

Delivery of 3rd Party Balancing Reserves

August 27, 2013



Project Overview & Drivers

- BPA will acquire 3rd-party balancing reserves for the FY 14-15 Rate Period. These acquisitions will be made according to the BP-14 ACS Rates developed in the recent settlement agreement.
- Transmission arrangements are needed for the delivery of the 3rd-party balancing reserves.
 - Initially, BPA intends to use the following transmission arrangements:
 - Delivered on Firm PTP
 - No-charge for the reservation
 - Not subject to loss-returns
 - Delivered to a new centroid
 - Subject to ATC checks on MOD-029, not subject to AFC checks on MOD-030
 - Subject to Firm curtailments for congestion management

Customer Comments

- Delineate how the transmission reservation will interact with preemption and competition module on MOD 29 and MOD 30 and include in a business practice.
 - *Reservations on MOD-030 paths will not encumber capacity and will not be subject to competitions and preemptions.*
 - *Reservations on MOD-029 paths will encumber capacity and will be subject to competitions and preemptions.*
 - *Acquiring transmission service for delivery of third party reserves will be addressed in the Scheduling Transmission Service business practice.*

- Concern that a “no-charge” reservation could contribute to curtailment of long term firm reservations
 - *BPA acknowledged that MOD 30 flows may be impacted by delivery of 3rd party balancing reserves in that, although unlikely, added flows on the system due to these deliveries may lead to Firm curtailments. Staff intends to monitor the impact of this configuration and continued discussion in customer future workshops.*
 - *Transmission reservations on MOD 29 paths are subject to ATC checks for Firm PTP and are subject to preemption and competition.*

Customer Comments

- The use of non-firm transmission to deliver balancing reserves was also a topic raised by customers, with some comments -
 - Supporting the use of non-firm transmission to avoid the issue of contributing to Firm congestion, and
 - Others expressing concern that the use of Non-Firm transmission may negatively impact the Firm schedules being supported by the balancing reserves.
 - *BPA's current policy is to use Firm transmission for delivery of reserves. However, BPA has committed to look at the possibility of delivery of 3rd party balancing reserves on Non-Firm transmission and alternatives/impacts of "no AFC check" reservations in future forums.*
- The reservations for Balancing Reserves Service must be posted on OASIS.
 - *BPA agrees. As reservations for Balancing Reserve Service are made, they will be posted on OASIS.*
- BPA should not pay a premium for third party reserves located close to load.
 - *BPA uses an open RFP, or similar bid process, in acquiring third party balancing reserves. BPA will evaluate bids based on the deliverability of the reserves to the 3PS centroid and on the lowest overall cost. The capability of the resource to supply balancing reserves will also be addressed in the pre-qualify process.*

Project Updates

- On August 14, 2013 BPA held an ACS Practices Forum to discuss the following issues:
 - With a no-charge reservation there is no longer a financial consequence to “over reserving” capacity
 - Holders of no-charge reservations would have a unique advantage in matching or “defending” against a challenger

- BPA discussed possible measures to promote appropriate use:
 - Staff is considering charging for RESERVATIONS for delivery of 3PS and ESS and crediting for SCHEDULES
 - Note – A capacity and/or dynamic schedule signals the potential for energy to flow, not necessarily the actual flow of energy
 - This solution appears to mitigate the identified issues while still effectively maintaining a no-charge reservation when they are used for the delivery of 3PS and ESS reserves
 - Staff is also evaluating whether the same crediting rules should apply on MOD-030 paths (where capacity is not encumbered and competitions do not occur)

- BPA accepted customer comments on the above measures through August 26, 2013.

- BPA hopes to have a decision by the September 4, 2013 ACS Forum to allow sufficient time for implementation.

Action Items - Follow Up

- Action Items from July 24th and August 8th Meetings:
 - Monitoring and Data - Throughout the rate period, monitor use, delivery, and impacts of 3rd party balancing reserves and share data with customers on a regular basis.
 - Engage customers, in future ACS or related forums, on potential modifications to the policies on transmission arrangements for how 3rd party balancing reserves will be delivered.
 - Consider delivery of 3rd party balancing reserves on Non-Firm transmission and alternatives/impacts of “no AFC check” reservations.
 - Consider and discuss what impact 3rd party balancing reserve deliveries have on other transmission rights holders, such as Slice/Block contracts for FCRPS generation.
 - Take deliverability of 3rd party balancing reserves into account - in bidding process for 3rd party balancing reserves, consider the location/source of the generation in determining whether these are feasible and can be effectively delivered.

Customer Engagement Plan

- BPA has scheduled an ACS Forum for September 4, 2013.
- Throughout the rate period BPA will monitor use, delivery, and impacts of 3rd party balancing reserves and share data with customers on a regular basis.
- BPA will engage customers, in future ACS or related forums, on potential modifications to the policies on transmission arrangements for how 3rd party balancing reserves will be delivered.
- If changes are identified, these can be evaluated for implementation during the upcoming rate period.