National Hydropower Association
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Valuing Hydro in Today's Energy Markets: PPAs

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What Might a Long Term Storage PPA Look Like?

- Developer could develop, own and operate the storage facility

- Developer could enter into a long-term "**tolling agreement"** with one or more creditworthy customers

- The contract could be **exclusive or non-exclusive** (*i.e.*, a Customer could contract for **100%** of the storage facility's capacity **or just a "slice"** of it)

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What Might a Long-Term Storage PPA Look Like?

- Developer would <u>not</u> take title to the stored electricity
- Customer would own **stored electricity**
- Customer would own a share of **storage rights** and decide how to use them

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What Might a Long-Term Storage PPA Look Like?

- With a FERC market-based rate, Customer could use its share of the hydro facility to **arbitrage between off-peak and on-peak** energy or between markets

- Customer could use its share of the hydro facility to provide **ancillary services**

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What Might a Long Term Storage PPA Look Like?

- If Customer is a utility, it may be able to recover costs of the long-term contract in its **rate base**

- Certain Customers might be able to use share of facility to provide **transmission services** and **avoid the cost of transmission upgrades**, with the PPA's cost to be recovered in cost-based rates

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What Might a Long Term Storage PPA Look Like?

- Developer might be able to reserve a slice of the facility for **merchant sales of ancillary services**

- **But: cross-subsidization** issues would need to be addressed to the satisfaction of regulators

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