

June 4, 2010  
Bonneville Power Administration Transmission Services  
Business Practices Technical Forum ([techforum@bpa.gov](mailto:techforum@bpa.gov))

**Comments of the Northwest & Intermountain Power Producers Coalition (NIPPC) on Bonneville's concept of re-designating wind power as "Firm Contingent" within its Balancing Authority Area.**

NIPPC welcomes the opportunity to engage in discussions on this important issue. The Coalition sincerely believes that more discussion is needed before the concept is entirely understood and therefore correctly addressed.

BPA's proposal has surfaced prematurely and in the wrong venue. Presumably, given the seriousness of the implications of re-designating wind power Bonneville expects to carry on more than an "ad hoc" discussion.

NIPPC believes that the proposed re-designation of wind power should not be a decision that BPA makes unilaterally, but should instead be considered at the Western Electricity Coordinating Council (WECC). This is particularly appropriate given that WECC is already looking at redefining reserve requirements for wind power.

Meanwhile, the Federal Energy Regulatory Commission (FERC) is interested in considering how to remove existing barriers that hamper the integration of Variable Energy Resources (VERs), and has circulated a Notice of Inquiry to that effect.

This issue, while certainly important, is not urgent. Bonneville has until 2013 before it exhausts its Balancing Authority Area (BAA) reserves. If the attempt at a WECC wide solution proves unfruitful, Bonneville could choose to raise the matter at FERC or elsewhere.

As NIPPC understands it, the firm energy designation is consistent with the energy being delivered from wind resources in Bonneville's BAA since the only curtailments to these resources result from the implementation of DSO 216, which, by definition, is a reliability measure.

As we understand it, Bonneville is trying to reduce its obligation to carry reserves for wind projects. Reserves are a critical issue in the Western Interconnection. And while it is understandable that Bonneville is unenthusiastic about carrying reserve obligations for energy production intended for other BAAs, altering established policy could create serious unintended consequences.

It is unclear how re-designating wind power as a firm contingent product will affect the market value of wind energy, but it is reasonable to expect that it will

lower its value, since DSO 216 has already done so. Re-designation also significantly affects existing agreements, which will impact the e-tag string of market participants who have already purchased this energy on a long-term basis.

Bonneville is currently assessing the feasibility of generators securing their own reserves in the “self-supply pilot” it is developing with Iberdrola. Once operational, the pilot should demonstrate wind generators’ alternatives from sole dependence on Bonneville reserves.

The success of self-supply clearly depends on a variety of factors that will come even more to the fore as the program expands. The provision of additional dynamic transfer capability and pseudo-ties along multiple pathways as well as sub-hour schedules will be required; the introduction of an independent third party without market interest is needed to operate Automatic Generation Control, manage transactions based on day-ahead posted inc/dec pricing, and settle accounts, etc. These requirements pose institutional and engineering challenges, many of which have been identified by the Joint Initiative, and Bonneville has made progress in addressing several of them. The provision of self-supply and commensurate introduction of intra-hour reserves other than federal resources should be a priority for the agency.

NIPPC agrees that the way reserves are carried in the Western Interconnection is not adequate to address the introduction of VERs. New products will need to be added to provide the additional reserves tailored for these non-dispatchable resources. Customers are, for example, demanding renewable energy resources must have access to “fast energy” to meet the fast ramping that is inherent in firming a wind resource.

As Bonneville notes in its “Discussion Paper on the Potential use of Firm Contingent energy Product code on e-Tags for variable generation for transparency under WECC product codes dated April 29, 2010,” there are on-going discussions about reserves throughout the Western Interconnection. Bonneville should focus its considerable policy acumen on moving forward with an integrated set of west wide solutions. Bonneville’s proposal for re-designating wind power as “firm contingent” should be taken up at the appropriate forum, which NIPPC believes is WECC.

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