Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

POWER SERVICES

November 19, 2007

In reply refer to: PTL-5

Subject: **WECC Interpretation of Load Responsibility and the NWPP RSG Response**

Dear Bonneville Power Administration Customer,

On September 7, 2007, the Western Electricity Coordinating Council (WECC) Board of Directors approved the WECC's interpretation of "Load Responsibility" (See Attachment, WECC Interpretation of "Load Responsibility"). The WECC intends to implement this new interpretation upon implementation of e-Tag version 1.8 planned early December 2007.

The new WECC interpretation raised questions about the way the Northwest Power Pool Reserve Sharing Group (NWPP RSG) would ensure that Contingency Reserves are actually being carried to meet the minimum levels prescribed in the WECC standards.

The new WECC interpretation also raised questions as to which Balancing Authority would include a transaction in its Load Responsibility for WSPP Agreement (WSPPA) transactions. To clarify, Section C-3.10 of Service Schedule C provides that:

> C-3.10 Seller shall be responsible for ensuring that Service Schedule C transactions are scheduled as firm power *consistent with the most recent rules adopted by the applicable NERC regional reliability council.* (Emphasis added)

WECC is the applicable NERC regional reliability council.

On October 11, 2007, the NWPP RSG issued a statement as to how the NWPP RSG will operate upon implementation of e-Tag version 1.8 (See Attachment, "NWPP Response to the new WECC Interpretation of Load Responsibility, October 11, 2007"). Among the NWPP RSG changes contained in the attachment, regarding compliance with the new WECC interpretation, the NWPP included the following:

- NWPP RSG members (for which they are the source) will not retain Contingency Reserve responsibility associated with exports out of the NWPP area, unless the etag indicates otherwise.

- NWPP RSG members (for which they are the sink) will retain Contingency Reserve responsibility for all imports into the NWPP area, unless the etag indicates otherwise.

Because these changes will become effective very soon, the Bonneville Power Administration (BPA) believes it is good business practice to provide you with advance notice of these changes.

More specifically, with respect to Contingency Reserve responsibility and given the WECC interpretation, the NWPP RSG response, and the WSPPA, BPA Power Services (BPAP) will operate as follows:

1) For transactions (for which BPA is the source) entered into prior to implementation of e-Tag version 1.8, BPAP will accept etags that indicate BPA will include Contingency Reserves for exports out of the NWPP RSG area.

2) For transactions (for which BPA is the source) entered into after implementation of e-Tag version 1.8, BPAP will deny etags that indicate that BPA is providing Contingency Reserves for exports out of the NWPP RSG area, unless BPAP has agreed, verbally or in writing, to include Contingency Reserves in transactions (for which BPA is the source) exported out of the NWPP RSG area.

3) For transactions entered into after implementation of e-Tag version 1.8 for which BPA is the source and the sink is within the NWPP RSG, BPAP will accept etags that indicate BPA will include Contingency Reserves.

We appreciate your prompt attention to this matter and encourage you to stay informed with WECC, NWPP RSG, and WSPPA developments.

If you have any further questions regarding this notice letter or concerns about impacts to continued business with BPA, please feel free to contact me at (503) 230-3135 or Larry Kitchen, Manager of Long Term Sales & Purchases at (503) 230-5458.

Sincerely,

Bill Lamb,
Trading Floor Manager, Bulk Power Marketing & Transmission Services

WECC Interpretation of "Load Responsibility"

Approved by the WECC Board of Directors September 7, 2007

This document contains an interpretation of the WECC defined term "Load Responsibility."

Current Load Responsibility definition: A control area's firm load demand plus those firm sales minus those firm purchases for which reserve capacity is provided by the supplier.

Interpretation of Load Responsibility:

A Balancing Authority's (BA) Load Responsibility is the algebraic sum of the BA Area's:

- Net Generation
- Minus (-) Net Actual Interchange (NAI) (- or +)
    - NAI Exports are positive (+), NAI Imports are negative (-)
- Minus (-) loads that can be interrupted in 10 minutes or less by contractual agreement.
- Plus (+) Interchange Schedule exports where the BA is identified as retaining Contingency Reserve responsibility through the e-Tag process.
    - Contingency Reserve responsibility is identified as required by INT-BPS-014-0 Identification of Contingency Reserve Responsibilities in the e-Tag
- Minus (-) Interchange Schedule imports where another BA is identified as having Contingency Reserve responsibility through the e-Tag process.
    - Contingency Reserve responsibility is identified as required by INT-BPS-014-0 Identification of Contingency Reserve Responsibilities in the e-Tag

The following assumptions apply only to the interpretation of Load Responsibility:

1. WECC should focus on the interpretation of reliability criteria. It should not define energy market products.

2. Energy product definitions are determined by the entities that are parties to the transaction.
    - It is up to Purchasing Selling Entities to determine their level of acceptable deliverability risk and determine who has contingency reserve responsibility.

