



Energizing Life in Our Communities

Submitted electronically to TechForum@bpa.gov

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Public Utility District No. 1 of Snohomish County (“Snohomish”) appreciates the opportunity to comment on Bonneville Power Administration’s (Bonneville’s) TC-22, BP-22, and EIM Phase III Customer Workshop held on November 19, 2019 (“November 19th Workshop”). The following are Snohomish’s comments, feedback and suggestions in response to the two Bonneville customer workshops held to date:

I. Workshop Process and Timeline

Overall, Snohomish is pleased with Bonneville’s continuation of its six-step process approach to discuss and vet issues. We are supportive of the proposed cadence of the workshops and appreciate the consideration of logistics for additional Bonneville or customer meetings in the event they are needed in the coming months.

Snohomish also appreciates the efforts by Bonneville staff and leadership in putting together informative workshop materials and releasing them in advance. The topics being addressed throughout these future processes are complex; the opportunity to review them prior to the workshop is important for robust discussion during the workshop. Snohomish encourages Bonneville staff to both emphasize and invest time in step 1 (overview) and step 2 (education) to help build a knowledge base and common understanding of the topic or issue. We view this as critical to fostering meaningful discussions of the potential solutions in future workshops. This is the case for Energy Imbalance Market (EIM) related issues and policy discussions: 1) many workshop participants are in the “still learning” phase regarding the various elements of this market; and 2) Bonneville’s approach to each topic can create a broad range of impacts, depending on the determination that is made. Participants need time to be able to digest and formulate thoughtful questions and responses within the workshop.

Snohomish staff found the Resource Sufficiency slides presented at the November 19th Workshop to be informative, and the diagrams and illustrations presented complex ideas well.

We believe we would derive more benefit from the workshop, particularly for steps 1 and 2, if Bonneville staff could take more time to walk through and review the diagrams and example details. Snohomish suggests Bonneville also consider including references or links to *prior* workshop materials, when applicable. This practice could be extended to including citations or references to existing CAISO Tariff and Business Practice Manuals for example.

Snohomish thanks Bonneville for providing advance notice of scheduled workshop dates. We are hopeful that by January 2020 Bonneville will have a better sense and can provide a tentative list of topics expected to be covered at future workshops. Snohomish recognizes Bonneville's need to be agile and understands the schedule may change as topics take more or less time than expected, but a full schedule will help Bonneville and customers prioritize issues and ensure the appropriate staff are in the room for the discussion.

II. Regional Planning Organization

Snohomish applauds Bonneville's active participation and engagement in the development of the NorthernGrid Regional Planning Organization, and looks forward to working with Bonneville as NorthernGrid moves forward. Snohomish does not have a strong opinion on how Bonneville reflects the NorthernGrid planning process in Attachment K, and notes other regional balancing authority areas will likely incorporate the details in their Attachment K rather than by solely referencing the NorthernGrid process. On the other hand, referencing the NorthernGrid process where applicable rather than directly incorporating details may result in a more efficient Attachment K and reduce the potential for discrepancies between Bonneville's Attachment K and the NorthernGrid planning process.

III. EIM Resource Sufficiency Tests

Snohomish thanks Bonneville for the informative discussion on the Balancing Test and Flexible Ramp Sufficiency Test (FRST) and looks forward to discussion on the other two resource sufficiency tests at future workshops. Snohomish offers the following comments with respect to the questions posed by Bonneville on Slides 85-86 of the November 19th Workshop materials:

A. What is the expectation by Bonneville or its customers about how often the Balancing Authority (BA) passes resource sufficiency?

Snohomish expects that Bonneville should generally endeavor to pass the resource sufficiency tests in order to maximize the benefits through full economic participation in the EIM, while minimizing any penalty costs associated with failing the balancing test. However, Snohomish also recognizes there are times during which the Federal Columbia River Power System (FCRPS) and other resources in Bonneville's BA may be constrained, which could preclude Bonneville from passing the tests. Without supporting data or analysis, Snohomish has no basis or knowledge of: 1) how frequently Bonneville should or should not pass the tests so it can participate in the EIM and avoid penalties; and 2) the lengths to which the Bonneville BA should go to pass the tests. Snohomish expects that Bonneville is obligated to first meet its various statutory and regulatory obligations, with passing the EIM's resource sufficiency tests as a secondary consideration. Additional Bonneville analysis would be helpful in answering these questions.

With respect to the Balancing Test, it would be important to understand how accurate CAISO's load forecast is expected to be relative to the Bonneville BA's load forecast. If there are hours in which Bonneville has reason to believe CAISO's load forecast is less accurate than Bonneville's, then Bonneville should consider whether there are any unintended consequences of scheduling to an inaccurate forecast (e.g. higher imbalance costs) that might outweigh the potential penalties of failing the test. At the November 19th Workshop, Bonneville staff indicated that the load forecast CAISO currently uses for the Bonneville BA is less accurate than the forecast that CAISO would use if Bonneville were to join the EIM. Snohomish encourages Bonneville to request that CAISO develop the more accurate version of the forecast as soon as is feasible so that Bonneville and stakeholders can begin to assess its accuracy and the potential implications of scheduling to that forecast. Snohomish requests Bonneville provide historical analysis of the BA's load forecast accuracy at a future workshop.

