure has a certain logic, it nonetheless maintains that concentrating the costs, penalties, and principal control over the program with LREs creates a load-centric structure that is not sustainable.⁶⁸ NIPPC states that the WRAP will also significantly affect generators, but that generators without an LRE affiliate will nonetheless be left out of decision-making forums and that this is not an appropriate governance template should the WPP add market programs in the future.⁶⁹ NIPPC states that it would be more comfortable with the governance structure if the COSR were granted FPA section 205 filing rights because such a structure would help to ensure that regulated utilities are not able to abuse their position.⁷⁰ For these reasons, NIPPC recommends that the Commission opine on the

⁶³ *Id.* at 6.

⁶⁴ NIPPC Protest at 5 ("NIPPC's Protest is not intended to jeopardize other elements of the WRAP (including the important new governance structure set forth in the Tariff)").

⁶⁵ *Id.* at 6-9.

⁶⁶ *Id.* at 6.

⁶⁷ *Id.* at 8.

⁶⁸ *Id.* at 6-7.

⁶⁹ *Id.* at 7.

⁷⁰ *Id.* at 7-8.

appropriateness of the WRAP governance structure for any possible future market evolution (e.g., toward a resource adequacy trading platform).⁷¹

47. WPTF encourages the Commission to consider whether any additional requirements are necessary for WPP to demonstrate that the nomination and voting process for the Board adheres to independence requirements.⁷²

c. Answers

48. In response to Public Interest Organizations' and Clean Energy Buyers' concerns that meetings may arbitrarily be closed, WPP argues that the concerns are not grounded in Commission precedent and do not render the proposal unjust and unreasonable.⁷³ WPP states that the default for all meetings, unless voted otherwise, is that they will be held in open session to ensure sufficient transparency. WPP states that it will be bound by the proposed WRAP Tariff to ensure Participant information remains confidential and argues that imposing a supermajority vote to close meetings, as Public Interest Organizations suggest, is unreasonable and unnecessary. WPP further asserts that the stakeholder groups and Board do not need to have identical provisions governing when they may meet in closed sessions, as Public Interest Organizations and Clean Energy Buyers suggest.

d. Commission Determination

49. We find that the proposed WRAP Tariff's governance structure is just and reasonable and not unduly discriminatory or preferential. Specifically, we find that the governance structure strikes a reasonable balance between allowing Participants to make decisions and enabling interested non-Participant stakeholders to observe and comment on those decisions. We further find that the proposed WRAP Tariff outlines this governance structure in sufficient detail and provides clarity on roles, responsibilities, and procedures for governance.

50. We note that, while the Commission must ensure that the WRAP proposal's governance structure satisfies the requirements of FPA section 205, we are not evaluating the proposed governance structure under the requirements developed for RTOs/ISOs in Order Nos. 2000 and 719.⁷⁴ Those rulemakings are not applicable here because WPP is

⁷¹ *Id.* at 8.

⁷² WPTF Protest at 7-8.

⁷³ WPP Answer at 19.

⁷⁴ *Regional Transmission Orgs.*, Order No. 2000, FERC Stats. & Regs. ¶ 31,089, at 31,073-74 (setting forth the independence principle for RTO/ISO governing boards)

not proposing to establish an RTO/ISO. We nevertheless acknowledge that WPP and stakeholders voluntarily strove to benchmark the WRAP governance structure against the Commission's standards for RTO/ISO governance, including standards for transparency, board independence, and stakeholder engagement. In doing so, we note that the WRAP committee structure represents a broad base of stakeholders, including state utility commissions and non-Participant entities.

51. We appreciate the concerns expressed by Public Interest Organizations and Clean Energy Buyers that the meetings of the Board, as well as the three committees (i.e., the RAPC, PRC, and COSR), remain open and not be arbitrarily closed. However, we find that several elements of the proposed governance structure provide adequate assurance of openness and inclusiveness. First, we note that any amendments to the WRAP Tariff or Business Practice Manuals are explicitly required by the Tariff to be voted upon in open meetings.⁷⁵ Second, the proposed WRAP Tariff states that

[the Board] generally shall meet in open session for all matters related to the WRAP; however, [the Board] may meet in closed session as the chair deems necessary to safeguard the confidentiality of sensitive information, including but not limited to discussing matters related to personnel, litigation, or proprietary, confidential, or security sensitive information.⁷⁶

This Tariff language explicitly denotes safeguarding the confidentiality of sensitive information as the sole reason for holding a closed meeting of the Board. We find that the Tariff language appropriately balances openness and the occasional need for

(1999) (cross-referenced at 89 FERC ¶ 61,285), *order on reh'g*, Order No. 2000-A, FERC Stats. & Regs. ¶ 31,092 (2000) (cross-referenced at 90 FERC ¶ 61,201), *aff'd sub nom. Pub. Util. Dist. No. 1 of Snohomish Cty. v. FERC*, 272 F.3d 607 (D.C. Cir. 2001); *Wholesale Competition in Regions with Organized Elec. Mkts.*, Order No. 719, 125 FERC ¶ 61,071, at PP 502-10 (2008) (adopting various RTO/ISO board "responsiveness" requirements), *order on reh'g*, Order No. 719-A, 128 FERC ¶ 61,059, *order on reh'g*, Order No. 719-B, 129 FERC ¶ 61,252 (2009). Similarly, we note that WRAP is not a "loose power pool" as defined in Order No. 888-A, because it does not involve any discounted or special transmission arrangements. *See* Order No. 888-A, 62 Fed. Reg. 12,274, 12,313 (1997) ("[A] loose pool is any multilateral arrangement, other than a tight power pool or a holding company arrangement, that explicitly or implicitly contains discounted and/or special transmission arrangements.").

⁷⁵ Proposed WRAP Tariff, § 3.2.

⁷⁶ *Id.*

confidentiality. Further, we will not require WPP to provide a common rule for each of the three committees on when they may hold closed meetings—the different nature and purpose of each committee, as described above, justifies different committee procedures.

52. With regard to the comments of NIPPC and Clean Energy Buyers that the proposed governance structure is insufficiently flexible to accommodate future developments in the Western Interconnection, we note that whether or not the proposed WRAP governance structure is sustainable beyond the confines of the WRAP program as proposed does not determine whether the proposal put before us is just and reasonable and not unduly discriminatory. When evaluating a rate proposal under FPA section 205, we look to the proposal before us and not future amendments that the relevant utility or utilities may one day file.⁷⁷ The WRAP is structured such that LREs, and no other stakeholder, are fulfilling the requirements of the Forward Showing Program and the Operational Program as Participants. Therefore, we find that the administrative rights exclusively reserved for Participants through the RAPC are just and reasonable and not unduly discriminatory or preferential. As a whole as to governance, we find that the proposal strikes a reasonable balance between allowing Participants to make decisions about the structure and operation of the WRAP and enabling interested stakeholders to observe and provide meaningful input on decision-making via the committee processes.

2. Forward Showing Program

a. Proposal

53. WPP explains that, under the Forward Showing Program, Participants will be required to make forward showings for both capacity and transmission.⁷⁸ WPP's expert, Mr. Hendrix, explains that the Program Operator will determine each Participant's required planning reserve margin designed to meet a 1-event-in-10-years (1-in-10) LOLE.⁷⁹ WPP states that the planning reserve margin will be based on meeting a P50 load forecast.⁸⁰ The degree to which any resource can be counted toward meeting a Participant's planning reserve margin will be based on the tariff-defined Qualifying

⁷⁷ See *Advanced Energy Mgmt. All. v. FERC*, 860 F.3d 656, 662 (D.C. Cir. 2017).

⁷⁸ Transmittal at 17.

⁷⁹ Filing, attach. D (Affidavit of Charles G. Hendrix) at ¶ 6 (Hendrix Aff.).

⁸⁰ Mr. Hendrix explains that a P50 load forecast is the median, peak load forecast. Mr. Hendrix further explains that a median forecast is that which has a 50% chance of being exceeded, whereas a more conservative forecast (e.g., at the 90th percentile) has only a 10% of being exceeded. Hendrix Aff. ¶ 13.

Capacity Contribution of qualifying resources and supply contracts, using standard capacity counting techniques.⁸¹

54. Mr. Hendrix explains that, seven months prior to each Season, every Participant must show that it has reserved sufficient transmission to deliver at least 75% of its shown capacity to its load.⁸² WPP explains that transmission reservations must be at the NERC Priority 6 or Priority 7 firm point-to-point or network integration transmission service from the resource or delivery point to the Participant's load.⁸³ WPP states that the minimum standard of 75% reflects a reasonable balance on the firm transmission deliverability metric for initial implementation of the WRAP given the seven-month deadline for making the Forward Showing.⁸⁴ WPP states that a 100% standard would be too restrictive because experience shows that transmission is often made available on a shorter-term basis.⁸⁵ WPP notes that Participants are also required to obtain the other 25% of necessary transmission service to the degree they have an obligation in the Operating Day to make an Energy Deployment to a fellow Participant.

55. WPP proposes four exceptions to the transmission Forward Showing requirement: (1) an Enduring Constraints exception by which the Participant can show that while there is no Available Transfer Capability (ATC)⁸⁶ on any single segment of a needed transmission path, there has either historically been such ATC available on that segment at a later date, or that the Participant is constructing a resource or obtaining firm transmission service;⁸⁷ (2) a Future Firm ATC Expected exception by which the Participant can show that while there is no NERC Priority 6 or Priority 7 transmission

⁸¹ The proposed WRAP Tariff defines Qualifying Capacity Contribution as "The MW quantity of capacity provided by a resource, contract, or portfolio which qualifies to help satisfy a Participant's FS Capacity Requirement, as determined in accordance with Part II of this Tariff." Proposed WRAP Tariff, § 1.

⁸² Transmittal at 23; Hendrix Aff. ¶ 41.

⁸³ Hendrix Aff. ¶ 44.

⁸⁴ Transmittal at 23.

⁸⁵ *Id.*; Hendrix Aff. ¶ 42.

⁸⁶ Available Transfer Capability refers to transfer capability remaining in the physical transmission network for further commercial activity over and above already committed sales. Proposed WRAP Tariff § 1, Definitions.

⁸⁷ Transmittal at 25 (citing proposed WRAP Tariff §§ 16.3.2.1, 16.3.2.2, 16.3.2.3 & 16.3.2.4).

available prior to the Forward Showing deadline, there has historically been such ATC available at a later date; (3) a Transmission Outages and Derates scenario, which allows a Participant to demonstrate that a segment of its existing transmission service rights from its source to sink path is expected to be derated or out-of-service and ATC for NERC Priority 6 or Priority 7 firm point-to-point or network integration transmission service rights is not otherwise available; and (4) a Counterflow of a Qualifying Resource exception, which allows a Participant to demonstrate that another Participant's use of firm transmission service to deliver capacity from its resource to its load provides a direct and proportional transmission counterflow that supports the requesting Participant's delivery of capacity from a different resource to a different load. WPP states that all four exceptions include limits on duration and volume.

