

Operating Committee Meeting Fall 2009

WSPP TRAINING

Course (Hour) 3: WSPP Agreement Issues

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These training materials contain no legal opinions or formal interpretations of the WSPP Agreement.

Formulaic Damages (LDs): Cuts just before or in the hour

Formulaic Damages

■ Is Replacement Price (see definition) less Contract Price adequate compensation for cuts just ahead or during the hour.

Administrative burden?

Cost of dispatch of own generator (if a market price is unavailable)

How arrive at a price for intra-hour electricity?

Retagging

- “Retagging” **WSPP Agreement Provisions:**
- C-3.2 Unless otherwise agreed between the Purchaser and the Seller, all transactions shall be **prescheduled**, subject to any conditions agreed to by schedulers.
- C-3.9 Seller shall be responsible for ensuring that Service Schedule C transactions are **scheduled as firm power** consistent with the most recent rules adopted by the applicable NERC regional reliability council.

Retagging

- How does C-3.9 work when Seller is within a chain and not the source?
- NERC Reliability Standard INT-005-3 (R1) includes a timing table for WECC. **A tag submitted up to 10 minutes prior to start of ramp for the hour is timely.** Any tag submitted after 10 minutes prior to start of ramp will be honored, but subject to longer processing times. **The table applies to both initial interchange submittals and to subsequent tag changes.**

Retagging

- NERC's E-tagging Functional Specification refers to changes in transaction schedules and tags as "Profile Changes." The Functional Specification states:
 - Profile Changes can be "requested by several different parties" and for three primary reasons:
 - To implement market-based modifications to the Transmission Allocation profile.
 - To implement market-based desires to modify or extend energy flow
 - To implement reliability-based desires to modify energy flow (i.e., curtailments and reloads)."

Retagging

- ❑ WECC INT-BPS-016-0 may establish an obligation not to refuse a retag request: *“Unless the tagging system of the party being requested to create and cause the distribution of the electronic Request for Interchange is inoperable, they shall not refuse the request.”*
- ❑ Above analysis NOT exhaustive. Can only author change tag?

Retagging

□ Ramifications

- Retagging allows holders of a portfolio of resources to dispatch the least costly generation, maximizing profit, diminishing energy costs, and thereby adding efficiency.
- Retagging allows wind/solar resources to combine their renewable resource with a thermal or hydro resource, and thereby sell firm: advances public policy favoring these resources.
- Administrative cost to other parties

Retagging

- Options/solutions:
 - Further work to clarify whether the tag responsible party must retag, in which case there is no issue to decide at WSPP.
 - If consistent with tagging requirements of NERC, WECC, etc., have two firm products- one retagable and the other not.
 - Consider public interest and possibly other concerns.

Additional Service Schedules

- Proposed Service Schedule D Reserves-spinning/non-spinning
 - Some generators have difficulty selling interchange because they have no access to reserves (important if BAL-002-WECC-1 not approved)
 - If BAL-002-WECC-1 is approved, then the product will facilitate BA and RSG compliance with the standard by facilitating a market for them to purchase reserves.

Additional Service Schedules

- Proposed Service Schedule E: Intra-hour firming
 - Primary target is integration of intermittent wind/solar resources.
 - Essentially, a firming arrangement.
 - Can be scheduled manually within intra-hour units, or dispatched dynamically via telemetry.

Additional Service Schedules

- Most difficult issue in both Schedules:
Damages
 - Delivery is critical.
 - “Replacement” costs insufficient; replacement must occur in real time.
 - Concern buyer may incur NERC penalties
 - Reliability concerns
 - Possible damages approaches:
 - Pass on penalties to seller. Possibly a non-starter for market.
 - Capacity cost and energy replacement with a multiplier.

Ancillary Services and Market Based Rates

- FERC requires specific market-based rate tariff to sell ancillary services, due to market power concerns.
 - A BA sells ancillary services at cost-based rates under its OATT.
 - Ancillary services can be sold by other entities at market-based rates, but only under a market-based rate tariff specifically applicable to those services.

Ancillary Services and Market Based Rates

- Some entities think it acceptable to sell reserves, etc. as firm energy under Service Schedule C. (Just call it firm energy, not ancillaries.)
 - Hmmmm...
- If WSPP adopts D and E, WSPP expects to request FERC to lift the requirement, at least as to ancillaries not subject to market power concerns.

WSPP Governance

Governance

- Effectiveness of committees (contract subcommittee, Operating Committee, Executive Committee) to resolve issues. **Identify issues?**
- 90% affirmative votes requirement
 - Impediment to Agreement evolution, protector of market sectors, or both?

Membership

- Can the organization survive on dues of new members? Depends on goals?

You tell us....

- What under the Agreement seems ineffective or needing improvement?