

May 5, 2023

Kim Thompson, VP of Northwest Requirements Marketing  
Bonneville Power Administration

**RE: PPC Comments on Provider of Choice Process**

*Introduction*

The Public Power Council (PPC) appreciates this opportunity to provide comments regarding the development of post-2028 contract and product options (i.e., BPA’s “Provider of Choice” process). PPC is the broadest trade association of Northwest public power, representing the full diversity of utilities with preference rights to purchase wholesale power and transmission services from BPA.

PPC members rely on these services to provide reliable, economic, and environmentally responsible power supply to the communities and businesses they serve at cost. PPC members provide the majority of the funding that supports BPA’s operations and obligations to repay the federal and private investments in the federal system. This includes final “take or pay” responsibility for costs of the power system under long-term contracts.

PPC appreciates the process to date, including the recent regional workshops culminating with the April 20 meeting in Portland. These discussions have further highlighted the complexity of the policy issues with which customers and BPA are grappling.

In trying to bridge the remaining policy gaps among diverse customer interests, the PPC Executive Committee has recently focused in on several key principles:

- Attempt to achieve outcomes where possible that leave customers at least “no worse off” than the Regional Dialogue contract and generally minimize harm.
- Adopt equitable policies to incentivize and facilitate the development of non-federal resources.

There is a balance to strike in the policy phase between providing adequate information to allow for planning and allowing for detailed design and implementation to be

addressed holistically in the next phase. We do note, however, that customers must and indeed are making initial financial commitments for resource development. The draft policy decision must contain enough information to support these decisions.

The following sections provide additional detail in various issue areas. Finally, in addition to these comments, we call attention to the submissions by PPC in February and March of this year.

### *System Size and Allocation*

Based on the best information available at this time, PPC supports a fixed system size of 7,250 aMW for the Provider of Choice Contracts. Augmentation over the “base” CHWMs established based on FY 2023 results would be shared on a proportional basis among customers, which allows sharing of costs, risks, and benefits. This approach maximizes access to Tier 1 power without adversely affecting rate levels, and as a result balances the interests of differently situated public power utilities. PPC recognizes that a diversity of views still exist among public power on allocation. The agency’s positions on allocation in the draft policy decision may affect the system size ultimately supported by different public power entities.

In general, PPC also supports significant increases in the net output of existing FCRPS resources being marketed through Tier 1. For example, new information on significant changes in the Canadian Entitlement return could necessitate revisiting the base system size.

Also, in the spirit of the principles described above, PPC supports exploring options to ensure that customers are no worse off in their Tier 1 allocation as a result of investing in new specified resources under the current contract.

PPC also strongly reaffirms support for a tribal utility set aside of Tier 1 access without sunset in next contract.

### *Risk Mitigation*

While PPC supports a fixed system size, consideration must be given to circumstances in which the output or obligations of the system change substantially. For modest variations, PPC supports BPA’s approach of having “deadbands” for normal variations in which BPA will execute management actions. PPC is not prepared to comment on the numerical thresholds of those deadbands at this time. PPC believes this is an area that could benefit from more quantitative analysis in the implementation phase.

There may also be instances during the contract where changes to system output could pass a point where the underlying assumptions of the contract structure no longer make

sense. In particular, it is untenable for customers to have a take-or-pay obligation for unlimited system augmentation in the face of major resource loss or output changes.

PPC looks forward to working with BPA during the implementation phase to explore contractual and process options to address extreme changes in resource output during the course of the contract.

### *Products*

PPC strongly supports an array of load following and planned products to meet diverse customer needs. A load following product is essential to meet customer net requirements on an hourly basis and provide certainty of load service. PPC further supports equitable value propositions across product types achieved through the specifics of products features and rate design. PPC also agrees with BPA that planned products should give assurance in advance of the amount and degree of flexibility of power that will be provided.

Planned products, and particularly Slice, provide significant value to BPA and customers. This includes financial certainty for BPA and maximum flexibility for integrating non-federal resources. These characteristics provide value for all customers, including load following.

In order for planned products to meet this intent and realize their value, more progress needs to be made on peak net requirements issues and potential for limitations of capacity. PPC's prior comments on these issues are still relevant, and we remain gravely concerned about the potential implications and issues related to implementation of the current draft definition for all product types.

Simply put, a planned product that does not provide reasonable advance assurance on power delivery is untenable. To the extent BPA feels it must leave the door open for capacity limitations of planned products, this must recognize the need for public process to address potential capacity shortfalls, multiple years of advance notice for customers, and the opportunity to switch products.

PPC strongly supports a slice product offering that is at least comparable to the Regional Dialogue product. PPC is also encouraged by BPA's willingness to examine a WRAP compliance product.