56. Mr. Hendrix states that, for the first two exceptions described above, there is a further limit: if transmission is not available for one year or less, and is only available (at the OATT rate or less from either the transmission service provider or secondary market sources) for more than one year, the Participant can still seek an exception, but if the exception is granted, the Participant will not be eligible for an exception on the same path for the following year because it will have already demonstrated that it had an option to address a multi-year problem by buying multi-year service but chose not to do so.⁸⁸

b. Comments and Protests

57. NIPPC, WPTF, Shell Energy, and MLCG/WIEC protest certain aspects of the proposed transmission showing exceptions. First, NIPPC states that the required use of firm transmission contradicts the Commission's allowance for use of non-firm transmission in similar circumstances, such as the allowance for use of non-firm transmission on the upstream transmission leg supporting designation of a resource as a firm network resource to serve network load.⁸⁹ NIPPC also states that it has concerns with the 75% Forward Showing Transmission Requirement, including the lack of support for the specific figure of 75%, the potential for market power being exercised by incumbent firm transmission rights holders and transmission providers, and the practical reality that transmission providers regularly release sufficient short-term ATC well after the WRAP's Forward Showing deadlines to meet program needs. NIPPC states that this will lead to regular requests for exceptions.⁹⁰

⁸⁸ Hendrix Aff. ¶¶ 47-48.

⁸⁹ NIPPC Protest at 11-13 (citing *Preventing Undue Discrimination & Preference in Transmission Serv.*, Order No. 890-A, 121 FERC ¶ 61,297, at PP 854, 867 (2007)).

⁹⁰ *Id.*

58. Further, NIPPC states that the Enduring Constraints exception and Future Firm ATC Expected exception to the Forward Showing Transmission Requirement predetermine minimal terms for year-round transmission service (in excess of the capacity requirement), and will exacerbate the ability of firm transmission rights holder to exercise market power by preventing others from accessing transmission and power supply.⁹¹ NIPPC argues that the limit to using these exceptions for only one year if multi-year ATC is available, as described in the Hendrix Affidavit, unfairly predetermines minimal terms for year-round, or even multi-year, transmission service in excess of the Forward Showing Capacity Requirement's seasonal terms and inappropriately turns the Forward Showing Transmission Requirement into an extension of the planning function of transmission providers.⁹² NIPPC states that placing such a requirement for multi-year transmission on Participants would discriminate against LREs serving retail direct access load, such as some of NIPPC's members, who do not have native load, but rather compete against each other and incumbent utilities for load that typically commits for only one or a few years at a time in the retail market.⁹³ NIPPC argues that the one-time-use limitation described in the Hendrix Affidavit is not expressly stated in the proposed WRAP Tariff, and thus fails the rule of reason, which requires such important details to be expressly stated in the tariff.

59. To address its concerns, NIPPC proposes identical modifications to the proposed WRAP Tariff on the Enduring Constraints exception and the Future Firm ATC Expected exception: NIPPC proposes revising the language governing these two exceptions such that they would apply any time transmission service is not available "for a term limited to the Month(s) needed," rather than, as under WPP's proposal, "for a duration of one year or less."⁹⁴ NIPPC urges the Commission to condition approval on these modifications so that a Participant is not required to purchase a whole year of firm point-to-point transmission just for the Forward Showing.⁹⁵

60. Similar to NIPPC, WPTF states that it may be uneconomic and unnecessary for Participants to purchase annual transmission service to meet a seasonal resource adequacy program requirement. As such, WPTF states that it would appreciate WPP

⁹¹ *Id.* at 12.

⁹² *Id.* at 13.

⁹³ *Id.* at 15.

⁹⁴ *Id.* (citing *Sw. Power Pool, Inc.*, 180 FERC ¶ 61,074, at PP 23-32 (2022)).

⁹⁵ *Id.* at 20-21 (citing Proposed WRAP Tariff, §§ 16.3.2.1, 16.3.2.2).

committing to having the Independent Evaluator focus on this issue.⁹⁶ Shell Energy raises the concern that the Enduring Constraints exception and Future Firm ATC Expected exception do not provide sufficient flexibility given the way transmission capacity in the non-CAISO Western Interconnection is requested, queued, or contracted for.⁹⁷ Shell Energy also states that the proposed WRAP Tariff is unclear as to whether an LRE would be allowed or prohibited from seeking subsequent exceptions while waiting in a queue or some other time-intensive administrative process.⁹⁸

61. MLCG/WIEC state that, should the WRAP become mandatory, the volume and duration limits placed on the Future Firm ATC Expected and Transmission Outages and Derates exceptions to the transmission reservation Forward Showing requirement should be outlined in the proposed WRAP Tariff and not in a yet-unpublished Business Practice Manual.⁹⁹ Second, MLCG/WIEC object to the Counterflow of Qualifying Resource exception requiring the Participant to identify such counterflow arrangements, stating that this places an unreasonable burden on LREs rather than having the Program Administrator or Program Operators make identifications.¹⁰⁰

62. Shell Energy states that it is unclear if the 75% NERC Priority 7 or Priority 6 requirement applies in aggregate at the LRE level and not to individual load of the LRE and requests that this be clarified.¹⁰¹

c. Answers

63. Regarding the transmission showing exceptions, WPP first states that it would accept a Commission order that directs WPP to prepare and file with the Commission, on a semi-annual basis, informational reports on the implementation of the Forward Showing Transmission Requirement exception provisions. WPP specifies that such reports would be filed within 60 days after the end of each Summer Season and Winter Season during the non-binding transition phase and for the first two years of the binding

⁹⁶ WPTF Comments at 5-6.

⁹⁷ Shell Energy Comments at 5.

⁹⁸ *Id.* at 6.

⁹⁹ MLCG/WIEC Protest at 4-5.

¹⁰⁰ *Id.* at 4-5.

¹⁰¹ Shell Energy Comments at 5.

phase.¹⁰² However, WPP states that it does not endorse WPTF's proposal to require the Independent Evaluator to monitor and report on the cited proposed WRAP Tariff provisions, and states that the best approach to foster the Independent Evaluator's independence is to allow the Independent Evaluator to decide which WPP practices to evaluate.¹⁰³

64. WPP disagrees with NIPPC and states that the Forward Showing Transmission Requirement exception condition it challenges (i.e., requiring a year's transmission reservation if that is all that is available) is just and reasonable as proposed.¹⁰⁴ WPP states that the Commission has regularly accepted regional resource adequacy programs, all of which are run by RTOs/ISOs, that require firm transmission deliverability from resources to loads.¹⁰⁵ WPP states that the Commission recognizes that resource availability and resource performance standing alone is not enough and that the resource's firm capacity must be deliverable to loads on a firm basis.¹⁰⁶ WPP states that the Commission has gone further by approving strong deliverability requirements on third-party transmission systems when an external generating resource is designated to provide capacity for the loads on an RTO/ISO's system.¹⁰⁷ WPP also states that NIPPC's citation to Order No. 890-A is misapplied because Order No. 890-A concerns only the rules around designation of a resource as a Network Resource under Network Integration Transmission Service and has no discussion of requirements for resource deliverability as

¹⁰² WPP Answer at 11.

¹⁰³ *Id.* at 12 (citing WPTF Comments at 10).

¹⁰⁴ *Id.* at 13 (citing NIPPC Protest at 2).

¹⁰⁵ *Id.* at 13-14 (citing SPP, Open Access Transmission Tariff, Sixth Revised Volume No. 1, attach. AA, §§ 5.2, 7.1, 7.2, 7.3; CAISO, Fifth Replacement FERC Electric Tariff, §§ 40.4.1, 40.4.6.1, 40.4.6.2; PJM, Reliability Assurance Agreement among Load Serving Entities in the PJM Region, Schedule 10; MISO, Open Access Transmission, Energy and Operating Reserve Markets Tariff, Module E-1, § 69A.3.1.g; NYISO, Market Administration and Control Area Services Tariff, § 5.12.1; *id.* § 5.12.2.1).

¹⁰⁶ *Id.* at 14.

¹⁰⁷ *Id.* (citing *PJM Interconnection, L.L.C.*, 161 FERC ¶ 61,197, at P 18 (2017); *Brookfield Energy Mktg. LP v. PJM Interconnection, L.L.C.*, 171 FERC ¶ 61,151, at PP 9-10, 39-46 (2020) (*Brookfield*); *PJM Interconnection, L.L.C.*, 170 FERC ¶ 61,217, at P 35 (2020)).

part of a resource adequacy program.¹⁰⁸ WPP also states that any proposal to diminish the firm deliverability requirement further should face a high threshold to demonstrate that reliability will not be impaired and that NIPPC has not made such a showing.¹⁰⁹

65. WPP states that the Enduring Constraints exception and Future Firm ATC Expected transmission exception are reasonable.¹¹⁰ WPP states that the exceptions reflect and implement the broad consensus among Participants and stakeholders that the exception framework should (1) specifically address the potential for transmission not being available on a given path or set of paths and (2) ensure the exception framework does not degrade the overall reliability of the program and the critically important deliverability requirements.¹¹¹ WPP explains that if only transmission of more than one year is available or that if transmission for one year or less is only available in the secondary or redirect market at a price above the OATT rate, the Participant can seek the exception.¹¹² WPP states that allowing for an exception any time transmission could not be purchased for very narrow windows (such as only the specific months of a given Season) would disincentivize Participants' procurement of the firm service transmission rights appropriate to participation in a resource adequacy program that rests on a foundation of mutual commitments by LREs.

66. Finally, WPP states that it is reasonable to deny a Participant a repeated transmission exception in a subsequent year if the Participant could have obtained transmission covering that subsequent year at the same time or after it obtained the first exception.¹¹³ WPP states that it believes its approach to repeated exception requests lies within the ambit of its discretion to consider "other relevant data and information, in determining whether to grant or deny a transmission exception request"; but, if the Commission determines that this limit on repeated exception requests should be explicit in the WRAP Tariff, WPP states that it will accept a compliance directive from the Commission to add this intended practice to the WRAP Tariff.¹¹⁴

¹⁰⁸ *Id.* at 15 (citing Order No. 890-A, 121 FERC ¶ 61,297 at P 867).

¹⁰⁹ *Id.* at 16.

¹¹⁰ *Id.* at 13, 16.

¹¹¹ *Id.* at 16.

¹¹² *Id.* at 16-17.

¹¹³ *Id.* at 18.

¹¹⁴ *Id.* at 19.

67. NIPPC, in its Answer to WPP's Answer, repeats that the Commission should condition approval of the Tariff on the modifications to section 16.3.2 proposed by NIPPC in its original comments and protest.¹¹⁵ NIPPC states that instead of denying NIPPC's argument regarding market power and discrimination, WPP primarily argues that the Commission has previously approved similar long-term firm transmission requirements.¹¹⁶ NIPPC argues, however, that the authority WPP cites is not analogous to the circumstances here and does not support WPP's position.

68. NIPPC argues that the authorities WPP cites in support of its requirement for firm transmission are distinguishable from the WRAP on the ground that those authorities relate to resource adequacy programs implemented within RTOs/ISOs, while the WRAP's transmission requirements are particularly difficult to meet because, outside CAISO, the western region still relies on a highly balkanized transmission system with a contract-path-based system instead of a centrally-administered transmission system.¹¹⁷ NIPPC further argues that the only example WPP appears to identify as requiring long-term transmission beyond the period of the underlying capacity obligation is the PJM capacity market, where long-term transmission was necessary for a term beyond the external resource's offer for the initial delivery year in order to ensure the seller could also meet its must-offer requirement from that resource for subsequent delivery years.¹¹⁸ NIPPC notes that the Commission, in its acceptance of PJM's proposal, explained that "without a requirement that external resources obtain long-term transmission service, an external resource could clear PJM's capacity market for one year and then be unable to fulfill its existing tariff obligation to offer in the succeeding auction if it were unable to re-acquire firm transmission service."¹¹⁹ NIPPC states that the WRAP does not contain an ongoing must-offer requirement from any specific resource.

