



# Secondary Energy Revenue Forecast Workshop

October 22, 2015

# Agenda

- Context
- Going forward
- Review of current methodology
- Evaluation/discussion
- Wrap up

# Context

- In the BP-16 Record of Decision BPA committed to a re-evaluation of our secondary energy forecast methodology.
- Decision was pursuant to testimony filed by PPC regarding sales as an asset controlling supplier into the California ISO, while current methodology values secondary transactions at the Mid-Columbia trading hub.
- BPA included an additional \$10 million/yr. upward adjustment to net secondary revenue in power rates for the BP-16 rate period.

## Motivation

- BPA has made sales as an asset controlling supplier into the California ISO.
- BPA has historically received a premium for those transactions.
- BPA has paid a premium when purchasing power at extra-regional points of delivery.

## Context, cont.

- In setting rates, BPA credits the forecast value of net secondary revenue against its revenue requirement to calculate rates.
  - Current methodology uses the median value of the net secondary revenue distribution.

# Going Forward

- Today's kick-off meeting
  - Discuss, present, set expectations
- Follow-up meeting TBD (4 to 6 months)
  - Evaluate propositions, results
- BP-18 Initial Proposal
  - Decisions will be made by BPA executives with a Staff recommendation
  - Format for presenting alternatives to executives
    - Written proposals from parties
    - Other?

## Going Forward, cont.

- BPA Staff are here to help
  - We are happy to
    - provide additional data
    - answer questions
    - informally consult
- Parties are responsible for results
  - Alternatives need to be developed by participants
  - Workshops are a forum for discussing alternatives with BPA Staff

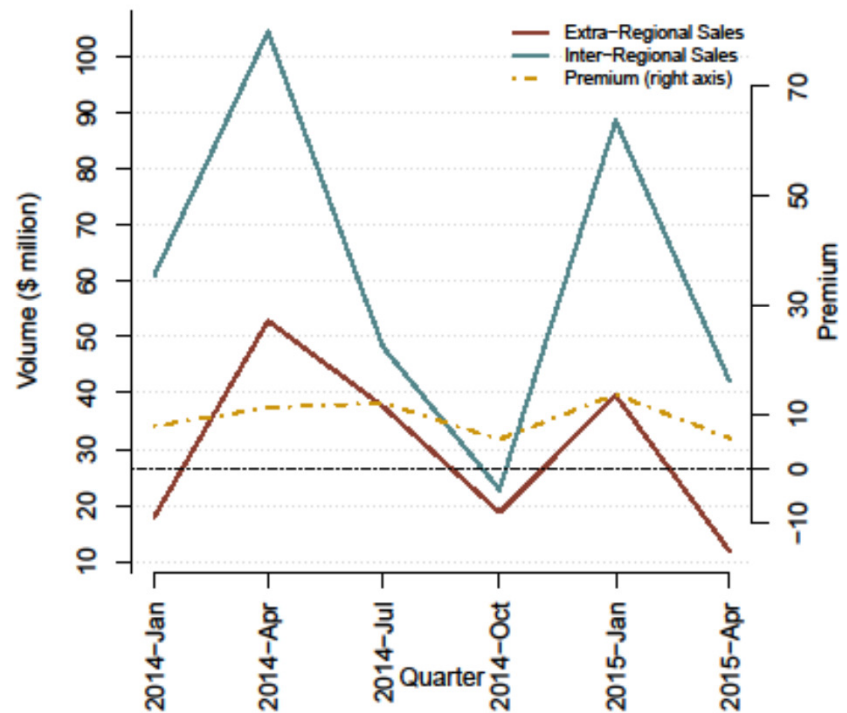
# Current Methodology

See auxiliary slides.

# Key Considerations

1. Alternative methodology must be risk-informed
  - Conditionally dependent on
    - Hydro generation (i.e., potential to transact)
    - Price spreads
    - Intertie availability

Actual transactions (FERC EQR)





## Key Considerations, cont.

2. Must not present undue burden analytically
  - Must be methodologically sustainable
    - Fixed vs. variable costs of change integration
  
3. Must be cognizant of contractual risk
  - Binary counterparty risk
  - Statutory/seams issues

# Wrapping up. . .

- Preferences for next meeting
  - timeline
  - decision-making process
- Final comments?
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