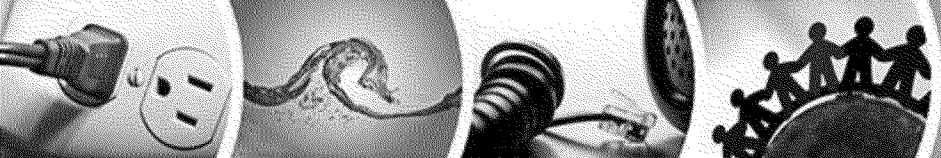


Costs of Multi-Year Resource Adequacy

Peter Spencer
May 2, 2014

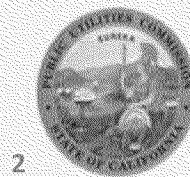
Energy - Summer
 On peak 1,993 kWh x \$0.07981 \$158.00
 Mid peak 2,616 kWh x \$0.07981 \$208.80
 Off peak 2,710 kWh x \$0.07981 \$216.30
 Energy - Winter
 Mid peak 1,235 kWh x \$0.07981 \$98.57
 Off peak 798 kWh x \$0.07981 \$63.69
 Facilities related demand 340 kW x \$1,860.00 \$628.20

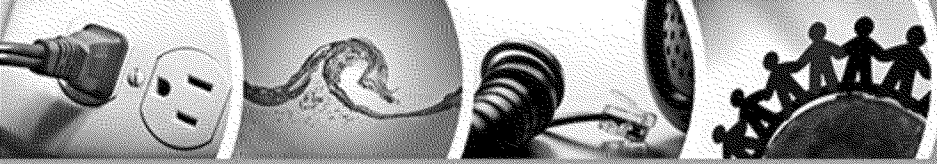
Your Delivery Charge
 \$272.05 transmission
 \$2,588.51 distribution
 \$22.99 nuclear
 \$240.17 public
 Franchise fees repayment
 Your Generation Charge
 Transition Charge



Multi-year RA Costs

- Consideration of the potential costs of a multi-year Resource Adequacy program is included in the scope of R.14-02-001
- An analysis of potential costs will help determine the most cost-effective reliability enhancement

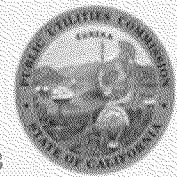


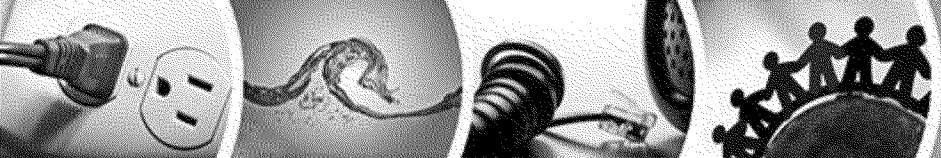


Multi-year RA Costs

The multi-year program design will determine costs:

1. Forward procurement years: 2, 3 or more
2. Duration of the program: temporary or permanent
3. Types of capacity included: system, local, flexible, subsets of flexible capacity
4. Required procurement percentages in forward years

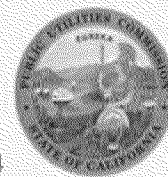


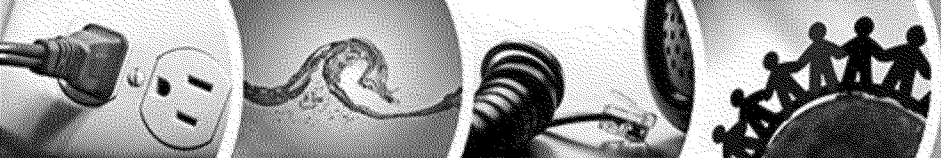


Forward Procurement Years

Each additional year added to the current year-ahead RA program will:

1. Increase the risk of forecasting errors
2. Increase capital costs
3. Limit LSE procurement flexibility
4. Increase administrative costs



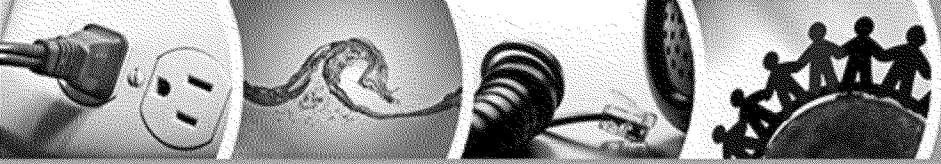


Program Duration

The total costs of multi-year RA will depend on the program duration.

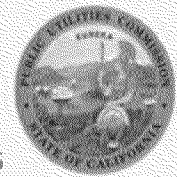
1. A temporary program:
 - a) May end at a set date (e.g. 2020)
 - b) May end based on reliability assessment
2. A permanent program:
 - a) Regular re-evaluation to consider modifications





Capacity Types Included

1. Each type of capacity required will add to costs and should be evaluated for its contribution to reliability
2. To minimize costs, only future capacity procurement which provides a benefit should be mandated
3. System, local and flexible capacity may be included in any combination to determine the least cost design





Future Procurement Percentages

- RA program currently mandates year-ahead capacity requirements of 100% for local and 90% for system
- The percentages set for forward years will impact the costs, including the risk of stranded costs
- To minimize costs the lowest percentages should be set for each future year which provides the desired level of reliability enhancement





Summary

- R.14-02-001 calls for an analysis of the costs associated with a multi-year RA design.
- This cost analysis will be complex and involve multiple variables and program design options
- Costs are an important consideration of any multi-year framework
- **ORA recommends:** a working group to develop a cost analysis methodology for multi-year RA

