

Changes to Attachment P

March 6, 2012

Wind energy producers, regional utilities, interest groups and others submitted about 90 comments on BPA's Feb. 7 proposed protocol for managing the possible seasonal oversupply of electricity. BPA has reviewed the comments and has made several changes to the protocol to address concerns raised in the comments. BPA is submitting the revised protocol to the Federal Energy Regulatory Commission as Attachment P.

Following is a summary of the main changes from the draft version of Attachment P released Feb. 7 to the final version submitted to FERC today.

1. Validation Process

Some comments suggested the validation process was not stringent enough while others indicated that the penalty for submitting inaccurate costs was either too harsh or too mild.

Change: Bonneville is requiring that all costs and supporting data and documentation be sent to an independent evaluator. The evaluator will create the cost curve and will be responsible for flagging any cost submissions that are inaccurate. Instead of Bonneville assessing a penalty, if the cost data appears inaccurate Bonneville will ask the Commission to investigate the generator and take appropriate action.

2. Term of Policy

Many comments asked BPA to limit the term of this policy to one year to allow the region to continue working on a long-term solution.

Change: Bonneville has set an expiration date of March 30, 2013 instead of the previously proposed expiration date of Sept. 30, 2015.

3. Cost Curve

Comments questioned the definition of a generator, the complex methodologies for determining costs, and including costs for thermal generators.

Change: Bonneville is clarifying that costs should be submitted for each generating facility, not each company or individual generating unit. In addition, generators will certify their costs, which can include Production Tax Credits (PTC), Renewable Energy Credits (REC) or, for existing contracts, costs based on bundled RECs and energy contracts. The generators must justify those costs to an independent evaluator. Bonneville is also allowing all generators to opt out of receiving compensation in return for not being allocated a share of the costs. Those generators that opt out will be displaced at \$0/MWh. Generators that are not variable energy resources (VER) that have RECs/PTCs can choose to participate in the cost curve. However, Bonneville will not reimburse non-renewable thermals for any operating costs of displacement. Thermals have an opportunity to submit minimum generation levels for a variety of reasons and do not have costs tied to reduced generation.



4. Displacement Costs

Comments suggested that generators should be allowed to update their costs and that compensation should be based on potential energy rather than scheduled energy.

Change: Bonneville is allowing generators to update their costs of displacement throughout the year. Bonneville will still compensate generators based on the difference between directed generation levels and scheduled generation levels, but can submit independent data to the independent evaluator if Bonneville believes the schedule may be inaccurate. The independent evaluator can request additional data from the generator. If the evaluator concludes that the schedule is inaccurate, the evaluator will inform Bonneville, which can ask the Commission to investigate further.

5. New Generators

Comments differed on Bonneville's proposal to exclude compensation for new generators. Some suggested that projects that have already entered into contracts be included, with projects cut off by contract end date.

Change: Bonneville will compensate all existing and new generators for PTCs and RECs. However, Bonneville will not compensate for foregone revenues or penalties for failure to deliver energy under power sales contracts signed after March 6, 2012.

6. Non-Disclosure Agreements

Many generators voiced concerns with the commercially sensitive nature of the data they would submit to BPA.

Change: All information will now be submitted to an independent evaluator. Bonneville will see information supporting a generator's costs only if the independent evaluator believes the costs are inaccurate. In addition, Bonneville will execute non-disclosure agreements (NDAs) with all generators submitting costs and require that the evaluator also execute NDAs with those generators. Scheduling data will also be submitted to the evaluator. Bonneville will see it only if there are questions about its accuracy. The NDA will also cover scheduling data.