

**Colorado River Storage Project Management Center**  
**Annual Customer Meeting**  
**Energy Imbalance Markets in the West - Discussion Notes**

June 20, 2019  
Salt Lake City, Utah

**INTRODUCTION**

During the CRSP MC Annual Customer meeting, VP of Power Marketing Tim Vigil led a discussion on energy imbalance markets in the West. The discussion centered on participating in an energy imbalance services, not joining a full market. Exploring options ensures continued reliable delivery of hydropower for WAPA's diverse customer base, while seeking solutions that help us all adapt to the changes in the energy landscape. WAPA and attending customers openly discussed the topic based on the available information, as of June 20. Below is a summary of the questions and answers, as well as comments discussed during the meeting.

**QUESTIONS:**

**1) Why does WAPA need to provide energy imbalance service to variable resources?**

**Those are not preference customers.**

Answer: Since we operate a Balancing Authority (BA), WAPA must comply with North American Electric Reliability Corporation and Western Electricity Coordinating Council requirements to provide ancillary services. Additionally, our Open Access Transmission Tariff has the requirement for us to provide those services.

**2) Is the estimated start-up cost for participation in the Southwest Power Pool (SPP) Western Energy Imbalance Service (WEIS) \$9.5 million? Is that to be divided among all participating entities?**

Answer: Yes, and it will be divided among participating entities. There will be a brief window for an entity to drop out, afterward they would possibly be responsible for certain costs incurred.

**3) Is the initial SPP WEIS commitment decision like the chicken or the egg dilemma in which you have to commit without knowing your entity's cost of doing so?**

Answer: Yes, so we must estimate the number of potential participants to estimate the cost; however, there is a short window to opt out later.

**4) What is the reason for the aggressive schedule from SPP for WEIS? This is challenging for WAPA's customers with boards that only meet periodically.**

Answer: We do not know for sure, but SPP has board meetings at the end of July and that could be driving it. It is possible they are aligning WEIS with their Reliability Coordinator (RC) service. You can talk to SPP directly for more information.

**5) Will interest in the SPP WEIS depend on whether the utility is large or small?**

Answer: No, it is more likely to be based on their penetration of variable resources.

**6) How many possible participants are there?**

Answer: It is open to anyone, but interest will most likely come from those within SPP's RC service footprint.



**7) WAPA generally operates under the principle that the beneficiary pays. Will the costs of the SPP WEIS be included in the project or BA service rates?**

Answer: WAPA is still considering how to most appropriately recover the costs and will need to value the benefits of participation to make a decision, but as of today, likely the project rate. SPP's WEIS could reduce the need for regulation so there could be a benefit to the project.

**8) If a customer does not choose SPP's WEIS, won't they still in effect have to pay for WEIS costs via WAPA's rates?**

Answer: Yes, as of today, but WAPA is still considering how it would most appropriately recover the costs of WEIS.

**9) Does WAPA have enough data to make a decision on WEIS?**

Answer: For CRSP, there is enough information based on how the project is operated and our customers' usage of the project. Utilities have been studying markets for years with no significant changes in study outcomes – further studies would not be beneficial. The decision will also consider the impact of dwindling counterparties in the bilateral market used to balance the BA close to, or within, the current trading hour.

**10) Will SPP's WEIS limit trading counterparties, in effect box you into one market versus the other?** Answer: That depends on the number of participants in the market. WAPA will consider this in its decision.

**11) Are you concerned about WAPA losing a seat at the table?**

Answer: Yes, especially if we get subsumed by CAISO, and/or surrounded by other energy imbalance markets (EIM).

**12) What is the status of Bonneville Power Administration (BPA) in all of this?**

Answer: BPA is proposing to join CAISO's EIM. A significant percentage of BPA's revenues come from trading with California so CAISO's EIM is a logical choice for them.

**13) How much infrastructure is already in place for an EIM? If WAPA chose the CAISO's EIM instead of WEIS, would the costs of infrastructure for SPP RC be sunk?**

Answer: No, much of the infrastructure, such as meters, would be needed for any EIM.

**14) NTUA has the same concerns they had regarding participation in a full market with SPP, and feel they cannot make any commitments yet.**

Answer: WAPA understands the concern, as NTUA is located between CAISO EIM and a potential SPP WEIS market.

**15) What is WAPA's decision making process, and when will there be a decision?**

Answer: The process is not solidified yet, as we need to meet with SPP and learn more details about WEIS.



**16) Will SPP delay WEIS if they do not have enough initial interest?** Answer: We are not sure, but that is possible.

**17) Will some utilities use SPP for RC services and join CAISO's EIM? Is that possible?** Answer: Yes, Tucson Electric Power is doing that.

**18) Without analysis, is a decision about WEIS arbitrary?**

Answer: Utilities have studied market participation for years – WAPA does not believe further studies would be beneficial.

**19) Is WAPA's Desert Southwest region (DSW) studying EIM?**

Answer: Yes, DSW will study SPP WEIS vs CAISO's EIM vs the status quo. DSW and some of its neighboring utilities are not as far along in investigating markets as those in the CRSP and Rocky Mountain footprint.

**20) There is concern CAISO's EIM has not been thoroughly vetted, and WAPA should vet more options.**

Answer: We are not discounting any option at this point; we are evaluating the WEIS proposal.

**21) Are WAPA's resources attractive to markets?**

Answer: Yes, and participation could benefit WAPA's customers.

**22) Are there opportunity costs that could come from delaying a decision?**

Answer: Possibly, yes, and it could result in timing problems as SPP anticipates WEIS would share some common software tools with the RC function.

**23) Has CRSP scheduled another meeting with customers to discuss WEIS? Can DSW's meeting be expanded to also cover CRSP?**

Answer: CRSP has not scheduled another meeting but will continue discussions with our customers. We will have a CRSP representative at the DSW customer meeting. However, we recognize this meeting is for DSW customers and DSW efforts.

## COMMENTS

- WAPA's customers want transparency regarding the SPP WEIS decision and the costs and benefits of WEIS.
- WAPA brought the markets situation on themselves by not focusing only on preference power.
- Certain WAPA's customers that are participating in a joint dispatch agreement do not see much benefit of WEIS.
- More consideration and study of an EIM is necessary because the referenced study of CAISO's EIM in 2013 is outdated, given the increases since then in variable resources.

