



# **Suggested Revisions to BPA's Persistent Deviation Penalty (PDP) Charge**

**Presented by Southern California Edison  
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## BPA's Objective of the PDP Charge

- ❑ **To mitigate certain operating challenges resulting from persistent scheduling inaccuracy**
  - Accumulated imbalances
  - Hourly hydro operations



## History of the PDP Charge

- ❑ **Moved from simple 4-hour construct to a complex multi-hour, multi-range PDP Charge triggers**
  - 3 hours: 15% of schedule and 20 MW
  - 6 hours: 7.5% of schedule and 10 MW
  - 12 hours: 1.5% of schedule and 5 MW
  - 24 hours: 1.5% of schedule and 2 MW
  
- ❑ **PDP rates have remained constant, yet significant**
  - Persistent over-scheduling: \$100/MWh
    - Or 125% of highest incremental cost for the day
  - Persistent under-scheduling: forfeited Generation Imbalance payment
    - Exception: Charge assessed when GI price is negative



## BPA Should Reform PDP

- ❑ **The PDP structure provides inappropriate scheduling incentives**
  - Parties have improper incentives to schedule inaccurately to avoid the \$100/MWh PDP charge
- ❑ **PDP applies administrative costs that parties cannot reasonably avoid**
  - Parties cannot avoid PDP charges until forecasts become highly accurate and markets increase liquidity for energy subject to DSO-216
- ❑ **PDP fails to provide BPA with the benefits it desires**
  - Continued accumulation of deviations system-wide



## Southern California Edison's Proposed PDP Changes

- 1. Revise VERBS charge to be partially based on cumulative deviations over a month, rather than based 100% on installed capacity**
  - Incentivizes good scheduling behavior without drastic scheduling swings to avoid PDP charges
  - Directly addresses BPA's cumulative deviations issues
  - At minimum, suspend PDP and evaluate effects following VERBS revision
  
- 2. Allow PDP exemption if meeting 60 to 80 minute persistency**
  - 60 to 80 minute scheduling accuracy addresses:
    - BPA's cumulative deviations issues
    - Commercial reality related to position/forecast analysis, market liquidity, scheduling deadlines, etc.



## Southern California Edison's Proposed PDP Changes *(cont.)*

### 3. Rename “Persistent Deviation Penalty” to “Persistent Deviation Charge”

- Certain parties face regulatory-related consequences if assessed “penalties”
- Parties should not face “penalties” for actions they cannot reasonably control

### 4. Discount PDP charges for units participating in intra-hour programs

- Adopt a MW-for-MW PDP discount provided that a participant adheres to the requirements of the respective program
- Example: CAISO intra-hour pilot

### 5. Allow PDP “netting”

- Calculate PDP on a netted portfolio basis
- Consistent with DSO-216 netting



## Conclusion

- ❑ **As it exists today, PDP:**
  - Is unavoidable
  - Provides perverse incentives for inaccurate scheduling
  - Does not remedy BPA's issues concerning accumulated imbalances
  
- ❑ **Modification of VERBS together with the existing Generation Imbalance charge should be sufficient to eliminate the PDP charge**
  
- ❑ **Short of PDP elimination, PDP should be modified such that parties taking reasonable actions rarely, if ever, face the charge**