

124 FERC ¶ 61,208
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Portland General Electric Company

Docket No. ER08-1183-000

ORDER ACCEPTING PROPOSED TARIFF REVISIONS

(Issued August 29, 2008)

1. On June 30, 2008, Portland General Electric Company (PGE) submitted proposed revisions to the Energy Imbalance Services under Schedules 4 and 4-R of its Open Access Transmission Tariff (OATT)¹ and requested waiver of the prior notice requirement to make its proposed revisions effective July 1, 2008. As discussed below, the Commission finds that PGE's proposal is consistent with or superior to the *pro forma* OATT as modified in Order No. 890. Accordingly we grant waiver of the notice period and accept PGE's proposed tariff revisions for filing subject to modification.

Background

2. Energy imbalances occur when there are differences between the scheduled and actual delivery of energy to a load located within a balancing area authority over a single hour. PGE's energy imbalance charges are calculated using the published Dow Jones Electricity Price Index for Mid-Columbia (Mid-C Price) at the daily non-firm on-peak or off-peak price in effect for the hour of the imbalance.²

3. PGE's OATT Schedule 4, Energy Imbalance Service, applies to wholesale transmission service and provides for tiered imbalance charges as follows: (1) deviations within plus or minus 5 percent of a scheduled transaction with a minimum of 2 MW are credited for over-deliveries by the customer or charged for under-deliveries at 100 percent of the Mid-C Price; (2) deviations greater than 5 percent but less than or equal to

¹ PGE's FERC Electric Tariff, Third Revised Volume No. 8.

² *Id.* at Original Sheet No. 139.

25 percent are credited at 90 percent of the Mid-C Price or charged at 110 percent of the Mid-C Price; and (3) deviations greater than 25 percent are credited at 75 percent of the Mid-C Price or charged at 125 percent of that price.³

4. PGE's OATT Schedule 4-R, Retail Energy Imbalance Service, applies to unbundled retail transmission service, and does not provide for assessment of an imbalance charge for deviations within plus or minus 7.5 percent of a scheduled transaction. Deviations greater than the 7.5 percent bandwidth are credited at 90 percent of the Mid-C Price or charged at 110 percent of the Mid-C Price.⁴

PGE's Filing

5. PGE proposes to revise Schedules 4 and 4-R to encourage accurate scheduling when the Mid-C Price is a negative number. Specifically, PGE states that there are times it is necessary to reduce hydroelectric reserves to environmentally acceptable levels and water must either be spilled, or alternatively, run through turbines to produce electric power. In the latter case, PGE claims that it may be necessary to sell the extra hydroelectric power at a negative price to ensure that it is used. PGE states that during an hour in which the Mid-C Price is negative, if a transmission customer's load exceeds its schedule, PGE will have more ability to purchase the negative-cost energy, thus providing savings to PGE's customers. In that case, PGE proposes to pay the transmission customer a credit for its under-scheduled energy, that is, actual deliveries of energy in excess of energy scheduled by the customer for the hour. Conversely, if the customer's transmission schedule exceeds its load, the customer will pay for the energy

³ See *id.* at Original Sheet Nos. 139-140.

⁴ See *id.* at Original Sheet Nos. 142. The Commission revised the energy imbalance charges contained in the *pro forma* OATT in Order No. 890. *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, 72 Fed. Reg. 12,226 (Mar. 15, 2007), FERC Stats. & Regs. ¶ 31,241 at P 633, *order on reh'g*, Order No. 890-A, 73 Fed. Reg. 2984 (Jan. 16, 2008), FERC Stats. & Regs. ¶ 31,261 (2007); *order on reh'g*, Order No. 890-B, 73 Fed. Reg. 39,092 (July 8, 2008), 123 FERC ¶ 61,299 (2008). Subsequently, on April 16, 2007, PGE submitted a filing, in accordance with Order No. 890, seeking Commission acceptance of certain previously approved variations from the *pro forma* OATT, including the 5 and 7.5 percent bandwidths under Schedules 4 and 4-R, respectively, and its use of the Mid-C Price as a proxy for its incremental costs. PGE's filing was accepted for filing on June 21, 2007. See *Portland General Electric Co.*, Docket No. OA07-15-000 (June 21, 2007) (unpublished letter order).