Under the Balancing Test for Scenario 5, we read the slide to mean that Bonneville has an agreement with Load Serving Entity 1 (LSE1) to increase LSE1's base schedules so the BA

can meet the Balancing Test. In considering such an arrangement, a number of questions arise about how it would work in practice:

- Could there be a similar agreement with an LSE to *reduce* its base schedule if the BA's base schedule is too high?
- How would Bonneville communicate to LSE1 that its base schedule needed to be increased or decreased?
- Would there be negative financial consequences for LSE1 of having an imbalanced schedule entering the hour?
- Could other entities besides an LSE have a similar agreement with the Bonneville BA (e.g. Bonneville Power, independent power producers, external resources)?
- If Bonneville had such an arrangement with multiple entities how would it choose which base schedule should or would be adjusted?
- Which business line at Bonneville would be responsible for making this adjustment?
- How might entities with this arrangement be compensated?
- How or would e-Tags be used, or needed, to reflect a change to the base schedule?

Lastly, Snohomish would also like to better understand how the voluntary nature of the BA's participation in the market impacts the Balancing Test and associated penalties. For example, if there are periods when the FCRPS is operationally constrained, would it be possible to temporarily avoid being subject to the Balancing Test by Bonneville opting not to bid any participating resources or otherwise suspend EIM participation for the specific period?

B. What is the expectation by BPA or its customers about if or how costs/penalties associated with not passing resource sufficiency be sub-allocated?

Sub-allocation of costs/penalties based on cost causation, if done accurately, may incentivize more accurate forecasting and resource scheduling. However, this may not prove feasible for Bonneville, even if it had perfect after-the-fact information, since the Balancing Test is comprised of two different checks. Bonneville would also need to determine how to allocate penalty costs among both the set of entities that contributed to the BA's base schedule being outside of +/- 1% of the CAISO load forecast and the set of entities that contributed to the BA's base schedule being outside of +/- 5% of actual load. It may be a reasonable approach initially to

trade the benefits of cost causation for simplicity in how Balancing Test costs and penalties are allocated during the first rate period, should Bonneville proceed to join the EIM. This would allow both Bonneville and its customers the opportunity to understand the full impacts of the test in practice and collect additional information to develop a fair and accurate allocation methodology.

With respect to the FRST, it appears there is no explicit or direct cost to the EIM entity for failing this test. While failure can result in a lost opportunity to fully participate in the market, quantifying such an impact could prove difficult. Further, many LSEs either do not own resources, or own resources with limited flexibility, and could therefore not be reasonably expected to help the BA pass the FRST.

C. What options are available to the BA in order to demonstrate resource sufficiency?

Bonneville should consider all reasonable approaches to demonstrating resource sufficiency. This could include arrangements with other entities to adjust their base schedules to help pass the Balancing Test, assuming the questions listed above can be addressed. Similarly, Bonneville could also consider incentivizing entities with flexible resources to become Participating Resource Scheduling Coordinators and bid into the market to help Bonneville BA pass the FRST.

D. Will the BA assign obligations tied to resource sufficiency to entities within the BA?

Snohomish does not yet have a position on whether the Bonneville BA should assign resource sufficiency obligations at the sub-BA level. Consideration of such obligations is related to consideration of cost allocation methods – that is, any sub-allocation based on cost causation would presumably be tied to an obligation. With respect to the Balancing Test, it may be reasonable to expect an LSE to enter the hour with a base schedule balanced against its own load forecast, but the relationship between the individual LSE's own load forecast and the CAISO load forecast remains unclear. The difference between existing scheduling timelines and CAISO deadlines for base schedule submittals must also be considered in determining how and whether obligations related to the balancing test can be assigned at the sub-BA level.

It seems less reasonable to assign obligations associated with Bonneville passing the FRST when many LSEs only have resources with limited bid range, or in some instances no resources to bid at all. It may be more appropriate for Bonneville to incentivize entities with flexible resources to participate and bid into the market to help the BA pass the FRST.

IV. Items proposed for TC-22 and Future Proceedings

Snohomish appreciates the inclusion of Bonneville's cross walk between TC-20 and TC-22 and its initial thoughts on several issues proposed for future proceedings (Slide 94 in the November 19th Workshop materials). Several of the proposed issues – Hourly Firm, Seller's Choice, and Attachment C (ATC Methodology) – have significant implications for Bonneville customers' ability to meet their load obligations with firm transmission. Snohomish encourages Bonneville to hold a workshop discussing the prioritization of work during the TC-22 process and to solicit customer feedback on the proposed schedule. As part of that workshop, Snohomish would encourage Bonneville to provide a work plan or roadmap for each of the issues proposed to be deferred to a future rate period. We also request additional information on whether Bonneville expects it will continue to work on these issues during TC-22 and finalize in a future rate period, or if all the work effort is expected to also be deferred, and if so, until when. A customer workshop addressing these issues would be helpful for customers to understand Bonneville's work plan and provide prioritization feedback.

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We look forward to collaborating with Bonneville and the region in the coming weeks and months throughout this process.

Sincerely,



Anna J. Berg

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