

**BPA Wind Integration Team Response to Comments
Received February 4, 2009 on
Attachment C: LGIA
Appendix C (from LGIA)
Interconnection Details**

March 5, 2009

At a January 23, 2009, public Wind Integration Team working session, BPA summarized its responses to comments submitted on its paper, “Connecting Variable Generating Resources to the Federal Columbia River Transmission System.” Based on the comments, BPA modified the paper and Attachment C (proposed LGIA language) and reposted it on January 29, 2009. BPA asked for comments on the revised Attachment C by February 4, 2009. We received comments from three parties. The comments are posted at: www.bpa.gov/corporate/About_BPA/wind/index.cfm

We would like to thank the parties who sent in formal written comments.

Most parties appear generally satisfied with the overall approach we have set out. Our responses to comments follow.

1) Installation of equipment on new generators

- a. One party commented that BPA should not require generators with new LGIAs to install equipment that accepts a direct signal from BPA until the generator is required to accept a direct signal under BPA’s reliability proposal.

BPA agrees with this comment, and will not require generators with new LGIAs to install equipment to accept a direct signal until they are required to accept a direct signal under the reliability rule that BPA adopts.

2) Cost Recovery

- a. One commenter suggested that the language regarding stranded costs should not be part of Appendix C of the LGIA.

We disagree. Appendix C lists the control area services the generator is obligated to take. Therefore, Appendix C is the natural and appropriate place to include the circumstances under which the generator is relieved of its obligations. Placing the language elsewhere could be misleading to someone who reads Appendix C.

- b. One commenter suggested that, if BPA includes language requiring generators to pay for services incurred as a result of the generator acquiring its own control area services, it should be clear that the generator continues to receive the services it is paying for.

BPA's language does not require the generator to pay for any services after it acquires its own control area services. Instead, the language requires the generator to pay BPA's stranded costs and the costs BPA incurs to modify the transmission system because the generator no longer is in BPA's balancing authority. Neither of these payments is for continuing services.

- c. One commenter suggested that, if BPA is creating a take-or-pay obligation for control area services, such a requirement belongs in the text of the LGIA.

BPA disagrees. First, BPA is not creating a take-or-pay obligation for control area services. Instead, BPA is adding a new provision to Appendix C of the LGIA covering the circumstances under which an interconnection customer may procure control area services from a party other than BPA. A take-or-pay obligation is an obligation to pay for a service based on a fixed demand rather than on load or another variable quantity, and is a separate issue from a customer's right to cease taking the service altogether.

Second, BPA is not changing the text of the LGIA or the tariff, and therefore section 9 of the tariff is not relevant. In addition, since the existing LGIA includes no provision allowing the interconnection customer to leave BPA's balancing authority, BPA's language expands the customer's rights.

3) Curtailing E-tags:

- a. One commenter suggested that, because BPA proposes to curtail e-tags when it has deployed 90 percent of a set quantity of reserves irrespective of whether the utilization of the reserves has created a reliability issue, BPA may curtail e-tags when there is no reliability condition.

We disagree. BPA will be holding sufficient reserve to meet in-hour balancing obligations 99.5 percent of the time. If 90 percent of this reserve has been deployed, reliability is at risk. It would be irresponsible for BPA to wait until the system has been compromised before taking action to resolve the problem. If BPA deploys a greater amount of available reserves and does not curtail e-tags, it could easily have insufficient reserves to address problems later that same hour or later that day and could violate its obligations as a Balancing Authority Area. The prudent and responsible course is to take action to head off problems and maintain reliability when circumstances indicate that a problem may be imminent.

As to possible effects on other balancing authorities, which the commenter also mentioned, BPA is prepared to work with other balancing authorities to minimize impacts on them. Possibilities include, for example, development of early-warning mechanisms and revisions to existing policies for contingency reserves for variable generating resources through the Northwest Power Pool and the Western Electricity Coordinating Council.

- b. One commenter suggested that BPA's proposal could affect the ability to treat variable generation within the BPA balancing authority as a Designated Network Resource.

BPA believes that its proposed reliability rule will have no effect on a resource's ability to be designated as a network resource

4) ESA and the Clean Water Act:

- a. One commenter suggested that BPA is limited to adopting control area requirements necessary to reliability and therefore cannot apply its new procedures to avoid violations of the Endangered Species Act or the Clean Water Act.

BPA disagrees. BPA believes that it has the right to adopt appropriate requirements to ensure compliance with federal environmental laws, and that it is not compelled to allow generators to operate in a manner that would cause BPA to violate any such laws.

