Transmission Services

Oversupply Management Protocol, Version 1

Response to Customer Comments

Posted: April 17, 2012

This document contains the Transmission Customer comments and Transmission Services' response to those comments for the Oversupply Management Protocol, Version 1, Business Practice posted for review from March 8, 2012 through March 26, 2012.

Thank you for your comments.

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1. Southern California Edison (SCE)

Section H. Notification that Oversupply Management Protocol is Imminent:

A. Transmission Dispatch will make a posting with the category of Curtailment' on the Notices page of BPA Transmission Services' Open Access Same-Time Information System (OASIS) that implementing OM Protocol is imminent. The posting will include the expected duration of the OM event.

Please add an open quote to 'Curtailment'.

Transmission Service's Response

Transmission Services has added an open quote to 'Curtailment' in Section H.

B. VERs should continue to schedule their forecast power output, including scheduled loss returns for the hour when an ER event is imminent. Continued accurate scheduling when an OM event is imminent and during an OM event is critical for the success of these efforts. If OM Protocol is implemented, all undergeneration relative to schedules will be provided by Federal hydropower.

Concerning "Continued accurate scheduling...", we note that "accurate scheduling" is not a defined term and parties will not know if they are complying. Also, during an OM even when the plant is curtailed, it becomes even more difficult to forecast and schedule accurately. BPA should expect parties to have forecasting difficulties/increased errors during these events.

Transmission Service's Response

Transmission Services understands the difficulties and asks that Customers use best efforts to submit schedules consistent with what their expected generating facility output would be if not limited by OM.

Section L. Adjustments to Energy and Generation Imbalance Accounting During an Oversupply Event:

A. For the hours when OM is in effect, the Generation Imbalance accounting is disabled for all Generating Customers that are issued an order to modify generation for OM.

Gen Imbalance is disabled during OM, but there is no mention of PDP. While PDP is part of Gen Imbalance, for clarity we suggest adding "PDP accounting is also disabled." PDP should also be disabled for the hour coming out of an OM event given the relatively poor forecasts that will likely result if wind has been curtailed in the previous hour.

Transmission Service's Response

Transmission Services has included a phrase in Section L that makes it clear that PDP is also disabled during those hours.

2. TransAlta

A. General Comments Regarding Both OMP BPs

As stated in earlier OMP comments. TransAlta supports BPS's continued efforts to manage the complex operational and commercial challenges BPA faces as a result of oversupply events. However, TransAlta does not support BPA's proposed OMP due to its striking similarity to Environmental Redispatch ("ER") policy that FERC ordered could not be extended. TransAlta believes that OMP fails to fix the major issues identified in FERC's December 7, 2011 Order. OMP does not comply and BPA should not continue to develop the protocol, establish BP's, or make OMP effective until the Commission has made a determination on BPA's filing.

TransAlta's specific comments BP's are constructively offered here because in several instances the BP's do not adequately address operational and economic impacts of OMP on non-Federal thermal generation. The comments do not imply support for OMP in any way.

B. Comments Regarding the OMP BP

1. Section B states that "all generators" in BPA's Balancing Area are subject to OMP instead of "all non-Federal generators" as with last years's Environmental Redispatch policy ("ER"). How are federal generators within BPA's Balancing Area subject to OMP?

Transmission Services' Response

Federal generators are subject to Oversupply Management Protocol and their minimum generation levels are set consistent with Attachment P and the Establishing Minimum Generation Levels and Maximum Ramp Rates for Oversupply Management Business Practice. The effect of excess spill on fish varies among hydroelectric projects. Therefore, some hydroelectric projects may need to establish minimum generation levels to avoid spill while Bonneville is spilling additional water at other projects.

C. TransAlta has five comments about Section D.

1. As stated in earlier OMP comments. TransAlta disagrees with BPA's prohibition on thermal displacement costs and BPA's unsupported assumption that avoided fuel costs adequately compensate displaced thermal generation.

Transmission Services' Response

Traditionally, Thermal generators have accepted low- or zero-cost hydropower and voluntarily shut down during times of high water. If a thermal generator qualifies for the costs specified in Attachment P, it may submit costs. Additionally, thermal generators can establish minimum generation and maximum ramp rate levels to account for a variety of factors that might otherwise cause them to incur costs.

2. Section D conveniently side-steps this issue by implying that "a Customer may submit the cost of displacing each of its generating facilities". Only specific displacement costs that BPA has deemed eligible can be declared.

