

BPA Proposes Fire Sale of Hydro Power During Springtime Oversupply

Local News

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Portland, OR - The Bonneville Power Administration on Sunday announced a new approach to addressing situations arising when too much energy is available for delivery. In these situations, which usually happen in the springtime when there is a lot of water in the Columbia River system, some generators must be turned off. As the transmission grid operator, BPA is required to develop a method for determining which generators must be turned off first. BPA's plan allows for displacing generators after all other reasonable actions are taken. While BPA operates the transmission grid, it also is responsible for generation units. In times of high water, federal system operators must run the federal hydroelectric plants in order to comply with environmental regulations to protect fish. The plan, which was submitted to the Federal Energy Regulatory Commission today, is based on input from regional stakeholders. In formulating this plan, BPA sought to balance multiple competing interests by equitably sharing oversupply costs and limiting total cost exposure. BPA's objective was to create a set of rules that is fair to all parties and that can help to avoid protracted litigation. BPA submitted the filing to meet the deadline set in a Dec. 7, 2011, FERC order. If accepted by FERC, the plan — referred to as the Oversupply Management Protocol — will be in place for one year. BPA received almost 90 comments on the proposal after releasing it for public comment on Feb. 7. Details about how the final submission differs from the initial proposal are available at the link.

Members of the Northwest Congressional delegation as well as the Secretary of Energy urged BPA and regional parties to craft a local solution to the oversupply issue. The proposal comes after months of discussions with key stakeholders to find an equitable solution. The proposal is based on concepts developed in these discussions. "We have heard and responded to the calls for a solution developed in the Northwest," BPA Administrator Steve Wright said. "While the time frame we had to deal with did not provide opportunity for a broad settlement, our filing today is based on extensive conversations with and comments from parties interested in achieving an equitable solution." The protocol would be part of BPA's transmission tariff. BPA has been working with customers and other stakeholders for almost a year to update its transmission tariff covering all terms and conditions for transmission service from BPA. BPA intends to file the broader tariff with FERC later this month. The protocol addresses the risk of energy oversupply when hydroelectric power produced by high runoff of water combines with wind generation in low-demand periods such as late at night. Electricity supply must constantly match demand to maintain the reliability of the electric grid. Reducing hydroelectric generation during high flows sends more water through dam spillways, increasing dissolved gas levels that can harm fish. To control gas levels, BPA maximizes hydroelectric generation during these periods and offers the output at low cost or for free to coal, natural gas and other thermal power plants, as well as to wind generators. Thermal plants then typically shut down and save fuel costs. However, most wind energy producers continue operating because their revenue from production tax credits, renewable energy credits and contracts depends on continued wind generation. The Northwest River Forecast Center's runoff projection for January to July 2012 is currently 92 percent of average. Lower runoff reduces the likelihood of an oversupply of electricity this spring, but conditions can change rapidly. For instance,

as recently as Feb. 5, the runoff for January to July 2012 was forecast at 85 percent of average. Under the new protocol, BPA would first work with the U.S. Army Corps of Engineers and Bureau of Reclamation to manage federal hydroelectric generation and spill water up to dissolved gas limits. BPA would then offer low-cost or free hydropower to replace the output of thermal and other power plants, with the expectation that many would voluntarily reduce their generation to save fuel costs. If electricity supply still exceeds demand, BPA would then reduce the output of remaining generation within its system, including wind energy, in order of least cost. BPA would compensate the affected generation for lost revenues, including renewable energy credits and production tax credits, subject to verification by an independent evaluator. Under the protocol, BPA would cover costs of compensating generators this spring from its transmission reserve account until a rate can be established to recover the costs. BPA will initiate a new rate case in which it will propose dividing compensation costs roughly equally between users of BPA's federal base system and generators eligible for compensation from BPA. For more information, go to www.bpa.gov/go/oversupply. BPA is a nonprofit federal agency that markets renewable hydropower from federal Columbia River dams, operates three-quarters of high-voltage transmission lines in the Northwest and funds one of the largest wildlife protection and restoration programs in the world. BPA and its partners have also saved enough electricity through energy efficiency projects to power four large American cities. For more information, contact us at 503-230-5131 or visit our website at www.bpa.gov.