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March 7, 2006

MEMORANDUM

TO: Power Committee

FROM: Wally Gibson and John Fazio

SUBJECT: Update on Northwest Resource Adequacy Activities

The Northwest Resource Adequacy Forum Steering Committee met since the last Council meeting and came to a general consensus on an approach to utility implementation of the regional energy metric and target (which is currently open for comment to the Council).

The general approach is based on individual reporting to a regional entity (currently expected to be PNUCC), with assessment of the regional results by one or several entities, potentially including the Council, PNUCC and/or Bonneville. If the regional assessment looks adequate, no more action needs to be taken. If the region is inadequate, more attention may need to be paid to the results for individual reporting entities (this part is subject to further development).


Entities that are short in real time would face market prices to meet loads. Those public agencies that go back to Bonneville and request service in excess of their allocations would face a penalty rate from Bonneville. The current imbalance penalty, as an example, is 125 percent of a regional market price index. If Bonneville has to declare an energy emergency on the hydro system to meet loads, the penalty rate would be higher, with the excess revenues going to support fish-mitigation projects.

This general outline will be fleshed out and brought back to the Steering Committee at its next meeting.

The Technical Committee is meeting March 9th and will focus on continuing development of a regional capacity metric and target.

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Northwest Resource Adequacy Update



Northwest Power and Conservation Council
Power Committee
March 14, 2006

Progress on Implementation Mechanism

- General consensus at last Steering Committee meeting
 - Will be fleshed out for further review next meeting
- Focus on reporting and informed management decisions
- Reporting to a regional entity, likely PNUCC
- Assessment of regional results (Council? PNUCC? BPA?)
 - Alternative assessments from different perspectives?
 - Utilities can see how they and region are doing
 - No more detail needed if region looks OK
 - If a problem exists, perhaps more attention to sources of problem

Implementation Mechanism (cont'd)

- Utilities that are short in real time face high prices
 - Market prices for utilities relying on the market
 - BPA overrun penalty price for those exceeding allocations
 - Current BPA imbalance penalty: 125% of market index
- If BPA required to declare a hydro emergency and override fish restrictions, penalty would increase
 - Extra revenue to fish-mitigation measures

Capacity Metric and Target

- Technical Committee continuing to review issue
- Looking at same general approach as for energy
 - Simpler mechanism with underlying detailed modeling
- Problem is generally more complex in our hydro system than in thermal system
 - Reviewing models and approaches