BONNEVILLE
POWER ADMINISTRATION

Transmission Business Line (TBL)

Business Practices Forum
Operating Reserves Work Group

Notes For May 29, 2003 Meeting

Attendees:

Aspaas, Lynn	BPAP
Brattebo, Scott	Pacificorp
Cousineau, Steve	PPM
Dalton, Mary Ann	BPAT
Dobson-Mack, Gordon	Powerex
Felton, Larry	Okagonan
Gilman, David	BPAT
Groce, Edward	Avista
Hanel, Dave	BPAT contractor
Haymaker, Tom	PNGC
Hill, Denise	Transalta
Kelley, Jack	PRM
Kinder, Jennifer	BPAT
Law, Andy	Avista Energy
Liebert, Sharon	Douglas
McManus, Bart	BPAT
McReynolds, Warren	BPAT
Tsui, Jonah	PRM
Wolf, Jerry	Seattle

(May not be complete for those by phone)

The agenda and meeting handouts are posted on the Operating Reserves work group WebPages. The notes follow the order of the agenda.

A revised version of the business practice was posted on May 16, 2003. Another update will be posted to cover the change in rate design for the 2004 rate case and changes from the Business Practice Forum.

1. Flexibility Issues

a. Cross walk between E-tag product codes and reserve responsibility (see draft proposal)

The cross walk was discussed with the intent that this would be input to WECC ISAS committee to help in their process. The ISAS committee will need to decide what product codes to use and to prepare businesses practices covering use of the product codes. Gordon mentioned that a later version would change the product code G-FC to firm from interruptible. Andy said his group would prefer fewer codes to make marketing easier.

b. How to track Operating Reserve Services charges when the Tag is the Schedule

The Tag currently does not address the tracking of Operating Reserves. The goal is for operating reserves to be supplied by the lowest cost supplier. An option is an RTO pool that qualified suppliers would bid into. This would require that the supplier could change for each schedule so that the users could get the lowest price from the market for each use. It was suggested that the first link of the Tag could be used to identify the reserve supplier. The supplier would have approval rights for the Tag. The solution would require buy in of all control areas and a WECC business practice would need to be developed and agreed to. Reliability criteria need to be maintained.

c. Flexibilities customers would like in the future (see Customer Desired Flexibilities paper)

A number of flexibilities have been discussed that could be implemented in the future when not limited by systems and rate design. It was agreed that the ultimate flexibility would be for the user to be able to select the reserve supplier schedule by schedule. This is not possible now but scheduling system being developed should not limit. The software should enable flexibility and not be the limitation because of its granularity. The Operating Reserve responsibility should be able to be identified by schedule. A market monitoring program must be embedded in the solution with performance based metrics.

Allowing TCHs to self-supply only supplemental reserves will be difficult as they are not separately identified or used in the WECC. The WECC criteria say that excess spinning reserves are assigned to supplemental, and control areas use as needed.

2. 150 MW Floor on Self-supply

a. Criteria for qualifying for Self-supply

The criteria proposed by BPAT were discussed. The meaning of short-term use was questioned in section a. This could be non-firm use by the customer, or the use of the customers demand by another user on a non-firm basis. The expected use can be demonstrated with historical data. In section b the customers felt that BPA should retain some flexibility for unusual situations in applying the limits to disqualify suppliers for violating the 150 MWa limit. It was suggested that the "will not be allowed" be changed to "may not be allowed". BPAT agreed to that change for the next version of the business practice.

b Issues/Options for small customers

Summary of alternatives discussed:

Transmission Customers are required to meet the 150 aMW criteria identified in TBL's business practice to self-provide Operating Reserves. A customer may base criteria on long-term contracts or short-term use or a combination. A group of Transmission Customers may pool their resources to equal 150 aMW, thereby meeting the criteria identified in TBL's business practice to self-provide Operating Reserves.

The Operating Reserves Work Groups discussed alternatives for Transmission Customers who purchased Slice from PBL.

Alternative 1

Slice Customers who do not meet the 150 aMW criteria be allowed to set aside every hour at least 8 MW.

This alternative runs counter to the pro rata principal by allowing some customers to supply more than their share resulting in discrimination to other Transmission Customers.

