

BPA's Introductory Comments on Redispatch and Conditional Firm

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BPA believes that the Conditional Firm Service has merit for increasing long-term firm ATC in the Pacific Northwest. Conditional Firm Service appears to be the only viable approach to creating additional long-term firm ATC in areas such as the Northwest, which rely primarily on bilateral market structures and which have significant hydroelectric generation.

Hydroelectric power is not suitable for creating long-term firm ATC through redispatch because of the uncertainties inherent in hydroelectric generation, which is the predominant source of redispatch for the region. Hydro generators cannot reliably predict when and whether generation will be available to provide necessary redispatch, and cannot assure any particular pattern of generation dispatch or redispatch over a long period of time. Unlike thermal generation, hydro projects have multiple uses and must be operated to provide for navigation, recreation, and flood control as well as the production of power. All these uses can affect the way the operator must dispatch the system.

In addition, hydro operators cannot predict the constraints on power production because of the need to mitigate the impact of the hydro system on fish. At times BPA could be faced with a need to generate additional power or even to sacrifice power production to protect migrating fish. Hydro operating plans for fish mitigation may change annually, and near-term operations sometimes must be changed weekly.

Finally, a hydro system is operated as an interconnected unit. Release of water at an upstream project on the Columbia River will result in the generation of power downstream later that day or the next day. Unlike thermal plants, hydro plants in such a system cannot be dispatched independently.

Therefore, at least for the Pacific Northwest, BPA supports the Commission's proposal for Conditional Firm Service, under the following conditions:

To minimize the need for system changes, BPA believes that the conditional firm hours should have the same curtailment priority as secondary network service. In addition, the e-tags should reflect that priority at the time of submission so that transmission providers do not have to design a process to "convert" the transaction to that priority at the moment of curtailment, when time is very short.

To implement Conditional Firm Service, BPA would expect to develop a "counting" function to ensure that each time a Conditional Firm curtailment was made, the number of hours curtailed would be subtracted from the total of conditional firm hours for that month or year. If the full contract limit for the conditional hours for the month or year was ever reached, BPA would notify the customer, after which any remaining hours in the month or year would be e-tagged with the same curtailment priority as firm service. BPA believes that monthly limits would be the most consistent with its ATC

methodology of determining monthly ATC for each flowgate so that, for any month that long-term ATC was available at all necessary flowgates, the reservation would be firm.

The Transmission Provider must be allowed to identify an appropriately conservative number of conditional firm hours for every conditional firm month for each reservation. A conservative cap is necessary to protect other firm customers from having their transmission service degraded by the sale of conditional firm service while providing the purchaser of the Conditional Firm Service certainty regarding its additional curtailment risk. This certainty would allow potential conditional firm customers to determine whether the Conditional Firm Service offer meets their business needs. The product could also be designed so that the lower curtailment priority applies only when the constraint requiring curtailment occurs on certain paths or flowgates—those that required the sale of the product as conditional firm in the first place. BPA would study potential conditional firm offers by examining our posted monthly flowgate ATC and our curtailment history at any flowgate for months for which we do not have long-term firm ATC available.

When offered Conditional Firm Service, customers should have the option of requesting construction to convert the Conditional Firm Service to Long-Term Firm or accepting a conditional firm product on a long-term basis. This choice would allow each customer to assess the economic benefits of firming up the conditional firm hours. If Conditional Firm Service were offered only as a bridge to long-term firm service, some customers might be forced to reject the offer as too expensive even though they could have used the Conditional Firm Service to meet their long-term business needs.

BPA agrees that the rate for Conditional Firm service should be the same as the PTP rate. This would ease administrative burdens and avoid the need to develop a new rate.

In summary, Conditional Firm Service can provide PTP customers with access to long-term firm transmission that they previously could purchase only on a short-term basis. As a next step, the industry should examine mechanisms to provide network service customers with comparable long-term access to this ATC as well. Further, BPA recommends that the Commission take no action to preclude transmission providers from making this additional ATC available to NT customers in the long-term if they can develop an effective method for doing so.