



Public Power Council

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Joint Outreach Team
Western Area Power Administration
Department of Energy
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RE: Comments of the Public Power Council on JOT Draft Recommendations

Overview

The Public Power Council (PPC) is a regional trade association representing preference customers of the Bonneville Power Administration (BPA). We appreciate the opportunity to submit these comments. While the Joint Operating Team (JOT) recommendations apply only to the Western Area Power Administration (Western) at this time, PPC and its members have shared our concerns during the JOT process about the necessity, statutory authority, scope, processes, and potential impact to ratepayers associated with the Secretary of Energy's Power Marketing Administration (PMA) initiative. While PPC members are not customers of WAPA, we have a strong interest in the JOT recommendations and possible precedents that might impact other federal Power Marketing Administrations (PMAs) in this process.

We remain concerned that the undercurrent to the recommendations appears to be a desire to leverage Western's resources to benefit non-hydro, non-federal renewable resources. While Northwest public power has a strong record in the Northwest of diverse resource development, and has supported the use of truly surplus PMA resources for other purposes, we have learned from experience the importance of anticipating the implications, ensuring proper allocation of costs and adherence to cost-causation pricing principles, and compliance with all statutory obligations.

In addition to the comments below, we also join in the Limited Joint Comments on legal issues submitted by the American Public Power Association and the National Rural Electric Cooperative Association.

Required Regulation Reserve Capacity

The JOT recommends an analysis to determine the regulation reserve capability that is required for each operation of Western's BAs or sub-BAs using a consistent methodology and criteria. This recommendation is somewhat vague, but the study appears to be unnecessary.

Each Balancing Authority already assesses regulation reserve capability. This is necessary as part of the BA (or sub-BAs) responsibility to meet NERC and WECC reliability standards. Moreover, the purpose of the BA is to maintain load-resource balance and reliable operations. First and foremost, the legal responsibility of Western (and, therefore, the use of any regulation reserve capability) is to meet the operational and reliability needs of its preference customers.

Rate Consolidation

JOT proposes to conduct a study of the transmission and ancillary services rates charged by each Western-owned transmission project and to determine the feasibility and appropriate level of potential transmission rate consolidation. We appreciate the reference in the recommendation to needing to determine the “feasibility” of this because it again raises the concern that these recommendations are part of a larger policy mandate and not intended for improved operational efficiency or customer benefit.

In general, the consideration of rate integration raises many controversial issues, and is a potentially troubling assault on the principle of cost causation regarding the allocation of costs within a region or between regions. We suggest that much greater clarity in approach is needed if this recommendation is to be pursued in order to avoid any expenditures of financial or human resources on a potentially illegal dead-end.

Rate-Setting Methodologies

JOT proposes the harmonization of transmission and ancillary service rate setting methodologies across Western. While we understand the attraction of identifying “best practices,” this is another recommendation that needs a more narrowly defined scope and a better explanation as to its real purpose.

Again, there is a natural concern here around whether the long-standing principle of cost causation in rate-setting would be preserved. Provision of transmission and ancillary services is not simply putting to beneficial use an unused resource. In most cases, the resource is finite: transmission and ancillary services provided for one purpose (such as integration of resources) becomes unavailable to some extent for other uses (including uses by preference customers and other in-region uses). Moreover, commitment of these resources can trigger other financial and resource decisions – such as development of other resources such as natural gas plants – that also have costs.

Western-wide Infrastructure Investment Study

While prioritization of capital repairs, improvements and expansions can be beneficial, this recommendation raises concerns that it implicitly calls for concentrating capital investments on Western transmission assets with the highest “commercial value.” If it can be read to suggest a departure from the delivery of preference power as the first priority of a PMA’s transmission assets, than it would create great concern as a departure from the laws, policies and procedures that currently govern the construction, operation and cost recovery of PMA transmission assets.

Explore Potential Options for Moving to a Flow-Based Environment

Under this recommendation, Western would conduct a study to evaluate a move from a contract-path to a flow-based approach. While appreciating that there is acknowledgement of the need to minimize cost shifts and to identify and assign costs, and that any outcome must be cost-effective, we do not see the need for this recommendation in light of the lack of support for this study from customers. Also, this recommendation appears to assume that flow-based approaches are inherently “better.” If this recommendation is to be moved forward, we would encourage an approach that avoids predetermined outcomes and recognizes the diversity both between and within Western’s regions. For example, it is essential that any evaluation recognize existing contracts that, in many cases, require a contract-path method.

Intra-hour Scheduling

The JOT recommendations call for Western to work with a broad range of interested parties to coordinate the implementation of intra-hour scheduling. We recognize that Western will comply with FERC Order No. 764 on integration of variable energy resources (VER). But, we also believe that considerable coordination is already underway within and between balancing authorities in order to advance a smooth transition. So, it is important that this recommendation not create duplicative or conflicting efforts.

Energy Imbalance Markets

Considerable attention has been focused on studies of an Energy Imbalance Market in the Western area. This recommendation was among the most controversial topics raised in the Secretary’s March 16 memorandum, and it continues to generate considerable scrutiny and concern in many quarters arising out of questions about the methodology in the NREL studies of the West-wide PUC/EIM proposal and its showing of negative impacts to preference customers. We would note also that the recommendation should not be pursued separately from consideration of implementation of Order No. 764, or from work on other solutions, such as those referenced in the recommendation that precedes it regarding operational tools for system efficiency that may be developed within regions and sub-regions.

Thank you very much for your work to increase communications to preference customers of PMAs throughout this process, and for the opportunity to provide comments at this time.

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