



May 30, 2014

VIA EMAIL

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

Re: Public Power Council's Comments on BPA Staff's BP-16 Balancing Services Definition Straw Proposal of May 13, 2014

Dear Tech Forum:

At its May 13 workshop, BPA staff solicited comments from customers regarding its straw proposals for a balancing services definition and related issues for the upcoming FY 2016-2017 rate period. We appreciate staff's efforts in developing this straw proposal and the opportunity to provide comments. Our initial, general impression of the proposal is favorable, although more information and details are needed to determine if that impression will be borne out. Areas where more information is needed are discussed below and set out as a list in an attachment to these comments.

Beginning with the service definition, we agree that BPA should provide all customers a high-level of service quality using a consistent minimum standard for all customers. Lowering the service quality for some customers creates both operational and rate complexity, which is unnecessary and creates risk. We agree that BPA should plan to provide incremental balancing reserves (inc reserves) to meet schedule error at a 99.7% confidence interval to preserve balancing authority area reliability. BPA staff has noted in the past that a lower standard has created operational problems in the form of greater than expected wind plant output curtailments and limitations to schedule. Whether the proposed confidence interval of 99.0% for provision of decremental balancing reserves (dec reserves) is appropriate or acceptable, however, is not clear at this time. Without more information, we cannot support BPA's reduction of dec reserves from the current 99.5% standard to a 99.0% standard.

With regard to the scheduling options presented in the straw proposal, we do not have comments at this time. We need a better understanding of acceptable forecasting metrics and the costs associated with providing services based on those metrics, as well as BPA's proposed Intentional Deviation penalty construct. We would like BPA to provide more information on that issue.

The straw proposal contains a conceptual proposal for a "reliability tool" to replace DSO 216. BPA must retain the ability to restore balancing reserves and preserve system reliability when the scheduling error for a generating resource in the balancing authority area has consumed available reserves, and BPA staff's effort to develop a new reliability tool is an appropriate exercise. We recognize that DSO 216 has been controversial but if the proposed

reliability tool is not acceptable to customers, then BPA should be clear that DSO 216 will be retained. As proposed, however, the reliability tool raises numerous questions and more information is needed. On its face, the reliability tool would be applied to all non-AGC-controlled generation in the BPA balancing authority area. We assume that BPA would order curtailments or limitations in proportion to the magnitude of each plant's scheduling error. Based on staff's statements, we understand that some generation would be exempted from application of the tool. We suggest that those exemptions should contain, without limitation, the following components:

- In any given event, only generation with station-control error (SCE) in the direction of the problem that "threatens reliability" will be subject to the tool.
- A plant's share of an ordered curtailment or limitation must exceed 1 MW. If the plant's share is less than 1 MW, then it should be dropped from the list of plants that must respond and its share should be divided among the remaining plants.
- A plant may have a temporary or permanent condition that prevents the plant from responding to an order to change generation output. During the pendency of that condition and only if the plant has notified BPA of this fact in advance, the plant will be excused from compliance and its share of an ordered action allocated to others as in bullet 2, above.
- Co-generation is exempted.
- Based on the above criteria, BPA should maintain a list of plants that are exempted or that are sufficiently small that there is no reasonable scenario under which the tool would be applied to them.

BPA staff has also proposed a new Intentional Deviation Penalty for variable generation. Given the structure of the proposed penalty and how tightly it is tied to specific forecasting and scheduling metrics, we agree that the proposed penalty should not be applicable to loads or thermal generation. PPC also appreciates the principle behind the Intentional Deviation Penalty construct. Our support for this concept, however, will be affected by further information, including particularly what BPA would find to be acceptable timeframes of forecasting metrics. Significantly more analysis and detail are needed to assess the impact and appropriateness of the penalty.

Lastly, we look forward to discussing reserve inc and dec capacity and energy cost methodologies and pricing in the near future. The acceptability of BPA's overall proposal depends on whether BPA appropriately recovers the cost of providing balancing services. Factors bearing on acceptability include, among others, demonstrations that the service and rates:

- recover of the entire costs of providing the service;
- recover costs from the customers that impose them;
- comply with applicable statutes;
- are based on an acceptable market purchase strategy for purposes of developing costs; and
- are based on an acceptable forecast methodology for Ancillary Services capability provided from the FCRPS.

Certainly, these are key considerations in any settlement package for both BPA and its preference customers, and we are interested in discussing these aspects of the equation in the near future.