69. Finally, NIPPC states that WPP's citation to *Brookfield* is off-base because the crux of the dispute there was over Brookfield's objection to the specific technical

¹¹⁵ NIPPC Answer at 1.

¹¹⁶ *Id.* at 4.

¹¹⁷ *Id.* at 4-5.

¹¹⁸ *Id.* at 5-6 (citing *PJM Interconnection, L.L.C.*, 161 FERC ¶ 61,197 at P 112 (explaining that "to satisfy its ongoing capacity auction must-offer requirement, a seller of an external Generation Capacity Resource must have the assurance of continued transmission service embodied in rollover rights"))).

¹¹⁹ *Id.* at 6 (citing *PJM Interconnection, L.L.C.*, 170 FERC ¶ 61,217 at P 42).

requirements for pseudo-ties, not the requirement for long-term firm transmission beyond the initial delivery year.¹²⁰

d. Deficiency Response

70. Commission staff asked WPP to clarify how it would evaluate requests for exceptions from the Forward Showing Program transmission requirement. Specifically, staff asked whether there are particular time limitations on the Future Firm ATC Expected Constraint exception or Enduring Constraints exception, what those limitations are, and whether or not they would be included in the Tariff.¹²¹

71. In its Deficiency Response, WPP clarifies that there is no blanket limitation for Participants to request either the Future Firm ATC Expected exception or Enduring Constraints exception, and that any request for an exception would be specific to a particular binding Season and not to any other future binding Seasons.¹²² However, WPP states that it would consider whether a Participant is submitting routine or repeated requests for exceptions that the Participant could have avoided by taking reasonably available alternatives. WPP clarifies that the limitation on seeking these two exceptions applies only to the second (or consecutive) year, and not to all subsequent years.

72. WPP explains that a Participant should not be permitted an automatic recurring waiver if it is disregarding reasonable alternative options available to meet the Forward Showing Transmission Requirement.¹²³ Therefore, WPP explains that if a Participant receives an exception for the binding Season in one year even though transmission service of duration more than one year was available at the time, then the choice not to take the longer-term service should be taken into account if the Participant still lacks necessary service for the same Season the following year, and seeks the same exception for that year. WPP asserts that the balance of judgment should favor the exercise of a longer-term option to ensure that the Participant is satisfying its responsibility to ensure firm deliverability of its qualifying resources. WPP also amended its filing, proposing tariff revisions for each of the two exceptions to clarify that if transmission service is only available for more than one year, the Participant can still qualify for the exception and does not need to obtain the longer duration firm transmission service; but that if the Participant declines to take available longer-term service in one year, and receives an

¹²⁰ *Id.* at 7 (citing *Brookfield*, 171 FERC ¶ 61,151).

¹²¹ Deficiency Letter Question 2.a.

¹²² Deficiency Response at 13.

¹²³ *Id.* at 14.

exception, it cannot obtain the exception for the following year if longer term service is still available.¹²⁴

73. Commission staff also asked what “other relevant data and information” WPP would rely on for repeated requests of either the Future Firm ATC Expected exception or the Enduring Constraints exception.¹²⁵ In response, WPP explains that “other relevant data and information” it intends to consider when evaluating individual exception requests would include what transmission alternatives were reasonably available to the Participant seeking an exception, as well as data concerning duration, timing, firmness, and quantity of available transmission service or equivalent options.¹²⁶ WPP proposes a limited tariff revision to make clear what is meant by “relevant” data.

e. Comments and Protests on Deficiency Response

74. NIPPC’s comments to WPP’s Deficiency Response reiterate its argument that the proposed transmission requirement (and the limitation on consecutive year requests for the Enduring Constraints exception and Future Firm ATC Expected exception) are unjust and unreasonable. NIPPC disagrees with WPP, stating that WPP’s response modifies the proposed WRAP Tariff to set forth exception limitations more clearly, but has not addressed or resolved the underlying problem in NIPPC’s protest. NIPPC argues that WPP has failed to address the discriminatory aspects of its proposal.¹²⁷ NIPPC reiterates that the Commission should require WPP to make NIPPC’s previously proposed modifications to the tariff sections on the exceptions, and reject the clarifications on limitations proposed in WPP’s Deficiency Response.

f. Commission Determination

75. We find that WPP’s proposed Forward Showing Program, including its requirements for capacity and transmission, is just and reasonable and not unduly discriminatory or preferential. We find that WPP’s proposal includes reasonable requirements to ensure deliverable resource adequacy, while also providing necessary flexibility to participants. Further, we find that the requirements of the proposed program can help to enhance price formation in the Western Interconnection by sending price signals to market participants regarding the availability of capacity and firm transmission service and the need for future market entry. We accept WPP’s revised tariff language to

¹²⁴ *Id.* at 14-15.

¹²⁵ Deficiency Letter Question 3.a.

¹²⁶ Deficiency Response at 16.

¹²⁷ NIPPC Deficiency Response Protest at 2.

the Enduring Constraints exception¹²⁸ and Future Firm ATC Expected¹²⁹ exception, as amended.¹³⁰ We find that these revisions will help clarify how exception requests will be managed. Also, as discussed below, we accept WPP's commitment to file informational reports on a semi-annual basis on the implementation of the Forward Showing Transmission Requirement exception provisions, as WPP offered in its Answer.¹³¹

76. First, we find that WPP's proposed Forward Showing Capacity Requirement is just and reasonable. WPP proposes that Participants must show ownership of or control of sufficient capacity to meet its calculated peak load forecast plus a planning reserve margin seven months prior to each Season (Summer and Winter).¹³² We find that the methodologies proposed—including the use of a 1-in-2 load forecast, a 1-in-10 LOLE reliability standard, the use of sub-regions in determining the planning reserve margin, and the allowance for a cure period, among other details—are just and reasonable. As WPP indicates,¹³³ these elements of the capacity Forward Showing Program are commonly used.¹³⁴ Additionally, we note that no parties protested any aspect of the Forward Showing Capacity Requirement.

77. Second, we also find that WPP's proposed Qualified Capacity Contribution,¹³⁵ the methods for determining how capacity counts towards meeting the required capacity showing, is just and reasonable and not unduly discriminatory or preferential. The

¹²⁸ Deficiency Response at 16-17, attach. B § 16.3.2.1.

¹²⁹ *Id.*, attach. B § 16.3.2.2.

¹³⁰ *Id.* at 14-15.

¹³¹ WPP Answer at 11-12.

¹³² Proposed WRAP Tariff, §§ 14, 16.1.

¹³³ Hendrix Aff. ¶ 5.

¹³⁴ *See Plan. Res. Adequacy Assessment Reliability Standard*, 134 FERC ¶ 61,212, at P 31 (2011) (“[T]he Commission is acknowledging that the one day in ten years criterion is a well-established and common criterion for assessing resource adequacy.”); *see also, e.g., Midwest Indep. Transmission Sys. Operator, Inc.*, 122 FERC ¶ 61,283, at P 108 (2008) (accepting MISO's proposal to use the one day in ten years standard as reasonable and consistent with industry standard); *Devon Power LLC*, 110 FERC ¶ 61,313, at P 8 (2005) (noting that ISO-NE uses the one day in ten years planning criterion).

¹³⁵ Proposed WRAP Tariff, § 16.2.

Commission has recently and in several instances found such methods to be just and reasonable.¹³⁶ We note that Gallatin Power Partners raises a question of how Qualifying Facilities comprising variable energy resources or a combination of variable energy and energy storage resources would be counted compared to a non-Qualifying Resource with the same mix of resources.¹³⁷ We find that WPP sufficiently responded to this question in its Answer, stating that Tariff Section 16.2.5.7 applies only if a resource is not covered by any of the Tariff's other specified Qualifying Capacity Contribution categories.¹³⁸

78. As explained below, we find that it is just and reasonable and not unduly discriminatory or preferential for WPP to require each Participant to show that it has firm transmission service rights sufficient to deliver at least 75% of its Forward Showing Capacity Requirement from the Participant's Qualifying Resources or from the delivery points for the resources identified for its Net Contract Qualifying Capacity Contribution (or for its resource adequacy transfers) to such Participant's load. We also accept WPP's specification that this requires NERC Priority 6 or 7 firm point-to-point transmission service or network integration transmission service.¹³⁹ Given the seven month-forward deadline for making the Forward Showing and the ability to request exceptions under certain circumstances, we agree with WPP that the transmission service rights requirement strikes a reasonable balance between demonstrating deliverability and providing flexibility.¹⁴⁰

79. We find WPP's proposal that the 75% requirement must be met with firm transmission service to be just and reasonable and not unduly discriminatory or

¹³⁶ See, e.g., *PJM Interconnection, L.L.C.*, 176 FERC ¶ 61,056 (2021) (finding the use of an Effective Load Carrying Capability (ELCC) method just and reasonable for intermittent resources, "limited duration resources," and "combination resources"); *N.Y. Indep. Sys. Operator, Inc.*, 179 FERC ¶ 61,102 (2022) (finding just and reasonable the adoption of a marginal capacity accreditation market design that more accurately values Installed Capacity Resources' contributions to resource adequacy). See also CAISO, Fifth Replacement Electric Tariff, § 40.8 (describing methods for counting capacity towards meeting resource adequacy requirements when not determined by the California PUC or other regulatory agency); ISO-NE, Transmission, Markets, and Services Tariff, § III.13.1 (describing how a new or existing resource, either intermittent or not, will have its Qualifying Capacity counted for an auction).

¹³⁷ Gallatin Power Partners Comments at 1-2.

¹³⁸ WPP Answer at 25.

¹³⁹ Proposed WRAP Tariff, § 16.3.1.

¹⁴⁰ Transmittal at 23.

preferential.¹⁴¹ We find this requirement reflects the importance of deliverability in resource adequacy constructs, as illustrated across a variety of regional programs that require either proof of deliverability or firm transmission service that the Commission has accepted as just and reasonable.¹⁴² We therefore disagree with NIPPC's argument that the required use of firm transmission contradicts the Commission's allowance for use of non-firm transmission in similar circumstances. NIPPC states that the precedent cited by WPP comes exclusively from RTO/ISO-administered markets; however, we do not believe that this renders the precedent inapplicable. Importantly, this precedent spans a wide range of resource adequacy constructs, including centralized capacity markets and state-run resource adequacy programs that have been integrated into RTO/ISO tariffs. Finally, like other aspects of this proposal, requiring participants to secure some portion of their needed transmission in advance and in the form of firm transmission provides market participants and regulators with better price signals about the need for and availability of transmission service, including the need for network upgrades or other longer-term transmission expansion.

