

March 30, 2021

*Submitted via email to techforum@bpa.gov*

**RE: BPA's March 16th EIM Workshop**

Northwest Requirements Utilities (NRU) submits these comments in response to two issues discussed at the March 16th Energy Imbalance Market (EIM) workshop: (1) EIM greenhouse gas (GHG) accounting and (2) the proposed Phase V process. NRU advocates on behalf of 55 Load Following, NT customers that represent more than 27% of BPA's Tier 1 load. NRU members rely on the Bonneville Power Administration (BPA) for reliable and affordable power and transmission services.

NRU has serious concerns about BPA's consideration of EIM GHG accounting and about the significant shortening of the EIM Phase V process timeline.

**EIM Greenhouse Gas Accounting**

In the March 16th presentation, BPA staff shared analysis of the potential impact to BPA's greenhouse gas emissions should it participate in the EIM. Based on the E3 study, BPA's analysis showed that BPA might make EIM purchases of 3,000,000 MWh to 3,500,000 MWh per year, depending on whether BPA sells into California.

EIM purchases are considered "unspecified." Unspecified resources are attributed a carbon emissions rate. For example, the default emissions factor cited in BPA's presentation is 0.428 MT CO<sub>2</sub>e/MWh. As an Asset Controlling Supplier (ACS), BPA's carbon emissions are calculated every year based on its resource stack. Since all of its resources are carbon-free *except for* unspecified purchases, any EIM purchases BPA makes would increase BPA's ACS emissions rate, all else equal (although there is the potential that EIM purchases may offset bilateral market purchases made by BPA, so the net impact may be less).

Assuming 3,000,000 MWh of EIM purchases, BPA's emissions factor would more than double due only to its participation in the EIM (0.0122 to 0.0261 MT CO<sub>2</sub>e/MWh per slide 30). BPA staff analysis showed that its financial cost from the increased emissions

could be offset via revenues from the GHG bid adder. However, it is unclear how BPA's increased emissions factor might impact customers' compliance with GHG regulations.

The value of BPA's extremely low carbon power system will only increase in the years to come. Any actions taken that increase BPA's carbon emissions need to be done with extreme diligence to avoid any unintended consequences.

NRU requests that BPA include thorough consideration of EIM GHG accounting in the Phase V decision process. A topic of this magnitude deserves to have an easily referenced record of the agency's consideration of the issue and decision process. The Phase V decision letter should discuss the issues related to EIM GHG accounting, document the potential impact to BPA's ACS factor (with or without sales into California) and commit to regular check-ins with customers to (a) share how BPA's ACS factor has changed, (b) share the net financial impact to Power Services, (c) determine whether BPA should make sales into California, and (d) evaluate the potential for detrimental impacts to customers' ability to comply with their own regulations.

### **Phase V Process**

NRU is extremely concerned with the truncated process proposed for Phase V. In July 2019, NRU submitted comments in support of BPA signing the EIM Implementation Agreement. This was, in part, due to the planned five-phase decision process. In our comments, NRU stated: "NRU strongly supports Phase V which provides BPA and its customers the opportunity to consider how all rates and policy components fit together before making a final decision on whether BPA should join the EIM. NRU expresses great appreciation to BPA staff for hearing customer concerns and providing this final phase in the process."

In the September 2019 Record of Decision (ROD), Phase V was described as a "Close-Out Letter from October 2021 through December 2021."<sup>1</sup> Phase V was designed to occur after the conclusion of the rate and tariff proceedings with enough time to allow BPA and customers to evaluate all aspects of BPA's potential participation in the EIM holistically.

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<sup>1</sup> Page 29, <https://www.bpa.gov/news/pubs/RecordsofDecision/rod-20190926-Energy-Imbalance-Market-Policy.pdf>

In August 2020, BPA released its draft EIM Phase III Decision Document,<sup>2</sup> which listed four issues for policy decisions: sub-allocation of BAA RS requirements, timing of non-federal resource participation, metering requirements, and EIM losses. BPA then released its Phase III Final Decision Document<sup>3</sup> in October 2020, which provided the agency's final decisions on those four issues.

Alarming, the Phase III Final Decision Document also significantly modified the Phase V process, seemingly without public comment. Despite no mention of changing the timeline in the *draft* EIM Phase III Decision Document, the EIM Phase III Final Decision Document significantly truncated the Phase V process. Instead of lasting from October to December 2021, the EIM Phase III Final Decision Document shortened Phase V to conclude no later than September 30, 2021, despite the rate and tariff proceedings not concluding until the end of July.<sup>4</sup> Had this truncated schedule been included in the draft EIM Phase III Decision Document, NRU would have expressed strong objection as it undermines the purpose of Phase V, which is to provide BPA and customers time to thoughtfully and holistically consider all known information regarding BPA's potential participation in the EIM.

The Phase V timeline shown in the March 16th workshop materials provides no time for BPA staff to consider the outcome of the rate and tariff proceedings nor determine whether an update to the business case is warranted. The rate and tariff final RODs will be published on July 28th. Then, a mere *two* business days later, BPA will issue its draft Phase V Close-out Letter on August 2nd. This does not provide BPA staff sufficient time to holistically consider all relevant information impacting its potential participation in the EIM, such as:

- Outcomes of the rate and tariff proceedings
- Impact of last summer's events
- Proposed changes to the EIM governance structure, including the recent delay in advancing the change to joint authority
- Evaluation of other market alternatives, such as SPP's Market+
- Evaluation of whether the E3 cost/benefit analysis needs to be updated.

The five-phase decision process was carefully crafted by BPA and public power to ensure all parties had time to thoughtfully evaluate BPA's potential participation in the

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<sup>2</sup> <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/Draft%20EIM%20Phase%20III%20Decision%20Document.pdf>

<sup>3</sup>

<https://www.bpa.gov/Projects/Initiatives/EIM/Doc/EIM%20Phase%20III%20Final%20Decision%20Document.pdf>

<sup>4</sup> Phase III Final Decision Document, page 12.

EIM. Phase V was specifically structured to ensure BPA and customers had the opportunity to consider all relevant information holistically and outside the constraints of *ex parte*. For example, it would behoove the region to be able to discuss the applicability of the E3 cost/benefit analysis to various aspects of BPA's potential participation in the EIM, whether it is the business case for joining, rate case issues, expected GHG emissions, forecasted dispatch benefits, or other factors outside of *ex parte* restrictions. Instead, we are left partially discussing certain aspects in the EIM workshops and partially discussing others via written testimony in the rate case. This does not create a productive environment for BPA and customers to develop mutual understanding prior to BPA making a major business decision that will affect the region for years to come.

NRU strongly requests that BPA restore the original Phase V process to allow time for BPA and customers to holistically consider all available information after the conclusion of the rate and tariff proceedings and prior to BPA issuing its draft Phase V Close-out Letter. We have all invested years in analyzing and considering implications of BPA joining the EIM; let's make sure Phase V allows us to thoughtfully and comprehensively consider what we have learned over the years and have the time to make an informed, transparent decision.

Thank you for the opportunity to submit written comments.

Sincerely,

A handwritten signature in black ink that reads "Megan Stratman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Megan Stratman  
Rates and Policy Director