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Via Electronic Mail

Tech Forum
Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97229

Re: ICNU's Comments on BPA's Proposals for Balancing Capacity Services

Dear Tech Forum:

The Industrial Customers of Northwest Utilities ("ICNU") welcomes this opportunity to submit comments on the Bonneville Power Administration's ("BPA") proposals on Balancing Services discussed at the June 10, 2014 Ancillary and Control Area Services ("ACS") Generation Inputs workshop. ICNU is a non-profit trade association representing large industrial energy users in the Pacific Northwest, including industrial facilities with cogeneration resources that receive Dispatchable Energy Resource Balancing Services ("DERBS") from BPA. Accordingly, ICNU has an interest in understanding how BPA's recent proposals regarding its ACS practices will impact cogeneration resources.

BPA staff announced the possibility of a new "reliability tool" in the Straw Proposal on Balancing Services discussed at the May 7, 2014, ACS practices forum. ICNU understands that BPA may propose to exempt all thermal generators from curtailment, or "DEC", events under the new reliability tool on the basis that thermal generators currently lack necessary communications equipment. However, regardless of whether requisite communication equipment is installed, ICNU would like to reiterate that the unique circumstances of cogeneration resources warrant exemption of these resources for reasons beyond and in addition to those reasons that may apply to other thermal resources.

As discussed in prior comments, the output from cogeneration resources is driven primarily by industrial processes, which makes it unfeasible for these facilities to respond to reliability orders. A curtailment order issued to a cogeneration resource will affect the underlying industrial process, and may create significant safety concerns and extraordinary costs

as industrial loads and systems must be taken offline. These issues may also physically constrain the responsiveness of the plant to a curtailment order. In addition, even a modest curtailment may lead to a very significant loss of electrical load at industrial facilities that rely upon the heat or steam created in the cogeneration process, and this load loss would exacerbate, rather than ameliorate, the reliability event prompting the curtailment.

In addition, it is our understanding that BPA intends to address "INC" reserves in the reliability tool through an automatic reduction to thermal generator schedules. This automatic adjustment would apply only to the extent the resource is generating less than its schedule for an extended period of time. ICNU would like more clarification on the parameters under which BPA would operate such a mechanism. Specifically, ICNU would like to understand the magnitude of imbalance and how long a generator would be out of balance in order to trigger a schedule reduction in an INC reliability event.

ICNU also requests information regarding how often INC reliability events are likely to occur. If it is BPA's expectation that these events will occur with some level of frequency, ICNU is concerned that, in practical terms, this reliability mechanism would amount to a demand response tool imposed on cogeneration resources and their load service providers. Many cogeneration resources schedule energy to, or through, BPA preference customers, so reducing a cogeneration resource's schedule may result in an offsetting imbalance to its load service provider, requiring BPA to supply additional imbalance energy or requesting the preference customer to curtail its loads.

Finally, ICNU would like to further understand how cogeneration resources that receive load service through BPA preference customers are paying for balancing services, generally. ICNU is concerned that cogeneration resources are paying for reserve capacity both through the DERBS charge and through the cost of power supplied by their load service provider. The offsetting nature of cogeneration and the underlying loads may result in cogeneration resources overpaying for the cost of system reserve capacity on BPA's system.

ICNU appreciates the opportunity to submit comments on BPA ACS practices and looks forward to working with BPA staff to address the application of its proposed reliability tool to cogeneration resources and other issues related to balancing services for cogeneration resources.

Sincerely yours,

/s/ Joshua D. Weber
Joshua D. Weber

cc: Daniel Fisher, BPA
Tom Coatney, BPA