80. Further, we disagree with NIPPC's concern that WPP has not supported the specific figure of 75%. We find that WPP has adequately explained that its proposal reasonably balances the need to have certainty at the time of the seven-month forward capacity showing deadline that a significant quantity of capacity is deliverable, while providing participants with the flexibility to procure the remaining transmission needed to ensure deliverability during the subsequent months.¹⁴³

81. We also do not find persuasive NIPPC's arguments that the 75% Forward Showing Transmission Requirement and the nature of its two exceptions, the Enduring Constraints exception and Future Firm ATC Expected exception, could allow some

¹⁴¹ Proposed WRAP Tariff, § 16.3.1 ("The FS Transmission Requirement must be met with NERC Priority 6 or NERC Priority 7 firm point-to-point transmission service or network integration transmission service, from such Participant's Qualifying Resource(s) or from the delivery points for the resources identified for its Net Contract QCC or for its RA Transfer to such Participant's load.").

¹⁴² WPP Answer at 13-14 (citing SPP, Open Access Transmission Tariff, Sixth Revised Volume No. 1, attach. AA, §§ 5.2, 7.1, 7.2, 7.3; CAISO, Fifth Replacement FERC Electric Tariff, §§ 40.4.1, 40.4.6.1, 40.4.6.2; PJM, Reliability Assurance Agreement among Load Serving Entities in the PJM Region, Schedule 10; MISO, Open Access Transmission, Energy and Operating Reserve Markets Tariff, Module E-1, § 69A.3.1.g; NYISO, Market Administration and Control Area Services Tariff § 5.12.1; *id.* § 5.12.2.1).

¹⁴³ See Hendrix Aff. ¶ 42.

transmission providers and firm transmission rights holders to exercise market power by preventing others from accessing transmission and power supply.¹⁴⁴ We find that the Commission's open access transmission rules sufficiently guard against such exercise of market power. These rules require, *inter alia*, that transmission owners make available transmission capacity available for reservation at the same price and at the same time to all potential transmission customers, and that any hold-back for native load follow the methodology outlined in the transmission owner's accepted tariff (which extends to resale of transmission service).

82. Specifically, the Commission's *pro forma* Open Access Transmission Tariff specifies that the transmission provider shall offer firm transmission service over, on, or across its system to any eligible transmission customer;¹⁴⁵ and, as long as the minimum term for firm transmission service is met, the transmission provider shall provide the term a customer requests if capacity is available.¹⁴⁶ Moreover, the open access requirements provide that each transmission provider's Open Access Transmission Tariff specify the ATC calculation methodology, apparent to potential customers;¹⁴⁷ and, contain a requirement to calculate ATC for particular scheduling horizons, and update the ATC postings for potential customers on the Open Access Same-Time Information System.¹⁴⁸ Moreover, because the open access rules require transmission providers to specify the ATC calculation methodology (including the requirement to calculate ATC for particular scheduling horizons), if firm point-to-point transmission capacity were available for a longer-term (for example, one year), then it would also be available for a subset of that term (for example, a month in that year)—subject to applicable reservation priorities.¹⁴⁹ We further note that, in the event a particular requested point-to-point transmission service might not be available, transmission providers are also obligated to accommodate potential transmission customers either via redispatch solutions, conditional firm service, or building additional transmission. Altogether, these specifications and obligations

¹⁴⁴ NIPPC Protest at 12-13.

¹⁴⁵ See *Pro forma* Open Access Transmission Tariff, § 15 (Service Availability).

¹⁴⁶ *Id.* § 15.1 (General Conditions).

¹⁴⁷ *Id.* § 15.2 (Determination of Available Transfer Capability) and attach. C (Methodology To Assess Available Transfer Capability).

¹⁴⁸ 18 C.F.R. pt. 37.

¹⁴⁹ See *Pro forma* Open Access Transmission Tariff, § 13.2 (Reservation Priority) and § 14.2 (Reservation Priority).

imposed on a transmission provider restrict the ability to withhold available transmission to exercise market power.

83. We find WPP's proposed four exceptions to the Forward Showing Transmission Requirement to be just and reasonable and not unduly discriminatory or preferential. We find that these exceptions will provide reasonable flexibility to Participants in meeting the requirement and that WPP has established a sufficiently clear framework for when the exceptions will be granted. We note that NIPPC's argument in its protest—that the prohibition on sequential exceptions is not included in the proposed WRAP Tariff in violation of the “rule of reason”—has been addressed by WPP's proposed tariff revisions, through its Deficiency Response, to include this language.¹⁵⁰

84. While NIPPC, WPTF, and Shell Energy argue that the exceptions process could unfairly predetermine minimal terms for year-round transmission service in excess of the Forward Showing Capacity Requirement's seasonal terms, we find that limiting the exceptions and assessing them based on what transmission service options were reasonably available to the Participant will ensure that the intended beneficial effects of the Forward Showing Transmission Requirement are not diluted by excessive exceptions. We agree with WPP that the exception process should not degrade the overall reliability of the program and the critically important deliverability requirements.¹⁵¹ Moreover, unlimited exceptions could disincentivize Participants from procuring the firm transmission rights that ensure deliverability in a resource adequacy program. As noted above, under the Commission's open access transmission rules transmission providers are required to post and offer any ATC at specific time horizons, and are obligated to accommodate transmission customers' requests for firm transmission service. To the extent ATC is not available seven months in advance (at the Forward Showing submission deadline), we find that the Future Firm ATC Expected exception is a reasonable accommodation to balance customer flexibility, and the necessity to preserve minimum standards to demonstrate firm deliverability. We also note that the voluntary nature of the WRAP, and the Transition Period (where penalties do not apply) provides practical flexibility for Participants to evaluate the operational implications for each Participant's individual circumstance.

85. Further, we disagree with NIPPC's argument that WPP's proposal inappropriately turns the Forward Showing Transmission Requirement into an extension of the planning function of transmission providers. Rather, the WRAP is a voluntary program that financially binds all participants to meeting capacity and transmission showing

¹⁵⁰ See WPP Deficiency Response at 14-15, attach. B §§ 16.3.2.1, 16.3.2.2 (showing redlined revised versions of the proposed WRAP Tariff).

¹⁵¹ WPP Answer at 16.

requirements that will, as a result, provide better information to state and local regulatory agencies' planning processes. We also note that the same open access transmission rule apply to any customer requesting transmission service under an Open Access Same-Time Information System, and is the prevailing framework to accommodate transmission requests, whether or not the transmission service requested is intended to comply with the Forward Showing Transmission Requirement.

86. We reject NIPPC's proposed modification to the proposed WRAP Tariff's Enduring Constraints and Future Firm ATC Expected exceptions. Because we find that WPP's proposal is just and reasonable, as discussed herein, we need not consider whether the proposal is more or less reasonable than other alternatives.¹⁵² Regarding Shell Energy's question of whether an LRE would be allowed to seek subsequent exceptions while waiting in a queue or some other time-intensive administrative process, we find that such a technical detail is appropriately included in the Business Practice Manual or other similar document rather than in the proposed WRAP Tariff.

87. We disagree with MLCG/WIEC's protest that requiring participants to identify counterflow to obtain an exception to the Forward Showing Transmission Requirement is onerous and better accomplished by the Program Operator. The exception allows for a Participant to satisfy the exception by identifying either its own counterflow or a third party's counterflow.¹⁵³ For the former case, a Participant seeking an exception could easily identify its own qualifying counterflow. And, for the latter case, we find that identifying the counterflow of a third party provides a stringent but reasonable burden on the Participant. While perhaps a difficult bar to clear, the program allows for Participants to show only 75% of needed firm transmission and provides three other means by which to obtain an exception to that requirement. We expect, however, that the informational reports on the implementation of the Forward Showing Transmission Requirement exception provisions WPP ordered below will include an analysis of how often this fourth exception is relied upon and how often it could have been applied.

88. Shell Energy expresses concern that the proposed WRAP Tariff is not clear as to whether the 75% Forward Showing Transmission Requirement applies in aggregate at the

¹⁵² See *PJM Interconnection, L.L.C.*, 169 FERC ¶ 61,038, at P 12 (2019) (citing *OXY USA, Inc. v. FERC*, 64 F.3d at 679, 692 (finding that, under the FPA, as long as the Commission finds a methodology to be just and reasonable, that methodology "need not be the only reasonable methodology, or even the most accurate one"); *Cities of Bethany v. FERC*, 727 F.2d at 1131, 1136 (when determining whether a rate was just and reasonable, the Commission properly did not consider "whether a proposed rate schedule is more or less reasonable than alternative rate designs"))).

¹⁵³ See Proposed WRAP Tariff, § 16.3.2.4.

LRE level and not to individual loads of the LRE. However, we find that the proposed WRAP Tariff is clear on the matter and that the requirement applies in aggregate at the LRE level, which is the functional unit that is expected to comply with WRAP requirements; moreover, the Tariff does not contain specifications as to how the Forward Showing Transmission Requirement should be allocated or subdivided.¹⁵⁴ Finally, we note that MLCG/WIEC's argument about the WRAP becoming mandatory is speculative.

89. While we find the Forward Showing Program aspect of WPP's proposal to be just and reasonable and not unduly discriminatory or preferential, as described in this section, we acknowledge that the matter of exceptions to the Transmission Forward Showing Requirement and how they are implemented is of particular interest to stakeholders. We also understand that operational data and practical experience is particularly informative with respect to new constructs such as the WRAP. To this end, we accept WPP's offer to monitor the progress of this aspect of the WRAP and file informational reports on the implementation of the Forward Showing Transmission Requirement exception provisions with the Commission. We therefore direct WPP to file this semi-annual informational report within 60 days after the end of each Summer Season and Winter Season. The reports should be filed during the non-binding phase and for the first two years of the binding phase and include a description of the ability of Participants to meet the Forward Showing Transmission Requirement or whether exceptions were sought and granted, including how often, the circumstances of such requests for exceptions, and why they were granted or denied.¹⁵⁵

3. Operations Program

a. Proposal

90. WPP states that the proposed Operations Program provides Participants resource adequacy assistance when it is needed.¹⁵⁶ Specifically, the Operations Program (i) tracks each Participant's current load/resource balance leading up to each Operating Day; (ii) identifies when one or more Participants is expected to be in a deficit position in an Operating Day; (iii) calculates the degree to which the remaining Participants are in a surplus position; and (iv) apportions responsibility among the Participants in surplus to provide the assistance (in the form of Holdback Requirements and Energy Deployments)

¹⁵⁴ See *id.*, §16.3.1.

¹⁵⁵ The reports are for informational purposes only. They will not be noticed for comment or subject to Commission action.

¹⁵⁶ Transmittal at 30; Filing, attach. E, Affidavit of Charles C. Cates at ¶ 6 (Cates Aff.).

needed by the Participants that are in deficit.¹⁵⁷ The proposed WRAP Tariff outlines the quantities and prices of Holdback Requirements and Energy Deployments between the delivering Participant and the receiving Participant.¹⁵⁸ WPP explains that these Settlement Prices are patterned on the CAISO Maximum Import Bid Price approved by the Commission.¹⁵⁹ In addition, WPP proposes an opportunity cost component to the Settlement Prices.¹⁶⁰ Participants that do not deliver required Energy Deployments are charged a Delivery Failure Charge based on Day-Ahead and Real Time price indices.

91. WPP explains that the Operations Program evaluates forecasted system conditions across the seven-day period (known as the Multi-Day-Ahead Assessment) which precedes a given WRAP Season's Operating Day, and calculates an initial Sharing Calculation, which helps determine which Participants might need assistance, and which Participants are able to provide assistance (and how much).¹⁶¹ WPP states that it then identifies potential Sharing Events for the Operating Day.

