



BPA Response

September 18th Customer Load Following Recommendations
September 26, 2007

Background: Customers provided BPA specific recommendations to BPA's framework proposal for the Load Following Product. This paper proposes responses to those recommendations.

Definitions

- *Specific Dedicated Resources* – Resources a customer must apply or agrees to commit to use for its load under section 5(b) of the NW Power Act. Customers are obligated to apply these resources or contract purchase amounts to load on a continuous basis for as long as they own the resource, unless it is permanently discontinued.
- *Unspecified Resources* – A specific amount of MWs of load that a customer commits to meet without specifying a source. Customers choose where to get the power and may choose how long to make the commitment, subject to BPA's minimum notice and commitment periods. The current contract required commitments for the duration of the contract but not beyond it. In reality these are often a combination of market purchases and resources a customer has but doesn't specifically dedicate to load.

Issue A. Shorten Resource Dedication

Customers asked that BPA give them the right to choose how long they dedicate a specific resource to load under section 5(b) 1 rather than be required to dedicate the resource for as long as they own it.

Overall Response. No. BPA is focused on infrastructure development and sees no reason to create an alternative that allows customers to decide to remove specific resources from load service and take them to market.

Rationale. Customers must comply with the statute and resources that are currently applied must continue to be applied. If they do not have such resources and don't want to dedicate specific resources to load they will continue to have the right to establish unspecified resource amounts instead. This will allow them to determine the resource commitment term, subject to BPA's notice and commitment periods. If a customer dedicates a resource to load BPA is willing to provide support services to reshape the variable output of the resource within the load following product. BPA sees this long-term commitment by the customer to dedicate resources as an important issue for infrastructure development

Additional Clarification. Without dedicating a specific resource, customers will not have access to BPA's Resource Support Services such as non-transmission-related wind integration. BPA will allow customers to choose throughout the contract term, whether their dedicated specific resources take support services from BPA or procure them from other providers.



Issue B. Establishing Resource Shapes

BPA proposed three simple shapes in the load following contract for unspecified resources, or specific dedicated resources. This requires the customer to acquire resource support services from the market: flat, a winter shape, and a summer shape (*in addition dedicated hydro can also be in the shape of critical water*). Customers are asking that BPA establish rules and allow them to choose shapes within those rules that better follow their loads.

Overall Response. Ostensibly yes. We will accommodate the customer request to establish resources in a shape that allows them to better follow their loads. BPA will accomplish this by replacing the winter and summer shapes with a right for the customer to establish a resource shape in the shape of its monthly Total Retail Load. Customers will retain the option to apply their resource amounts in a flat block.

Rationale. Customer concerns about following load align with the intent of the load following product. In fact BPA was attempting to balance providing something closer to customer load shapes with administrative simplicity in our original proposal. BPA believes that the additional administrative obligations involved in changing the predefined shapes to individual customer load shapes is worth the trade-off of allowing customers to take responsibility for better meeting their load.

Details.

- *Diurnal Amounts.* The resource shape would be flat monthly amounts for heavy and light load hours. BPA is also willing to consider allowing pre-established HLH shapes that refine the HLH amounts to better follow the customers load.
- *Establishing the Load Shape.* There needs to be a simple way to establish retail load shape. Our initial thinking is that each individual customer load shape would be fixed based on FY 2010 weather adjusted loads.

Issue C. Creating a Transition Period to Tiered Rates

Customers are requesting that BPA provide a transition period which allows them to make shorter initial commitments before they have their HWM.

Overall Response. Yes. BPA is willing to provide a transition period as outlined in the attached paper.

Issue D. Shortening Notice and Commitment Periods

Customers are proposing that BPA reduce its commitment period for their resources (and consequently the short-term Tier 2 rate) from five to four years. In addition they are asking that BPA provide flexibility for customers to change resource shapes about a year before each rate period begins.



Overall Response. No. BPA will continue to retain the 3 year notice and 5 year commitment as the minimum commitments for years subsequent to the transition period for both resource commitments and Tier 2 purchases. BPA will not provide flexibility to change the resource shape prior to rate periods within the commitment term. The customer proposal to change shape was based on flexible rules which BPA is not proposing to adopt. Rather BPA is meeting the customer concern of following load by proposing to allow them to apply resources in the specific shape of their retail load.

Rationale.

- Notice and Commitment Periods. BPA continues to believe that 5 year commitments are the minimum duration that would allow BPA to potentially tie actual resource purchases into the short-term Tier 2 rate and will retain this for both Tier 2 purchases and resource commitments.
- Changing Resource Shapes. Changing shapes within commitment terms is inconsistent with BPA's stated goal of infrastructure development since most resources would not have the ability to change shapes significantly. Customer's proposal to make changes ahead of a rate case is appreciated, but BPA rate cases are a deliberative process involving many compromises. BPA still sees financial risk in allowing resource shapes to change so close to rate cases. Those with market access would have the ability to create value by using the ever-changing flexibilities of the market against the slower changing BPA rate approaches. Customers will continue to have the flexibility to change amounts and shapes for follow-on 5-year commitment terms.