National Hydropower Association Market Solutions – Strategic Flexibility

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WSPP in a nutshell

- Formerly Western Systems Power Pool, formed to facilitate quick interchange through a FERC-filed Agreement
- First experimental MBR (1987) leading to
- Some 250 members
  - Principally in Western Interconnection
  - All market sectors and entity types
  - Goals
    - Enhance market liquidity and opportunity by facilitating WSPP Agreement transactions and adding new product definitions
    - Support competition through fair treatment of all market sectors
    - Support industry with training, information, and relationships with regulatory agencies
    - Advocate on issues where diverse member interests align
    - Networking functions to broaden trading networks

Principal WSPP Issues Today

- Clearing the path for flexible power (Service Schedules D & E proposed, rejected, and resulting in the *Avista* NOPR)
- Impact of Cap & Trade on Markets
  - Develop service schedule for Specified Source and Asset Controlling Supplier power
  - Look toward a Zero Carbon Service Schedule
  - Weigh in at CARB on resource shuffling and other regulatory ambiguities that stifle liquidity
- Western Energy Imbalance Market
  - Provide information on FERC regulatory aspects and concerns about impact on jurisdictional exemptions
  - WSPP takes no position on EIM
- Measure success of new REC Service Schedule

FERC and the Flex Power Challenge

- FPA requires just and reasonable power rates
  - For MBR this means seller lacks undue market power
  - For CBR (generally not applicable to power sales except ancillary services under OATT), this requires prudent costs and limited RoE
- Flex power, including to support ancillary services (AS) raises MBR and CBR issues
  - Jurisdictional sellers cannot sell at MBR if they have undue market power
  - Transmission provider purchasers cannot pass on undue AS costs through their OATT CBR
  - Under FERC's "*Avista* Policy" each AS seller must have a special MBR Tariff for each AS it sells (Reactive, Regulation, Operating/ Contingency Reserves, Balancing)

FERC and the Flex Power Challenge

- Why focus on AS?
  - Because – it has been thought – not all resources can provide these products, so a market power analysis for AS differs from analysis for plain vanilla energy/capacity
- Except for sales to an RTO/ISO (because they have market monitors), *Avista* restrictions prohibit sales of power to support AS at MBR
  - directly or indirectly to a transmission provider supplying AS pursuant to its OATT
  - without a demonstration (such as a market power study) to FERC that the sale will not reflect exercise of undue market power, and
  - which demonstration causes FERC to issue a Seller MBR tariff for the specified, particular AS

FERC and the Flex Power Challenge

- Result of *Avista* restrictions? Stifled market
  - Few sellers have AS MBR Tariffs – FERC admits the required market power study is impracticable
  - Lack of competition, predominance of transmission provider self-supply without alternatives
  - Few market signals
  - Little incentive to invest
  - Regulatory scheme assures a non-existent market
    - no unjust rates in no market is not a valid FPA result
    - Indeed, regulation that eliminates a market itself produces unjust and unreasonable results

Avista Solution Concepts

- Redefine what products raise market concerns
  - FERC recognition that many resources can provide balancing and operating/contingency reserves (though not reactive, regulation, frequency), particularly given growth of intra-hour transmission scheduling
  - Energy MBR Tariffs would apply
  - WSPP D&E would be refiled with modifications to carve out reactive, regulation and frequency
- For other AS, or for balancing and reserves sales where by a seller lacking MBR authority, approve approaches specified in NOPR

Flex Markets Generally

- Many oppose RTO or organized energy market
  - An organized market can provide considerable liquidity and opportunity
  - How obtain liquidity without the negatives?
- Joint regional dispatch solutions
  - Much Flex will be AS when sold to a transmission provider, even with a revised FERC definition (which may or may not occur)
  - Address market power concerns with a regional market power study and market monitor
- Think regionally, but not RTO-ly
  - Seek the benefits without the detriments