92. WPP explains that once a Sharing Calculation is complete, the Operations Program's Holdback Requirement effectively sets aside a portion of capacity held by Participants that are net positive (for a given Sharing Event) or expected use by the Participants that are net negative for that same event.¹⁶² The Holdback Requirement is allocated to each net positive Participant based on their proportion of the program-wide net positive amount.¹⁶³

93. WPP states that, if it appears that a Participant will be in a deficit position on the Operating Day, the Participant still bears the primary responsibility for resolving that deficit by the Operating Day. Thus, WPP notes, even if a Participant's expected deficit position on the Operating Day triggers a Sharing Event, and imposition of Holdback Requirements, on the Preschedule Day, the Participant still will get no Energy Deployments on the Operating Day unless it provides affirmative written notice to WPP 120 minutes before the relevant hour on the Operating Day that the Participant will be in

¹⁵⁷ Transmittal at 30-31; Cates Aff. ¶ 7.

¹⁵⁸ Proposed WRAP Tariff, §§ 20.2-20.4.

¹⁵⁹ Transmittal at 38.

¹⁶⁰ *Id.* at 40; Roy Aff. ¶ 7.

¹⁶¹ Transmittal at 32; Cates Aff. ¶ 11.

¹⁶² Cates Aff. ¶ 16.

¹⁶³ *Id.* ¶ 18; *see* Proposed WRAP Tariff, § 20.2.1.

a deficit position on that hour and requires an Energy Deployment.¹⁶⁴ Importantly, WPP explains that this rule embodies the program's expectation that the Participant will attempt to resolve its deficit through a transaction outside of the program before calling on the program to meet that need.¹⁶⁵

94. According to WPP, Participants scheduled to provide an Energy Deployment are required to deliver the specified quantity and if a Participant fails to deliver it is subject to a Delivery Failure Charge unless they receive a waiver.¹⁶⁶ A Participant may request a waiver of an Energy Deployment obligation after an Energy Delivery Failure has occurred. WPP shall review all such waiver requests and shall determine whether the Participant's justification for the Energy Delivery Failure is valid and warrants waiver of its Energy Deployment obligation.

95. WPP explains that the Delivery Failure Charge for each hour shall be the Charge Rate applicable for such hour times the MWhs of energy that were required to be, but were not, delivered. The Charge Rate shall be the higher of the Day-Ahead price or Real-Time price provided by the Day-Ahead Applicable Price Index and Real-Time Applicable Price Index.¹⁶⁷

96. The settlement prices for an Energy Deployment are not determined by any offers submitted by any Participant or through an economic dispatch,¹⁶⁸ rather, WPP states that the proposed WRAP Tariff establishes a Total Settlement Price that a seller is paid for Operational Program sales, and a separate Make Whole Adjustment that is applicable if the selling Participant's opportunity costs exceed the compensation the seller receives for the Holdback Requirement and the Energy Deployment (and accounting for factors that

¹⁶⁴ Proposed WRAP Tariff, § 20.4.2.

¹⁶⁵ Cates Aff. ¶ 9.

¹⁶⁶ Proposed WRAP Tariff, § 20.7.1.

¹⁶⁷ WPP clarifies that revenues from Delivery Failure Charges assessed in cases where the deficit was fully satisfied by other Participants will be used to reduce WPP costs that are recovered through Schedule 1 (WRAP Administration Charge Revenues). Delivery Failure Charges assessed in cases where the deficit was not fully met by other Participants will be collected by the WPP and provided to the Participant that had an unserved deficit. Repeated Delivery Failures may result in a Participant being expelled from WRAP. Proposed WRAP Tariff, §§ 20.7.4.3, 20.7.5.

¹⁶⁸ Filing, attach. F, Affidavit of Ryan L. Roy at ¶ 24 (Roy Aff.).

mitigate those opportunity costs).¹⁶⁹ Specifically, WPP proposes to base the Total Settlement Price using the methodology approved by the Commission for CAISO.¹⁷⁰ The Total Settlement Price uses a Day-Ahead Applicable Price Index with an Hourly Shaping Factor identical to CAISO's hourly shaping ratio, and a 110% multiplier.¹⁷¹ WPP will specify the particular applicable price indices in its Business Practice Manuals and anticipates specifying the Mid-Columbia and Palo Verde indices, as those are the primary liquid trading hubs for bilateral transactions in the Western Interconnection, and provide representative electric prices for the bilateral market outside CAISO's balancing authority area. While CAISO uses the index that produces the highest price, WPP proposes to use the appropriate index for the Subregion at issue.¹⁷²

97. WPP explains that to ensure compensation for all costs reasonably associated with meeting WRAP sale obligations, the pricing proposal also includes compensation for reasonable opportunity costs, in the form of a Make Whole Adjustment, which WPP describes as an opportunity cost payment. The proposed WRAP Tariff specifies that the Make Whole Adjustment is applied if the compensation otherwise provided via the Total Settlement Price and its components is less than the estimated revenues the selling entity would have received had such entity not been subject to a Holdback Requirement and had sold a day ahead block of energy with a MW value equal to the maximum amount of Holdback Requirement for the hours in the block.¹⁷³

98. WPP states that both the Operations Program Energy Deployments and proposed pricing structure support the objective that the WRAP should be a resource of last resort—not a resource of first resort. WPP explains that the settlements are designed such that Participants would not be incentivized to invoke the WRAP's (mandatory) sales of Holdback and Energy Deployments as a less expensive alternative to securing bilateral purchases from the WRAP region resources outside the Operations Program; thus, the

¹⁶⁹ Roy Aff. ¶ 11.

¹⁷⁰ *Id.* ¶ 13; Transmittal at 38 (citing *Cal. Indep. Sys. Operator Corp.*, 175 FERC ¶ 61,076, at PP 42-44 (2021) (2021 CAISO Order)).

¹⁷¹ WPP also explains that the Total Settlement Price is split into a component to compensate Participants for delivering Energy Deployments (no more than 80% of the Total Settlement Price), and what remains from the Total Settlement Price will be marked as compensation for the Holdback Requirement. Transmittal at 40 (citing Roy Aff. ¶ 13); Proposed WRAP Tariff, § 21.2.6.

¹⁷² Roy Aff. ¶ 14.

¹⁷³ *Id.* ¶ 16; Proposed WRAP Tariff, § 2.1.2.5.

pricing incorporates a reasonable premium over the index price, and provides a component permitting recovery of opportunity costs.¹⁷⁴

b. Comments and Protests

99. PGE states that it expects the Operations Program to enhance reliability by ensuring sufficient reserve supply is available across the WRAP.¹⁷⁵ Powerex states that the Operations Program unlocks the diversity of WRAP resources in the day ahead and real time timeframes, providing members with access to resource adequacy assistance when stressed conditions arise.¹⁷⁶ Powerex notes that the Operations Program is a platform for bilateral transactions of the type undertaken across the region for decades—with timing and deadlines in line with existing practices, but further explains that it is innovatively tied back to the resource adequacy program through tracking and coordination mechanisms. Idaho Power explains that the WRAP will enhance resource adequacy and reliability by allowing an entire footprint of entities, rather than just one, to absorb changes in resource availability or load needs during qualifying events.¹⁷⁷ Further, Idaho Power explains that this sharing will leverage the diversity of load and resource characteristics across the footprint to minimize the impact of shortfalls on any particular entity.

100. Clean Energy Buyers state that the bilateral nature of any implementing transactions resulting from Holdback Requirements and Energy Deployments avoids concerns over how other Participants might be impacted by these transactions.¹⁷⁸ Clean Energy Buyers further note that the Cost of New Entry (CONE)¹⁷⁹ that will be used as the basis for any Deficiency Charge assessments will be set forth in the Business Manuals as opposed to the filed proposed WRAP Tariff and it is uncertain whether the CONE will be

¹⁷⁴ Roy Aff. ¶ 56.

¹⁷⁵ PGE Comments at 2-3.

¹⁷⁶ Powerex Comments at 9.

¹⁷⁷ Idaho Power Comments at 4.

¹⁷⁸ Clean Energy Buyers Comments at 10.

¹⁷⁹ The CONE value is based on the annual revenue requirement of a hypothetical capacity resource. The WRAP Tariff defines the CONE value as the annual capital and fixed operating costs to install a hypothetical new peaking gas plant. See Transmittal at 27; Proposed WRAP Tariff § 17.2.5.

regularly updated.¹⁸⁰ However, Clean Energy Buyers state that given the limited use of the CONE, the tariff requirement that the CONE be based on publicly available information and the tariff provision that any revisions to the CONE will be subject to stakeholder review, Clean Energy Buyers believe that these measures are sufficient for transparency and certainty and allow an opportunity for review and input by parties.¹⁸¹

101. MLCG/WIEC oppose the proposed settlements arrangement of the Operations Program. MLCG/WIEC state that concern exists with respect to the proposed use of decentralized Operations Program settlements which would require each load responsible entity to have separate bilateral contract arrangements, including credit arrangements, in place with each and every other load responsible entity that is participating in the WRAP.¹⁸² MLCG/WIEC explain that given the breadth and scope of the participants in the WRAP, for smaller load serving entities that process would be burdensome and complex.¹⁸³ MLCG/WIEC assert that to promote efficiency and participation on just and reasonable terms, these arrangements should instead be facilitated by the WRAP itself.¹⁸⁴

c. Commission Determination

102. We find that the proposed structure of the Operations Program is just and reasonable and not unduly discriminatory or preferential, and accept it as proposed, noting the discussion in the next section on market-based rate authority and compensation. We find that the Operations Program constitutes a valuable framework to maximize the benefits of existing resource diversity in the Western Interconnection and provides a useful last-resort option for Participants if circumstances lead to any capacity deficiencies in a given Operating Day. Overall, we agree that the Operations Program is a positive development for the region given the challenges that WPP has persuasively outlined, and which, fundamentally, no party has disputed in this proceeding. We recognize that the Operations Program is built upon the bilateral trading that generally occurs in the Western Interconnection and uses existing bilateral trading frameworks to achieve its goals. Through the facilitation provided by the Operations Program (which builds upon the regional assessments enabled by the Forward Showing Program),

¹⁸⁰ *Id.* (citing Transmittal at 27-28, Proposed WRAP Tariff, §§ 17.2.5, 17.2.6).

¹⁸¹ *Id.* at 10-11.

¹⁸² MLCG/WIEC Protest at 5 (citing Transmittal at 37-38; Proposed WRAP Tariff, § 21).

¹⁸³ *Id.* at 5.

¹⁸⁴ *Id.*

Participants will be able to share information and be better prepared to identify and address capacity deficiencies across the region.

103. As a novel program, the proposed WRAP does not have an identical precursor. But certain aspects—specifically the design of settlements, pricing, and penalties—are based upon existing, broadly-used concepts that the Commission has approved in the past. The proposed settlement price is set by the same type of pricing methods—use of liquid price indices and legitimate opportunity costs—that the Commission has found to be just and reasonable in other instances. First, the Commission has previously accepted index-based pricing for sales by Commission-jurisdictional public utilities in WPP’s Reserve Sharing Group.¹⁸⁵ As noted by WPP, several of these Reserve Sharing Group members are also active in the development of the WRAP and are potential Participants in the WRAP.¹⁸⁶ We find that an index-based price is as reasonable for these sellers’ sales of Energy Deployment and Holdback as it is for those same sellers’ sales of reserves.

