

Welcome!



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Liquidity, Liquidity, Liquidity

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For that, we need clarity and agreement on the definition of what products we're trading.

Good process so far.



WSPP/WECC



Logistics

- Today till roughly 5:00
- All presentations will be on WSPP.ORG website by tonight.
- Tomorrow will run from 8:00 to noon.
- Questions encouraged
- Objective: get market participants ready for implementation of BAL002 by:
 - Increased understanding of effects on WSPP transactions
 - Identification of any issues that would hinder trading.

Reserves...Where we've been.

- Service Schedule C
 - C-3.10 Seller shall be responsible for ensuring that Service Schedule C transactions are scheduled as firm power consistent with the most recent rules adopted by [WECC].
- WECC rules, or at least their interpretations, changed on September 7, 2007.
- “It is up to Purchasing Selling Entities to determine their level of acceptable deliverability risk and determine who has contingency reserve responsibility.”


The effect

- Produced immediate reduction in physical, term trading.
- Introduced lack of clarity regarding what the default trading product was.
- Some sellers claim they can not arrange to provide reserves.
- Those without systems can not legally commit.
- BPA asserts it's merchant can not obligate its BA to provide reserves for sales.

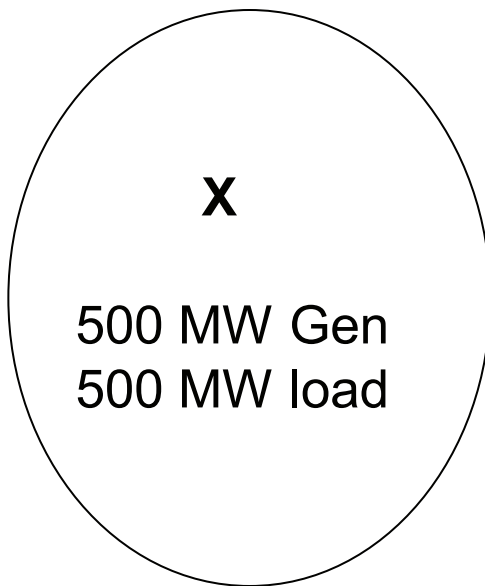
Reserves Task Force Report

- Identified 6 possible solutions.
- Passage of Bal 002 was identified as one that would go a long way toward resolution.
- Bal 002 passed WECC OC.
- Was approved by WECC Board. Requires NERC, FERC approval.
- Effective date: Possibly January 2009 (early), more likely mid-2009.

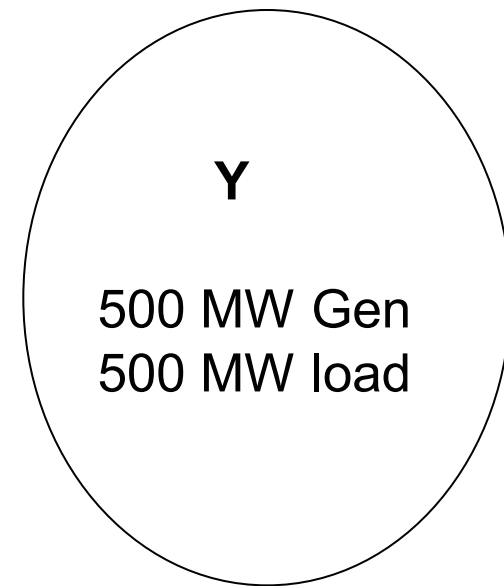
BAL 002

- CRR depends on larger of MSSC or 3% generation plus 3% load.
 - Interchange transactions only affect CRR to the extent they affect generation or load. No longer a direct link between WSPP Schedule C interchange transactions and reserves beginning with implementation of Bal 002.
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Balancing Authorities A and B both have Contingency Reserve Requirements of 30 MW, which is 3% of net generation and 3% of net load.

