

**To Operating Committee Representatives:**

**The following draft is to inform the Operating Committee about a service schedule to facilitate trading of operating reserves. WSPP's WECC Task Force developed the concept, and the Contract Subcommittee is working on drafting.**

**At the meeting we will discuss advantages or disadvantages of such a schedule.**

**[PROPOSED] SERVICE SCHEDULE D**

**OPERATING RESERVE SERVICE**

New Definition for main Agreement:

- 4.X. Operating Reserve Service: A service under which the Seller sells capacity to a Purchaser for use as Operating Reserve, within criteria of NERC and the applicable Regional Reliability Organization, Balancing Authority and/or Reserve Sharing Group, and delivers associated energy upon demand, as and when the Purchaser, or the Balancing Authority or Reserve Sharing Group, as applicable, to which the Purchaser is providing the Operating Reserve, determines in its discretion that such energy is required to support reliability, in accordance with the Agreement, including Service Schedule D and the applicable Confirmation.

## **SERVICE SCHEDULE D**

### **OPERATING RESERVE SERVICE**

#### D-1 PURPOSE:

This Service Schedule states procedures, terms and conditions for the provision of Operating Reserve Service to, and receipt of such service by, the Purchaser.

#### D-2 TERMINOLOGY:

D-2.1 Terms used in this Service Schedule with initial capitalization which are not defined in the Agreement or in this Service Schedule shall have the meanings ascribed to them in NERC's Glossary of Terms Used in Reliability Standards, as such document may be amended or restated from time to time.

#### D-3 TERMS OF SERVICE:

D-3.1 Seller shall provide Operating Reserve Service of the type and in the quantity specified in the Confirmation. Such Operating Reserve Service shall be provided from generation capacity that is physically and operationally available to respond within the time periods, and in conformance with other technical and/or operational criteria, prescribed for the pertinent type of Operating Reserve in the rules and standards of NERC and the Regional Reliability Organization, Balancing Authority, and/or Reserve Sharing Group designated by the Parties pursuant to Section D-3.4 below.

#### D-3.2 Pricing.

D-3.2.1 The price for Operating Reserve Service shall be stated in the Confirmation, (a) provided that if Purchaser is a "public utility" as defined in Section 201(e) of the Federal Power Act, 16 U.S.C.

§ 824(e), that is buying Operating Reserve Service to fulfill its obligation under its FERC open access transmission tariff to offer ancillary services to its own customers, the transaction may not be undertaken at a market-based price. [Note: Add language regarding cost caps now found in other Service Schedules.]

D-3.2.2 The price for Operating Reserve Service may include a capacity charge, an energy charge and, if transmission service is procured by the Seller, any transmission service charges paid by the Seller, provided, however, that the Parties may agree that any applicable capacity and/or energy charges will be inclusive of transmission service charges. Each applicable charge shall be separately identified in the Seller's invoices to the Purchaser for service under this Service Schedule.

D-3.2.3 Except as provided in Section D-4, the Purchaser shall be obligated to pay any applicable capacity charge and any applicable transmission service charge to the Seller at all times during the Term of the Operating Reserve Service, as stated in the Confirmation, and the Purchaser shall be obligated to pay the energy charge to the Seller for all energy delivered by Seller to Purchaser under this Service Schedule pursuant to dispatch instructions of the Purchaser, or of the Balancing Authority or Reserve Sharing Group to which the Purchaser is providing Operating Reserve.

D-3.3 To the extent required by applicable law or regulation, each Party that is a FERC regulated public utility as defined in Section D-3.2.1 shall file the Confirmation with FERC for each transaction under this Service Schedule with a term in excess of one year no later than 30 days after commencement of the Term.

D-3.4 All transactions under this Service Schedule shall meet all applicable criteria for Operating Reserves established by the rules or standards of the NERC Regional Reliability Organization, Balancing Authority, and/or Reserve Sharing Group identified by the Parties in the Confirmation. However, nothing in this provision shall be construed to prohibit the Parties from including in service under this Service Schedule attributes additional to those stated in the rules or standards of the designated NERC Regional Reliability Organization, Balancing Authority, and/or Reserve Sharing Group.