Transmission Services' Response

Only the costs deemed eligible in Attachment P are compensable. The BP does not change or otherwise modify the eligibility of costs.

3. If the prohibition on displacement costs is lifted as it should be. TransAlta has little confidence that an independent evaluator will have the necessary expertise to judge their veracity.

Transmission Services' Response

Thank you for the comment. BPA is confident that the independent evaluator will be able to determine which costs warrant future review and that FERC will be able to determine whether the costs were improper.

4. Although BPA has taken steps to ensure that confidential and market-sensitive displacement information will not be shared with BPA's Power Business. This appears to be inadequate, because to TransAlta's knowledge there is no protection from that information becoming public via a Freedom of Information Act request.

Transmission Services' Response

Under Attachment P, Bonneville will not have access to the generator's detailed cost information unless the independent evaluator determines that the costs submitted may be inaccurate. In addition, Exemption 4 of FOIA excludes from disclosure "A trade secret or privileged or confidential commercial or financial information obtained from a person." Should this information become the subject of a FOIA request, BPA will coordinate with the generator to protect information that falls within this exemption.

5. According to the out-for-comment version fo the OMP BP posted-to-date, details about submitting displacement costs are still under development. Customers cannot be expected to provide comment on a BP that is subject to change.

Transmission Services' Response

BPA agrees therefore the submittal date for cost information was changed to April 12. The independent evaluator has established a website for submitting the data. A link to the website is now in the BP.

D. Sections G and I, 1. describe schedules remaining intact and curtailments, but they inappropriately downplay the complexity replacing generator output. Similar to the ER BP last year, the OMP BP does not provide needed information about roles and responsibilities that must be shared between the displaced generator and BPA Power. These must be considered and spelled out.

For example, it a schedule that is being supplied by Federal hydropower is curtailed, the generator will get notification, instead of BPA Power Services correct? If BPA Power Services over-generates during a curtailment, TransAlta believes the generator would receive FTC penalties. How would generators pass those through to BPA Power Services?

Details like these and probably others have been overlooked again in the rush to implement OMP. The draft BP needs clarification prior to implementing OMP because generators, not BPA, will be stuck paying for costly mistakes and miscommunications.

Transmission Services' Response

Schedules submitted by BPA Power Services are consistent with the Minimum Generation levels established for Federal generators. If a Federal generator did not respond to an order to reduce generation, then BPA Power Services would be subject to FTC like any other generator.

E. Section J.4. reminds customers that like ER, BP is again proposing to hold the $500/MWh FTC penalty over generators every minute of OMP events. The 4MW threshold notwithstanding, TransAlta contends that this practice is excessive and BPA seems to dismiss the concern based on the assumption that IMP events will only last a few light-load hours per day. However, BPA cannot guarantee that outcome and there is nothing in the protocol that limits the duration of any OMP event. Their duration will be dictated by stream flows and actual load, and TransAlta finds the application of whatever reasons, in the midst of OMP events. FT is overkill for the circumstance, and if it plays any role, it should be applied to generators only after an appropriate period of persistent output above the redispatched level has been observed and gone uncorrected by generator operator.

Transmission Services' Response

Thank you for the comment. Compliance with orders to reduce generation is important, and the FTC penalty charge provides a disincentive to generators to ignore such orders. However, for OMP events, BPA has deemed generation within 4 MW or less of the ordered level to be in compliance with the Dispatch Order. This provides significantly more flexibility than the 100 kWh level set in the FTC business practice.

Your comments also highlight the importance for setting Minimum Generation levels.

F. In Section K.2., the draft OMP BP is silent about exactly how long schedules are kept whole with Federal hydropower. The BP must state explicitly that schedules are kept whole until the generator has returned to previously scheduled levels. This can be accomplished by adding Seciton K.3. that reads as follows.

"3. When OM is no longer required for non-VERs, schedules from the dispatched generators will remain intact until the generator has completed its ramp back to previously scheduled generation levels."

The BP must include similar provisions for the ramp back to previously scheduled generation levels anywhere adjustments are mentioned , as in adjustments to Generation Imbalance accounting.

Transmission Services' Response

Schedules remain intact for hours in which the generator has received a Dispatch Order and GI charges do not apply to the generator during those hours. When ramping into our out of an OMP hour GI is disabled for the entire hour, even during these ramps.

4. Snohomish

1. Please clarify the intent of the term "voluntary Displacement" in the first sentence of Section E in the business practice, as it creates confusion with the description of "displacement" provided in the last sentence of section 6 of Attachment P.

