

BPA: Energy balancing rate settlement signals commitment to work on broader solutions

Local News

Posted by:

Posted on : May 17, 2013 at 7:05 am

Portland, OR - As the region looks for more effective ways to integrate wind and other renewable energy sources, the Bonneville Power Administration and its customers have agreed to settle the portion of BPA's rate case that defines charges for balancing services, or generation inputs, that maintain a constant balance of the energy produced and energy consumed. "BPA and the parties involved in this portion of the rate case admirably collaborated and compromised to reach this settlement agreement," said BPA Administrator Bill Drummond. "We have a challenge ahead of us, but I am confident we can work together to find innovative and less costly energy balancing solutions."

The agreement calls for BPA and rate case parties to set aside new legal and regulatory action until September 30, 2015, which is the end of the upcoming rate period. This will allow the region to work together and focus on long-term sustainable solutions to these challenging issues. The settlement provides time for the region to develop energy scheduling options and other tools expected to significantly reduce renewable resource integration costs. The BP-14 rate case began in November 2012 and will conclude in late July. BPA will file the final rate proposal with the Federal Energy Regulatory Commission in late July 2013 for interim approval for the rates to be effective Oct. 1, 2013. The rate period ends Sept. 30, 2015.

Settlement highlights include:

- Removal of three proposed formula rates that created legal contention and cost uncertainty. The formula rates would have passed on the costs of procuring third-party resources to augment balancing reserves. They were replaced with fixed rates and an established acquisition budget that alleviates the cost uncertainty.

- A \$2 million annual budget to augment BPA balancing services when operational constraints cause BPA to lower the amount of balancing reserves it would otherwise provide;

- A BPA commitment to implement two 15-minute scheduling options as soon as feasible. Traditional power plants provide such steady output that utilities have long bought and sold electricity on an hourly basis. But wind and other variable resources are changing that because the energy they produce can vary sharply within mere minutes. More frequent scheduling can help lower costs by reducing reserve requirements.

- A mid-rate period election opportunity for customers to change to self-supply reserves, "dynamically" schedule a resource out of BPA's system or switch to one of several options to more frequently schedule energy deliveries. This flexibility offers customers an additional opportunity to reduce integration costs.

- Billing for dispatchable energy resources using a 5-minute measurement, which should allow these resources to lower their integration costs when compared to the presently applied 1-minute billing interval.

BPA and party signatories had until May 6 to sign the agreement. One party objected to the agreement. Its stated objection to the settlement proposal identifying each issue it chose to preserve in the ongoing rate proceeding is available at the [link](#).

All of the settlement rates applicable to variable energy resources are lower than the rates BPA originally proposed after accounting for the elimination of the formula rates. Three of the four variable energy rates are lower than today's equivalent rates. Details are available in the Administrator's [Record of Decision](#).