

# **Public Information Forum**

## **Proposed Formula Rates for Network Transmission and Ancillary Services**

**Rate Order No. WAPA-175**

March 30, 2016

- Background Information
- Rate Adjustment Schedule
- Rate Proposals
  - Transmission Services
  - Ancillary Services
  - Summary
- Next Steps
- Contact Information
- Questions

- Existing formula rates for Network Service applicable to the Parker-Davis Project (P-DP) and Intertie Project (Intertie) expire on September 30, 2016
- Existing formula rates for Ancillary Services applicable to the Western Area Lower Colorado (WALC) Balancing Authority (BA) expire on September 30, 2016
- DSW proposes to change some of the formula rates, make minor edits to the rate schedules and implement two new rate schedules
- Required to conduct a formal public rate adjustment process to accomplish the above and place formula rates in effect for a new 5-year period

# Rate Adjustment Schedule

August 10, 2015	Informal Meeting Held
February 3, 2016	Proposed Formula Rates announced in a <i>Federal Register</i> notice (90-day consultation and comment period begins)
March 30, 2016	Public Information Forum, 10:00 a.m. MST
March 30, 2016	Public Comment Forum, 1:00 p.m. MST
May 3, 2016	Consultation and Comment Period Ends
September 1, 2016	Provisional Formula Rates announced in a <i>Federal Register</i> notice
October 1, 2016	New Formula Rates in Effect
Fiscal Year 2017	FERC Confirms and Approves Formula Rates

# **Rate Proposals for Transmission Services**

Monthly charge is the product of the Network customer's load-ratio share (LRS) times one-twelfth of the annual transmission revenue requirement (ATRR) for the applicable transmission system.

The existing formula rate is:

$$\text{Monthly Charge} = \text{Network Customer's LRS} \times \frac{\text{ATRR}}{12}$$

No changes are being proposed to the formula rates for Network service.

# Transmission Losses

---

- Currently, losses are addressed in the individual transmission service rate schedules for each project
- In 2004, a single loss rate was developed for WALC and applied to DSW's transmission systems
- DSW proposes to consolidate the provisions for losses into a new single rate schedule for WALC
- No changes are being proposed to the existing loss percentage (3%) or application
- Establishing a WALC formula rate schedule for losses will ensure consistent treatment across projects

# Unreserved Use

---

- Currently, penalties for unreserved use are included in the transmission service rate schedules for each project
- The calculation of penalties and the language describing the penalties varies with each rate schedule
- DSW proposes to unify the penalty provisions and consolidate them into a single rate schedule for WALC
- This will ensure consistency across projects and with Western's OATT



# Unreserved Use

---

- The proposed charge for unreserved use is two times the maximum allowable rate for the service at issue, assessed as follows:
  - Penalty for a single hour is based on the daily short-term rate
  - Penalty for more than one instance for any given duration (e.g., daily) increases to the next longest duration (e.g., weekly)
- Also required to pay for all Ancillary Services provided by WALC and associated with unreserved use

# **Rate Proposals for Ancillary Services**

# Scheduling, System Control & Dispatch

---

The existing formula rate for this service is:

$$\text{Charge per Schedule} = \frac{\text{Annual Revenue Requirement for Service}}{\text{Number of Schedules per Year}}$$

- 1) The numerator includes the costs of transmission scheduling personnel, facilities, equipment, software, and other related costs involved in providing the service
- 2) The denominator will continue to be the yearly total of daily tags which result in a schedule

No changes are being proposed to the formula rates for this service.

# Reactive Supply & Voltage Control

---

The existing formula rate for this service is:

$$\text{VAR Support Rate} = \frac{\text{Annual Revenue Requirement for Service}}{\text{Load inside WALC requiring VAR Support}}$$

- 1) The numerator consists of the annual revenue requirement for generation multiplied by the percentage of resource capacity used for providing the service
- 2) The denominator is a measure of the loads in WALC that require this service

No changes are being proposed to the formula rates for this service.

# Regulation & Frequency Response

---

The existing formula rate for this service is:

$$\text{Regulation Rate} = \frac{\text{Annual Revenue Requirement for Service}}{\text{Load inside WALC requiring Regulation} + \text{Installed Nameplate Capacity of Intermittent Resources serving Load inside WALC}}$$

- 1) The annual revenue requirement will continue to include costs associated with plant-in-service, operation and maintenance, purchases of regulation products, purchases of power to support WALC's ability to regulate, etc.
- 2) No changes are being proposed to the numerator of the formula rate

# Regulation & Frequency Response

---

- Under the existing formula rate, the cost of regulation is shared by all customers taking the service
- Variable energy resources (VER) such as solar or wind generation could result in a significant increase in regulation needs and costs for WALC
- To mitigate this risk, DSW is proposing to modify the denominator of the formula rate by applying “variable capacity multipliers” to the installed capacity of VER
- Operations developed a Regulation Analysis tool and has determined that VER is not currently impacting WALC’s regulation needs

# Regulation & Frequency Response

---

- Although VER has not yet impacted WALC, including the multipliers will greatly benefit existing customers should VER join the BA
- This proposed change will allow the formula rate to more accurately recover potential future costs based on cost causation principles
- DSW proposes to leave the multipliers at one until VER begins to adversely impact WALC's need for regulation
- As such, the proposed formula rate for this service is the following:

# Regulation & Frequency Response

---

$$\text{Regulation Rate} = \frac{\text{Annual Revenue Requirement for Service}}{\text{Load inside WALC requiring Regulation} + \text{(Installed Nameplate Capacity of Solar Generators serving Load inside WALC} \times \text{Solar Capacity Multiplier)} + \text{(Installed Nameplate Capacity of Wind Generators serving Load inside WALC} \times \text{Wind Capacity Multiplier)}}$$

- 1) The proposed change will result in the denominator increasing because additional units of capacity will be included which will cause the overall rate to be lower
- 2) The lower rate will be charged to each unit of capacity, thereby lowering the costs incurred by the load and assigning more of the costs to those customers predominately contributing to the need.



