

Proposed Wind Energy Exchange Agreement With Pacific Gas and Electric

Overview

Description

Bonneville Power Administration Power Services has negotiated an agreement with Pacific Gas and Electric (PG&E) in which BPA takes the energy output of PG&E's Northwest wind purchase and delivers the same energy amount back to PG&E in even weekly light load hour (LLH) amounts at the California-Oregon Boarder (COB) delivery point. PG&E retains the rights to the renewable energy certificates (RECs) created from project generation. As part of the agreement, BPA has the option right to acquiring half of that wind energy, at PG&E's original price, for the last five years of this 10-year agreement.

PG&E will be purchasing 90 megawatts (MW) of capacity from a Northwest wind project residing in BPA's Balancing Authority area over a 10-year term. BPA will provide a service in which it will take PG&E's wind as it is generated from the project and use it to serve Northwest loads. BPA will deliver an equivalent amount of energy to PG&E. Deliveries to PG&E will be made in weekly flat amounts during LLHs only. The product includes an option in which BPA can step into PG&E's shoes, starting in the sixth year, and begin purchasing half of the wind purchase at the same price PG&E is paying. If the option is exercised, PG&E could still use the full capacity amount of the BPA service by replacing the purchase amount BPA assumed from another wind purchase. PG&E pays BPA a service fee on a per megawatt-hour basis for each MWh delivered to BPA in addition to providing a no cost option.

Key Elements

- BPA uses the wind energy as it's generated to serve Northwest loads.
- Service of Northwest loads uses existing network transmission (NT) service to deliver the wind generation to load.
- The use of NT does not create any additional transmission costs for the NT contract holders.
- BPA uses existing (already purchased) light load hour transmission inventory to deliver the energy back to PG&E at COB.
- BPA gets paid a fee for providing the shaping service. No heavy load hour energy is delivered to PG&E at COB.
- BPA receives a no-fee option to purchase renewable power at current rates in the future, that is, 50 percent of PG&E's wind purchase starting in year six.
- BPA will receive the RECs if it exercises its option in year six.
- The deal increases the likelihood the Northwest will have access to reasonably priced renewable power in five years and assures the full purchase amount is available for purchase in the Northwest market after 10 years.
- If BPA exercised its option, the wind power would become available about the same time that BPA expects to be augmenting its tier 1 power under the Regional Dialogue policy. The approximately 15 average megawatts of energy from the 45 MW of capacity could be a source of Tier 1 augmentation.

- It's also anticipated many requirements customers will be interested in renewable power to satisfy the renewable portfolio standards that Washington and Oregon recently passed.
- The negotiated price for the wind power that may be purchased through the option is expected to provide BPA with a positive margin, contributing to lower rates.
- Because the wind project is already under construction in BPA's Balancing Authority area, this deal won't place any incremental capacity requirements for within hour balancing on the BPA system.
- Within hour balancing costs will be paid by the project owner through a wind integration charge.
- The cost of the hour-to-hour shaping was accounted for in the pricing.
- Any chance of there being an opportunity cost to secondary marketing and transmission was accounted for in the pricing.
- Losses were accounted for in the pricing.
- PG&E would be capable of acquiring transmission for this wind purchase without an agreement with BPA. PG&E can purchase hourly nonfirm or buy transmission from the secondary market. In addition, California regulations allow PG&E to purchase the wind, strip out the renewable energy credits and resell the intermittent wind output in the Northwest.
- BPA is not enabling the sale to PG&E. We assume PG&E would move forward with its purchase using shaping and transmission provided from the seller. They are already receiving that service from the seller on another wind purchase.
- PG&E is also buying wind from a White Creek owner, one of BPA's public customers.
- PG&E has already purchased 85 MW from Iberdrola out of Klondike III.
- BPA has no plans to offer this to any other California entities in the future.
- The PG&E agreement is breaking ground in a way that is helping BPA to design a product it can offer to Northwest public utilities for wind energy not being used to displace PF purchases.
- BPA will provide an opportunity for Northwest publics to request this or a similar product.
- BPA has retained the right to provide final approval on the decision to proceed with this agreement based on public comment received during this 10-day public comment period.
- PG&E has retained the right to provide final approval on the decision to proceed with this agreement based on approval by the California Public Utility Commission.

Summary

- We expect PG&E will buy this wind energy in the Northwest with or without this deal.
- The fee BPA is charging PG&E creates a positive cash flow for BPA's rate payers.
- Most of the impact this wind project has on BPA's system is going to exist with or without this deal because the project is located in BPA's Balancing Authority area.