Transmission Services' Response

We have modified the Glossary to define "Voluntary Displacement" and "Displacement" as two separate actions.

2. There may be instances where non-VER generators that are renewable (e.g., cogeneration or biomass facilities) have displacement costs. Therefore, clarify section E to read:

"...BPA will use Displacement to reduce non-federal generators subject to OM that did not submit costs of displacement to their minimum generation levels for the next operating hour. When OM is put into effect for an operating hour, non-VER generators subject to OM that did not submit costs of displacement that are operating above their minimum generating levels for OM are subject to OM first and then, if needed, generators that submitted costs of displacement will be subject to OM as described below."

Transmission Services' Response

We have added some additional language about submitting costs and how no cost submittal or affirmative opt-out fits in with the order of dispatch.

5. Industrial Customers of Northwest Utilities ("ICNU")

The Industrial Customers of Northwest Utilities ("ICNU") takes this opportunity to provide comments on BPA's "Oversupply Management Protocol, V1" business practice, and in particular, the related business practice "Establishing Minimum Generation Levels and Maximum Ramp Rates for Oversupply Management." ICNU is a trade association representing the interests of large industrial users in the Northwest, including customers served by BPA's preference customer utilities. ICNU's membership includes significant cogeneration capability within the BPA balancing authority.

ICNU is generally supportive of BPA's proposed business practice implementation. Section C.1.a.x of the "Establishing Minimum Generation Levels and Maximum Ramp Rates" document appropriately acknowledges the unique need of cogeneration to maintain minimum generation levels that are consistent with safe and reliable operation of the associated industrial plant process. The importance of this provision for the safety, reliability, and economic viability of cogeneration facilities in the BPA balancing authority cannot be overemphasized. ICNU understands that BPA will defer to a cogeneration facility's designated minimum generation levels and maximum ramp rates, especially those necessary to operate the facility safely and support related plant operations.

BPA should work closely and proactively with cogeneration facilities to ensure clear communication and understanding between the cogeneration facilities and BPA dispatch staff regarding operating requirements and capabilities. To that effect, ICNU recommends several clarifying additions to BPA's proposed business practices. First, in addition to the requirements for facilities to report their minimum generation and maximum ramp requirements, BPA should commit to providing clear and timely acknowledgment to cogeneration facilities that their operating parameters are understood and acceptable. Also, BPA should add language to their practices specifying the procedure and emergency contact for cogeneration facilities in the event that a facility receives an erroneous dispatch order or penalty notice in contradiction to their operating criteria established with BPA. This type of addition will provide cogeneration facilities with greater clarity and certainty that they will be able to operate their facilities safely and reliably under oversupply conditions.

ICNU is appreciative of BPA's desire for comments on this important business practice. Please do not hesitate to contact ICNU for clarification on any of the topics addressed in these comments.

Transmission Services' Response

Our account executives are contacting cogeneration facilities to verify and appropriately set minimum generation levels and our staff is available to answer any questions.

6. Iberdrola Renewables

A. Environmental Redispatch was first implemented in the middle of night with no prior operational discussion or training, resulting in confusion and potential reliability risks. Bonneville's implementation of its new Oversupply Management Protocol is looking to be similar given there has been no discussion of operational tests of procedures. The OMP Business Practice is a vague protocol that is a mixture of commercial, technical, and operational discussions. Iberdrola Renewables requests Bonneville schedule operational tests of this new protocol to avoid a repeat of last year's difficult roll out.

Transmission Services' Response

BPA understands your concerns and will take this suggestion under consideration. BPA will notify generators in advance if operational tests are scheduled.

B. BPA has stated during meetings that OMP directives are reliability directives. Iberdrola Renewables is unclear as to which reliability standard or protocol applies to these directives and requests Bonneville identify the particular standard or protocol so that we can ensure we are meeting our reliability obligations as a Generator Owner/Operator.

Transmission Services' Response

Under North American Reliability Corporation Standard TOP-001, Generator Operators are required to comply with reliability directives issued by the Transmission Operator.

C. **D. Submitting Cost Information for Oversupply Management Protocol**
The Business Practice references Attachment P which states generators must submit cost displacement data and supporting documentation to the independent evaluator by March 31st. Given Bonneville has yet to release the contact information for the independent evaluator, Iberdrola is concerned that there will not be sufficient time to execute necessary nondisclosure agreements in advance of the March 31st deadline. Iberdrola Renewables requests Bonneville extend this deadline to ensure parties have adequate opportunity to ensure proper protection of the highly confidential information that will be submitted to the independent evaluator.

