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Submitted via email: post2028@bpa.gov

Comments on April 20, 2023 Provider of Choice Workshop

Thank you for the opportunity to comment on BPA's Provider of Choice (POC) Workshop held April 20th. We appreciate that BPA's workshops offer a platform for parties to voice their positions. Below, City Light provides our response to select topics discussed by BPA and other parties during the workshop.

POC Process

During the workshop, BPA proposed a timeline that is largely unchanged from last year,¹ despite continued lack of clarity and completeness of policy details. BPA also rejected calls to develop a separate peak net requirements (PNR) process.² Many issues related to PNR and cost allocation of BPA's proposed policy changes—including but not limited to cost allocation for BPA's new resource policies—remain unresolved. City Light finds BPA's rejection of additional processes to resolve the issues unproductive and urges BPA to create opportunities for stakeholders to collaborate with BPA to develop a more comprehensive policy package prior to publishing the Draft Policy. Leaving important ramifications of BPA's proposed policy unresolved could create more work down the line if the current policy leads to unintended consequences.

City Light agrees with its peers that the future is uncertain and that we must ensure that we maintain flexibility for changes. City Light also would like to maintain flexibility on certain PNR issues described below but believes that fleshing out POC policy details would not preclude BPA from maintaining flexibility. Rather, working out the policy details now can provide the framework for how we can and should be flexible in the future.

Peak Net Requirements

City Light continues to support the position that any PNR methodology must meet BPA's four net requirements methodology goals, which are (1) to be sustainable and durable, (2) address the

¹ Provider of Choice: Path to Draft Policy, pp. 6-7. <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/2023-Workshops/2023-04-Provider-of-Choice-April-Roadshow-Final.pdf>.

² Provider of Choice Workshop: Peak Net Requirements and April Regional Meetings (hereafter "PNR Slides"), p. 12. <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/2023-Workshops/2023420-provider-of-choice-workshop-pnr.pdf>.

diverse types of non-federal resources used by customers, (3) use standard planning considerations and definitions, and (4) be agnostic to BPA product.³ **City Light is also pleased that BPA** has listened to City Light's March 3rd comments and **is now willing to explore developing a planning reserve margin (PRM) product**. City Light believes this prospective product can take advantage of new transactional instruments available as a result of the presence of a new, regional resource adequacy program and would demonstrate BPA's commitment to being public power customers' "provider of choice".

Additionally, **City Light seeks clarity on the interaction of BPA's PNR methodology with BPA products**. Specifically, BPA should:

- Clarify that PNR will be applied consistently across all product types. This includes consistent cost allocation methodologies for load following and planned product customers, and clarification that PNR would not adversely affect planned product customers' ability to access Tier 1 products and rates compared to load following customers.
- Affirm or clarify what was stated in the workshop on accreditation of federal resources for purposes of determining how much load a customer can be served at a Tier 1 rate⁴. As a reminder, staff stated that BPA will accredit federal resources in a manner consistent with its accreditation of customer dedicated resources.
- Clarify how BPA will allocate firm surplus power between BPA's proposed PRM product and BPA's proposal to also allocate firm surplus power to Tier 2 rates, if at all.
- Affirm or clarify prior statements made to City Light staff that the Block, Block with Shaping, and Diurnal Block products would not be impacted by PNR.

City Light remains opposed to BPA's proposed PNR methodology.⁵ BPA's proposed PNR methodology violates BPA's own stated methodology goals by not being durable, by misusing standard planning definitions, and by not being product agnostic.⁶ As addressed by City Light staff during the workshop, the Peak Net Requirement methodology proposed by BPA is very different from the Energy Net Requirement method being utilized in the Regional Dialogue contract⁷. The Energy Net Requirement is an **annual** calculation that nets **firm energy output** from dedicated resources against 1-in-2 forecasted energy load. Whereas BPA proposes defining the Peak Net Requirement as a **monthly** calculation that nets an **adjusted WRAP Qualified Carrying Capacity** of dedicated resources against 1-in-2 forecasted peak hour load. To clearly contrast the metrics for hydro resources it should be noted that **firm energy output** is the level of **reliable output** in poor hydro years, whereas the **qualified carrying capacity** is the **fully flexed output** at whatever hydro conditions *happened-to-have-occurred* over the study period during hours of regional system peak load.

³ PNR Slides, p. 17.

⁴ PNR Slides, p. 10.

⁵ PNR Slides, pp. 20-21.

⁶ See City Light's March 3, 2023 comments, pp. 1-2. <https://www.bpa.gov/-/media/Aep/power/provider-of-choice/2023-Comments/20230303-scl.pdf>.

⁷ PNR Slides, pp. 20-21.

The technique the Western Resource Adequacy Program uses to determine a resource's Qualified Carrying Capacity is part of a wholistic methodology resolved toward participants achieving a 1-in-10 Loss of Load Expectation as a pool. By fractionalizing the WRAP Planning Reserve Margin to adjust Qualified Carrying Capacity, BPA is (1) misusing the program, (2) failing in its goal to use standard planning definitions, and (3) defining Peak Net Requirement at a threshold less than that necessary to meet standard planning metrics, specifically, a 1 in 10 Loss of Load Expectation.

Throughout the process City Light has identified areas where the proposed definition will unnecessarily complicate product design, the implementation of the Tiered Rate Methodology in the Provider of Choice contracts, and market compatibility. The predictable complications raised by City Light and other participants in the Peak Net Requirement workshops have not been addressed through this stakeholder process. **Therefore, City Light recommends that BPA postpone including a PNR methodology definition in the Draft Policy until there is a process to discuss the PNR methodology in more detail and develop a methodology that meets its stated goals.** Instead, in the Draft Policy BPA should express intent to define PNR in a way that reflects a customer's load service net requirement.

Thank you for the opportunity to comment. We look forward to continuing the discussion on PNR and other important topics as BPA continues its POC process.

cc:

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