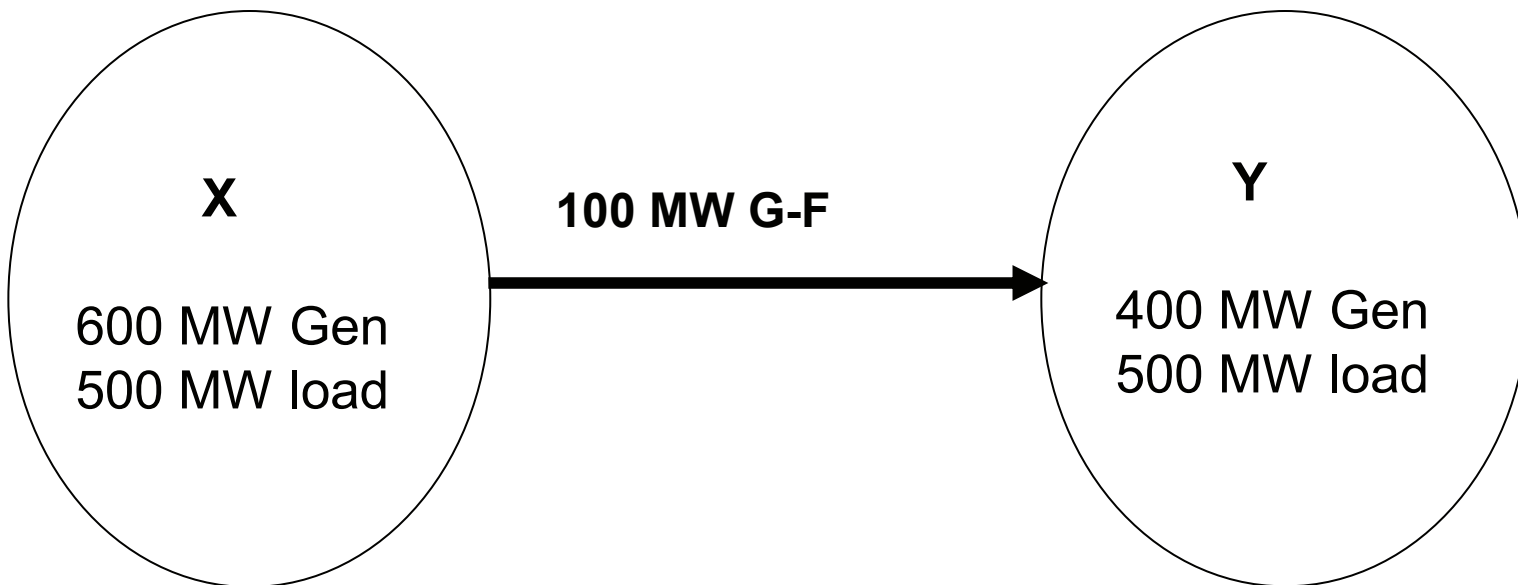


$$(.03 \times 500) + (.03 \times 500) = 30$$

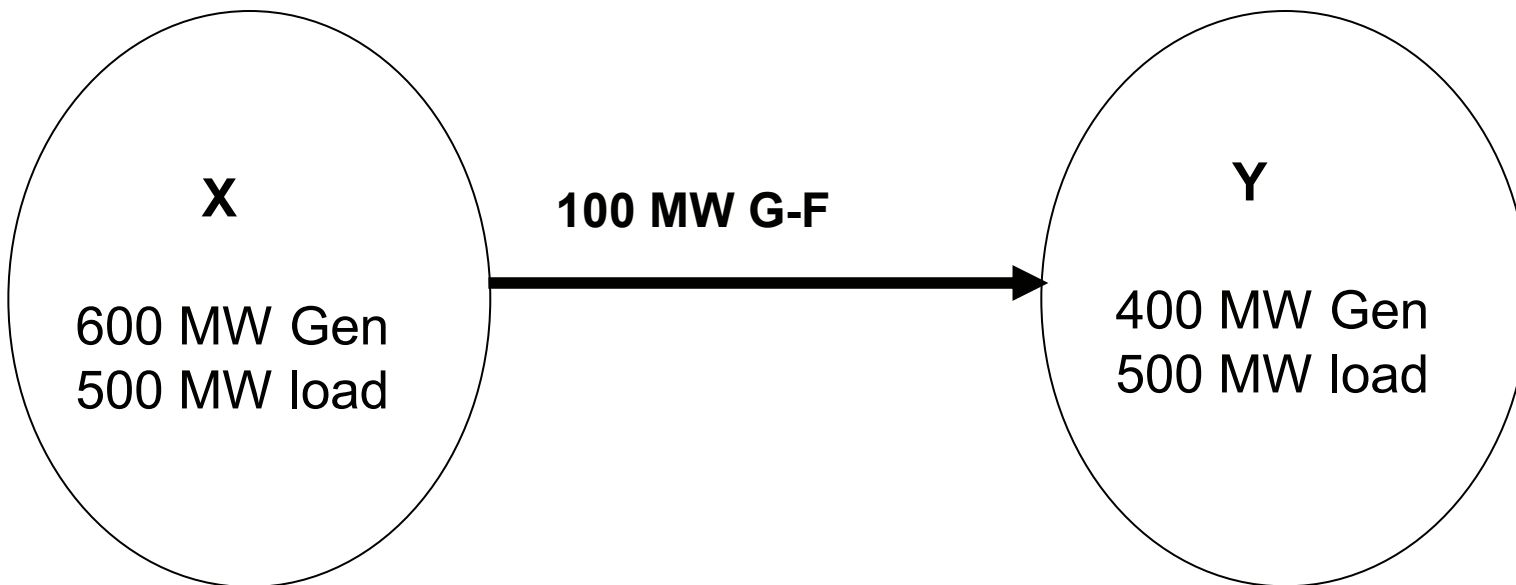


$$(.03 \times 500) + (.03 \times 500) = 30$$

Assume there is a sale from BA x to BA y of 100 MW.

