

Attachment 2

Central Valley Project (CVP) Hydropower Improved Operational Flexibility – Framework

Individual CVP Preference Power Customers have executed contracts with WAPA to receive benefits from the CVP hydropower function under a variety of power supply, ancillary services, power scheduling, portfolio management, and power transmission contracts. To maximize the value of their CVP preference power contracts within existing statutory, regulatory, and legal obligations in the ever-changing California energy markets, the power customers have requested that Reclamation commit to evaluating opportunities to improve the flexibility and dispatchability of the hydropower resources of the CVP.

The State mandate requiring California electric utilities to increase renewable energy production will likely result in an increase in the use of intermittent renewable energy generation sources, such as solar and wind. This mandate will mean a larger portion of CVP Preference Power customers' power resource portfolios will include intermittent renewable sources in the future. These mandates in a continually changing market have had a negative impact on the value of the CVP hydropower resource, and accordingly, generated customer interest in determining whether additional flexibility in hydropower operations of the CVP and their contracts may exist.

Increased flexibility of CVP hydropower resources to address these changing needs will help the customers meet their power resource portfolio goals and may increase the value of their hydropower resource allocation and value of CVP hydropower.

Power customers continuously evaluate the energy market conditions and energy usage to identify least-cost power resource options for serving their own customer loads. Through market and resource evaluations, CVP Preference Power Customers may be able to identify and develop alternative scheduling or operational regimes for which they would like the Bureau of Reclamation (Reclamation) and Western Area Power Administration (WAPA) to evaluate operations.

To provide a clear path for evaluating potential alternative scheduling, and operational regimes under existing regulatory and contractual structures, the power customers have developed this Framework to establish a process to request data or evaluate operating alternatives related to generation flexibility, scheduling and optimizing market value, and to propose potential alternatives for implementation by Reclamation and WAPA through their respective contracts. This document does not restrict CVP Preference Power Customers from contacting WAPA and Reclamation directly at any time to discuss any individual issues that a CVP Preference Power Customer may have.

- The Customer Coordination Committee (CCC) is a customer-staffed work group established and managed by the CVP Preference Power Customers. The CCC is the forum where customers can bring forward proposals for discussion and submission to the Federal agencies and evaluating the success of each alternative for implementation.

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- Membership in the CCC is not a requirement for individual CVP Preference Power Customers, or groups of customers, to bring forward proposals to the CCC that they would like Reclamation and WAPA to consider under their respective contracts.
- Proposals shall be presented to the CCC while appropriate subject matter experts from WAPA and Reclamation are in attendance. WAPA and Reclamation may attend CCC meetings for information only and do not vote on CCC matters.
- Since the CCC considers proposals presented by a CVP Preference Power Customers(s), before deciding whether the CCC recommends a proposal to be evaluated by Reclamation and WAPA, it should generally ensure that all proposals it recommends for evaluation are a benefit to the CVP hydropower function and a majority of the CVP preference power customers.
- If a proposal is recommended by the CCC, within 60 days, Reclamation and WAPA will evaluate whether the proposal is within each agency's existing statutory authority or contractual abilities.
- If legal authority for the proposal exists, and WAPA and Reclamation agree on its merits, WAPA and Reclamation will prepare: (1) a project timeline for evaluating the proposal, (2) metrics for evaluating the proposal, and (3) as necessary, an estimate of the costs to CVP Preference Power Customers of fully evaluating the proposal. The results of such evaluation will be provided at the next meeting of the CCC.
- The results of evaluations will be reported by the non-voting federal CCC members to the senior regional management of WAPA (i.e., Regional Manager or delegate) and Reclamation (i.e., Regional Director or delegate) and at the biannual CCC Meeting. The non-voting federal CCC members will share information on the alternatives being considered, proposals and experiments that are currently implemented, and the data behind the support of experiments that plan to be updated. Reclamation and WAPA retain the ultimate discretion over implementation of operations at federal facilities, consistent with applicable law and contracts.
- All proposals submitted for consideration to WAPA and Reclamation through the CCC shall ensure that CVP customers (water and power) benefit, and will not take away any existing flexibility, operational capacity, or benefits to other authorized purposes of the CVP. Reclamation, WAPA and Preference Power customers may revisit this Framework from time to time to evaluate its applicability and identify if changes are necessary if requested by Reclamation, WAPA or Preference Power Customers.
- This document does not provide any express or implied rights to CVP Preference Power Customers beyond those already defined by existing law or contracts.