104. Second, the Total Settlement Price proposed is essentially identical to the Maximum Import Bid Price the Commission accepted last year for CAISO, including the same 10% premium and the same Hourly Shaping Factor.¹⁸⁷ Specifically, the Commission found that “CAISO’s approach to validating import bids represents a balanced approach between allowing high prices during times when prices in the Western Interconnection are high and ensuring bids by resource adequacy resources reflect prevailing market conditions.”¹⁸⁸ This same rationale applies to the Total Settlement Price’s use in the Operations Program. Third, we find that the Operations Program transaction pricing is consistent with the Commission’s recognition that liquid price indices and opportunity costs may reflect just and reasonable pricing for WECC transactions above the \$1,000/MWh soft price cap.¹⁸⁹ We find that the design of the

¹⁸⁵ See, e.g., *El Paso Elec. Co.*, 148 FERC ¶ 61,051, at P 7 (2014) (showing use of PV price to set imbalance charges); *Idaho Power Co.*, 121 FERC ¶ 61,181, at P 27 (2007) (showing use of Mid-C price to set imbalance charges); *PacifiCorp*, 95 FERC ¶ 61,145, at 61,465 (2001) (including Mid-C and PV in group of “four major western interfaces” used to set energy imbalance rate); *Pinnacle W. Energy Corp.*, 92 FERC ¶ 61,248, at 61,791 (2000) (showing use of PV price to set prices for affiliate transactions because the PV index is a recognized market hub with competitive prices).

¹⁸⁶ Roy Aff. ¶ 25.

¹⁸⁷ 2021 CAISO Order, 175 FERC ¶ 61,076 at PP 42-44.

¹⁸⁸ *Id.* P 43.

¹⁸⁹ See *ConocoPhillips Co.*, 175 FERC ¶ 61,226, at PP 16, 20 (2021).

WRAP's settlement pricing for the Operations Program strikes a balance to incent Participants to be obligated to sell to deficient Participants while guarding against a tendency for deficient Participants to be over-reliant on the Energy Deployments. We also find that the use of a reasonable premium, as proposed by the WRAP Total Settlement Price, is a reasonable mechanism to achieve the aforementioned goals.

105. We find the proposed Delivery Failure Charge to be just and reasonable. We agree that utilizing a reasonable penalty to ensure that Participants sell their held back capacity enhances the ability of the WRAP to act as a reliable backstop for deficient Participants on the Operating Day. The design of how Delivery Failure Charges are assessed allows the opportunity for Participants to request waiver for valid circumstances; additionally, the proposed WRAP Tariff provides that if a waiver were denied, a Participant may appeal the denial to the Board. We find that these accommodations strike a reasonable balance between providing situational flexibility to Participants while providing sufficient incentive to supply commitments. We also find just and reasonable the proposed distribution of revenues from Delivery Failure Charges assessed to either those Participants that covered the deficiency or to the Participant with an unserved deficit, depending on the circumstances; this provides a necessary incentive for Participants not only to meet their own obligations, but to help cover potential supply gaps in the Operating Day. We find this to be a reasonable application for the funds as it is analogous to other frameworks in which collected penalties for a compliance requirement are redistributed to other Participants that met a need.¹⁹⁰

106. We reject MLCG/WIEC's argument that the proposed settlement process should be facilitated by the WRAP itself rather than relying on traditional bilateral arrangements, including credit arrangements. The WRAP has resulted from voluntary, collaborative negotiation and is designed to rely on the existing bilateral trading regime. Because we find that WPP's proposal as designed is just and reasonable, we need not consider whether the proposal is more or less reasonable than other alternatives.¹⁹¹

¹⁹⁰ For example, penalty charges collected in CAISO's Resource Adequacy Availability Incentive Mechanism for resources that do not meet an availability requirement are redistributed as incentive payments to other resources providing capacity who do meet their requirements. CAISO, Fifth Replacement FERC Electric Tariff, §§ 40.9.6.

¹⁹¹ See *supra* n.140.

4. Market-Based Rate Issues

a. WPP Proposal

107. WPP explains that the WRAP proposal encourages bilateral transactions among Participants (or between Participants and non-Participants) to address potential capacity deficiencies. On bilateral transactions generally, WPP acknowledges that Commission-jurisdictional Participants who engage in bilateral transactions will be subject to Commission regulation to the same extent they would be if they entered a transaction for a non-WRAP purpose.¹⁹² WPP also acknowledges that such entities will need to obtain, or have in place, market-based rate authority to engage in such transactions.

108. Regarding the Forward Showing Program, WPP states that WRAP rules will not prescribe that any transactions must occur between Participants.¹⁹³ WPP further states that, whereas Participants will need to demonstrate they have qualifying capacity contributions for each month of the Binding Season, how and where each Participant obtains resources or contracts is entirely up to the Participant and occurs outside the Forward Showing Program. WPP's expert, Mr. Ryan L. Roy adds that, while the Forward Showing Program rules can affect the demand and supply for resources, those effects will occur within the existing framework of Commission regulation, market-power mitigation, and market-based rate authority.¹⁹⁴

109. WPP explains that the Operations Program relies on bilateral transactions conducted under “the existing framework of Commission jurisdiction and market-based rate authority to the extent applicable, in the same manner as transactions that are not for a WRAP purpose.”¹⁹⁵ WPP emphasizes that the Operations Program is intended to be a last resort—not a first resort—for Participants that are facing the prospect of a resource adequacy shortfall on an upcoming Operating Day; and that Participants are expected and encouraged to resolve their potential shortfalls through bilateral purchases outside the WRAP before they invoke the Operations Program provisions.

110. Mr. Roy explains that because there are no economic price bids, there are no potential opportunities for the exercise of market power similar to those in organized capacity and energy markets.¹⁹⁶ Further, WPP states that the settlement price is

¹⁹² Transmittal at 42.

¹⁹³ *Id.* at 43.

¹⁹⁴ Roy Aff. ¶ 22.

¹⁹⁵ Transmittal at 43 (citing Roy Aff. ¶ 22).

¹⁹⁶ Roy Aff. ¶ 24. Mr. Roy notes that, unlike resource adequacy programs that use

prescribed by the proposed WRAP Tariff based on liquid price indices and opportunity cost and is not determined by offers submitted by Participants.¹⁹⁷ WPP argues that the use of index-based settlement prices is essentially identical to CAISO's Maximum Import Bid Price in concept—which the Commission accepted—and also points to the WECC soft offer price cap as an area where the Commission permits reliance on a liquid price index.¹⁹⁸

111. WPP asserts that when the need for an Energy Deployment under the Operations Program does arise, the structure of the Operations Program does not allow for economic withholding because Participants do not have a choice to refuse to provide energy.¹⁹⁹ WPP states that because the proposed WRAP Tariff prescribes the price (not the seller or buyer) there is no opportunity for exercise of market power (i.e., a seller submitting an offer above its marginal costs). WPP states that the structure of the Operations Program prevents sellers from exercising control over price, quantity, or the Tariff-triggered obligation to make a sale.²⁰⁰

b. Deficiency Response

112. In the Deficiency Letter, Commission Staff requested additional information regarding how the Operations Program would interact with the existing market-based rate authority of potential Participants, including when a Participant does not have market-based rate authority or is mitigated for a particular market or balancing authority area. The Deficiency Letter noted that, under the Operations Program, two of the mechanisms used to compensate surplus Participants for selling or holding back MWs are the Total Settlement Price and the Make-Whole Adjustment, both of which are based on formulas that include market-based rates determined by relevant price indices. Given that the compensation under either of these vehicles partly derives from applicable sub-regional price indices, the Deficiency Letter inquired how the WRAP design would accommodate

an auction in a market to set program prices, the settlement price prescribed in the proposed WRAP Tariff for Participant-to-Participant sales is not determined by any offers submitted by any Participant. *Id.*

¹⁹⁷ Transmittal at 44.

¹⁹⁸ *Id.* at 38 (citing 2021 CAISO Order, 175 FERC ¶ 61,076 at PP 42-44).

¹⁹⁹ *Id.* at 43-44.

²⁰⁰ *Id.* at 45 (citing Roy Aff. ¶ 27).

Participants without market-based rate authorization in a specific market, or those mitigated in a specific market.²⁰¹

113. In the Deficiency Response, WPP reiterates that the design of the Operations Program inherently guards against potential exercise of market power, and that requiring a different mitigation approach would undermine WRAP objectives.²⁰² WPP asserts that WRAP's settlement pricing is based on competitive price indices and opportunity costs, which adequately mitigate the ability of all Participants to exercise market power (whether or not they have market-based rate authority).²⁰³ WPP asserts that the Commission's policy for market power mitigation in Order No. 697 contemplates the possibility that a seller with market power could mitigate its market power by making sales at an index-based price rather than adopting default cost-based rates.²⁰⁴ WPP also asserts that the Commission's acceptance of the use of the Mid-Columbia and Palo Verde hubs in the CAISO maximum import bid pricing to set prices for resources located in the non-CAISO WECC area is consistent with the Commission's recognition that the two trading hubs are sufficiently liquid to represent competitive prices.²⁰⁵

114. Further, WPP states that the design of the Operations Program mitigates market power (in the relevant processes implicated by the Commission's questions, i.e., the Holdback Make-Whole Adjustment and the Total Settlement Price for selling energy on the Operating Day) inherently by preventing sellers from exercising control over the material elements of WRAP-required transactions, even with respect to mitigated sellers in certain control areas. WPP specifically explains that sellers are not able to exercise

²⁰¹ Deficiency Letter at 2.

²⁰² Deficiency Response at 4-5, 11.

²⁰³ *Id.* at 11.

²⁰⁴ *Id.* at 4-5. WPP states that in Order No. 697 the Commission expressly authorized sellers to propose "market-based" mitigation measures, "such as the use of an index or [a locational marginal price] proxy, for Commission consideration on a case-by-case basis based on their particular circumstances," rather than simply defaulting to cost-based rates. *Id.* at 5 (quoting *Mkt.-Based Rates for Wholesale Sales of Elec. Energy, Capacity and Ancillary Servs. by Pub. Utils.*, Order No. 697, 119 FERC ¶ 61,295, at P 698 (2007); *clarified*, 121 FERC ¶ 61,260 (2007), *order on reh'g*, Order No. 697-A, 123 FERC ¶ 61,055, *clarified*, 124 FERC ¶ 61,055, *order on reh'g*, Order No. 697-B, 125 FERC ¶ 61,326 (2008), *order on reh'g*, Order No. 697-C, 127 FERC ¶ 61,284 (2009), *order on reh'g*, Order No. 697-D, 130 FERC ¶ 61,206 (2010), *aff'd sub nom. Mont. Consumer Counsel v. FERC*, 659 F.3d 910 (9th Cir. 2011)).

