



Transmission Services

Customer Supplied Wind Balancing Service Pilot Program, Version 3 Response to Customer Comments

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This document contains the Transmission Customer comments and Transmission Services' response to those comments for the Customer Supplied Wind Balancing Pilot Program, Version 3, Business Practice posted for review from July 23, 2012 through August 22, 2012.

Thank you for your comments.

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1. Public Power Council (PPC)

PPC supports BPA's efforts to provide avenues for wind plants to self-supply balancing services. The ability to self-provide balancing services affords customers a means to lower their costs; it also relieves the balancing authority of the obligation to hold capacity and provide energy for balancing the self-supplied plants.

The self-supplied service, however, must fully displace the balancing service that the customer would otherwise take from the balancing authority. To that end, generating resources providing the self-supplied balancing service must meet the same basic criteria as the balancing authorities' resources. Capacity must be secured by the self-supplying customer and be available to provide the balancing energy used by the customer. Otherwise, there is no assurance that the self-supplying customer will be able to supply the energy that is needed to balance in any given hour. If the self-supplying customer does not provide the balancing energy, the customer will necessarily fall back on the balancing authority to provide that energy. Without that requirement that capacity be secured, the balancing authority must continue to hold capacity to provide balancing energy for the self-supplying customer to ensure that the system remains balanced in the event that the customer fails to supply energy, and the customer must continue to pay for the capacity that the balancing authority holds. In that case, neither the balancing authority nor the customer achieves the desired efficiencies.

We agree with BPA's eligibility requirement in the proposed business practice that energy purchased from a market must be backed by capacity. Bus. Prac, § A(1)(h). This requirement is consistent with the nature of balancing service that the party providing it must hold capacity during the delivery hour to provide energy needed to match the wind resource's variability. There is no rationale for why that requirement should be different depending on the party supplying the service, whether it is the balancing authority or customer. A failure to require capacity would place a substantial risk on the balancing authority and cause it to carry extra capacity, which under current rates is not charged to wind customers. Allowing self-supply wind customers to access federal capacity without paying for it creates unrecovered costs and significant reliability risks for BPA. BPA's Business Practice takes an appropriate approach to address this issue.

Transmission Service's Response

BPA appreciates PPC's support for its CSGI pilot program. The question of defining an appropriate performance metric for generation imbalance continues to be evaluated as BPA assesses the effectiveness of the CSGI pilot program. BPA has gained valuable insights as a result of the CSGI pilot that will inform BPA and its stakeholders as we consider expanding self supply options to include other ancillary services.

BPA agrees with PPC that a self supplying entity should not be allowed to access federal capacity without paying for it. At the same time, BPA appreciates the need to provide flexibility to self-supplying customers to help them perform better. BPA continues to evaluate how best to manage these competing objectives and expects its policies to evolve.

2. Northwest Requirements Utilities

NRU appreciates the opportunity to submit the following comments on the Bonneville Power Administration's ("BPA") Business Practices for Customer Supplied Wind Balancing Service ("CSGI") Pilot Program, Version 3. NRU strongly supports BPA's efforts to give wind plants the opportunity to self-supply balancing services. NRU is hopeful that the CSGI Pilot Program can reduce BPA's obligation to hold capacity for balancing reserves and provide an opportunity for customers to lower their costs. However, it is important to develop appropriate parameters for the CSGI program to ensure that it meets these two goals.

In order to for the CSGI program to reduce the amount of balancing reserves BPA must provide as the balancing authority, a customer choosing to self-supply must secure sufficient capacity in order to provide the balancing energy used by the customer. If a self-supplying customer does not provide sufficient capacity, then there is no guarantee that the customer will be able to supply the energy that is needed to balance in any given hour. Without this guarantee, BPA, as the balancing authority, will still need to hold capacity to provide balancing energy in the event the self-supplying customer cannot, and if BPA is holding capacity, the self-supplying customer will be obligated to pay for it. Clearly, the purpose of the CSGI program is defeated if there is no reduction in BPA's obligation to hold capacity and the self-supplying customer is not lowering its costs because its obligated to pay for that capacity anyway.

NRU, therefore, supports BPA's eligibility requirement in the proposed business practice that energy purchased from a market must be backed by capacity.¹ This requirement appropriately allocates the risks and costs of procuring self-supplied balancing reserves. In order to protect the reliability of the system and ensure there are no stranded costs from reserving capacity from the federal system, customers should be required to secure capacity in order to back up market purchases made for self-supply.

Transmission Services' Response

BPA appreciates NRU's support for its CSGI pilot program. The question of defining an appropriate performance metric for generation imbalance continues to be evaluated as BPA assesses the effectiveness of the CSGI pilot program. BPA has gained valuable insights as a result of the CSGI pilot that will inform BPA and its stakeholders as we consider expanding self supply options to include other ancillary services.

BPA agrees with NRU that a self supplying entity should not be allowed to access federal capacity without paying for it. At the same time, BPA appreciates the need to provide flexibility to self-supplying customers to help them perform better. BPA continues to evaluate how best to manage these competing objectives and expects its policies to evolve.