over-scheduled for that hour.⁵ Specifically, PGE proposes to amend Schedules 4 and 4-R to provide that, when the Mid-C Price is negative, PGE will pay the Transmission Customer at a rate equal to 100 percent of the absolute value of the Mid-C Price for under-deliveries within the bandwidth and 90 percent for under-deliveries outside of the bandwidth. Further, the transmission customer will pay PGE at a rate equal to 100 percent of the absolute value of the Mid-C Price for over-deliveries within the bandwidth and 110 percent for over-deliveries outside of the bandwidth.⁶ A similar change is proposed to Schedule 4 for deviations exceeding 25 percent of the schedule.⁷

6. According to PGE, when the Mid-C Price is negative, the rate currently used to calculate a transmission customer's charges for deviations outside of the bandwidths of 5 percent or 7.5 percent for Schedules 4 and 4-R, respectively, is inconsistent with the intent of establishing the bandwidth, i.e., to encourage accurate scheduling. PGE states that under its current tariff when the Mid-C Price is positive, a customer that has scheduled an amount greater than its load will receive a lower rate for the amount that exceeds the bandwidth than for the amount within the bandwidth. However, PGE claims the results are anomalous when the Mid-C Price is negative, because the credits due to a customer for imbalances outside of the bandwidth are based on a higher rate than for amounts within the bandwidth, and charges owed by the customer for imbalances are based on a lower rate for amounts outside of the bandwidth than amounts within the bandwidth.⁸

⁵ PGE Filing at 3; PGE's FERC Electric Tariff, Third Revised Volume No. 8, First Revised Sheet No. 140, Original Sheet No. 140A and Original Sheet No 142A.

⁶ PGE Filing at 4-5.

⁷ *Id.* at 5.

⁸ PGE provides the following example for Schedule 4-R assuming the Mid-C Price is \$4.00 per MW in an hour and an unbundled retail customer schedules 150 MW and has a load of 100 MW, i.e., over schedules by 50 MW. PGE would pay the customer 100 percent of the Mid-C Price or \$4.00 per MW for the first 11.25 MW deviation that is within the bandwidth (150 MW times 7.5 percent), and for the remaining 38.75 MW that is outside the bandwidth, PGE would pay the customer 90 percent of the Mid-C Price or \$3.60 per MW. Conversely, if the Mid-C Price is a negative \$4.00 under the same over-scheduled scenario, PGE would "pay" the customer negative \$4.00 per MW for the first 11.25 MW deviation within the bandwidth, and negative \$3.60 per MW for the 38.75 MW outside the bandwidth. PGE provided another example calculating the imbalance charges when a customer's load is greater than the amount scheduled.

7. PGE alleges that this anomalous result may create an economic incentive for a transmission customer to submit inaccurate schedules when the Mid-C Price is negative. PGE says the Mid-C Price was recently a negative number, and although it does not believe that any customers intentionally submitted inaccurate schedules for that period, PGE believes that it needs to provide proper incentives to customers on a prospective basis. As a result, PGE proposes to revise Schedules 4 and 4-R to provide for a less favorable rate when energy imbalance deviations are outside of established imbalance thresholds.⁹

8. PGE states that the Commission explained in Order No. 890 that pricing used to charge for energy imbalances under the OATT should provide an incentive for accurate scheduling, and that one way of providing such an incentive is to use a bandwidth approach to calculate imbalance charges.¹⁰ According to PGE, the *pro forma* OATT includes a percentage adder above (and below) incremental costs for deviations outside of established thresholds increasing as the deviations become larger.¹¹ PGE states that the use of a negative Mid-C Price changes this approach and that its amendments address the anomalous result.

