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November 22, 2006

## MEMORANDUM

**TO:** Council

**FROM:** Terry Morlan

**SUBJECT:** Biennial Assessment of the Fifth Power Plan

Action Item MON-7 of the Council's Fifth Power Plan calls for a biennial monitoring report assessing the status of the assumptions used in the Plan and progress toward implementing the Plan. For the past few months, the Power Division staff has been developing parts of this assessment and presenting them to the Power Committee. At the December Council meeting, I will summarize for the full Council the findings of the biennial assessment. The monitoring report will be developed for the January meeting. That report will address the implications of the assessment for the Power Division's work plan and for possible nonsubstantive technical plan amendments, or even for possible substantive plan revisions if needed.

Plan assumptions that have been assessed include demand and fuel price forecasts, electric price forecasts, generating resource technologies and costs, and load/resource balance.

Implementation assessment includes conservation achievements; generating resource acquisitions; progress on adequacy standards, changing Bonneville's role in the regional power system, and solving transmission system problems; and developments in national and regional energy policy, and utility integrated resource plans.

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# Summary of Fifth Plan Biennial Assessment Findings

Council Meeting  
December 13, 2006

# Background

- Action Item MON-7 in Fifth Plan calls for biennial monitoring report
- The biennial assessment will lead to the monitoring report in January
- The Power Planning Division has been reporting on pieces of the assessment over the last three months
- Today is a summary of our findings, but does not include recommendations

# Two Aspects of Assessment

## ■ Assumptions used

- Demand forecast
- Fuel price assumptions
- Electric price forecast
- Generating resource availability, efficiency, and cost
- Load/resource balance

## ■ Implementation progress

- Conservation acquisition
- Demand response
- Generating resource development
- Utility IRPs
- Policy development
  - » Regional dialogue
  - » Adequacy standards
  - » Transmission
  - » Federal and state energy policy changes

# Assumptions

- Basic demand and price forecasts and assumed volatility are consistent with actual experience
- Capital costs of generating resources are being pushed up by cyclically high commodity prices
- Some changes in coal-fired technology and experience
- Surplus is higher due to lagging demand recovery and utility generation development

# Implementation - Resources

- The region is close to meeting the Council's goals for conservation acquisition
- Progress is slower in developing demand response resources
- The region is developing wind generation at a much faster pace than suggested in the Plan
- Utilities IRPs display enthusiasm for efficiency and wind; many use Council data for basic information

# Implementation – Policy(1)

- The Northwest Adequacy Forum has developed, and the Council adopted, voluntary adequacy standards for the region
- Bonneville is scheduled to release a ROD on the Regional Dialogue in January
- Transmission problems identified in the Plan are being addressed slowly; WECC will likely have a larger role

# Implementation – Policy(2)

- 2005 Energy Policy Act
  - Reliability and transmission corridors
  - Energy efficiency incentives and standards
  - Encouragement of demand response
  - Incentives for renewable and cleaner generation
- State energy policy
  - Focus on renewable portfolio standards
  - Building energy code improvements
  - Updated appliance efficiency standards



# In Summary

- Assumptions that are likely to affect the five-year implementation plan are consistent with recent experience
- The region is implementing the Council plan, perhaps a bit over exuberant on wind
- The Council may want to do some tests of different generating resource assumptions for possible effects on the long-term resource portfolio