

2010 BPA Rate Case Customer Comments “Regulation Pool Conceptual Proposal”

**The following document was received from the
Northwest & Intermountain Power Producers Coalition
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DRAFT
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Not approved by or on behalf of any party

Regulation Pool Conceptual Proposal
Prepared for the
Northwest & Intermountain Power Producers Coalition
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The design of the Pool and its operations must be transparent and competitively based, use existing models wherever possible so as to enable its participants to conduct their own independent and mutually beneficial transactions. The pool should also be conceived to expand beyond its founding members.

NIPPC proposes to incorporate a new non-profit public benefit corporation (the "Entity") to create and manage a Pool capable of offering competitively procured ancillary services to BPA, other Transmission Providers (TP), and transmission customers interested in self-providing ancillary services, beginning with regulation.

The Entity that operates the Pool will, among other things, solicit bids from operators that have extensive experience and can demonstrate capability to manage Pool operations. The Pool operator, with the Entity's oversight, will act as an assembler and facilitator of regulation services. It will operate a "platform" capable of facilitating in real time different types of transactions (e.g., collective via auction or simple bi-lateral transactions, etc.) consistent with a published tariff and fully compliant with FERC rules. The Entity will not assume responsibility as the provider of "last resort."

Generators, customers and transmission providers will sign participation agreements with the Pool to utilize and/or enable its services. Membership in the Pool will be required of all of its participants. Participating thermal generators will install Automatic Generation Control (AGC) on their power plants.

The Pool will establish a web-based platform limited to 24 hours day ahead scheduling, where generators will post the capacity they are making available defined by set durations and list what they will charge for customers to draw on the capacity to decrement (dec) or to inject (inc) energy on behalf of the customer. Capacity prices, in addition to being posted for all to see, will be internalized onto the Pool's computer databases. When customers contact the Pool with an immediate need to dec or inc, the Pool will notify the lowest cost available generator to perform as requested for the requested period. If the lowest-cost generator does not perform, the customer has the option to engage the next lowest-cost generator listed on the auction board to instead perform at

its direction. There will be consequences for generators who are unable to perform and have failed to timely withdraw their offers.

Once the customer has selected a generator to dec or inc, they automatically execute a pre-established, standardized contract. The sole variables in the contract are the capacity and energy price. A customer will, in the case of an inc, need to contract with a Transmission Provider(s) based on their transmission tariff. Once contracting arrangements are exercised – which should take at most seconds – the Pool will engage AGC to directly operate the power plant so as to meet customer requirements.

The above is the current version of a proposal whose terms we are continuing to define. The success of this Regulation Pool concept will depend on the willingness of Bonneville and neighboring Balancing Authorities (BAs) to provide dynamic scheduling. We believe that BPA is obligated to offer generators what they need to self-provide generation imbalance. We further believe that BPA should be able to do so without compromising reliability, particularly given that the bulk of its current difficulty with wind power integration occurs during light load hours. Finally, it is NIPPC's view that the organization of the Regulation Pool described here can occur within several months and that BPA, given the urgency of facilitating further wind power integration, should be ready to enable the Pool's operations soon, and in any case no later than September 1, 2009.

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Version 2.1

Entity

Responsible for Pool Operations

- Market Tariff
- Manage Contracts (Forms/disputes)
- Manage Settlements

Generators

- Sellers of inc. and dec.
- Identify location of Generator

Participation Agreement

Pool Operations

Participation Agreement

Transmission Providers

- Identify location of delivery
- Dynamic scheduling rules

Form contract for inc./dec.

Participation Agreement

Contract for Transmission (inc. only)

Customers

- Buyers of inc. and dec.
- Identify location of need