

## **Peak Reliability Budgeting Scenarios - Request for Comments**

**Issue Date: June 1, 2018**

**Comments Due: July 30, 2018**

### **I. Introduction and Background**

Peak's fundamental mission is to enhance and promote the reliability of the Bulk Electric System (BES). Today Peak meets its mission primarily through its mature and sophisticated reliability coordination services, system modeling capability, and innovative reliability services such as Hosted Advanced Applications (HAA). While the quality of Peak's services and capability are without equal among new or existing Reliability Coordinators (RC), the fact is that the emergence of markets in the West has driven funding entities to demand choice and quality reliability services at a competitive cost.

This year, Peak has developed its 2019 budget against a competitive backdrop in which other players plan to offer RC services and Funding Parties have not yet determined which entity they will choose after Dec. 31, 2019. Consequently, and in keeping with our mission to assure that the utmost level of reliability is maintained during this period of uncertainty, Peak has developed draft budgets that support two scenarios:

- **Scenario 1 – 2019 Status Quo and 2020 Transitional RC (TRC)**
  - 2019 funding will remain at the same level as 2018, 2017 and 2016 – \$44.6 million
  - The 2020 budget for the TRC is:
    - \$28.7 million as described in the [TRC](#) white paper, and
    - \$1.3 million associated with self-funding Reliability Services
- **Scenario 2 – 2019 Wind Down and 2020 Wind Down Completion**
  - 2019 funding reflects a wind down scenario where Peak will cease operations Dec. 31, 2019
  - The 2019 budget includes additional expense related to staff retention and contractual obligations required to transition RC responsibilities
  - The 2020 budget reflects costs associated with Peak's closure

Consistent with the processes described in the Funding Agreement, on June 1 draft budgets under each of these scenarios were posted for Funder, Member and Stakeholder review at [Scenario 1](#) and [Scenario 2](#).

### **II. Request for Comments**

Peak is simultaneously seeking expanded comments on the larger policy questions that the funding scenarios present for the future of Peak and the reliability of the Western Interconnection.



Peak urges all interested parties to submit comprehensive comments in response to these questions. Comments will inform the Peak Board of Directors with respect to the 2019-2020 budget and ultimately, the future direction of Peak. The full list of questions for which your comments are requested is immediately below in Section III.

### III. Questions

- a. Financial Implications.** Peak posted on June 1, 2018, the Proposed Business Plans and Budgets for Scenario 1 [HERE](#) and 2 [HERE](#). Please provide comments on the following aspects of each scenario:
- i. *What financial implications, if any, do you anticipate (or should otherwise be considered and/or mitigated) with the TRC scenario?*
  - ii. *What financial implications, if any, do you anticipate (or should otherwise be considered and/or mitigated) with the Wind Down scenario?*
  - iii. *Do these financial implications favor one scenario over the other? If yes, which scenario and why?*
- b. Operational Implications.** Peak will issue a Technical Specifications Document (TSD) on June 5, describing the scope of operational services and infrastructure for both budget scenarios. Please provide comments on the TSD and address the following:
- i. *Given the standard set forth in the TSD, what operational implications or risks, if any, do you anticipate (or should otherwise be considered and mitigated) with the TRC scenario?*
  - ii. *Given the standard set forth in the TSD, what operational implications or risk, if any, do you anticipate (or should otherwise be considered and mitigated) with the Wind Down scenario?*
  - iii. *Given the standard set forth in the TSD, do these operational implications favor one scenario over the other? If yes, which scenario and why?*
- c. Governance Implications.** Peak's proposed TRC Scenario includes a reduction in both executive management and the Board of Directors. Please provide comments on the following:
- i. *What changes, if any, should be considered to Peak's existing governance structure beyond what is proposed in the TRC scenario?*
  - ii. *What elements of Peak's existing governance structure should be maintained to support the TRC scenario?*
  - iii. *Do you have any other concerns about Peak's governance? If so, what would you recommend as a proposed solution?*
- d. Competing RC Alternatives**
- i. *Which objective criteria are you using to assess the various RC providers?*
  - ii. *Which criteria are most important to your ultimate decision regarding an RC provider?*
  - iii. *Do you expect any impact on reliability under the TRC or Wind Down scenarios? How does this impact compare to that (if any) associated with switching to another RC provider?*



**e. Implementation Timeline**

- i. How does the TRC scenario timeline compare to that of alternative RC providers?*
- ii. What factor(s) should be incorporated into an implementation plan for the TRC or Wind Down scenarios?*

**f. Impact of Emerging Markets**

- i. Does Peak’s current relationship with PJM impact or influence your position or comments on items a-e above? If so, please explain.*
- ii. Does an RC as part of a market versus a stand-alone independent entity impact your comments? If so, do you have a preference amongst potential RC and Market Providers (i.e., CAISO, SPP or Peak/ PJM Connex)? If so, what drives the preference?*
- iii. Do other commitments or market discussion with CAISO or SPP impact or influence your position or comments on a-e above? If so, please explain.*
- iv. What steps, if any, should be undertaken to mitigate the actual or perceived risks to reliability associated with market development in the West?*

**IV. Response Deadline, Instructions and Schedule**

<b>June 8</b> TRC vs. Wind Down comment window opens	<b>July 18</b> TRC vs. Wind Down comment status webinar	<b>July 30</b> TRC vs. Wind Down comment window closes	<b>Aug. 6</b> Peak announces strategic direction
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Responses to the questions listed above are due on or before **July 30, 2018**. Comments should be sent electronically to [peak.corporate.secretary@peakrc.com](mailto:peak.corporate.secretary@peakrc.com). Questions concerning this request for comments may be directed to Dick Garlish at [dgarlish@peakrc.com](mailto:dgarlish@peakrc.com).