

October 13, 2020

Via email:

techforum@bpa.gov

U.S. Department of Energy
Bonneville Power Administration
Transmission Services

Re: Comments of Avangrid Renewables, LLC, Idaho Power Company, PacifiCorp, Portland General Electric Company, Puget Sound Energy, Inc. Regarding TC-22, BP-22 and EIM Phase III September 29 Workshop on Transmission Losses

Avangrid Renewables, LLC, Idaho Power Company, PacifiCorp, Portland General Electric Company, Puget Sound Energy, Inc. (hereinafter “Commenting Parties”) submit the following comments on the BPA TC-22, BP-22 and EIM Phase III September 29 workshop and BPA presentation at that workshop regarding transmission losses.¹

1. BPA Should Not Adopt a Generation Capacity Charge for Loss Returns

In the September 29 workshop, BPA again reiterated its argument that the Agency should impose a novel generation capacity charge on transmission customers for real power loss services.² Commenting Parties strongly urge against this course of action. Commenting Parties would like to reiterate that they are unaware of any other regional transmission provider that imposes such an explicit capacity charge on its transmission customers.

Commenting Parties are fully supportive of BPA using Load Aggregation Point (“LAP”)-based pricing for energy cost recovery associated with supplying losses, as it moves closer to joining the EIM. Indeed, as several parties have reasoned,³ LAP-based pricing is widely used among other EIM Entities,⁴ has been accepted as just and reasonable by FERC, and in fact, was mandated as a replacement for a regional index price by FERC in PacifiCorp’s EIM Order.⁵ As

¹ Bonneville Power Admin., TC-22, BP-22 and EIM Phase III Customer Workshop (Sep. 29, 2020), available at <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/29Sep20%20-%20Main%20Tarrif-Rates-EIM%20Workshop.pdf> (“September 29 Presentation”).

² *Id.* at 29.

³ Comments of Avangrid Renewables, LLC, et al., Regarding TC-22, BP-22 and EIM Phase III August 25 Workshop on Transmission Losses (Sep. 14, 2020), available at <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/Comments/Aug%2025%20Workshop/Avangrid-Avista-Idaho-PGE-Puget%20Comments-on-Aug-25-TC-BP-EIM-workshop.pdf>; Comments of PacifiCorp Regarding TC-22, BP-22 and EIM Phase III August 25 Workshop on Transmission Losses (Sep. 16, 2020), available at <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/Comments/Aug%2025%20Workshop/Tx-Losses-PacifiCorp-Comments-9162020.pdf> (hereinafter “PacifiCorp Sep. 16, 2020 Comments”).

⁴ *See, e.g.* PacifiCorp Sep. 16, 2020 Comments at 1, n. 5 (citing tariff provisions of other EIM Entities).

⁵ *PacifiCorp*, 147 FERC ¶ 61,227, P 162 (2014) (“we direct PacifiCorp to revise its Schedule 10 to financially settle losses using the full LMP in place of the Hourly Pricing Proxy”); *Ariz. Pub. Serv. Co.*, 143 FERC ¶ 61,280 at P 28 (2013) (“We find that Order Nos. 888 and 890 do not preclude the use of a financial settlement mechanism to the exclusion of in-kind replacement.”), *order on reh’g*, 148 FERC ¶ 61,125 (2014).

BPA moves closer toward EIM implementation, Commenting Parties strongly support and encourage similar adoption of LAP-based pricing, to ensure regional consistency and protect against excessive rates that are inconsistent with sound business principles.⁶

However, Commenting Parties fundamentally disagree with BPA's proposal to assess a generation capacity charge for supplying losses. This proposed new capacity charge is inherently at odds with the non-tradable, energy-only, nature of real power losses and other ancillary services, which are designed to support second-to-second power system operations. Such capacity that provides ancillary services such as real power losses is not intended to be traded as a capacity product; and it is inappropriate to assert that to be the case, as BPA has been done.⁷ BPA's proposal is completely inconsistent with industry practice, and other regional transmission providers do not deem the capacity utilized for providing such ancillary services to be an otherwise tradeable product in the bi-lateral capacity market. Such a generation capacity charge that BPA is proposing is therefore not justified and represents a significant departure from existing industry practice.

BPA has argued that the embedded costs of its generation capacity (totaling approximately \$1.005 billion⁸) are used to derive the final embedded cost of \$5.82/kW/month.⁹ But this is where BPA's analysis ends. BPA's presented analysis amounts to a bald statement that providing losses incurs a unique and otherwise unaccounted for generation capacity cost. To date, BPA has provided little information about the justifications for its proposal. Notably, BPA has not explained:

- How BPA recoups these costs today?
- Which groups of customers currently pay for these embedded costs?
- How these costs are currently allocated between the different customer groups?
- Why BPA's proposal would not amount to double recovery?

Even if BPA is able to provide answers to these questions, it remains a fact that this proposal is both out of step with industry standards and unjustified from a cost causation and recovery perspective. In particular, Commenting Parties are extremely concerned that BPA's proposal to assess a generation capacity charge will result in BPA double collecting dollars for the same costs and unjustifiably shifting those costs to transmission customers. Commenting Parties question whether BPA intends to continue collecting these costs via existing rate schedules (which has not been explained or addressed), while also collecting those same costs through a new revenue stream imposed exclusively on transmission customers.

⁶ 16 U.S.C. § 838g (2018).

⁷ Bonneville Power Admin., TC-22, BP-22 and EIM Phase III Customer Workshop, 42 (June 24, 2020), available at <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/24June20%20-%20Main%20Tarrif-Rates-EIM%20Workshop.pdf> (hereinafter, "June 24 Presentation").

