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**Subject: TransAlta Comments on BP-18 DERBS Redesign Alternatives**

Matt:

BPA requested comments on five DERBS rate design alternatives presented at the August 24, 2016 Gen Inputs workshop and discussed at the subsequent DERBS Sub Team meeting on August 30<sup>th</sup>. TransAlta's comments follow.

**Alternative #1: Status Quo**

TransAlta supports and recommends that Bonneville keep the current DERBS rate design for three reasons.

First, TransAlta contends that rate redesign is not necessary to address under recovery of DERBS costs, which is the primary problem Bonneville is trying to solve. Bonneville staff has indicated that since 2013 DERBS usage has "plateaued", meaning that generators have adapted to the current rate design and stabilized their usage patterns. DERBS usage is more predictable now than it ever has been, which should equate to low risk of under recovery.

Bonneville need only update the rate and apply it to the prevailing usage. This solution still carries some risk of under recovery, but it is much lower compared to redesigning the rate. This is because redesign will cause generators to react again, adjust their operations, and create new recovery uncertainty until usage plateaus again.

Second, TransAlta believes the DERBS rate must have a price signal that drives generators to use balancing services efficiently. Nameplate-related designs penalize larger units that are typically using DERBS efficiently and they eliminate the incentive to operate close to schedule. Changing to a nameplate design will increase usage and contribute to cost recovery uncertainty mentioned above.

Third, TransAlta disagrees that revenue meters, or more accurately the lack of revenue-quality data, should factor into decisions on the DERBS rate design. That problem has existed since Bonneville first applied DERBS charges in October 2011 and it should be addressed equitably and separately so the affected customers can settle their invoices properly.

Sincerely,



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