Transmission Services' Response

BPA agrees and has extended the deadline to April 12, 2012

D. **H. Notification that Oversupply Management Protocol is Imminent**
The Business Practices indicates that VERs should continue to schedule their forecast power output when an ER event is imminent. Significant concern has been raised by respected industry professionals that this practice violates NAESB standards. Given Iberdrola will be following a directive of its Transmission Operator (Bonneville Power), Iberdrola assumes Bonneville will indemnify operators who follow their OMP directives against any resulting enforcement activities.

The Business Practice also states that 'If OM Protocol is implemented, all under-generation relative to schedules will be provided by Federal hydropower". Iberdrola understands this to also mean that DSO 216 on the curtail side is suspended when OMP is in effect. Bonneville personnel confirmed this understanding at its March 22nd meeting.

Transmission Services' Response

That is correct.

E. There is little language in the protocol about timeframes for starting, duration, and ending an event. It appears from the protocol that OMP could start and stop multiple times and the duration could be as short as 10 minutes (this assumes the ramp of the new schedule for plants connected via a D20 is the shortest period). Additional clarification on potential timeframes is required. The OMP is also unclear as to when DSO216 tag curtailments will resume after an OMP event has ended.

Transmission Services' Response

We have uncertainty about specific timing and little advance knowledge of when DSO216 and OM events will occur. Generators can help reduce the likelihood of DSO 216 event when transitioning out of an OM event by having schedule in place that reflect what the actual capability of the generating facility would be if not limited by the OM Protocol. DS0216 tag curtailments can resume any time after the conclusion of an OM event as outlined in the OM directive, however, BPA is also working on the issue of ramping out of an OM event to help reduce the likelihood of precipitating a DSO216 event.

F. **I. Allocation of Oversupply Management Protocol Quantity**
BPA has incorporated by reference their Failure to Comply protocol which was updated 3/20/2012. It states a Dispatch Order is an order or directive from Transmission Services. Section J of the Business Practice states "BPA Hydro Operations will determine the need to implement OM and will determine the amount of generation reduction required for each hour during the event." In order to avoid confusion, Iberdrola would like the name of the Transmission Operator on each shift who is personally responsible for the reliability directives and who will contact Iberdrola if a verbal directive is to be given.

Transmission Services' Response

Unfortunately BPA will not be able to anticipate the name of the Transmission Dispatcher on duty during an OM event.

G. BPA's new FTC BP has also added language that is relevant to OM as well as other curtailments. The new method states if there are multiple Dispatch Orders in effect, FTC will be based on the lowest. Dispatch Orders can come from ICCP, iCRS, NERC e-tag cuts, and verbal instructions from the Transmission Operator. Until now BPA has not established a protocol as to which order has precedence. Confirmation is required that operators are to use the lowest generation value and ignore others, up to and including ignoring verbal instructions from the Transmission Operator. This is important given Iberdrola has experienced conflicts in the past between electronic systems (e-tag vs. ICCP vs. iCRS) and have called the Transmission Operator for clarification.

Transmission Services' Response

We confirm that the lowest generating level communicated by BPA to the generator by any means is the limiting factor for the generation level during an OM event or any other Dispatch Order.

H. **J. Notification that Oversupply Management Protocol is in Effect**
Subsection 3 states that customers self-supplying imbalance reserves will receive a signal from Bonneville that will offset the SCE for their portion of the required OM generation reduction. Iberdrola understands that this signal will be based on Iberdrola's portion of the required generation reduction, as determined by the Least-Cost Displacement Cost Curve. It is also Iberdrola's understanding that compensation under Attachment P will be based on Iberdrola's submitted cost curve information. In an example where Bonneville initiates OMP and signals a +250 MW imbalance to Iberdrola's CSGI station control error, Iberdrola would reduce its total generation by 250 MW to comply with the directive. If Iberdrola had submitted the following displacement cost curve and this OMP directive were in place for a full hour, Iberdrola would be compensated $11,500:

Example Cost Curve (for illustrative purposes only):

Wind Facility 1: 100 MW @ $20
Wind Facility 2: 100 MW @ $50
Wind Facility 3: 100 MW @ $90

Total Compensation for curtailment of 250 MWs = $11,500
(100 x $20) + (100 x $50) + (50 x $90)

Due to the nature of operations under the CSGI program, the reduction of generation in response to the OMP directive may be achieved through means other than a direct reduction in the company's owned wind resources. In the previous example, the 250 MW reduction may be achieved through the deployment of an owned DEC resource, deployment of a contractual DEC resource, a reduction in generation from the company's wind generation or some combination of these responses. Consequently, it is possible that the compensation provided to Iberdrola may not reflect the actual cost of the displacement. Iberdrola would like to highlight that a situation such as this may materialize and wishes to avoid a future determination that its response to the OMP directive is somehow non-compliant or inappropriate.