⁸ Bonneville Power Admin., TC-22, BP-22 and EIM Phase III Customer Workshop, 130 (June 23, 2020), available at <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/23June20%20-%20Main%20Tarrif-Rates-EIM%20Workshop.pdf>.

⁹ *Id.*

In addition to leaving key cost-causation questions unanswered, other aspects of BPA's justification are just wrong. For example, BPA has mistakenly argued that if "BPA provides transmission losses, utilities' IRPs will reflect the reduced load obligation and cause those utilities to acquire less capacity."¹⁰ PacifiCorp and Portland General Electric can confirm that their integrated resource planning groups include losses on BPA's transmission system in its load forecasts, so BPA's proposal is not necessary from a regional perspective.

2. BPA Should Defer Any Decision on a Generation Capacity Charge until the BP-24 Rate Case, and Commit to Holding Customer Workshops to Address Data and Cost-Related Questions

BPA's consideration of this drastic and arbitrary cost-shifting decision should be deferred to a future rate case to ensure sufficient time to address data and cost-related questions. First, Commenting Parties observe that BPA has not sponsored any studies that would better demonstrate a purported need to hold-out additional capacity for loss services, and whether such capacity is not already accounted for in BPA's rate schedules. Second, Customers were only provided the proposed capacity costs in the August workshop, which left only a few weeks, and one formal workshop, remaining to delve into these details and BPA's cost justifications before the Initial Proposal.¹¹ Even at the September workshop (the last formal workshop), BPA provided additional new information on INC and DEC costs as well as noted that even more data would be provided to customers later on.¹² BPA and customers are quickly approaching the Initial Proposal, and Commenting Parties are increasingly concerned that, even if it were appropriate to impose such an additional capacity cost, there has been inadequate development of such a proposal until this point.

As noted above, imposing a novel capacity charge on transmission losses would put BPA outside of industry and regional best practices and foist unnecessary additional costs onto transmission customers. All of this is proposed on a very tight time-frame and without sufficient data. Commenting Parties urge BPA to defer this discussion until at least the next rate period to allow all parties to participate in workshops and delve into additional details and information. Until such workshops have concluded, BPA should maintain the status quo of allowing in-kind loss returns on a 168 hour delay, without a capacity charge.

3. BPA Should Only Implement the Capacity Charge if it Allows for a Concurrent Return Option that Avoids the Charge

If, contrary to the requests of Commenting Parties, BPA chooses to move forward with a capacity charge on loss returns, BPA should align this novel policy with the implementation of concurrent loss returns and shaped loss factors. This approach would allow customers to avoid paying the capacity charge without any detriment to BPA. To accomplish this end, BPA could either (1) implement concurrent loss returns in the BP-22 rate period, or (2) delay

¹⁰ June 24 presentation at 42.

¹¹ September 29 Presentation at 26 (noting that the costs were presented in the August workshop).

¹² *Id.* at 26-28. Data and presentation materials are apparently still in-flux well after the fact, as BPA announced via an October 8, 2020 Tech Forum notice that the Agency was updating key loss factor shaping information in the September 29 Presentation.

implementation of the proposed capacity charge until such time that BPA is able to allow for concurrent returns.

Although Commenting Parties disagree with BPA's argument that by providing energy for losses, it loses the capacity value of the resource that supplies that energy, establishing a workable concurrent loss return regime could avoid this impasse altogether. As Commenting Parties understand BPA's position, in this scenario, if customers were able to make concurrent loss returns based on a monthly shaped loss rate, no capacity charge would be necessary.¹³ Concurrent returns provide energy at the exact moment necessary to supply losses, so BPA would face no "capacity costs" in that case. Concurrent returns would also avoid the alleged financial downside to BPA in holding out unique generation capacity for such loss service.

Commenting Parties recognize that BPA faces "implementation challenges... centered on software/process changes in both the Transmission and Power business lines" to allowing concurrent loss returns.¹⁴ However, these operational difficulties are outweighed by the considerable financial impacts that BPA's transmission customers would face if BPA implemented its capacity charge proposal as stated. BPA stated that the annual cost of providing capacity for loss returns is roughly \$28 million dollars,¹⁵ all of which would be collected, for the first time ever, from transmission customers. It is not uncommon for transmission providers to allow concurrent in-kind loss returns,¹⁶ and BPA should make best efforts to resolve its software and process difficulties to avoid this financial impact on customers. BPA and Customers should continue to engage on any remaining operational and technical details.

If implemented fairly and properly, concurrent loss return functionality with shaped loss factors could be a win-win solution for BPA and all of its customers. On the one hand, if BPA overcame its implementation challenges to enable concurrent loss returns, the FCRPS will clearly not need to hold generation capacity for supplying losses, and customers would avoid this new \$28 million dollar charge. On the other hand, if BPA were unable to facilitate concurrent returns, BPA's financial situation would remain unchanged (because, taking BPA at its word, the cost of the "capacity" provided by the FCRPS in this case is \$28 million), but customers would be on the hook for this new, novel charge. In that scenario, BPA would still allegedly incur a cost of "capacity", while transmission customers would face an untenable choice: an excessive financial surcharge without any ability to mitigate.

* * *

Nothing contained in these comments constitutes a waiver or relinquishment of any rights or remedies provided by applicable law or provided under BPA's Tariff or otherwise under contract. Commenting Parties appreciate BPA's review of these comments and consideration of the recommendations contained herein. By return e-mail, please confirm BPA's receipt of these comments.

¹³ August 25 Presentation at 77 and 81.

¹⁴ *Id.* at 91.

¹⁵ *Id.* at 79 and 84.

¹⁶ *See, e.g.*, PacifiCorp Schedule 10.