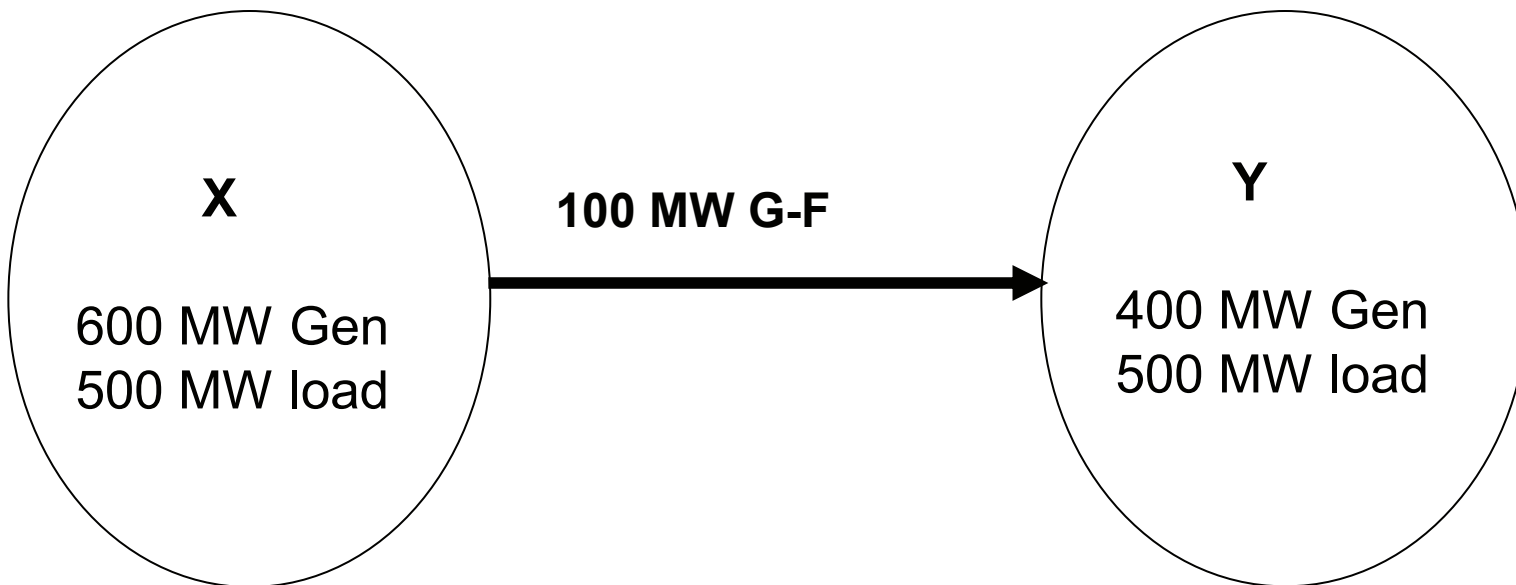


**Assume there is a sale from BA x to BA y of 100 MW.
If BA x increases its generation to supply the sale, its
CRR will increase to 33 MW.**