Transmission Services' Response

Thanks you for highlighting the situation. BPA agrees that your understanding is consistent with the intent of netting resources under CSGI. BPA also confirms that compensation will be made based on the cost curve for the resource the OM directive was sent to.

I. Although not addressed in the OMP Business Practice, Bonneville's Attachment P indicates that Bonneville will use the independent evaluator to ensure accurate scheduling practices.

Attachment P – Section 7B
If Transmission Provider believes that any schedule submitted during an hour of displacement may be inaccurate or inflated, Transmission Provider may ask the independent evaluator to review the schedule, and may submit additional data

to the independent evaluator to consider in its evaluation. In such case the independent evaluator may ask the Generator to provide relevant supporting data for the schedule, which Generator shall provide. The independent evaluator will provide to Transmission Provider its conclusion regarding the accuracy of the schedule. If the independent evaluator concludes that the schedule is inaccurate or inflated, it may provide to Transmission Provider the data provided by the Generator, and Transmission Provider may file a request or complaint with the Commission, together with the scheduling data, requesting investigation of the Generator's scheduling practices and appropriate action if any.

Iberdrola is concerned that the scheduling practices necessitated by the self-supply program may come under suspicion if reviewed in isolation per Attachment P's Section 7b. For example, the netted profile of Iberdrola's wind facilities may result in a total schedule that matches the aggregate forecasted generation of the individual facilities, but may not reflect what would be considered an "accurate" schedule for each individual facility if reviewed under the terms of Attachment P's Section 7b. Similarly, during hours where wind conditions are predicted to be particularly volatile and the availability of balancing reserves is not sufficient to address potentially extreme conditions, Iberdrola may be required to submit schedules that deviate from the forecasts to ensure it can maintain balance and comply with the CSGI performance parameters. Iberdrola continues to invest significant resources into the successful operation of its self-supply program – a program which reduces the burden on Bonneville's Federal resources and benefits all of Bonneville's customers. Iberdrola requests written assurance from Bonneville that the unique nature of the self-supply program is considered and understood in relation to Bonneville's Attachment P and OMP Business Practice to avoid future conflict, and that Iberdrola will have an opportunity to work with Bonneville and the independent evaluator to ensure a common understanding regarding the proper data and schedule submissions for entities participating in CSGI.

Transmission Services' Response

BPA agrees there maybe unique considerations for self-supply participants in relation to Attachment P and will attempt to work with Customers to develop a common understanding of how CSGI and related schedules should be considered in light of OMP.

Generating as close to schedule as possible each hour is the best way to prevent the need for submitting inaccurate schedules in order to stay within CSGI performance parameters.

J. K. Notification that an Oversupply Management Event has Ended
Iberdrola has gathered the following information from the OMP:

There will be no forewarning that the OMP event is ending given Bonneville transmission has stated they receive the OMP dispatch orders from power services

Bonneville has not provided VERs the ability to state a ramp rate

Although BPA has stated plants on their AGC will receive a 10 minute ramped change of generation at the beginning of an event, it has not stated this will occur at the end of the event

When OM is no longer required the status will return to normal functionality for DSO216, meaning generators are instantly responsible for their schedule

Bonneville has stated VER generators should continue to schedule as if they were not going to be curtailed

It appears from these facts that Bonneville's BA will immediately be sent into a DSO216 tag curtail event at the conclusion of OMP. This is significantly more severe than a normal tag cut event as it will be the entirety of all schedules to customers being cut rather than the small cuts due to scheduling error. Iberdrola is concerned that the protocol as written, the absence of clear operating procedures, the lack of training and testing may combine to create severe reliability problems both within Bonneville's BA and with interconnected BAs.

Transmission Services' Response

BPA understands your concerns and is working on the issue of ramping out of an OM event to help reduce the likelihood of precipitating a DSO216 event.