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December 6, 2011

## MEMORANDUM

**TO:** Power Committee Members

**FROM:** John Fazio, Senior System Analyst

**SUBJECT:** Adoption of a Revised Resource Adequacy Standard for the Northwest

At its December 6<sup>th</sup> meeting, the Council is scheduled to vote on the adoption of a proposed revision to the resource adequacy standard that it approved in 2008. The revisions are recommended by the Resource Adequacy Forum. This completes action item ADQ-3 in the Council's 6<sup>th</sup> Power Plan, which calls for the Council to periodically review the standard.

The new standard keeps the same probabilistic methodology to calculate the loss-of-load probability (LOLP), which measures the likelihood of shortfalls. However, instead of calculating separate LOLP values for winter energy, winter capacity and summer capacity needs, the new standard calculates a single LOLP value for the entire year for any type of shortfall event. The LOLP threshold remains at 5 percent, meaning that an adequate supply must have an LOLP of 5 percent or less. The new standard eliminates the translation of the 5 percent LOLP threshold into thresholds for more commonly used static measures for load/resource balance and for capacity planning reserves. These static adequacy thresholds often differ from similar measures, published by BPA and PNUCC, because they are calculated differently, for different purposes. To eliminate confusion, the static thresholds are no longer a part of the standard.

Future adequacy assessments will also include a *State of the System* report, which provides more detailed information about the adequacy of the power supply. The report includes statistical information about potential shortfalls, the timing of shortfalls and conditions under which they may occur. It also includes a summary of how often and how much market and non-firm supplies are used.

Draft language for the revised standard (Council document 2011-13) was released for public comment from October 17<sup>th</sup> through November 11<sup>th</sup>. Comments were all in support of the proposed revisions. The revised adequacy standard language (Council document 2011-14), the summary of comments and the associated decision memo can be found in the Council packet.

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