

Northwest Resource Adequacy Implementation Issues



Northwest Resource Adequacy Forum
Steering Committee Meeting
March 24, 2006



Summary



- General consensus from last meeting – fleshed out
- Issues raised in small drafting group for further guidance
 - Nature of contingency plan
 - Need to allocate planning reserves and uncommitted regional resources?
 - Application of hydro emergency penalty to BPA Power Business Line (PBL)

General Implementation Mechanism

- General consensus at last Steering Committee meeting
- Focus on reporting and informed management decisions
- Reporting to a regional entity, likely PNUCC
- Assessment of regional results (PNUCC?)
 - Alternative assessments from different perspectives (Council? BPA?)
 - Utilities can see how they and region are doing
 - No more detail needed if region looks OK
 - If a problem exists, perhaps highlight utilities that are short

Implementation Mechanism (cont'd)

- Utilities that are short in real time face high prices
 - Market prices for utilities relying on the market
 - BPA overrun penalty price for those exceeding contract amounts
 - Current BPA imbalance penalty: 125% of market index
- If BPA required to declare a hydro emergency and override fish requirements, penalty would increase
 - Extra revenue to fish-mitigation measures

Nature of Contingency Plan

- Factors
 - Prospective shortage may not materialize – good water
 - Prospective balance may not materialize – 5% LOLP
- Path A
 - Wait to see whether the experience with this approach is satisfactory
 - If not, develop another (more regulatory?) approach
 - Meaning of “satisfactory”?
 - Effect of shortage on non-complying utilities minimized
 - Recognize non-complying utilities may incur high costs

Nature of Contingency Plan (cont'd)

- Path B
 - Look forward to prospective regional shortage
 - Do more than highlight non-complying utilities, e.g.:
 - Request utilities to act and to comply
 - Initiate demand-side programs to buy out load (mechanism to be designed in advance)
 - Initiate predefined plan for construction/procurement of resources for non-complying utilities (cost-recovery mechanism designed in advance)

Issue – “Regional” Resource Allocation

- How to deal with “planning adjustment” resource and uncommitted generation resource for regional assessment?
 - Path A: Try to figure out an allocation
 - Path B: Not necessary to allocate for regional assessment

Issue – Hydro Emergencies and PBL

- Proposal: Penalty for reliance on hydro emergencies should apply to PBL, acting for the customers which have chosen to rely on it
- Parallel approach to application to BPA customers who have chosen to serve own load growth.