

**BPA Staff Proposal on Cost Allocation of Balancing Capacity Acquisitions**

Allocation of the cost of the Federal Columbia River Power System (FCRPS)-based reserves determined through a proportional (based on nameplate or equivalent) allocation to Load, Dispatchable Energy Resources (DERs, including Columbia Generating Station & non-automatic generation controlled hydro resources), and Variable Energy Resources (VERs, including solar). Type 2 acquisitions would be allocated to all resources. Type 3 acquisitions would be allocated to VERs that elect the Full Service Option since these acquisitions are incurred to support that particular service election. Type 4 acquisitions would be allocated to the resource or resource group that received the expanded balancing service.

**Types of balancing capacity acquisitions**

**Type 1 - Planned acquisitions:** These acquisitions are needed to make up the shortfall between the planned federal balancing reserve capability (expected to be 900 MW) and the planned balancing needs at the base level of service after adjusting for any self-supply (Customer-Supplied Generation Imbalance or otherwise). The MW amount BPA will purchase will be identified in the Final Proposal.

**Type 2 - Operational acquisitions:** These acquisitions are needed when BPA is unable to provide the planned federal balancing reserve capability (expected to be 900 MW). The MW amount needed is variable since it depends on actual operations.

**Type 3 - Full Service acquisitions:** These acquisitions are needed to support the Full Service balancing service option. The max amount of MW amount needed will be identified in the rate schedules. The actual MW amount purchased will depend on BPA's risk tolerance and acquisition strategy.

**Type 4 - Expanded Balancing Service acquisitions:** These acquisitions are needed to support an unplanned increase in balancing services. The balancing service can be unexpectedly increased when: 1) a resource elected to self-supply but is unable to continue self-supplying one or more components of balancing service; 2) a resource has a projected interconnection date after FY 2015, but interconnect during the FY 2014-15 rate period; 3) a resource committed to a specific scheduling practice but does not maintain a scheduling performance consistent with or better than that committed scheduling practice; 4) one or more participants in the Pacific Northwest utility industry, including organizations, ask the Administrator to increase the amount of balancing reserve capacity, or 5) a legal challenge to Dispatcher Standing Order (DSO) 216 either prevents the use of DSO 216 or requires a material change to DSO 216.

Predecisional – For Discussion Purposes Only

Method Used to Allocate Type 1 Acquisition Costs

	No Self-Supply	[A]	[B]	[C]	[D]	[E]	[F]	[G]
1	FCRPS Planned Capability (MW)		900	Remaining FCRPS after first allocation (MW)			345	
2		Nameplate or Equivalent (MW)	Balancing Need (MW)	Balancing Need as a % of Nameplate	1st FCRPS Cost Allocation (MW)	Remaining Need (MW)	2nd FCRPS Cost Allocation (MW)	Planned Balancing Capacity Acquisition Cost Allocation (MW)
3	Load	11,499	279	2.43%	279	0	0	0
4	VER/1	4,886	700	14.33%	182	518	345	173
5	DER/2	7,719	94	1.22%	94	0	0	0
6	Total	24,104	1,073	4.45%	555	518	345	173
7		FCRPS Planned Capability		3.73%				
8	<b>Self Supply</b>							
9	FCRPS Planned Capability (MW)		900	Remaining FCRPS after first allocation (MW)			345	
10		Nameplate or Equivalent (MW)	Balancing Need (MW)	Balancing Need as a % of Nameplate	1st FCRPS Cost Allocation (MW)	Remaining Need (MW)	2nd FCRPS Cost Allocation (MW)	Planned Balancing Capacity Acquisition Cost Allocation (MW)
11	Load	11,499	279	2.43%	279	0	0	0
12	VER/1	4,886	549	11.24%	182	367	345	22
13	DER/2	7,719	94	1.22%	94	0	0	0
14	Total	24,104	922	3.83%	555	367	345	22
15		FCRPS Planned Capability		3.73%				
	Equations	[A]	[B]	[C] = [B]/[A]	[D] = Minimum of [B] or [A]/[A Total] X FCRPS Planned Capability (MW)	[E] = [B] - [D]	[F] = If there is remaining need then [A]/[Sum of A with remaining need] X Remaining FCRPS after first allocation	[G] = [B] - [D] - [F]
	/1 Includes solar.							
	/2 Includes CGS and non-AGC controlled hydro.							