

## *Integrated Program Review 2*

# Commercial Operations

Webinar - 12/13/2016

Phone Bridge: 877-336-1828

Passcode: 2906902#

Please mute/unmute using \*6

WebEx meeting: [Join the meeting](#)

Meeting number: 995 549 793

Meeting password: VtUvM843



# Overview

Provide an update on:

- The vision and focal areas of the KSI
- The planning and prioritization process
- Principles for cost management
- FY17 budget and work plan
- Next steps for FY18-19 alternatives development

# Commercial Operations KSI Vision

The Commercial Operations KSI will ensure that BPA is fully enabled with the core functionality required to successfully participate in the management of a regional modernized electric grid.

- **We will provide value by:**
  - Preserving the value of our federal assets
  - Improving reliability through increased system transparency
  - Leveraging geographic diversity of generating resources and energy demand
  - Optimizing utilization of the Federal Columbia River Power System to reduce costs and increase revenues
- **We will develop core operational infrastructure in three central focus areas:**
  - Market access
  - Products and services
  - Inventory management

# Market Access

BPA will continue to take a leadership role in the development of emerging markets from both the participant, transmission provider and governance perspectives. We will actively seek access to key emerging markets to meet operational objectives, optimize surplus power sales revenues, and provide alternatives in the event bilateral liquidity decreases.

## Power

BPA will evaluate the products and services we offer and look for opportunities to improve and expand them to meet growing customer and market access needs.

BPA will evaluate and balance the system enhancements needed to accomplish these objectives against the short and long-term benefits we expect to yield.

In the case of General Transfer Agreement Loads, we will work to ensure market rules allow BPA physical service access to manage our load service obligations using existing generation and transmission infrastructure.

## Transmission

As power markets continue to evolve, and as BPA works to enable market access, we recognize that the risk profile of the BPA transmission system is likely to change. Historical flow forecasts, analyses, and long-term load growth expectations will need to be revisited.

Developing the tools and resources to be agile in a changing marketplace is essential for BPA to operate a competitive, reliable, modernized transmission grid.

# Products and Services

BPA will develop new and revisit current product offerings to ensure they respond to customer load demands, reflect the appropriate risks and respond to a changing marketplace.

## Power

BPA will explore generation products to aid transmission congestion management that we believe will become more valuable with time.

New surplus power products or services will focus on the premium product that BPA's flexible low carbon hydro resources are uniquely capable of providing.

BPA will offer distinct products for those load serving entities and system operators throughout the West struggling to manage the increasing ramping need that comes with variable generation.

Given the planning needs of the FCRPS, in addition to short-notice flexible capacity products, BPA will offer day-ahead or similar products to maximize access to hydro flexibility.

## Transmission

BPA will find opportunities to provide the transmission services and related business practices necessary for entities desiring access to emerging markets, while maintaining its commitment to reliable load service.

We will evaluate existing products to determine potential enhancements or retirements, based on customer needs and market demands.

# Inventory Management

BPA will develop the tools, systems and processes required to gather and analyze the large amounts of data necessary to optimize our systems for both the short and long-term, and to determine the potential benefits of a One-BPA approach to integrated planning and inventory optimization.

## Power

BPA's ability to forecast available inventory over several time horizons (e.g., hours, days, weeks, months), will enable the trading floor to maximize net secondary revenue while meeting BPA's non-power obligations and market demands.

BPA will establish updated processes and analysis, while incorporating products that provide new and desired services, while addressing the impact on existing products.

## Transmission

BPA's methodology will reflect a transparent, repeatable process, and will result in more robust inventory by more accurately identifying transmission margins while maintaining the necessary reliability and service levels for load service.

BPA will develop the tools necessary to ensure accurate assessment and management of available transmission inventory prior to real-time flow as well as in the long-term planning horizon.

# Where we are now

- **Plan Development**

- Finalized Commercial Operations Long-Term Program Vision
- Conducting benchmarking site visits with other utilities
- Established a dedicated BPA program management team
- Engaged industry experts who have experience interacting with organized markets and software development to:
  - Define commercial operations performance goals and indicators
  - Complete a gap analysis
  - Develop plans for achieving future state outcomes, e.g. changes in transmission operations, power marketing and trading, etc.