²⁰⁵ *Id.* at 8.

control over price, quantity, or the Tariff-triggered obligation to make a sale, all of which, if left up to seller's control, might be used to exercise market power. In the Operations Program, Participants do not submit offers for any of the WRAP-directed transactions, and do not have the ability to influence, through offers, the price to be paid for Holdback Requirements or Energy Deployments. WPP also asserts that sellers lack the ability to engage in withholding the Energy Deployment because the Tariff obligates them to comply with Energy Deployment directives or face substantial penalties.²⁰⁶

115. WPP remarks that the emphasis and intention of its Operations Program—and the prices it sets—is primarily to be a last resort backstop option, encouraging Participants to procure outside of the WRAP, and not intended to shift supply and counterparties away from the bilateral market. WPP adds that consistent with this intention, WPP is required to provide indicative results starting seven days in advance of an Operating Day, giving deficit Participants ample time to use the bilateral market, in which all Commission-jurisdictional sellers are required to have market-based rates or acceptable mitigation.²⁰⁷

116. According to WPP, when Energy Deployments do occur, the Operations Program prescribes prices based on approaches that the Commission has previously found mitigate market power (i.e., reliance on competitive price indices and recognition of legitimate opportunity costs). Particularly, WPP argues that Total Settlement Price is patterned directly on the maximum import bid pricing that the Commission approved for CAISO, which includes price indices adjusted by an hourly shaping factor and a multiplier.²⁰⁸ Thus, WPP states that the Commission's acceptance of using the Mid-Columbia and Palo Verde hubs in CAISO to set prices for resources located in the WECC area is consistent with the Commission's prior recognition of those two trading hubs as having sufficient liquidity to represent competitive prices at those two hubs.²⁰⁹ WPP maintains that CAISO specifically proposed the approach (that WPP is adopting) to address concerns that certain import bids "could exercise system-level market power."²¹⁰

117. Aside from reliance on competitive price indices, WPP explains that the only other element of the WRAP settlement pricing that could increase compensation to sellers is

²⁰⁶ *Id.* at 6.

²⁰⁷ *Id.* at 7.

²⁰⁸ *Id.* at 8 (citing 2021 CAISO Order 175 FERC ¶ 61,076 at P 8).

²⁰⁹ *Id.* at 7-8 (citing *El Paso Elec. Co.*, 148 FERC ¶ 61,051 at P 7; *Idaho Power Co.*, 121 FERC ¶ 61,181 at P 27; *PacifiCorp*, 95 FERC ¶ 61,145 at 61,465; *Pinnacle W. Energy Corp.*, 92 FERC ¶ 61,248 at 61,791).

²¹⁰ *Id.* at 9 (citing 2021 CAISO Order, 175 FERC ¶ 61,076 at P 9).

the Make-Whole Adjustment, which WPP states is a textbook example of an opportunity cost. WPP asserts that the Commission itself has observed that it (the Commission) has “long recognized opportunity costs as a legitimate component of just and reasonable rates.”²¹¹ Further, WPP asserts that the Commission recently adopted an opportunity cost framework to mitigate the potential exercise of market power, which requires a demonstration that the seller had “an opportunity to sell power above the [price otherwise permitted] that it declined to make in favor of the consummated sale”; and in particular, “the opportunity cost framework requires evidence of [: (1)] alternative sales options, including details on the timing, location, quantity, and likely price of the alternative sale”; and (2) “the ability to deliver at the time of the actual transaction to the point of sale.”²¹²

118. Thus, WPP argues, its WRAP settlement pricing is just and reasonable and relies on elements the Commission has found to adequately mitigate potential exercise of market power; and that the mitigation, by definition, is sufficient whether or not the affected seller has market-based rate authority for its sale to the affected buyer. Finally, WPP opposes any potential mitigation or adaptations, stating that basing price on a seller’s production cost (which WPP asserts is the default mitigation measure) likely would seriously undermine WRAP objectives by resulting in settlement prices that are below the price that a deficit Participant would pay in the bilateral market; and therefore, any Participants who are sellers would lose important incentives to participate in the Operations Program. WPP asserts that alternative mitigation would be especially risky as a Participant is obligated to take on a Holdback Requirement or Energy Deployment mandated by the Operations Program, and subjecting sellers to sell uneconomically would be unjust and unreasonable.²¹³ Lastly, WPP notes that alternative mitigation approaches would undermine the optimized use of available transmission in the most efficient manner by preventing the types of transactions that existing market-power mitigation regimes restrict, such as sales to buyers in a seller’s own balancing authority area or adjacent balancing authority areas.²¹⁴

²¹¹ *Id.* at 9-10 (citing *ConocoPhillips Co.*, 175 FERC ¶ 61,226 at P 16 (citing *Cal. Indep. Sys. Operator Corp.*, 163 FERC ¶ 61,211, at P 11 (2018) (approving default energy bid formulas for hydroelectric resources in CAISO with storage, taking into account these resources’ opportunity to sell energy outside of CAISO)).

²¹² *Id.* at 10 (citing *ConocoPhillips Co.*, 175 FERC ¶ 61,226 at PP 18-19).

²¹³ *Id.* at 11.

²¹⁴ *Id.* at 12.

c. Comments on Deficiency Response

119. PacifiCorp and NV Energy, Idaho Power, Arizona Public Service Company, and Puget Sound Energy submitted comments stating that, as WPP explained, the structure of the Operations Program—in which the seller does not control the quantity, price, and obligation to sell under the Energy Deployment—inherently guards against meaningful exercise of market power. The commenters argue against imposing any further mitigation measures, as such measures might adversely impact or undermine the spirit of the Operations Program, and further urge the Commission to accept the WRAP Tariff as proposed.²¹⁵

120. Further, PacifiCorp and NV Energy reiterate WPP's response that use of an index is an acceptable market based mitigation measure, and note that Commission has recognized that price hubs such as Mid-Columbia and Palo Verde are liquid markets with competitive prices.²¹⁶ Altogether, PacifiCorp and NV Energy state that if they are called upon to make a sale under the Operations Program that would otherwise have been prohibited by the geographic restrictions on their market-based rate authority, the Operations Program would act as an acceptable mitigation rate so that the seller could meet its obligations under WRAP. PacifiCorp and NV Energy state that both their market-based rate tariffs on file with the Commission prohibit them from making wholesale sales at market-based rates in certain balancing authority areas, including their own home balancing authority areas.²¹⁷ Finally, PacifiCorp and NV Energy also add that, as potential buyers under the Operations Program, they are comfortable with the design of the Operations Program and do not feel additional protection from a Participant seller is needed.

121. Californians for Green Nuclear Power inquire if the Commission is concerned about an exercise of market power by Berkshire Hathaway Energy if the WRAP proposal is approved.²¹⁸

²¹⁵ PacifiCorp/NV Energy Comments on Deficiency Response at 1-2; APS Comments on Deficiency Response at 3-4, 5; Puget Sound Energy Comments at 3; Idaho Power Company Comments on Deficiency Response at 2.

²¹⁶ PacifiCorp/NV Energy Comments on Deficiency Response at 4 (citing *ConocoPhillips Co.*, 175 FERC ¶ 61,226).

²¹⁷ *Id.* at 2.

²¹⁸ Californians for Green Nuclear Power Comments on Deficiency Response at 1.

d. Commission Determination

122. While we accept the proposed WRAP Tariff's framework for the Operations Program,²¹⁹ we offer certain clarifications regarding the applicability of the Commission's market-based rate regulations. WPP acknowledges that certain transactions in the Operations Program (notably the Energy Deployment and its associated Total Settlement Price) would be market-based rate transactions conducted under existing authorities and frameworks on a bilateral basis between a surplus Participant and a deficient Participant.²²⁰ WPP further acknowledges that Commission-jurisdictional Participants who engage in bilateral transactions related to the WRAP construct will be subject to Commission regulation to the same extent they would be if they entered a transaction for a non-WRAP purpose and such entities will need to have in place market-based rate authority to engage in such transactions.²²¹

123. Under these regulations, each Participant's (or seller's) ability to make market-based rate sales is governed by its own market-based rate tariff, including any existing mitigation that the Participant's market-based rate tariff contains for making sales in specific balancing authority areas. We further note that Participants intending to sell at market-based rates are also required to comply with Commission regulations, including restrictions on affiliate sales of electric energy or capacity,²²² as applicable.

124. We disagree with WPP and commenters that there is an effective distinction between compensation for Energy Deployment and for other (non-WRAP-directed) bilateral sales in the Forward Showing Program and Operations Program with regard to market-based rate authority. Rather, as WPP acknowledges, Participants must have market-based rate authority to engage in Energy Deployment transactions and, if a Participant's market-based rate authority is mitigated with respect to certain sales (for example, sales into certain balancing authority areas), that mitigation applies.

125. However, WPP and commenters argue that the Operations Program inherently mitigates the ability for Participants to exercise market power because: (1) the Operations Program prevents sellers from exercising control over price, quantity, or Tariff-triggered obligations to make a sale; (2) Participants do not submit offers for WRAP-directed transactions and lack the ability to engage in Energy Deployment withholding; and (3) the use of liquid price indices is an adequate mitigation mechanism

²¹⁹ See *supra* section III.B.3.c.

²²⁰ Transmittal at 45; Roy Aff. ¶ 27.

²²¹ *Id.* at 42.

²²² 18 C.F.R. § 35.39.

that the Commission has previously approved. Based on these premises, WPP states that the WRAP's inherent mitigation "is sufficient whether or not the affected seller has market-based rate authority for its sale to the affected buyer."²²³ We disagree. As explained in more detail below, the WRAP Tariff cannot obviate the need for a Participant to have market-based rate authority to engage in market-based bilateral transactions, nor can it override mitigation provisions in existing market-based rate tariffs.

126. First, under the Commission's rules for market-based rate authority, sellers are required to adhere to any Commission-imposed mitigation where sellers make sales of wholesale energy and/or capacity at market-based rates. This is applicable to Energy Deployments under the Operations Program, as the compensation thereof—the Total Settlement Price—includes a market-based price (based on an applicable day-ahead price index) that the selling Participant is paid by a buying Participant. Although the constraints of the Operations Program impose certain practical restrictions on a potential WRAP seller, Participants might nevertheless transact in existing balancing authority areas in which the Commission has already found that the Participants have the ability to exercise market power and/or may be under Commission-directed mitigation. Neither WPP nor any potential Participant has argued that the WRAP or the Operations Program Energy Deployment constitutes a different market for which sellers would apply for market-based rate authority in a new or existing market-based rate tariff. Thus, the existing market-based rate requirements imposed on a Participant through its market-based rate tariff continue to apply, regardless of whether the jurisdictional market-based rate transaction arises out of a non-WRAP bilateral transaction or from a WRAP Energy Deployment.

127. Next, with regard to the use of a price index to mitigate market power, the issue before us is not the appropriateness of using price indices to price settlement transactions nor the ability of price indices to be—in certain circumstances—mitigation mechanisms to address a seller's ability to exercise market power. Rather, the issue is whether certain transactions would adhere to the Participant's existing market-based rate authority and mitigation specified in the Participant's market-based rate tariffs. In Order No. 697-A, the Commission permitted sellers to use an index or [a locational marginal price] proxy for Commission consideration "on a case-by-case basis based on their individual circumstances," rather than simply defaulting to cost-based rates.²²⁴ Thus, the Commission's policy was premised on assessing individual sellers' unique circumstances on a case-by-case basis, should they propose alternatives for the Commission to

²²³ Deficiency Response at 11.

²²⁴ Order No. 697, 119 FERC ¶ 61,295 at P 698.

consider.²²⁵ The general use of a price index in Operations Program settlement pricing as proposed here is not sufficient to demonstrate that a price index may be used by specific Participants that lack market-based rate authority or are subject to market-based rate mitigation, as it does not address whether the proposed index-based price is a just and reasonable rate for a specific Participant that lacks market-based rate authority or is subject to market-based rate mitigation.

