

May 27, 2014

Comments re BPA's G-NF Policy

Powerex

Powerex welcomes the opportunity to provide comments in response to BPA's April 30, 2014 posting of a modified business practice to be put into immediate effect that permits the use of the G-NF product code when exporting energy from BPA's BAA.

Powerex understands BPA's change in policy to be aimed at fostering regional solutions that permit balancing reserves to be reliably and efficiently supplied and deployed in a manner that does not unduly burden the US federal hydropower system. More specifically, Powerex understands that the key driver for the immediate introduction of the G-NF product code is to enable BPA to generate non-firm power from BPA's resources that are carrying balancing reserves, particularly during the freshet period when BPA has increased needs to generate power from these facilities. Powerex appreciates BPA's efforts to explore solutions which increase the efficiency and transparency of how reserves are carried and deployed in the region and therefore supports enabling the use of the G-NF product code for this purpose.

Powerex's most immediate concern is timing and scope. The proposed introduction of the G-NF product code is a significant one and, if applied broadly, raises the need for additional stakeholder dialogue on the appropriate use of G-NF product codes. Powerex believes such dialogue cannot take place in the accelerated timelines associated with the implementation of this business practice. Nonetheless, it is clear that BPA has identified a need to immediately implement the use of the G-NF product code, without substantive customer consultation, for a very narrow purpose. Powerex thus proposes that, as a result of the limitations imposed on BPA's system during freshet, BPA implement the proposed use of the G-NF product code as a pilot project for the sole purpose of permitting Power Services to generate non-firm power from its resources that are carrying balancing reserves.

Prior to permitting the use of the G-NF product more broadly, Powerex believes it is more appropriate for BPA to convene a robust stakeholder dialogue about the use of product codes (generally, not just G-NF) for any and all schedules originating from resources in the BPA BAA. Such stakeholder engagement should also consider the impacts of the BAL-002-WECC-2 changes that will go into effect on October 1, 2014.

Transmission Services Response:

BPA appreciates Powerex' support for BPA's effort to seek better ways to manage balancing reserve, particularly during the spring freshet.

As noted by Powerex, this proposal is narrowly tailored for the specific purpose of allowing a sale of surplus energy that is recallable from the FCRPS or other generator within BPA's Balancing Authority Area without having to reduce the amount of

balancing reserves held by BPA. This is accomplished by having the sink Balancing Authority hold 100% reserves to support such sales.

Given that we are mid-way through the 2014 spring freshet, there may be limited opportunities to test this idea. Further, as Powerex notes, the use of the G-NF product code may need to be revisited when BAL-002 changes go into effect this October. Thus, as a practical matter, the use of the G-NF product code to help manage the 2014 spring freshet is essentially an opportunity to test the use of this product code in the market, although not formally labeled as a “pilot.” BPA expects to engage in a public process if and when this policy evolves.

At this time, BPA does not anticipate engaging in a broad discussion of the use of energy product codes. As you know, BPA has participated in many public discussions of the use of energy product codes and related issues (such as the use of “tokens”) and in discussions before the Northwest Power Pool. These discussions did not produce a regional consensus. BPA does not expect a different result were BPA to re-engage in a broad discussion of these issues.

Northern Wasco PUD

NWCPUD applauds BPA’s decision to support the standard G-NF product as a way to better utilize its generating capacity. Other BA’s have successfully used this approach to transfer energy to the sink BA and conserve capacity – a measure that is particularly useful during hydro runoff.

Unfortunately, this approach for contingency reserve management may end October 1, 2014, with the implementation of BAL-002-WECC-2 unless the standard is modified to allow the 3% generation portion to be carried by the sink BA through the RE designation process on the e-Tag.

Transmission Services Response:

BPA appreciates the support for this new policy. BPA recognizes that it may have to consider its approach once BAL-002-WECC-2 goes into effect this fall.

BPA expects to engage in a public process as this policy evolves.

Seattle City Light

Dear BPAT:

I just read your business practice announcement which allows generators within the BPA BA to sell non-firm energy as long as the sink BA carries reserves equal to 100% of the transaction. Do you mean if the sink BA carries reserves which equal 5% or 7% of the transaction, depending on whether the source is hydro, wind, or thermal?

Transmission Services Response:

Under the G-NF policy the sink Balancing Authority would hold 100% of the reserves needed to support the transaction, but BPA would continue to carry 5% or 7% contingency reserves, depending on whether the generator is hydro or thermal.