- **Refining Budgets for FY 18 and FY 19**

- Identifying resource estimates
- Reviewing proposed project business cases
- Initiating projects that align with the long-term program vision
- Evaluating funding alternatives based on known gaps, approved projects and potential variations in the shape of the spend

# Project Planning Process

- A rigorous business case development process is in place to determine return on investment and project approval.
- Proposed projects will be prioritized based on gap analysis results and alignment with future state outcomes.



- Summary of Request
- Business Justification
- High Level Costs
- Articulate Business Change

- Business Line**
- Sponsor Team
  - Stakeholder Analysis
  - Business Transformation Assessments
  - Business Case
  - Benefits/Value
  - Scope Defined
  - Compliance Defined
- Technical Team**
- Solution Analysis
  - Cost Estimate

- Business Line**
- Business Transformation Assessments
  - Provide Subject Matter Expertise
  - Requirements
  - Design
  - Testing
  - Build/Implement/Deploy
  - Training
  - Project Management



# Budget Management Principles

## 1. Budget levels will be based on evaluation of current operations and program priorities

- Look internally for cost saving measures and eliminate services that are no longer required.
- Look cross-organizationally for resource allocations and efficiencies.
- Before any funding request comes forward it will be reviewed and approved by the sponsoring Commercial Operation Steering Committee (COSC) member.
- COSC members are accountable for ensuring the development of rigorous business cases including cost benefit analysis, risk assessment and alternatives evaluation.

## 2. Budgets will be managed within clear, credible and predictable limits

- Program expenses will be tracked and reported at least quarterly to the COSC to ensure effective resource allocation and implementation. Budget decisions will align with program goals and priorities and focus on delivering efficient and effective results (right number of resources, doing the highest priority work, in the most efficient way possible).

## 3. Budgets will present a comprehensive, accurate and a reliable account of ratepayer investment

- Budget accounting will show the financial costs and benefits of program decisions, including the impact on financial assets and liabilities.
- Budget execution will be actively planned, managed and monitored.
- Performance, evaluation and value for investments will be integral to the budget process and will be the basis for any needed adjustments.
- Budget decision will be driven by data; available dollars will be allocated to create the most benefit for the agency.

# FY 2017 Budget: \$8 million

Approved Work To Date: \$4.5 million

Potential Projects: \$ 3.5 million‡

## Program Management and Support - \$1.1m

BPA staff and contractors to design and execute processes and practices required to deliver on the Commercial Operations vision.

## Utilicast Consulting Services- \$1.7m

Assist BPA to define clear performance goals and indicators, review the current state and in-flight work, identify and recommend best business practices, recommend technology approaches, and initiate a gap analysis.

## Approved Projects – \$1.7m

### Marketing and Settlements System Project – \$400K

Replace the failing ISO bidding and settlement platforms, enable efficient EIM settlements for transfer load and surplus sales, and add marketing data analysis capabilities.

### Generation Outage Tracking System Project – \$400k

Improves communication and coordination between FCRPS entities, increasing reliability. Aids in coordinating maintenance schedules and transmission limitations in accordance with increasing daily activity. Enhances BPA’s ability to comply with NERC reporting requirements and thus reduces risk of fines.

### EIM Monitoring and Controls– \$600k

Ensure that EIM use of transmission is proportional to EIM holders rights and leverage EIM market information to provide enhanced visualization and improved controls for Dispatch.

### Transmission Current State Assessment – \$300k

Document the current state of technology systems for transmission commercial operations with a focus on data integration.

‡ Potential projects will follow a rigorous business case development and approval process to ensure measureable and successful outcomes are achieved in alignment with the Commercial Operations direction.

## Next Steps

- In January, we will discuss the range of possible approaches and alternatives for FY 2018-19 activities with a subset of customers.
- These discussions will shape information presented during the February IPR 2 workshops.

# Financial Disclosure

- This information was made publicly available on Dec. 9, 2016, and contains information not sourced directly from BPA financial statements.