

Mapping the Cost of Forecast Firm FCRPS Balancing Capability to Competing Balancing Needs and the Framework that Supports BPA's Acquisition of Additional Balancing Reserves

Background:

The limits of capacity available from the Federal Columbia River Power System (FCRPS) to provide balancing reserves for the rate case time period will be defined (topic for July workshop). This construct assumes that customers have made scheduling and self-supply commitments prior to the identification of any forecast acquisitions that are needed to meet the defined base level of service. Absent significant changes in self supply or scheduling practices for the final proposal, the forecast FCRPS limit will likely be insufficient to provide balancing reserves at the 99.5% level of service for either *inc* or *dec* reserves.

Purpose:

- Outline a concept that maps the cost of limited forecast FCRPS balancing reserves to competing balancing reserve needs.
- Outline a concept that would guide acquisition of additional balancing reserves when the forecast FCRPS balancing capability is less than the identified balancing need.

The mapping constructs and framework described in this paper represent a few possible approaches and are provided to jump-start workshop discussions. The final mapping construct and framework that BPA proposes after customer input will support the cost allocation used to set the cost of balancing services in BP-14 Initial Proposal. This issue, or the “method for mapping supply to need,” was identified by customers and BPA as a Top Five issue to be discussed at pre-Rate Case workshops.

Draft Framework for Balancing Reserve Acquisitions

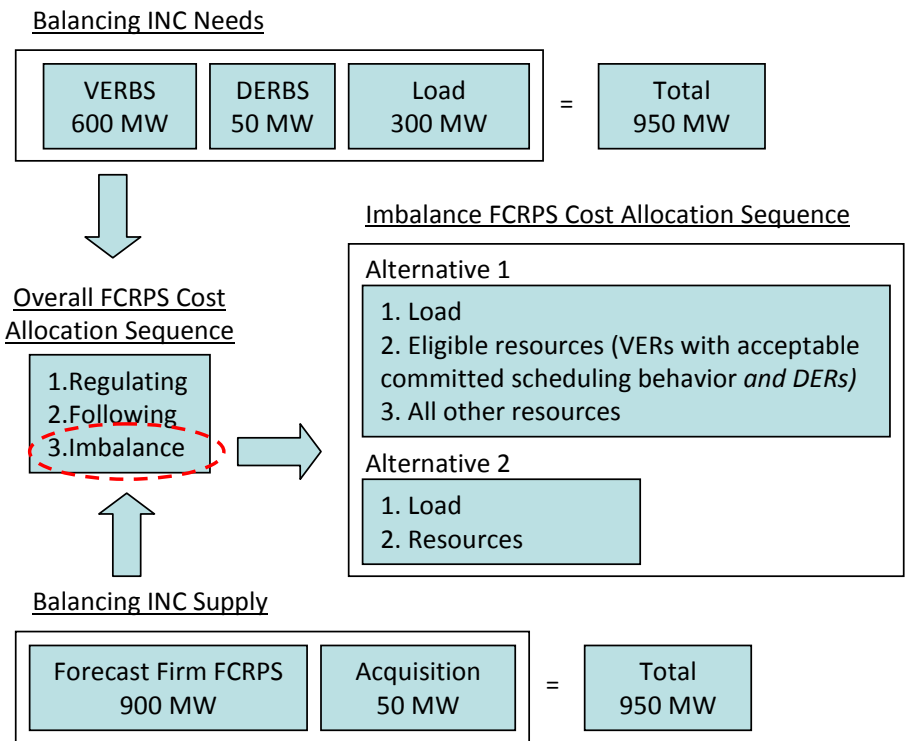
1. **An FCRPS cost allocation sequence will be determined** – A sequence of access to FCRPS reserve capacity costs will be pre-defined for the rate case time period. The FCRPS cost allocation sequence will determine which balancing reserve needs are allocated FCRPS costs and which are allocated capacity acquisition costs. Absent customer feedback to the contrary, BPA assumes that loads should be served first.
2. **BPA will focus only on planning for potential acquisitions for *Inc* need** – *Dec* acquisitions appear to be expensive relative to the alternative of feathering wind. Absent customer feedback to the contrary, BPA will assume that this alternative of feathering wind is preferable.
3. **Acquisitions needed to provide the base level of service for each category in the FCRPS cost allocation sequence will be purchased prior to the start of the rate period¹**. Each group identified will be allocated acquisition costs to make up that group's balancing reserve shortfall.
4. **Additional *Inc* acquisitions** – *Inc* acquisitions, in addition to those under #3, will be made to accommodate requirements/need/requests to increase the base level of service (*i.e.*, *Formula Rate II and Supplemental Service.*)
 - i. **Acquisitions that benefit the balancing portfolio** – The FCRPS cost allocation sequence will be used to determine which balancing pools are allocated the costs of additional *Inc* acquisitions when acquisitions are made at the request of and for the benefit of the entire balancing portfolio.
 - ii. **Acquisitions that benefit individual pools or customers** – When acquisitions are made at the request of and for the benefit of individual groups or customers, the group or customer that benefits from that acquisition will pay for the cost of that acquisition.