$$(.03 \times 600) + (.03 \times 500) = 33$$

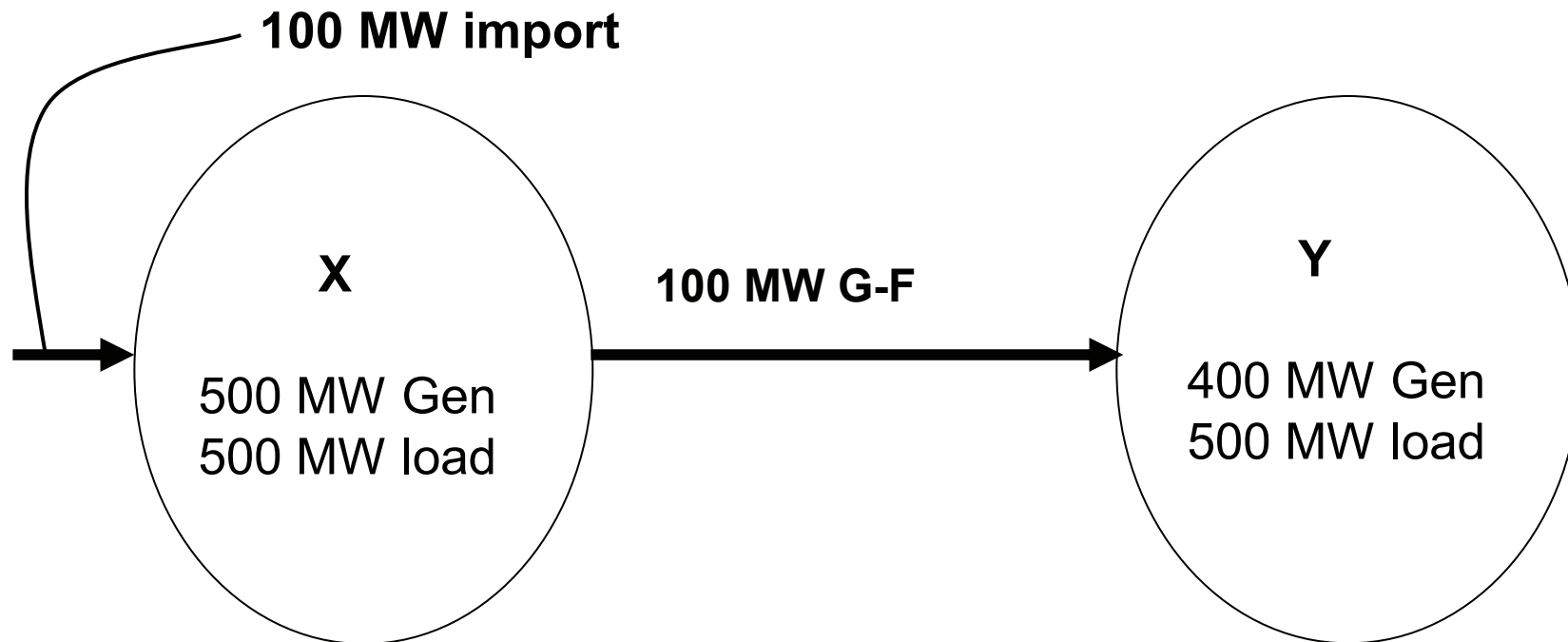
**Assume there is a sale from BA x to BA y of 100 MW.
If BA x increases its generation to supply the sale, its
CRR will increase to 33 MW.
If BA y reduces its generation because of the import,
its CRR will decrease to 27 MW.**



$$(.03 \times 600) + (.03 \times 500) = 33$$

$$(.03 \times 400) + (.03 \times 500) = 27$$

**Assume there is a sale from BA x to BA y of 100 MW.
If BA x imports power to supply the sale, its CRR will
not change since its generation will not change.**



$$(.03 \times 500) + (.03 \times 500) = 30$$

$$(.03 \times 400) + (.03 \times 500) = 27$$

Clarity

- What will “scheduled as firm per the WECC” mean?
- Does not imply “schedule C Firm with reserves”
- Schedule C defers to WECC, WECC definition of firm power exists in product codes.
- “This product may be curtailed only in the event of a reliability condition or to meet Seller’s public utility or statutory obligations for reliability of service to native load. A G-F product cannot be interrupted for economic reasons.”
- Aligns WSPP, WECC, FERC

The skinny...

