Imbalance Energy

ACS Forum
April, 23 2013
Overview

- BPA’s initial proposal includes changes to the way imbalance energy is settled
  - The current ACS rates tie the settlement price of FCRPS imbalance energy deployed to the Mid-C index, plus or minus a multiplier, depending on deviation bands
  - BPA has proposed to retain the same deviation bands, but to use a weighted average of the actual cost of actual deployed energy (still using the Mid-C index as a proxy for FCRPS resources)
# Imbalance Energy Cost Allocation

<table>
<thead>
<tr>
<th>Acquisition Type</th>
<th>Capacity Cost</th>
<th>Energy Costs</th>
<th>Deployment Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type 1 – Planned Acquisitions</td>
<td>Uncommitted wind[^1^]</td>
<td>Weighted Average GI/EI Rate</td>
<td>General BPA BAA Station Control Error</td>
</tr>
<tr>
<td>Type 2 – Operational Acquisitions</td>
<td>All Resources[^2^] (not Load)</td>
<td>Weighted Average GI/EI Rate</td>
<td>General BPA BAA Station Control Error</td>
</tr>
<tr>
<td>Type 3 – Full Service</td>
<td>Those requesting full service</td>
<td>Weighted Average GI/EI Rate</td>
<td>General BPA BAA Station Control Error</td>
</tr>
<tr>
<td>Type 4 – Change in Service</td>
<td>Those causing the acquisition</td>
<td>Weighted Average GI/EI Rate</td>
<td>General BPA BAA Station Control Error</td>
</tr>
<tr>
<td>Enhanced Supplemental Service</td>
<td>Those requesting the acquisition</td>
<td>Those requesting the acquisition (offset by a reduction in GI for requesting party)</td>
<td>Mitigation of DSO 216 Limit or Curtailment for the acquiring VER</td>
</tr>
</tbody>
</table>

[^1^] Expected allocation with the Expanded Example of Type 1 Purchases Allocation Methodology (8-cup methodology) as proposed in BPA Staff’s BP-14 rebuttal testimony. 30/60 committed scheduling may also be allocated the cost of a small amount of Type 1 Acquisitions if this methodology is adopted in the BP-14 ROD.  
[^2^] VERs, DERs, Columbia Generating Station, and non-AGC hydro.
Reasonable Cost Principles

- BPA’s bid solicitation and evaluation will be designed to produce reserve acquisitions at a reasonable cost.
- The cost of a bid will be evaluated for lowest total costs based on the probability of deployment taking into account the cost of the capacity plus the cost of the energy.
- The price of energy deployed must be based on the cost of energy from the resource supplying the reserves.
Prequalification of Balancing Resources

- Risk prequalification objectives for BPA procured resources
  - Transact with quality counterparties from a risk perspective
  - Employ a credit risk management process that follows sound business principles
  - Sufficiently quick response on a credit analysis and approval for prospective counterparties
  - Sufficient number of acceptable counterparties to allow for competitive pricing

- Energy Price Limits
  - BPA will establish the cost parameters for a resource during prequalification.
  - BPA will establish a variable price limit for energy deployed from a resource based on the cost parameters when applied during the period of deployment.
Prequalification of Balancing Resources

- Bidder and plant information objectives
  - BPA intends to receive enough information about bidders and plants to quickly evaluate the reasonableness of future bids.
  - BPA will obtain the majority of this information in the pre-qualification process.
Questions?