128. We recognize the concerns that existing restrictions on a Participant's market-based rate authority have the potential to interfere with its ability to transact at the WRAP Tariff-specified rates, but stress that any such Participant may submit a filing under FPA section 205 to seek new market-based rate authorization with appropriate mitigation or propose to amend its current market-based rate tariff to include tailored mitigation for the Commission to consider.²²⁶ Such Participant-proposed mitigation could include making Energy Deployment transactions under the WRAP using the WRAP Total Settlement Price as a non-cost-based mitigation.²²⁷ In addition, sellers whose ability to make sales pursuant to the WRAP Tariff that might be affected by the Commission's affiliate restrictions rules may request waiver of those restrictions for the Commission's consideration.

129. Finally, we note that Participants who currently submit transactional data in the Commission's Electric Quarterly Report (EQR) must also submit data for jurisdictional transactions made under the WRAP Tariff.²²⁸ Transactions occurring outside the

²²⁵ WPP's reliance in this proceeding on the approved use of price indices in CAISO to set prices for WECC resources is misplaced. *See* Deficiency Response at 8 (citing 2021 CAISO Order 175 FERC ¶ 61,076 at P 8). Under the facts of this case, the use of a liquid price index has not been shown to be suitable market power mitigation.

²²⁶ 18 C.F.R. § 35.38(a) (2021).

²²⁷ *See, e.g., Nev. Power Co.*, 153 FERC ¶ 61,206 (2016); CAISO, CAISO eTariff, App. II (Market-Based Rate Authority Suspension) (2.0.0).

²²⁸ EQRs are the reporting mechanism that the Commission has adopted for public utilities to fulfill their responsibility under FPA section 205(c) to have their rates and charges on file in a convenient form and place. In addition, non-public utilities covered under FPA section 201(f), including federal power marketing administrations or other public power entities, with more than a *de minimis* market presence, are required to file EQRs, pursuant to FPA section 220. *See* 18 C.F.R. § 35.10b (2021). EQRs contain data provided by sellers summarizing contractual terms and conditions in agreements for jurisdictional service, including cost-based rate sales, market-based rate sales, and transmission service, as well as transaction information for short-term and long-term

Operations Program Energy Deployment would continue to be reported in the EQR as regular bilateral transactions. With respect to Energy Deployment transactions under the Operations Program specifically, we direct Participants to report these transactions using the Product Name “Energy.” If a Holdback Make-Whole Adjustment occurs for an Operations Program sale, we require that Participants reflect these payments in the EQR as separate transactions by using the Product Name “Uplift.”²²⁹ When reporting Energy Deployment transactions or any associated Holdback Make-Whole Adjustments, we require Participants to use the term “WRAP” at the beginning of the “Transaction Unique Identifier” listed in Field Number 50. Based on the current EQR system design, Field Number 50 is an unrestricted text field which contains a unique reference number assigned by the seller for each transaction. Using this identifier will assist the Commission in monitoring a Participant’s compliance with seller-specific mitigation and enable identification of WRAP transactions in the EQR.

5. Independent Evaluator Reports, Data, and Transparency

a. Proposal

130. WPP explains that the proposed WRAP Tariff requires the Independent Evaluator to conduct annual reviews of the WRAP, including but not limited to analyzing prior year program performance, accounting and settlement, and program design.²³⁰ WPP states that the Independent Evaluator is required to prepare an annual report of its findings, and any recommended modifications to the WRAP design, and present its findings to the WRAP committees and the Board of Directors, subject to any necessary confidentiality considerations.²³¹

131. Similar to RTOs/ISOs that recover their costs to administer resource adequacy programs from load-serving entities and market participants, WPP proposes to recover its

market-based rate power sales and cost-based rate power sales. EQRs ensure that this information is publicly available in a standardized and user-friendly format.

²²⁹ We note that a Holdback Make-Whole Adjustment cannot be classified as either an energy sale or a typical capacity sale. We also recognize that the Product Name “Uplift” in the EQR is typically associated with make-whole payments made by an RTO/ISO, and the WRAP does not involve an RTO/ISO. However, we find that, as a post-transactional make-whole adjustment, the Holdback Make-Whole Adjustment payment should be reported in the EQR as “Uplift.”

²³⁰ Transmittal at 13-14; Proposed WRAP Tariff, §§ 5.1-5.3.

²³¹ Edmonds Aff. ¶ 34.

costs, including the costs of the Independent Evaluator, from the Participants through the WRAP Tariff.²³²

b. Comments and Protests

132. Clean Energy Buyers support WPP's proposal to submit an annual report by the Independent Evaluator. Clean Energy Buyers aver that they do not take issue with the Independent Evaluator reporting directly to the Board if the Independent Evaluator maintains its independence, and state that, hopefully, the Independent Evaluator's annual report of its findings and any recommended modifications to the WRAP design will be presented and discussed with the WRAP committees without prior review or modification by the Board. Clean Energy Buyers encourage WPP to maintain the independence of the Independent Evaluator's role and assert that its independence and reports and assessments will benefit all Participants and stakeholders.

133. Clean Energy Buyers argue that it is important that the Independent Evaluator report on matters such as the level of Deficiency Charges and any proposals to ensure that the Deficiency Charges are reasonable and protect Participants from being impacted by non-performance by other Participants. Clean Energy Buyers further recommend that the Independent Evaluator's annual analysis and report consider whether any changes should be made in order to ensure critical program elements, such as capacity accreditation, is designed to be durable and predictable as the western resource mix evolves. Finally, Clean Energy Buyers encourage the Independent Evaluator's annual review of the WRAP to include costs associated with the Program Operator.²³³

134. NIPPC states the proposed WRAP Tariff does not explicitly require that the Independent Evaluator's annual report be shared broadly with stakeholders or filed with the Commission. Thus, NIPPC requests that the Independent Evaluator be required to study and report back to the Commission annually, even during the non-binding phase, with service on all parties to this proceeding (subject to confidentiality protections), to assist in evaluating if the transmission provisions are having the intended goals of ensuring local deliverability in the Operations Program.²³⁴

135. As a way of addressing the transmission requirements and exceptions and governance issues, Shell Energy recommends that the Commission require the Independent Evaluator to submit reports on the performance of the program to the

²³² Transmittal at 61-62 (citing Filing, attach. G., Affidavit of Rebecca D. Sexton at ¶ 12).

²³³ Clean Energy Buyers Comments at 8-12 (citing Proposed WRAP Tariff, § 5).

²³⁴ NIPPC Comments at 24-25.

Commission no later than 90 days following the conclusion of each Forward Showing Season. Shell Energy states that the Commission should allow all stakeholders and Participants to comment on whether any potential concerns may require Commission attention, so that program design changes may be made prior to the program becoming binding. According to Shell Energy, this would assure the stakeholders that the Commission is maintaining adequate supervision of the program and that the program remains just and reasonable as it moves into the binding phase where significant financial penalties can be imposed on Participants.²³⁵

136. WPTF notes that certain areas of the Operations Program will need close monitoring in the early phases and contends that the Independent Evaluator should assess whether it is economical and necessary for Participants to purchase annual transmission service to meet a seasonal resource adequacy program requirement.²³⁶

c. Deficiency Response

137. In response to a question from Commission staff about whether the Independent Evaluator's report will be made public or available to stakeholders, WPP clarifies that the Independent Evaluator's annual reports are intended to be made public, subject to protections for any confidential information included in those reports. WPP also proposes a tariff revision to explicitly state that "[t]he Independent Evaluator's annual reports shall be made available to the public, except to the extent that they contain information designated as confidential under this Tariff, or information designated as confidential by the Independent Evaluator."²³⁷

d. Commission Determination

138. We find just and reasonable WPP's proposal to require the Independent Evaluator to conduct annual reviews of the WRAP, including but not limited to analyzing prior year program performance, accounting and settlement, and program design, as well as WPP's proposal to require the Independent Evaluator to prepare an annual report of its findings. We further find that WPP has sufficiently supported its intent to make the Independent Evaluator's annual reports public subject to protections for confidential information. We also accept the proposed revisions to proposed WRAP Tariff section 5.3 that WPP

²³⁵ Shell Energy Comments at 7.

²³⁶ WPTF Comments at 4-5.

²³⁷ WPP Deficiency Response at 18.

offered in the Deficiency Response to clarify that the Independent Evaluator's annual reports shall be available to the public.²³⁸

139. We recognize that for the Commission, state regulators, Participants, and other stakeholders, the Independent Evaluator's reports will be a key source of information and analysis on the WRAP's operation. Further, the WRAP is a novel design for the Western Interconnection and, as the program matures, the insight into its functioning will provide useful information and transparency to all stakeholders.

140. Although some commenters request that the Commission require the Independent Evaluator's reports to be filed with the Commission or that the Commission directly monitor certain aspects of the program, we are not persuaded informational submissions to the Commission are necessary at this time to make the WRAP just and reasonable. The informational reports will be available to the public, including the Commission.

141. Finally, as noted above, Participants who currently submit transactional data in their EQRs must continue to submit applicable jurisdictional transactions, including bilateral sales related to the WRAP. We find that, along with the publicly available Independent Evaluator reports, the EQR data will increase transparency and strengthen the ability of stakeholders and the Commission to monitor the performance of the WRAP.

The Commission orders:

(A) The proposed WRAP Tariff is hereby accepted, effective January 1, 2023, as discussed in the body of this order.

(B) WPP is hereby directed to submit informational reports on implementation of the Forward Showing Program transmission exceptions within 60 days after the end of each WRAP Summer Season and Winter Season during the non-binding transition phase, and for the first two years of the binding phase, as discussed in the body of this order.

By the Commission. Commissioner Christie is concurring with a separate statement attached.

(S E A L)

Debbie-Anne A. Reese,
Deputy Secretary.

²³⁸ See revision to Proposed WRAP Tariff section 5.3; Deficiency Response at 17-18.

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Northwest Power Pool

Docket Nos. ER22-2762-000
ER22-2762-001

(Issued February 10, 2023)

CHRISTIE, Commissioner, *concurring*:

1. I concur in approving this FPA section 205 proposal because it represents the creation of a new and, most importantly, *voluntary* structure to promote resource adequacy within the Western states covered by this proposal. The record shows that the organizations representing the state regulators and other policy-makers in the affected states have consented to the proposal, including its governance structure.¹ The record shows no states or state organizations filed in opposition.

2. This proposal as filed does not include binding participation in any specific power markets or in any specific RTO, existing or to be created. Whether the states in the non-RTO West choose to allow or require their regulated utilities to participate in specific power markets or RTOs will be decisions for the elected and duly-appointed policy-makers in these Western states to make, not for the Commission to impose on them. It is the elected and duly-appointed state officials, including state utility regulators, who represent the public interest in their states, and it will ultimately be their decision whether or not this voluntary construct for resource adequacy evolves into more, such as participation in specific power markets or new or existing RTOs.

For these reasons, I respectfully concur.

Mark C. Christie
Commissioner

¹ See, e.g., CREPC Comments at 1, 3 (noting strong support for the WRAP and indicating that the WRAP was the result of a collaborative effort between stakeholders across the West, including state representatives).

Document Content (s)

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