



Intentional Deviation Penalty and Participating Resources

Shell Proposal to Revise BPA Variable Energy Resource Service Business Practice version 2

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BP-26 Principles

- Full and timely cost recovery
- Lowest possible rates consistent with sound business principles (statutory requirement)
- Cost causation - fairly allocate costs to customers based on proportionate use
- Statutory requirement of equitable allocation
- Simplicity, clarity, transparent public process, and feasibility of application and implementation
- Balance/consider overall rate shock and rate stability from rate period to rate period

TC-26 Principles

- Maintain a tariff that is consistent with the FERC pro forma tariff to the extent possible
- BPA will consider differences from the FERC pro forma tariff if the difference is necessary to:
 - Implement BPA's statutory and legal obligations, authorities, or responsibilities;
 - Maintain the reliable and efficient operation of the federal system;
 - Prevent significant harm or provide significant benefit to BPA's mission or the region, including BPA's customers and stakeholders; or
 - Align with industry best practice when the FERC pro forma tariff is lagging behind industry best practice, including instances of BPA setting the industry best practice

Proposed Changes to Business Practice in Red-Line

1. VERs are subject to the Intentional Deviation Penalty Charge as defined in the BPA ACS Rate Schedules, **except as provided below:**
2. A VER that elects to self-supply their Balancing Reserve Capacity must comply with the requirements in the self-supply of Balancing Services Business Practice.
3. For schedule Intervals with no Curtailments or with Curtailments issued prior to the close of the Western Electricity Coordinating Council (WECC) scheduling window at T-20:
 - a. Intentional Deviation applies, in accordance with the ACS Rate Schedules, when the resource schedules to a value other than the BPA-provided schedule value (Intentional Deviation Measurement Value), except:
 - i. When the resource schedules to another value and the imbalance from a different schedule value meets or beats the imbalance that would have otherwise occurred had the resource scheduled to the BPA-provided schedule value, as defined in Section D.
4. For schedule periods with Curtailments issued after the close of the WECC scheduling window at T-20, for each scheduling period Intentional Deviation will not apply.
5. **The Intentional Deviation Penalty Charge will not apply in any interval in which a Variable Energy Resource that is a Participating Resource in the EIM receives an instructed dispatch from the Market Operator.**

Current BPA Rates Language

L. Intentional Deviation Penalty Charge

- Intentional Deviation Penalty Charge applies to Variable Energy Resources taking service at the ACS-24 VERBS rate.
- Exception for new projects undergoing testing before commercial operation
- Intentional Deviation Penalty Rate is \$100/MWh
- Billing Factor is a function of the difference between the schedule value provided by BPA and the customer's actual schedule

Current BPA Rates Language

L. Intentional Deviation Penalty Charge - Exemption

- Exemption applies when a customer's actual schedule is more accurate than the schedule provided by BPA
- However, the exemption also provides:
- “Any interval in which a Variable Energy Resource that is a Participating Resource in the EIM receives an instructed dispatch from the Market Operator is excluded from the calculation of Station Control Error and Intentional Deviation Measurement Value Error.”

Current BPA Business Practice Language

- VERS are subject to the Intentional Deviation Penalty Charge when they schedule to a value other than the BPA provided schedule value
- Exception if the alternate schedule meets or beats the imbalance that would have otherwise occurred had the resource scheduled to the BPA provided schedule value
- No distinction between participating and non-participating resources in EIM
- **No exemption for participating resources that respond to Market Operator dispatch orders** (as provided in rates language)

No Rate or Tariff Changes Necessary

BPA will not change the tariff or rates by changing business practices

- The exemption that Shell seeks to add to the business practice is already in the rates language for intentional deviation penalties.
- The proposed changes will conform the business practice to the existing transmission rates.

Rate Principle: Lowest rates consistent with sound business principles

Lost opportunity to maximize EIM benefits and reduce Energy Imbalance charges customers pay

- More capacity bid into EIM increases likelihood that BPA will pass the EIM's Resource Sufficiency Test
- Failure to pass resource sufficiency test leads to limits on potential imports of imbalance energy
- More supply to the market reduces prices for imbalance settlement
- Raises artificial barrier to competition in the EIM

Shell Proposal

Revise business practice to implement the exemption to intentional deviation penalty in the rates

- Implement the exemption language in the rates
 - VERS that respond to dispatch orders from the Market Operator are exempt from intentional deviation for that interval
- Revise rates language in BP-26 to clarify application of the exemption to encourage bidding by participating resources
 - Allow price signals - not penalty mechanisms - to influence customer decisions
- Pending implementation of clarified rate language, BPA immediately waive (on a non-discriminatory basis) all intentional deviation penalties for VERS participating resources in intervals when they respond to Market Operator dispatch orders.