Sincerely,

A handwritten signature in black ink, appearing to read "Nancy L. Baker". The signature is written in a cursive, flowing style.

Nancy Baker
Senior Policy Analyst

cc: Daniel Fisher, BPA
Eric King, BPA
R. Scott Corwin, Executive Director
PPC Executive Committee
PPC Rates and Contracts Committee

Attachment A

PPC Requests for Information and Analysis Related to the BPA ACS Straw Proposal (May 2014)

1. What is the forecasted availability of both inc and dec capacity reserves from the FCRPS for the FY 2016-17 rate period?
2. What is the expected increase in the frequency and expected depth of curtailments to generation at 99% CI for dec reserves? Please provide analysis as well as results.
3. Is BPA assuming that it can carry fewer dec reserves because wind plants will feather their output? If that is the case, what assumptions does BPA make about the ability of all wind plants to do that? With application of the proposed reliability tool, what impact will this have on thermal plants?
4. Will BPA purchase reserves above the amount dictated by the 99.7% confidence interval or will it just purchase up to that amount?
5. Please explain whether or not BPA intends to include in the rate schedule or other document an obligation that load must "cover expected load." If so, what is that obligation?
6. Please explain whether or not BPA intends to include in the rate schedule or other document an obligation that resources must "accurate[ly] forecast output." If so, what is that obligation?
7. If loads and resources each have an obligation to forecast accurately and schedule accordingly, why are the obligations stated differently?
8. Can BPA provide a committed scheduling option based on a scheduling accuracy equivalent to more than 60 minutes persistence for a 60-minute schedule? If not, why not? If the reason is policy and not technical, did BPA consider the impact on the NW hourly market?
9. What is the estimated balancing reserve requirement (in MW inc and dec) and cost of a 75/60, or greater, committed balancing service?
10. Is the generation planned for use to serve BPA-forecasted, preference customer load included in the generation subject to the proposed reliability tool? (*E.g.*, the Willamettes and Palisades, Idaho Falls bulb turbine, etc.) If that generation is curtailed, how will BPA respond to serve the load?
11. Will behind-the-meter generation be subject to the proposed reliability tool?
12. What does BPA mean when it specifies that proposed reliability tool would be used "when Station Control Error threatens BPA BAA reliability?"
13. If BPA includes an assessment of its ability to purchase reserves from the market, please explain the latest time-frame in which reserves would be purchased, product to be

purchased and prices that BPA would pay. Please also indicate which customers would be responsible for paying the costs of those purchases when they are made to avoid taking action against generators with scheduling errors significant enough to endanger system reliability?

14. How will that threat to BPA BAA reliability be demonstrated and will that condition be communicated to all generators? How?
15. Once the plants subject to the use of the proposed reliability are identified in a scheduling interval, how will the curtailments or limitations be apportioned?
16. Will plants that are subject to curtailment or limitation be advised ahead of use of the proposed reliability tool that BPA is moving toward a situation in which the proposed reliability tool might be used?
17. The proposed Intentional Deviation penalty seems to require BPA approval of the forecasting metric, methodology or vendor. Is that correct?
18. If BPA must approve the forecasting metric, methodology or vendor, on what basis will that approval be granted or withheld? Who bears the burden of demonstrating compliance with BPA's requirements? Once granted, can approval be withdrawn and if so, on what basis, with what notice and by what process?
19. What does BPA expect monetary penalty to be and how would be assessed (*e.g.*, flat per hour, per MWh of error, per MWh above the highest applicable penalty band for generation imbalance service)?
20. Based on historical data, what does BPA estimate would be the number of penalties and the total amount of penalties assessed to wind plants annually? Please provide that for each category of scheduling commitment (to the extent that historical data is available) and uncommitted scheduling. Please provide analysis in addition to the result. ** For this and the subsequent, related question, if BPA does not have a proposal for level of or basis for the penalty charge, please provide the number of MW or MWh that would be subject to penalty so we can get an idea of the magnitude of the potential penalty and make proposals regarding how it should be assessed. **
21. If BPA were forced by an undue discrimination claim to apply the proposed Intentional Deviation penalty to loads, DERs or hydro, what does BPA estimate would be the number of penalties and the total amount of penalties assessed annually to those customer groups? Please provide analysis in addition to the result.
22. If a customer elects a committed scheduling option, and if the customer fails to meet or beat that metric for a period of time, does BPA propose to move that customer to a less stringent scheduling option, penalize the customer, or take no action? Please explain your answer.
23. Is BPA willing to consider permit scheduling option elections on a FY basis?