Regarding Tier 2 offerings, PPC reiterates support for BPA's direction on an expanded suite of offerings. It will be essential to explore options for flexibility in resource dedication, election periods, and product choices to ensure that customers have the best chances for successful non-federal resource development. At the same time, we recognize flexibility must be balanced with adequate certainty and planning horizons for BPA.

Another element that is essential for customers is an indicative analysis showing BPA's potential resource strategy for Tier 2 offerings. This includes both load growth and vintage options. An updated Resource Program analysis with a variety of scenarios of loads, resource options, and planning horizons should be a high priority for the next 6-12 months. This is also an area where early customer involvement and collaboration are likely to yield the best outcomes. Given the timing, we believe it is necessary to begin development of initial vintage Tier 2 offerings in parallel with the next phase of the Provider of Choice process.

Overall, based on BPA's recent workshop materials PPC is encouraged to see growing alignment between the agency and customers on product intent for both Tier 1 and Tier 2. We look forward to addressing product design details holistically during the next phase in the context of additional information on new markets, projected capacity needs, and pricing options.

Although outside the scope of priority firm products, PPC notes that New Large Single Load (NLSL) implementation and policies are of growing importance across public power. PPC supports work to standardize and refine BPA's NLSL policies and practices as a part of the Provider of Choice effort.

#### *Market Development Intersection*

PPC appreciates BPA's clear commitment of intent at its April 20<sup>th</sup> workshop to make products compatible with a day-ahead market. Given the uncertainty of the market rules under which customers and BPA may be participating in, PPC agrees that addressing the details of how product design is affected by potential market participation is most appropriate for the next phase of the process.

However, we do believe that significant policy work can progress on market implications during this year collaboratively with BPA and public power. This includes clear identification of issue areas to ensure product compatibility, intent for how "market exposure" is handled by product type, and how compliance with statutory obligations will be achieved.

Overall, customers need a creative, solutions-oriented approach from BPA on the intersection of power product design with future organized markets. Ultimately "compatible" is the minimum threshold, and we should seek product designs that allow customers and BPA to realize the fullest value of the federal system on behalf of public power communities in whatever future market environments develop.

#### *Non-Federal Transfer Service*

Within the spirit of the principles of "no worse off" and encouraging non-federal resource development, PPC supports comparable treatment for non-federal transfer service costs

as under the Regional Dialogue contracts. Although some sideboards are appropriate, PPC believes the “local resource” criteria in BPA’s current proposal in particular does not provide a value that exceeds the potential for unintended consequences and administrative burden. Without reasonable inclusion of non-federal transfer costs, customers will simply be incented to take federal Tier 2 service, with no economic or rate benefit to BPA or any customer group.

#### *Long-Term Cost and Asset Management*

PPC is committed to working with BPA to maximize the long-term value of the FCRPS assets. While issues of long-term cost and asset management are of paramount importance to customers and BPA, these have not been addressed thus far in the workshop process. Public power and BPA both did address these topics in concept papers during the course of last year.

Overall PPC is encouraged to see significant overlap between customer suggestions and the limitations identified by BPA in the agency’s Provider of Choice concept paper. From the customer perspective, the quality of outcomes for power cost and asset management have varied during the course of the Regional Dialogue Contract but are generally on a good course at this time.

PPC sees the greatest areas of opportunity in codifying and refining what works best in current practice for the Provider of Choice contract period. PPC encourages a commitment by BPA in the Draft Policy to work with customers in the implementation phase to find mutually agreeable solutions.

#### *Carbon*

PPC has appreciated BPA’s willingness to engage with customers on issues related to carbon compliance. Given the current uncertainty in terms of both resource technology and regulatory requirements, it is understandable that BPA cannot commit to a completely carbon free product at this time. At the same time, it is important to acknowledge that the current policy proposal lacks specifics, and more work needs to be done. Based solely on currently known policies, carbon content is a crucial factor for the majority of preference load served by BPA. This importance will likely increase through time as current regulations become more stringent and new policies at the state, local, or national level are developed. PPC strongly encourages BPA to commit in the Provider of Choice policy to collaborate with customers on options that will meet evolving needs in an equitable manner.

#### *Transmission*

Although it is outside the strict scope of power contracts, PPC continues to emphasize the need for the ability to deliver power to load. Whether through Tier 2 offerings or non-

federal resource development, our assumption is that significant levels of new, physical generation will be needed to meet public power needs during the course of the next contract period. This will be impossible without evolution of the transmission system, including improvements to the region's planning and execution of new builds while maintaining the capability of the existing grid. BPA has a huge role to play in this grid evolution and public power is seeking to be a partner. PPC members are ready to invest in the transmission system, and hope to see results, transparency, and value from that investment.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in blue ink that reads "Michael Deen". The signature is fluid and cursive, with a large, stylized initial "M" and "D".

Michael Deen

Policy Director, Public Power Council