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October 25, 2011

MEMORANDUM

TO: Council Members

FROM: Terry Morlan
Director, Power Planning Division

SUBJECT: Comments on Draft Language for a Revised Adequacy Standard

At its October 2011 meeting, the Council agreed to release for comment, draft language for a revised resource adequacy standard. At this meeting, the Council has allocated a portion of time to hear public comment on that language. The comment period runs through the close of business (5:00 pm Pacific Daylight Time) of Friday November 11, 2011. At the December Council meeting, staff will present a summary of comments, any substantive changes to the language prompted by the comments, and a final version of the adequacy standard to be voted on for adoption.

The Resource Adequacy Forum has monitored the effectiveness of the current standard, which was adopted by the Council in 2008. While the current standard has proven to be a useful measure of the status of the power supply, the Forum identified numerous areas where it could be improved. Armed with suggestions from an independent peer review, the Forum revised the standard to make it simpler and more informative.

The proposed new standard uses a single loss-of-load-probability metric to assess whether the existing power supply can adequately serve anticipated regional demand through the next 5-year period. This assessment should not be confused with a resource acquisition strategy. It is designed to be a minimum-level guard against dangerously low resource development, in other words, as a smoke alarm. In addition, the assessment will also provide a *State of the System* report, which includes a wealth of statistical information including a monthly breakdown of potential problems, the likelihood and magnitude of the use of market and standby resources and the size of potential problems and the conditions under which they could occur.

To date, the only substantive comment received has been to keep the “green, yellow and red” indicators for system adequacy. Systems with an LOLP greater than 5 percent are deemed to be inadequate and would have a status of “red.” The Forum would determine the secondary delimiter that differentiates between a “yellow” and “green” status. The Forum also has the responsibility to modify market and standby resource assumptions as warranted.

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