Summary of January 16th Meeting

BPA Rates Hearing Room, January 16, 2014

Agenda

Meeting opens with introductions, agenda and general expectations.

Landscape Installed Wind Capacity

John Zoida (SCE) asks if there is any prediction on any additional wind leaving BPA BA. BPA responded that no additional wind is expected to leave in the near future. Further explaining that the process for leaving is involved and requires a fair bit of time with advanced notice, noting that no additional parties have initiated the process to date.

Generally noted, that the Production Tax Credit has been discontinued which impacts wind development negatively.

Stefan Brown (PGE) – in regard to 2020 Renewable Portfolio Standards and anticipated installed wind, wanted to understand more about just what stage of interconnection is represented by timelines shown in presentation. Links to additional related data on the BPA website were discussed. (See http://www.bpa.gov/transmission/Reports/Pages/GenerationandEnergyImbalanceReports.aspx ;and: http://transmission.bpa.gov/Business/Operations/Wind/default.aspx)

Jeff Nelson (SCE) expressed concern about interconnecting an additional ~1500 MW of wind by 2020 for RPS and the resulting added balancing burden.

Acquisition Process

John Zoida (SCE) wanted to know more about unplanned service – when it would be purchased/on what frequency?

Dave Arthur (MSR) asks more about how plotting valuation would be used in (resource) selection process and suggested this might be a worthwhile approach to use for other balancing reserve purchases. BPA responded that this suggestion would be shared with the pricing team.

John Zoida (SCE) asked for the number of pre-qualified suppliers; BPA stated there were 10-12 suppliers, which were available at different times of the year.

Jeff Nelson (SCE) asked about the plan should there be an insufficient response to an auction? BPA stated that wind parties would be notified and that there would be a greater risk of DSO 216. Discussion continued with regard to pricing responses, in particular, possible responses to prices that came in very high. Would there be a limit? It was noted that FERC expects acceptance for just and reasonable prices. The need for further discussion and, perhaps, consensus on upper limits of capacity price was noted.

Discussion continued to address questions about level of participation in bidding process. Kevin Holland (Avista) wanted to hear more about distribution of RFOs. John Wellschlager (BPA) provided a description of BPA's announcement practice and offered additional information by contacting him at: jdwellschlager@bpa.gov.

The group discussed acquisition of reserves for various Types across different time frames and existing conditions. It was noted that the wind output factor in recent periods has been considerably below average (~15-22% vs. ~32%). BPA noted the possibility of seeking more "near term" purchases depending on conditions.

Some customers wished to hear more about BPA's satisfaction level with winning bids. BPA Staff stated that they were satisfied with the pool of resources and that the process met our current level of need. It is anticipated that with greater levels of demand satisfaction may change. BPA Staff explained that the RFOs were carefully structured for simplicity and to provide competitive, low prices.

The group briefly reviewed the embedded cost numbers from the Settlement ($8.65/kW/month) and what this price includes (INC and DEC for the regulating, following, and imbalance capacity components)

Shawn Davis (PGE) asked for more info on the challenges of counterparties needing higher level of internal review and approval prior to submitting capacity offers on BPA RFOs (slide 19 of main presentation).

Additional discussion was requested on capacity e-tags from Eric Espinhorst (SCL) and Kevin Holland (Avista) and others.

Group discussed holding pre-schedule bidders conference. BPA will hold a bidders conference call or meeting prior to 1 April 2014.

Ann Berg (SnoPUD) asked clarifying questions about bringing acquired capacity to the BA; BPA reiterated that winning bidder must have the firm Transmission for the capacity to the BPA BA (interchange); and, added that BPA takes care of the capacity from delivery point into the BPA BA to the Centroid.

Daniel Fisher (BPA) emphasized that in future workshops it would be important to address cost allocation between energy and capacity (slide 15), Total cost = capacity cost + energy cost x estimated deployment.

Eric King (BPA) pointed out that it's easier to see who's using the capacity as it's acquired (while energy goes to all).

Jeff Nelson (SCE) asked for clarification on BPA's balancing services financial outlook based on the settlement rates and the actual cost of non-Federal balancing capacity and deployment costs. BPA pointed out that energy costs above the Mid-C index were not forecasted and that the difference would be paid for with the $2M set aside per the Settlement. BPA added that non-Federal capacity purchases that are made for less than the assumed cost used to set the Settlement rates would decrease reliance on BPA's financial reserves. BPA also pointed out that the Settlement rates were set with a forecast deficit Action *item: An embedded cost matrix will be brought to the next meeting.*

In future workshops BPA would like to discuss with customers

Solar Rate design – how to treat small amounts

DERBS – landscape, deadband changes

Cost Allocation – in general, Fed vs. Non-Fed.