9. Additionally, PGE states that good cause exists for the Commission to grant waiver of the prior notice requirement because the proposed revisions correct a flaw in Schedules 4 and 4-R in order to encourage accurate scheduling of transmission service.

Notice of Filing

10. Notice of PGE's filing was published in the *Federal Register*, 73 Fed. Reg. 40,563 (2008), with interventions and protests due on or before July 21, 2008. None was filed.

⁹ Revising its example to reflect the use of the absolute value of the Mid-C Price in an hour when the Mid-C Price is negative \$4.00, PGE states that the customer would pay \$4.00 per MW for the first 11.25 MW deviation within the bandwidth and 110 percent of the absolute value of the Mid-C Price or \$4.40 per MW for the remaining 38.75 MW that is outside the bandwidth. Thus, PGE states, the customer would pay a higher rate for the amount of its imbalance outside the bandwidth than for the amount within the bandwidth.

¹⁰ PGE Filing at 2 (citing Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 633).

¹¹ *Id.*

Discussion

11. For the reasons discussed below, we accept for filing PGE's proposed tariff revisions, subject to modification, as consistent with or superior to the *pro forma* OATT as modified in Order No. 890.

12. In Order No. 890, the Commission revised Schedule 4 of the *pro forma* OATT and adopted a new *pro forma* Schedule 9 (Generator Imbalance Service) in order to increase consistency among transmission providers in the application of imbalance charges, and to ensure that the level of the charges provides appropriate incentives to keep schedules accurate without being excessive.¹² The Commission stated that a graduated bandwidth approach recognizes the link between escalating deviations and potential reliability impacts on the system and concluded that charges for both energy and generator imbalances must adhere to the following principles: (1) the charges must be based on incremental cost or some multiple thereof; (2) the charges must provide an incentive for accurate scheduling, such as by increasing the percentage of the adder above (and below) incremental cost as the deviations become larger; and (3) the provisions must account for the special circumstances presented by intermittent generators and their limited ability to precisely forecast or control generation levels, such as waiving the more punitive adders associated with higher deviations.¹³ In addition, the Commission stated that transmission providers with previously-approved tariff provisions governing imbalances that no longer conform to the *pro forma* OATT may seek renewed approval of those tariff deviations by demonstrating that the alternative imbalance charge structures are consistent with or superior to the reformed *pro forma* OATT.¹⁴

13. As the Commission explained in Order No. 890, imbalance charges must provide an incentive for accurate scheduling. The Commission finds PGE's proposal to be a reasonable method for providing such incentives when its system is in surplus conditions and reserves above environmentally acceptable levels require that the water be used to produce electric power, which is reflected in a negative Mid-C Price. During such times, PGE can provide savings to its customers by purchasing greater amounts of negative-priced power to meet loads. However, under PGE's current tariff, a transmission customer that under-schedules would economically benefit from deviations extending beyond existing imbalance thresholds when the Mid-C Price is negative. We agree with

¹² Order No. 890, FERC Stats. & Regs. ¶ 31,241 at P 663.

¹³ *Id.*

¹⁴ *Id.* P 670.

PGE that in such a circumstance its tariff does not support accurate scheduling. We also agree with PGE that its proposed modification to its imbalance provisions provides better incentives to support accurate scheduling during periods of surplus supply and, therefore, are consistent with the principles established in Order No. 890. We note, however, there appears to be a typographical error in section (d)(3)(C) of PGE's proposed Schedule 4 reflecting the percentages to be used to calculate payments for deviations greater than 25 percent. Accordingly, we direct PGE to submit a compliance filing within 15 days of the date of this order correcting this error. For good cause shown,¹⁵ we will grant PGE's request for waiver of the prior notice requirement and accept PGE's proposed tariff revisions for filing subject to modification as discussed above.

The Commission orders:

(A) PGE's proposed tariff revisions are accepted for filing, effective July 1, 2008, subject to modification as discussed in the body of this order.

(B) PGE is directed to submit a compliance filing within 15 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

¹⁵ See *Central Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, *reh'g denied*, 61 FERC ¶ 61,089 (1992).