3. The minimum Contingency Reserve requirement under NERC's standard is equivalent to the individual BA's or Reserve Sharing Group's Most Severe Single Contingency (MSSC). (NERC BAL-002-0 R3.1)

    - The corresponding WECC Contingency Reserve requirement is the "loss of generating capacity due to forced outages of generation or transmission equipment that would result from the most severe single contingency;" (BAL-STD-002-0 section B.a.ii.(a))

4. The WECC's additional 7% Thermal/5% Hydro of Load Responsibility Contingency Reserve requirement is more stringent than NERC's MSSC requirement because the greater of the 7/5% or MSSC shall be used. The term Load Responsibility is only relevant in calculating the additional requirement imposed by the WECC Standard.

5. The current WECC Contingency Reserve requirement represents a holistic approach to carrying Contingency Reserves for the entire Western Interconnection. The Load Responsibility calculation is used to "transfer" Contingency Reserve responsibility between BAs.
    - Energy with associated Contingency Reserve can be exported and imported between Balancing Authority Areas. However, if Contingency Reserve is associated by agreement with the energy transaction, the responsibility for the Contingency Reserve obligation will remain with the Source BA. In other words, the BA exporting energy that has associated Contingency Reserve would increase its "Load Responsibility" by the amount of the energy being exported. The BA importing the energy has the ability to reduce its "Load Responsibility" by the same amount. This has the effect of maintaining the appropriate amount of Contingency Reserve on a Western Interconnection wide basis.

6. No WECC Minimum Operating Reliability Criteria or NERC Standard requires that energy imports be delivered over FERC defined "Firm" transmission.
    - The only exception is the delivery of operating reserve energy between Balancing Authorities. (MORC Section I.A.6.)

7. Contingency Reserve attributes associated with the traded energy must be identified and tracked to ensure compliance to Reliability Standards. This will be accomplished by the implementation of WECC Business Practice INT-BPS-014-01.
    - An Imported Interchange Schedule must have associated Contingency Reserve based on the information in the e-Tag in order for it to decrement the Sink BA's Load Responsibility.

8. All <u>energy</u> imports into a BA are in effect "contingent" based on the availability of the transmission path or paths used to deliver the energy. The importing BA must be prepared to compensate for the loss of the imported <u>energy</u>

resource just as they must be prepared to compensate for the loss of energy from a generating unit internal to the Balancing Authority.

- This concept eliminates the need for a “Unit Contingent” product definition for reliability purposes.

9. WECC MORC requires that BAs must carry 100% Reserves for interchange schedules that can be interrupted at the sole discretion of the source PSE within 10 minutes or less and “on demand” obligations that must be provided in 10 minutes or less. Transactions of greater time duration are not mentioned.

10. Transactions between BAs that are contingent upon specific generating units output may be treated the same as transactions of generating units output residing inside the sink BA for contingency reserve purposes.

11. Nothing precludes individual BAs nor a Reserve Sharing Group from carrying more Contingency Reserve than the WECC Board Interpretation of the WECC Standard BAL-STD-002-0 - Operating Reserve.

NWPP Response to the new WECC Interpretation of Load Responsibility
October 11, 2007

On September 7, 2007 the WECC Board of Directors approved an interpretation of Load Responsibility associated with the WECC BAL-STD-002-0; refer to attachment. Although this interpretation will not become effective until after the implementation of e-Tag version 1.8, which is currently expected sometime in December of 2007, the Northwest Power Pool Reserve Sharing Group (NWPP RSG) will operate within its program in accordance with the following.

The NWPP RSG's longstanding interpretation has been that the "source" Balancing Authority is required to include its exports in the calculation of its Load Responsibility (the only exception being interruptible exports). This new interpretation of Load Responsibility is meant to allow either the "source" or "sink" Balancing Authorities to include a transaction in its Load Responsibility. In doing so, it raises questions about the way that the NWPP RSG will ensure that the Contingency Reserves being carried actually meet the minimums prescribed in the WECC Standards.

The NWPP RSG will retain its current Reserve Sharing program; including the "Firm For The Hour" definition as it pertains to the Participating Balancing Authority Areas within the NWPP RSG, accommodating unit contingent (firm contingent energy code) transactions. However, the NWPP RSG will make the following changes in compliance with the new interpretation.

- NWPP RSG members (for which they are the source) will not retain Contingency Reserve responsibility associated with exports out of the NWPP area, unless the etag indicates otherwise.
- NWPP RSG members will agree with the WECC assumption that transactions between BAs that are unit contingent (firm contingent energy code) will be treated the same as transactions with generating units residing inside the sink BA for Contingency Reserve purposes.
- NWPP RSG members (for which they are the sink) will retain Contingency Reserve responsibility for all imports into the NWPP area, unless the etag indicates otherwise.
- Within operating hour schedule cuts of non-interruptible energy imports or exports, in or out of the NWPP RSG area, will not be initiated nor accepted by NWPP RSG members, except: 1) For reliability purposes or 2) if mutually agreed to by the source and sink balancing authorities or 3) if it is a unit contingent (firm contingent energy code) transaction. A single generator contingency is not an acceptable reason for cutting a firm transaction, unless it is a unit contingent (firm contingent energy code).

Balancing Authority participants in the NWPP RSG are: AESO, AVA, BCTC, BPAT, CHPD, DOPD, GCPD, IPC, NWMT, PACE, PACW, PGE, PSE, SMUD, SCL, SPPC, TPWR, TID, and WAUW.