15-Minute Transmission Product

BPA Staff described capability to redirect within the hour to 1NS. It is important to note that this reservation cannot then be redirected again within the hour.

Steve Lincoln (Transalta) stated that with 15-minute scheduling coming, it would be good to have a corresponding Transmission product.

Action item: BPA committed to providing a written description of the options for within-hour transmission that could act as an alternative to a within-hour transmission product.

Balancing Reserve Forecast Performance Update

Discussion addressing transmission used on MOD 29 paths (7F); clarified use of FCRPS on Network, pointed out this was not tagged. BPA shared that it uses TSAS internally to connect with OATi (not available as external tool).

BPA restated that Planned Acquisitions (Type 1) purchases will still be done quarterly/monthly.

Follow up requested on reason for separation between months (delay between months) (follow up with John Z – SCE).

Group discussed timing of purchases relative to monthly/weekly schedules.

R3T Update Gen Inputs Workshop

Gerry Froese (IBR) asked about the magnitude of the events – were they tied more to timing or magnitude?

Group discussion on the events predicting DSOs, group wanting more discussion/understanding on ACS model (as described in 7/11/13 stakeholder presentation)

Frank P (BPA) – presented data on R3T performance, in particular slide 26; customers had some difficulty conceptualizing BPA messages based on rendering of data shown on chart.

John Z (SCE) – in viewing chart on slide 26 it appears that if BPA had used the model, less reserves would've been left on the table but would've had a few more DSO 216s.

Frank P (BPA) pointed out that data was collected during a time of low volatility.

Cameron Y (RNP) – asked whether on slide 28 is it the presumption that the last 2 lines (rows) would have addressed (and prevented) 100% of the DSO 216s

Jeff Nelson (SCE) – asking for explanation why forecast didn't prevent 100% of DSO 216s and was looking for model documentation. The ACS model is posted here. (There is a presentation posted for the May 30 but not June 11 as stated in the meeting).

Frank P (BPA) pointed out that volatility goes away and results in less accurate data. "The weighting" is what makes a forecast less accurate.

Jeff Nelson (SCE) – "if you were able to use R3T accurately … what would you do with that info"?

Eric King (BPA) – answered that the info could be used for those with Full Service to make informed decisions on when to purchase above base levels.

Cameron Y (RNP) – views data as saying there may be 200-300 MW reduction in balancing reserve capacity; please describe how slides 29/30 account for scheduling behavior.

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Anna B (SNOPUD) – has BPA considered what this data might look like with 30-minute persistence?

Frank P (BPA) – answered that such a consideration didn't necessarily apply due to difference between the forecast and scheduling; there are no subhourly forecasts – however, if such a forecast existed it could be used.

Dave Arthur (MSR) steered the discussion toward another option, which is to save money through more efficient/effective buying.

Group discussion moved to a discussion of how best to move forward … in part to consider that we may see an improving market for capacity and to, perhaps, proceed methodically, taking small steps, say move from 900 INC to 800, measure progress and go on from there.

Publics made it clear they would support nothing less than current level of reliability. Brenna M (ClarkPUD) added that she has concern about impacts to thermal service and slice customers.

Jeff Nelson (SCE) stated that he didn't think conclusions could be drawn from the currently small amount of data; could BPA do a "back cast?"

Frank P (BPA) answered, "yes", maybe 2-3 years but with gaps in data.

Daniel F (BPA) added that there may be concessions for risk-sharing

Theresa W (BPA) requested more structure be given to the conversation as there have been multiple interests pulling the thinking in many directions …

Nancy B (PPC) concurs and supports solutions that will not incite more litigation

Theresa W (BPA) suggested principle interest in seeking resource sufficiency and look for improvements to scheduling.

Pilot Proposal

BPA stated receptivity to a Pilot that used that repurposed the$2M per the Settlement; however, BPA is unable to support developing and implementing a Pilot by April 2014. BPA prefers continued work on the preschedule purchases along with addressing schedule error-side improvements.

Theresa W (BPA) – captured the sentiment of some by saying that with additional time and data (back cast report) a Pilot with broader support could be developed.

Other customers (Steve Lincoln-Transalta, Cameron Y-RNP) encouraged a more ambitious timeline in devising a Pilot plan. Cautious support may be available from the "Publics" if attention is given to accounting for spring runoff and agreeable parameters for using the $2M; additionally, it was noted that advancing plans for a Pilot may depend on sufficient data with which to make decisions

It was suggested that a subgroup be created to work on a Pilot plan.

Next Steps:

April 1: ACS Forum @ BPA Rates Hearing Room

Action item: An embedded cost matrix will be brought to the next meeting.

Action item: Setup Pilot Subgroup?

Action item: BPA committed to providing a written description of the options for within-hour transmission that could act as an alternative to a within-hour transmission product.

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