D-4 DAMAGES:

D-4.1 Section 21.3(a)(1) and (2) of the Agreement shall be inapplicable to non-performance under this Service Schedule. The damages provisions of this Service Schedule and the portions of Section 21.3 not excluded above shall be the sole and complete remedy available to the Parties for non-performance under this Service Schedule, except in the event of non-performance due to an Uncontrollable Force as defined in Section 10 of the Agreement. All other damages or remedies are hereby waived.

D-4.2 Non-performance by Seller of its obligation to provide energy within the applicable response times under this Service Schedule in response to Purchaser's dispatch instructions of the Purchaser, or of the Balancing Authority or Reserve

Sharing Group to which the Purchaser is providing Operating Reserve, shall result in the following:

- (a) Seller shall forfeit the right to payment of the capacity charge and any applicable transmission service charge for the term of the non-performance;
- (b) Seller shall be obligated to provide the Purchaser with service under this Service Schedule (including associated energy in the event of a valid dispatch instruction) for the three (3) business days following the day on which the non-performance occurred, without payment of any capacity charge and any applicable transmission service charge;
- (c) Seller shall be liable to the Purchaser for the amount equal to (i) the product of the amount, if any, by which the price for replacement energy exceeded the Contract Price (Replacement Price less Contract Price) and the amount by which the quantity of energy provided by the Seller in response to a dispatch instruction was less than the quantity Purchaser had a right to receive; plus (ii) the transmission service charge(s), if any, incurred by the Purchaser for transmission of the replacement energy to the delivery point, less the reduction, if any, in transmission charge(s) incurred by Seller or the Purchaser, as applicable, resulting from the Seller's non-performance; and
- (d) Seller shall reimburse Purchaser for any cost or penalties imposed on Purchaser by a third party, including but not limited to the relevant Balancing Authority(ies) or NERC, arising from Seller's non-performance under this Service Schedule.

D-4.3 In the event the Purchaser, or the Balancing Authority or Reserve Sharing Group to which the Purchaser is providing the Operating Reserve, receives a quantity of energy in any hour that is less than the quantity properly scheduled for such hour in accordance with the applicable criteria for use of Operating Reserves established by the rules or standards of the NERC Regional Reliability Organization, Balancing Authority, and/or Reserve Sharing Group identified by the Parties in the Confirmation, then the Purchaser shall be liable to Seller for (a) the product of the amount (whether positive or negative), if any, by which the Contract Price differed from the Resale Price (Contract Price less Resale Price) and the amount by which the quantity received by the Purchaser was less than the scheduled quantity for such hour; plus (b) the amount of transmission charge(s), if any, for firm transmission service upstream of the delivery point, which the Seller incurred to achieve the Resale Price, less the reduction, if any, in transmission charge(s) achieved as a result of the reduction in the Purchaser's receipt of energy (based on Seller's reasonable commercial efforts to achieve such reduction). If the aggregated amount for all hours calculated under this paragraph is negative, then neither the Purchaser nor the Seller shall pay any amount under this paragraph.

D-4.4 In the event the Purchaser, or the Balancing Authority or Reserve Sharing Group to which the Purchaser is providing the Operating Reserve, schedules or receives energy from Seller in any hour for any purpose not in conformance with the applicable criteria for the dispatch of Operating Reserves established by the rules or standards of the NERC Regional Reliability Organization, Balancing Authority, and/or Reserve Sharing Group identified by the Parties in the Confirmation, then the Purchaser shall be liable to Seller for (a) 125% of the product of the amount, if

any, by which the Resale Price exceeded the Contract Price (Resale Price less Contract Price) and the quantity of energy so scheduled or received by the Purchaser, or by the Balancing Authority or Reserve Sharing Group to which the Purchaser is providing Operating Reserve; plus (b) the amount of transmission charge(s), if any, for firm transmission service upstream of the delivery point, which the Seller would have incurred to achieve the Resale Price, less any transmission charge(s) that would have been avoided if the Purchaser had not received such energy. In the event the total net amount calculated for all relevant hours under this paragraph is negative, then neither the Purchaser nor the Seller shall pay any amount under this paragraph.