

RSO Deeming Guidance Document

BPA Document Developed Collaboratively with Slice Customers

January 13, 2014

Background: The Requirements Slice Output (RSO) test is a test conducted on customer data on a monthly basis. It is an important component of the Slice contract. The test is designed to demonstrate that BPA is achieving the statutory basis for selling power to the customer at a priority firm power rate, and that the customer is serving its requirements load with the requirements portion of Slice. The RSO test in Regional Dialogue Slice was designed to be more stringent than under Subscription Slice. In fact, the parties recognized that there could be circumstances where customers, despite best efforts, would still not be able to meet the monthly test. In recognition of this, the Slice contract included provisions for BPA to evaluate any RSO test failure, and to deem that the customer had passed the test based on this evaluation and review. Under Regional Dialogue through July 2013, customers have failed the RSO test a total of 20 times, 12 of which occurred in FY 2013. All of these failures have been reviewed and BPA has deemed them to be passes. Nineteen of these failures were by customers with no, or few, dedicated resources. Of the 12 failures in 2013, nine were due to dedicated resources generating significantly more power than the amount specified in the customers' contracts.

Collaboration: Over the course of two years of operation under the Slice contract, the customers and BPA have gained practical experience around implementing the RSO test. While there have been a number of failures of the RSO test, each customer has been deemed to have passed in all cases reviewed, and penalty charges have not been applied. Since December 2012, BPA and customers have worked collaboratively to look at ways to improve the predictability of the Slice contract's deeming provisions.

Deeming Guidance: The deeming considerations below are intended to provide greater predictability about how customers that initially fail an RSO test will be treated under deeming provisions. These considerations are not exclusive, rather they are additive (i.e., more than one factor may contribute to a deeming decision). As the Parties continue to gain experience with the product, this deeming guidance document will be reviewed annually by the Slice Implementation Group. The intent is that BPA will take at least the following deeming considerations into account when evaluating any RSO test failures and associated determinations on deeming a customer to have passed the test:

1. Two 10 day Periods Approach. The Slice contract includes a provision that suggests BPA may deem a customer to have passed the RSO test if they are able to pass the RSO test in two distinct periods of at least 10 consecutive days within a month. Based on the discussions with customers, BPA has agreed to implement this provision as a part of deeming.

2. Whether Load was Followed. If a customer is able to demonstrate that it was working in good faith to follow its load but that circumstances arose that made them fail the RSO test, deeming a customer to have passed the RSO test is likely. Examples of such circumstances are nonrepeating significant swings in loads that are difficult to predict, or where excess Slice may be available during off peak hours but enough Slice is not available during on peak hours to serve the customer's load or allow passage of the RSO test.
 - a. If the customer can demonstrate that load was followed, other anomalies/technical difficulties (e.g., meter outage, substation communication) should be described to explain discrepancies.
3. Small/No Resource Exception. BPA recognizes that customers with significant amounts of Specified Resources in Exhibit A used to serve the customers load or that can be resold have a flexibility that can generally help them to pass the RSO test. Conversely, customers with no resources or small or non-dispatchable resources may find it impractical to market their resource amounts without incurring significant costs. For a customer with less than 5 aMW of specified resources, BPA will deem the customer to have passed the RSO test if the failure is smaller than 1500 MWh.
4. Recognized Seasonal Inflexibility. BPA recognizes that there is volatility in loads and generally little flexibility in hydro operations during certain times of year (e.g., September and October). BPA will take this inflexibility into account during these months when analyzing customer data and evaluating deeming.
5. Oversupply Exception. BPA recognizes that there is volatility and generally little flexibility in hydro operations during seasonal runoff periods that typically occur in May and June. If an oversupply event occurs during a month, BPA will take this and associated impacts into account when analyzing customer data and evaluating deeming.
6. Individual Customer Circumstances. BPA recognizes that circumstances may arise that make the RSO test challenging based on customer-specific circumstances (e.g., load loss, resource removal). Snohomish and Emerald faced specific examples of such circumstances during FY 2012. In those circumstances BPA has worked with the customer individually to understand and resolve the issue. BPA will continue to work to understand specific individual circumstances as they arise and either work out a custom solution or add additional information to this document as appropriate. These circumstances could warrant a "Letter Agreement."
7. Alternate Points of Delivery: Any BPA use of alternate points of delivery will have no negative impacts on the RSO test. This is not a consideration for deeming, rather a criteria for RSO test.