¹ This does not presume that BPA is the only entity acquiring more reserves beyond the forecast firm capability of the FCRPS. This is the amount leftover after customer commitments to self-supply.

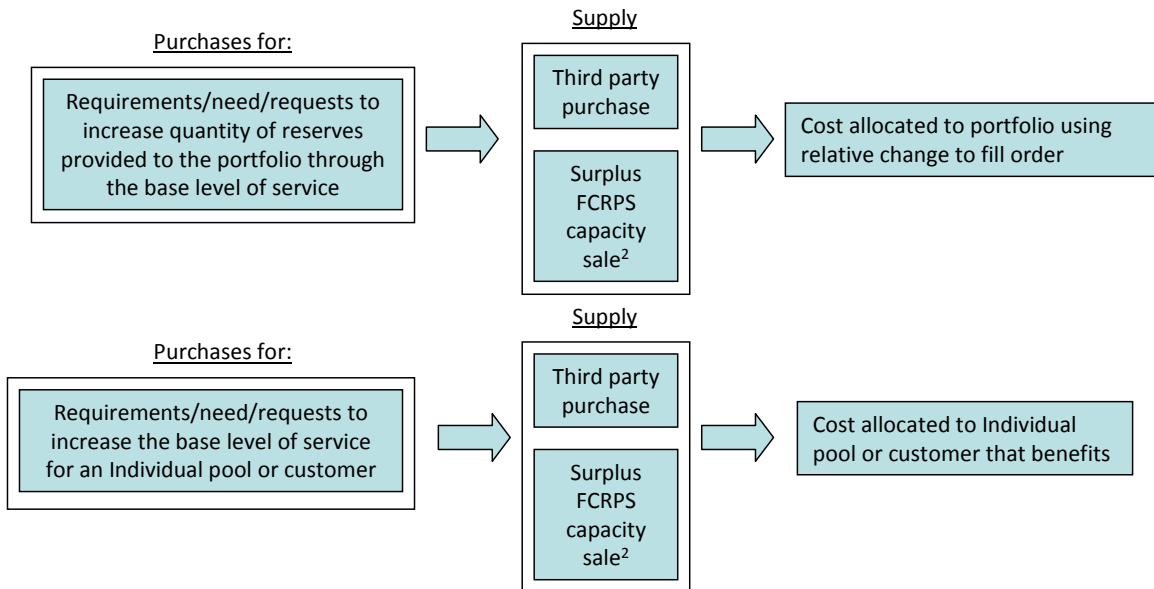
A Conceptual Construct to Jump-Start Workshop Discussion

Acquisitions Forecast in Rate Case to Support Base Level of Service – FCRPS Cost Allocation Sequence (access to the cost of the forecast firm FCRPS balancing capability)

Note: Numerical values are for illustrative purposes only



Additional Acquisitions



² This represents a discretionary on-demand capacity sale that BPA may be able to offer to aid within-hour balancing over short periods of time.