In addition, potential violations of the Endangered Species Act and the Clean Water Act do raise reliability issues. When wind generators are generating more than scheduled amounts, BPA must reduce generation elsewhere on the system to maintain a balance of load and generation. BPA can accomplish this reduction either by releasing less water or by spilling water instead of running it through the turbines to generate power. At times, however, neither course is possible, because BPA may need to maintain a certain minimum flow in the river for fish (therefore it cannot release less water) and may already be spilling at maximum levels (therefore it cannot increase spill). In these cases less flow or more spill would be harmful to fish and could cause BPA to violate the environmental laws.

Under this scenario, BPA is unable to provide the balancing reserve that would allow wind generators to continue to generate above their schedules. The only option is to reduce wind generation to schedule.

BPA notes that in 2008, it issued dispatch orders to several wind generators requiring them to reduce their output to schedule to avoid a violation of the Endangered Species Act. BPA's proposed reliability rule is intended to

memorialize current practice while adding precision to how the rule will be implemented.

5) Language in DSO Instead of LGIA:

- a. One commenter suggested that the operative language of BPA's policy should be included in the Dispatch Standing Order, and that the LGIA should provide only that the Interconnection Customer must comply with the DSO.

BPA agrees with this approach. This public process has concerned BPA's proposal to adopt a new DSO that reflects and refines its current reliability rules regarding limiting generation to schedules. Specific reliability rules are normally not included in the LGIA. In this case, for example, all operative language would need to be included in the DSO in any case, and the LGIA language would have repeated a portion of the DSO. Therefore, it is appropriate to simply reflect in the LGIA BPA's adoption of a new DSO to maintain reliability, and to require generators to comply with the DSO.

6) Obtaining non-federal supply of control area services.

- a. Requirement to provide BPA a one-year notice prior to leaving the BPA balancing authority: Two commenters stated that BPA should not require one-year written notice before a generator may leave the BPA balancing authority.

BPA disagrees, but is prepared to be flexible to the extent possible. Once a generator provides notice of its intent to leave the balancing authority, BPA is willing to work with the generator to try to expedite the process. However, the changes needed to systems, including Automatic Generation Control, are not insignificant. For BPA's protection, therefore, the LGIA language must require one-year notice.

In addition, under the stranded cost provision the generator will be required to pay the costs of any capacity or energy BPA has acquired to support balancing services for the generator if BPA has been unable to find an alternative market for the capacity or energy. The longer the notice period, the more likely BPA will have found an alternative market by the time the generator leaves the balancing authority, and therefore the less likely the generator will be liable for stranded costs.

However, BPA has revised the stranded cost language for the LGIA. The prior language provided that a generator leaving the balancing authority would have to pay BPA its unrecovered costs for energy or capacity BPA acquired to provide control area services to the generator. In fact, any energy or capacity that BPA acquires to provide balancing services would be used to supply services to the wind fleet as a whole, rather than to an individual wind

generator. Therefore, such acquisitions support all wind generators in proportion to their share of installed wind capacity in BPA's balancing authority. Under the revised language, a generator that leaves the balancing authority will be responsible for its proportionate share of BPA's unrecovered costs if BPA has not secured an alternative market for the energy or capacity.

- b. Formation of a Balancing Authority as a third category in Appendix C, Section 3.C: One commenter suggested that formation of a new, certified balancing authority should be added to section 3.C. of Appendix C as a third case under which a generator is relieved from the obligation to take control area services from BPA.

BPA agrees that, if a generator otherwise meets the requirements of section 3.C, formation of a new, certified balancing authority is an appropriate basis on which to relieve the generator of the obligation to take control area services from BPA. The existing language includes third-party supply as a category under which the generator is relieved of this obligation. This language would cover the creation of a new balancing authority as well as a move to an existing balancing authority. Therefore, the existing language covers this situation, and BPA will recognize it as a legitimate basis for leaving BPA's balancing authority.

- c. Leaving BPA's balancing authority should relieve the generator of the requirements of Appendix C section 3(b): One commenter suggested that, if a generator acquires control area services from an entity other than BPA, it should be relieved of the obligation included in section 3(b) to follow BPA's orders to reduce generation to schedule.

BPA agrees and will amend the language accordingly.

- d. Generator's right to find an alternative source of supply for control area services: One commenter suggested that BPA should not have unbounded authority to determine whether to permit an interconnection customer to find another supplier of control area services.

BPA agrees that more limited authority is appropriate. Therefore, BPA has amended the language to provide that the interconnection customer must obtain BPA's consent to find an alternative supplier, but that BPA's consent may not be unreasonably withheld.