- Task Force believes Bal 002 will not require a change to Schedule C language.
- Bal 002 provides clarity that energy is uncoupled from reserves.
- Task Force recommends leaving existing Schedule C language alone to preserve existing arguments.
- WECC reserves products can be traded under WSPP Schedule C.

Reserves...where we're going

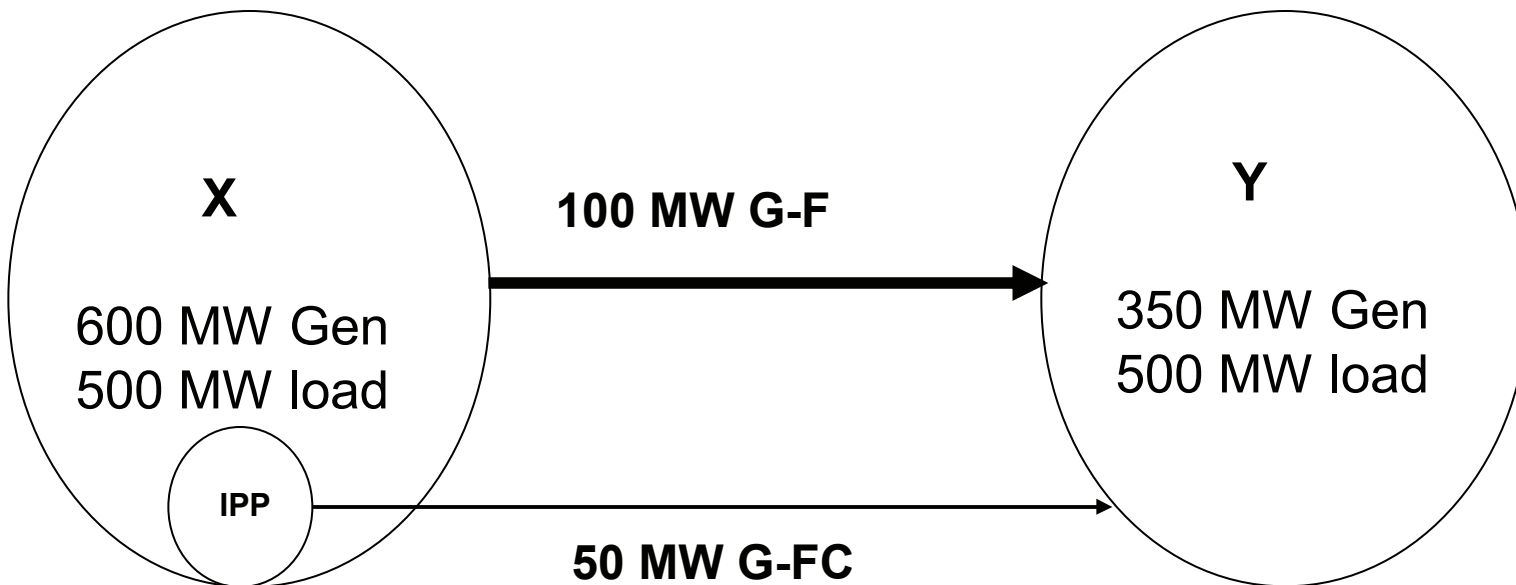
- WECC to revisit eTag 1.8
- Reserves Market
- Educational effort continues
 - WECC ISAS
 - NWPP ATF
 - WSPP Workshop
 - Updated workshop just prior to BAL002 start

Remaining wrinkles



Assume there is an IPP inside BA x that is making a sale to BA y of 50 MW.


Depending on the relationship between IPP and BA x, the IPP generation may affect the CRR.



$$(.03 \times 650) + (.03 \times 500) = 34.5$$

$$(.03 \times 350) + (.03 \times 500) = 25.5$$

WECC Product Code G-FC

- Neither Source nor Sink BA's Contingency Reserve obligation depends on the type of transaction.
 - Seller may or may not call upon own reserve group to cover lost generation for the period of the reserve group response.
 - Seller is not obligated to re-establish the schedule until the unit returns
- 

Sale of source specific power

- A sale of power from a single source is allowable under Schedule C.
- Loss of the source unit does not remove the obligation to provide the power.
- It is up to the parties to determine the level of performance risk they are willing to take.
- Probability of performance may depend on the relationship between the generator and its Balancing Authority or Reserve Sharing Group.
- Tagging issue associated with FC under WSPP Schedule C.