

April 1, 2011

VIA Email
Tech Forum
Bonneville Power Administration
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RE: NRU Comments on Transmission Services' draft Environmental Redispatch Business Practice

Northwest Requirements Utilities (NRU) appreciates the opportunity to comment on BPA's proposed Environmental Redispatch (ER) Business Practice (BP). The ER BP is an implementation tool to address the issues described in the Environmental Redispatch draft Record of Decision (ROD), which seeks to mitigate the risks associated with overgeneration events. As requested in the comment period notice, these comments will pertain specifically to the draft ER BP. NRU previously submitted comments on the overall ER policy issues during the draft ROD comment process and we will not revisit those issues here.

As NRU stated in its comments on the Environmental Redispatch draft ROD, NRU strongly supports Bonneville Power Administration's (BPA) proposed policy on Environmental Redispatch and negative pricing. We offer the following comments on the draft ER BP in the spirit of developing a workable process for managing a potential overgeneration this spring.

NRU is a trade association of 50 load following, NT customers of BPA. The majority of our members' loads will be served by federal power, but an increasing portion of their load will be served with non-federal resources under the Regional Dialogue construct. As such, there are two main aspects the ER BP needs to sufficiently address: (1) reliable and cost-effective NT load service, including deliveries to transfer points for transfer service, needs to be maintained; and (2) the ER BP needs to accommodate smaller renewable resources. It is likely that many of the non-federal resources acquired by NRU members will be small, local, renewable resources.

BPA Should Clarify To Which Resources ER Applies

BPA needs to clearly define what resources are subject to ER. NRU proposes that, for at least this initial season, ER should be applied only to tagged resources. Untagged resources should be excluded from ER for at least this first season because it is unclear how untagged resources would receive notice to redispatch and how redispatch would work for untagged resources. For example, small, behind-the-meter resources are untagged and are typically not staffed 24/7. Until these issues are discussed and resolved, only tagged resources should be subject to ER.

BPA should also consider whether it makes sense to limit ER applicability based on a *de minimus* level of nameplate capacity. BPA should weigh whether the effort and time it will take to establish protocols to redispatch, for example, a 3 MW resource provides sufficient benefit to the system if it could be redispatched. Certainly, neither BPA nor its customers have the time to delve into the complexities of determining how small, untagged resources can be redispatched prior to the quickly approaching spring run-off reason.

Therefore, NRU urges BPA to exclude untagged resources from ER and/or consider implementing a *de minimus* threshold for applicability. In either case, BPA needs to be clear on which resources are subject to a potential ER.

(Note that both BPA Power and Transmission have recognized the unique operating characteristics of smaller resources and have provided exceptions to them. For example, the DERBS rate is currently proposed to apply only to resources greater than 3 MW. On the power side, resources support services differentiates between resources greater than or less than 10 MW.)

Environmental Redispatch Needs to Accommodate for Non-Wind Renewable Resources

The draft ER BP neglects to recognize that there are non-wind renewable resources which receive renewable energy credits and other incentives just like wind resources. Examples of non-wind renewable resources include biomass and biogas resources and certain small hydro projects. These non-wind renewable resources appear to be grouped into the discussion of “thermal generators.” BPA needs to differentiate between thermal generation and *renewable* thermal generation (including small hydro). BPA needs to provide the same consideration of lost RECs and other incentives for renewable thermal generation (including small hydro) that it provides for Variable Energy Resources (VERs). Specifically, non-renewable thermal generation should be redispatched first. There should be no differentiation regarding renewable generation fuel source (wind, solar, biomass, biogas, small hydro, etc.) when it comes to applicability of environmental redispatch.

BPA Should Clearly Understand the Impact of ER on Dedicated Resources under the Power Sales Contracts and Ensure There Are No Unintended Consequences

BPA needs to ensure that the rules provided for in the ER BP will work under the Load Following power sales agreement. These contracts are very complex and have an array of rates based on customer’s loads and resources and the interaction of the two. For example, BPA should understand the interaction between ER and the load shaping rate, the load shaping true up and Resource Support Services. The Load Following contracts have specific requirements for customers using resources to serve load. BPA Transmission and Power need to work together to ensure no unintended consequences occur as a result of the ER BP.

BPA Must Maintain Reliable Transmission Service for Directly Connected and Transfer Customers

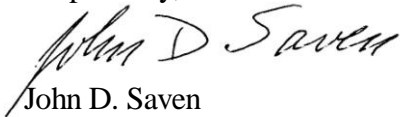
Fundamentally, our members are responsible for serving their retail loads. It is essential that reliable transmission service is maintained for both directly connected and transfer customers. This includes

ensuring power is made available at appropriate transfer points for service to transfer customers. BPA Power and Transmission need to ensure there are no unintended consequences to load service as a result of the ER BP.

Concluding Remarks

In closing, we encourage BPA to be very clear and realistic as to which resources ER will apply. In addition, BPA needs to recognize that there are non-wind renewable resources that stand to lose RECs and other incentives should their generation be redispatched, just like wind resources. Finally, BPA should commit to evaluating and revising the ER BP following the first season in which it is used so BPA in conjunction with its customers can adjust terms and conditions to work best for the region and to mitigate the circumstances occurring in an overgeneration event. Perhaps a forum such as the Wind Integration Steering Committee would be a good place for additional discussions and evaluation of this year's events to occur.

Respectfully,



John D. Saven
Chief Executive Officer

Cc: Public Power Council
NRU Members