Public Power Council

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October 7, 2002

Transmittal via facsimile
Fax Number: (360) 418-8320

Dave Gilman
Bonneville Power Administration
5411 NE Highway 99 - TM/Dittmer2
Vancouver, WA 98663

RE: PPC Comments on Possible Changes to BPA Generation and Energy Imbalance Charges

Dear ~~Mr. Gilman~~ Dave:

BPA's generation and energy imbalance charges are neither cost recovery nor revenue enhancement mechanisms for the Transmission Business Line (TBL). Rather, they are incentives for BPA's customers to provide accurate schedules. Furthermore, other penalties are in place should inappropriate behaviors occur, such as willful game playing or schedule manipulation. Therefore the current 100 mill penalty is excessive and unfair under current market conditions, and encourages inaccurate, under-scheduling of generation to avoid the penalty. It is an excessive disincentive in light of current market rates. A penalty expressed as a percentage of an appropriate hourly market index would be much more satisfactory. The current penalty is unfair in that it charges all deviations outside the band the same penalty; thus a utility with a small deviation outside the band due to system dynamics incurs the same penalty as one with a large deviation outside the band due to poor scheduling.

TBL's September 12 "strawman" proposal would be a vast improvement over the current penalty. In principle, it fixes our primary concerns with the current charge. The proposal would be improved by 1) recognizing that renewable, intermittent and thermal resources during testing and start up have legitimate scheduling issues, and allowing them special considerations; and 2) expanding band 2 to include deviations up to 15% or 20 MW. We urge the move to make the spill provisions of this charge based on the daily determination of spill for the system, rather than the current monthly determination, for this would set the right economic signal for the system as a whole.

Thank you for the opportunity to comment.

Sincerely,

C. Clark Leone
Manager