The existing formula rate for this service has different bandwidth and penalty structures for on-peak and off-peak hours.

For on-peak hours, the deviation bands and settlements are the following:

- 1) Hourly deviations less than or equal to  $\pm 1.5\%$  of metered load or 4 MW (whichever is greater); settlement is 100% (no penalty)
- 2) Hourly deviations between  $\pm 1.5\%$  and  $\pm 7.5\%$  of metered load or 4 to 10 MW (whichever is greater); settlement is 90% for over-deliveries and 110% for under-deliveries (10% penalty)
- 3) Hourly deviations greater than  $\pm 7.5\%$  of metered load or 10 MW (whichever is greater); settlement is 75% for over-deliveries and 125% for under-deliveries (25% penalty)

For off-peak hours, the deviation bands and settlements are the following:

- 1) Hourly deviations less than or equal to 7.5% of metered load or 2 MW (whichever is greater) for over-delivery; settlement is 60% (40% penalty)
- 2) Hourly deviations of less than or equal to 3.0% of metered load or 5 MW (whichever is greater) for under-delivery; settlement is 110% (10% penalty)

DSW is proposing to change the bandwidth structure for off-peak hours to consist of three deviation bands similar to the on-peak structure.

This would coincide with FERC Order 890 guidelines with adjustments for WALC operating conditions.

The proposed deviation bands and settlements for off-peak hours are as follows:

- 1) Hourly deviations less than or equal to  $\pm 1.5\%$  of metered load or 4 MW (whichever is greater); settlement is 100% (no penalty)
- 2) Hourly deviations between  $\pm 1.5\%$  and  $\pm 7.5\%$  of metered load or 4 to 10 MW (whichever is greater); settlement is 75% for over-deliveries (25% penalty) and 110% for under-deliveries (10% penalty)
- 3) Hourly deviations greater than  $\pm 7.5\%$  of metered load or 10 MW (whichever is greater); settlement is 60% for over-deliveries (40% penalty) and 125% for under-deliveries (25% penalty)

The existing formula rate for this service is identical to Energy Imbalance, with the following exception:

Hourly deviations are determined as a percentage of metered generation rather than metered load

DSW proposes to make the same changes to the bandwidth structure for off-peak hours, as discussed for Energy Imbalance.

- Neither Spinning nor Supplemental Service are available from WALC on a long-term basis
- WALC may obtain the services on a pass-through cost basis at market price plus an administrative charge that covers the cost of procuring and supplying the service
- The existing formula rates for these services is:  
$$\text{Cost of Service} = \text{Market Price} + \text{Cost to Procure}$$
- No changes are being proposed to the formula rates for these services

# Rate Schedule Edits

---

- DSW proposes to make minor edits to language in the rate schedules
- These edits will make the rate schedules more uniform and consistent without changing the existing provisions
- Examples of minor edits:
  - Replacing “DSW” and “DSWR” with “WALC”
  - Changing “bandwidth” to “deviation bands”

- No formula rate changes
  - Network
  - Scheduling, System Control & Dispatch
  - Reactive Supply & Voltage Control
  - Operating Reserves – Spinning & Supplemental
  
- Proposed formula rate changes
  - Regulation & Frequency Response – apply variable capacity multipliers to the installed capacity of VER
  - Energy/Generator Imbalance – change bandwidth structure for off-peak hours
  
- Rate schedules
  - Transmission Losses – New
  - Unreserved Use – New
  - Minor edits

- Public Comment Forum this afternoon
- Consultation and comment period will continue until May 3, 2016
- Written comments must be submitted by the close of the comment period to be considered by Western in its decision-making process
- Decision on proposed formula rates will be announced in a *Federal Register* notice (September 2016)
- New formula rates will be effective on October 1, 2016



# Contact Information

---

Send written comments to:

Mr. Ronald E. Moulton  
Senior Vice President &  
Regional Manager  
Desert Southwest Region  
Western Area Power Administration  
P.O. Box 6457  
Phoenix, AZ 85005-6457  
[moulton@wapa.gov](mailto:moulton@wapa.gov)

Mr. Scott R. Lund  
Rates Manager  
[slund@wapa.gov](mailto:slund@wapa.gov)  
(602) 605-2442

Mr. Todd Statler  
Rates Analyst  
[statler@wapa.gov](mailto:statler@wapa.gov)  
(602) 605-2781

For current information relating to this rate adjustment process, visit our website at <https://www.wapa.gov/regions/DSW/Rates/Pages/ancillary-rates-2017.aspx>

Questions not answered during this public information forum will be answered in writing before the end of the consultation and comment period.