Alternative 2

A group of Slice Customers (e.g. 3 Slice Customers) would pool their resources to equal 150 aMW, thereby meeting the criteria identified in TBL's business practice to self-provide Operating Reserves. One Slice Customer would become the designated Point of Contact (POC) between the Slice group, TBL and PBL. TBL would provide the Reserve Obligation, and the energy when called on, to the POC in an aggregate. For example, the Reserve Obligation was 8 MW. TBL would send the aggregated total to the POC and PBL. TBL would not split the aggregate between the three customers but would calculate the total based on the 8 MW obligation.

The issue of how to disaggregate the obligation and the energy when called on was discussed.

> ***Option a)*** The POC determines the allocation of the aggregated amount and informs the Slice group and PBL what each share is.
>
> This option was not acceptable because PBL could not validate that the disaggregation was done appropriately among the Slice group.
>
> ***Option b)*** The PBL determines the allocation of the aggregated amount and informs the Slice group what each share is.
>
> This option was not acceptable because it gives the appearance that PBL is a 3rd party provider of Ancillary Services, which is not allowed under FERC Order 888.
>
> ***Option c)*** The TBL determines the allocation of the aggregated amount and informs the Slice group and PBL what each share is.
>
> This option was not acceptable because if there was a "rounding" issue, TBL is not able to determine how to break down the amount among the Slice group.

Alternative 3

A Slice Customer may be a third party supplier from its Slice purchase and will be treated as a single entity and shall be responsible for all administrative obligations to resolve allocations for any Slice Customer.

This alternative was not acceptable to Slice Customers because the ramp rate requirements under the Slice agreement would not allow enough ramp to supply for others.

The slice customers indicated they would meet outside the Forum to discuss other ideas. It was asked if there is any indication of future changes at the FERC level that would affect Operating Reserves. BPAT is not aware of any. Larry Felton of Okanogan PUD made some comments at the meeting, which are at the end of the notes.

3. Future Meetings

No additional meetings were requested.

Additional Comments

The following comments were made by Larry Felton, Power Resource Engineer, Okanogan PUD who attended the May 29, 2003 Operating Reserves TBL Work Group Meeting. He asked that these comments be added to the record of the Meeting.

It is clear that the Small Slicers still feel that there are Unresolved issues that need to be dealt with. There is an appearance of anti-competitive practices TBL and the PBL by discriminating about Which Slicers can and can't self supply operating reserves because of size. Further, that both BPA's appear to have a profit motive to preserve the status quo in the case of small Slicer's like Okanogan, Pend O'Reille and Franklin. They take the capacity we should have been able to use to self-supply, then charge us for the service via the TBL rates who then gets the capacity from the PBL. In our case this is $250K of Slice capability per year that the TBL and PBL deny us by not allowing Okanogan to self-supply.

When I said this, a PBL representative said (paraphrasing):

"As a Slicer you get paid back each year in the Slice true-up from revenues to the PBL for providing Operating Reserves". My response was "I get 22% of my $250K back which is the percentage of total of Slice purchasers to the whole system. (The PBL keeps the difference by not letting me self-supply). As far as Okanogan is concerned, there is still a dispute that needs resolution. The dispute now is the PBL seems to be unable (which may be fixable) or unwilling to let Small Slicers to aggregate their self-supply of Op Reserves requirements.

The Small Slicers believe that there may be a way through this apparent impasse and would like to continue discussion with the TBL and the PBL on this issue.

I was very disappointed at the subject meeting and voiced that feeling. The sad part was that the TBL actually was trying to help us small Slicers by letting us aggregate as a group so that we would be above the 150 aMW limit. The PBL took a hard line that basically in my mind said, "We won't let the Slicers' accounts co-mingle for pooling Op Reserves" among other excuses. Of course, that is the PBL's attitude, but the fact remains the Slice Contract (in my opinion) doesn't prevent it because much of it is "after-the-fact" paperwork anyway. The Slice Contract we have with the PBL does say that Slicers have the right, And PBL has the obligation to "facilitate" Slicers who want to self-supply Operating Reserves if they wish to.

Respectfully Submitted, Larry Felton