

Comments of Southern California Edison: Suggested Revisions to BPA's Persistent Deviation Penalty (PDP) Charge

Southern California Edison (SCE) appreciates the opportunity to offer revisions to Bonneville Power Authority's (BPA's) Persistent Deviation Penalty (PDP) charge. Of note, SCE is responsible for scheduling the output of 3 large wind facilities within BPA's control area. As part of our scheduling responsibilities, we have gained significant understanding of the PDP charge and feel there are better solutions to achieve BPA's objective of mitigating both hourly operating challenges and accumulated imbalances related to persistent scheduling inaccuracy.

BPA should reform PDP

The current PDP process remains ineffective to both market participants and BPA. BPA should consider and adopt revisions. SCE supports market rules that provide proper incentives to encourage reasonable scheduling in every hour. The current PDP process, coupled with other market rules such as DSO216, frequently encourages *inaccurate* hourly scheduling in order to mitigate PDP and schedule curtailments. Moreover, even when market participants make reasonable efforts to schedule accurately every hour, they still risk PDP charges simply because of the inherent uncertainty in forecasts coupled with the PDP rules. SCE also understands and appreciates BPA's desire to mitigate cumulative deviations that impact longer-term water management issues. However, BPA has indicated that even with the current PDP structure, they continue to see an accumulation of deviations system-wide rather than this trending towards zero as would be expected if PDP were effective .

Collectively, the current PDP structure provides inappropriate scheduling incentives, applies administrative costs that parties cannot reasonably avoid, and fails to provide BPA with the benefits it desires. As such, we recommend the following reforms to PDP.

1) Consider suspending PDP and evaluating the resulting impacts on inter-hour scheduling accuracy and cumulative deviations

We note that the current Generator Imbalance (GI) Charge already provides incentives for parties to schedule accurately every hour. Suspending PDP would remove the inappropriate incentives that PDP now provides for inaccurate scheduling. Especially with the recent changes to use the Powerdex hourly index price, GI imposes significant financial consequences, particularly in the second tier, for inaccurate scheduling. BPA should consider suspending PDP and evaluating the results. BPA should maintain the authority to reinstate PDP if operational difficulties increased as a result of the suspension.

2) Revise the allocation of VERBS charges such that a portion is allocated based on a facilities' cumulative deviations over a month

Currently BPA allocates VERBS charges based on installed nameplate. Instead, BPA should revise the VERBS allocation such that a portion is based on nameplate and some portion is based on scheduling behavior. For example, a portion of the VERBS charge, perhaps 25%, could be based

on a participant's monthly cumulative imbalance. Parties with low relative cumulative monthly imbalances might be eligible for a 25% monthly VERBS discount from the current baseline charge, whereas parties with relatively greater cumulative imbalances might face a 25% surcharge. The structure could be designed to limit the maximum charge to "bad" schedulers, and then share this surcharge with the "good" schedulers such that 1) BPA is revenue neutral, 2) rates remain in reasonable range for all parties, whether "good" or "bad" schedulers. This structure would help address BPA's desire to reduce cumulative deviations while providing incentives for all parties to improve their scheduling accuracy. If a monthly time-frame is viewed as too long, the same concept could be applied on a weekly or bi-weekly basis.

Elimination of PDP coupled with a change in VERBS cost allocation and the current GI structure should provide effective incentives for accurate scheduling. At a minimum, it should be sufficient for BPA to suspend PDP and evaluate results.

3) If PDP remains, BPA should change the exemption from 30-minute to at least a 60 to 80-minute persistency standard

BPA currently exempts parties from PDP in scheduling intervals where the party meets or outperforms 30-min persistency. This standard does not allow time for parties to i) observe their 30-min value, ii) enter into commercial transactions to schedule to that level, and iii) submit schedules to BPA. This is an even more unachievable standard when transacting with the CAISO's T-75 deadline for market bids. As a result, we feel the current process does not provide an appropriate mechanism for parties to take actions to avoid the charge.

Instead, if PDP continues, we note that an 80 -min persistency window better matches CAISO timelines (with bid due at T-75) and thus a 80-min exemption should be considered. This could be coupled with the VERB allocation based on cumulative deviations noted above. At a minimum, parties that meet 60-minute persistency or better should be exempt from PDP in that hour. A 60 minute window provides enough time to forecast, make commercial transactions in the bilateral markets, and submit schedules such that reasonable parties should be able to avoid PDP through reasonable actions.

While we strongly prefer full exemptions, as an alternative, BPA could discount PDP charges based on schedule accuracy relative to various persistency levels. For example, BPA could give a 75% PDP discount when parties achieve 60-min persistency and a 50% discount if they achieve 80-min persistency.

4) "Persistent Deviation Penalty" should be renamed to "Persistent Deviation Charge"

SCE continues to have concerns over labeling PDP as a "penalty". First, parties should not face "penalties" for actions they cannot reasonably control. Second, SCE and other parties may face certain regulatory-related consequences if assessed "penalties". In practice, PDP is not a penalty, but is a transaction cost that parties cannot avoid in all instances. Thus, we request

BPA change the name of PDP or any similar successor from a “penalty” to instead a “charge”, “assessment”, or “rate”.

5) Discount PDP charges for units participating the BPA/CAISO Pilot

Currently BPA provides an all-or-nothing PDP exemption for participating in its Committed Intra-Hour (CIH) Pilot, but does not provide any exemption for participants in the BPA/CAISO Intra-Hour (BCI) pilot. If PDP continues, BPA should adopt a MW-for-MW PDP discount provided that the BCI Pilot participant adheres to the requirements of the program. For example, consider an entity in the BCI Pilot with 50 MW of Pilot capacity for a 250 MW wind facility, then provided that it adheres to the BCI Pilot’s requirements (e.g., it must submit 30-minute schedules into the CAISO for at least 200 hours per month), it should receive a PDP discount of $50/250 = 20\%$.

This MW-for-MW PDP discount should also apply to any future pilot program that requires particular scheduling commitments.

6) PDP should be calculated after netting across all wind generators in a participant’s portfolio

Typically, BPA is concerned about the total errors created by a participant, not the individual errors of each plant controlled by a participant. Moreover, errors among plants often have the effect of “netting out” to reduce the total error. Thus, PDP should be calculated on a netted portfolio basis (i.e., the errors of all plants under a participant’s control should be aggregated), rather than on an individual plant by plant basis. BPA recognizes the merits of netting by allowing a similar concept for its DSO-216 paradigm. For the same reasons, BPA should calculate PDP on a net-portfolio basis, rather than on a plant specific basis.

Conclusion

Refinements to the current PDP process could benefit both customers and BPA. Our preference is to modify the allocation of the VERBS charge so that some portion (e.g., 25% of the monthly charge) is determined based on monthly plant performance. This coupled with the current GI structure should allow BPA to eliminate PDP. If PDP continues, it should be modified such that participants taking reasonable actions rarely, if ever, face the charge. We look forward to participating in any discussions and workgroups on these, and related issues.

Please feel free to contact the following for any related issues:

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