



# Provider of Choice Workshop

October 26, 2022

**PROVIDER OF CHOICE**

**POST  
2028**





# Today's Workshop

Michelle Lichtenfels, Program Manager, Provider of Choice

# Agenda

Time Start	Time End	Topic	Presenter(s)
9 a.m.	9:05 a.m.	Intro and Expectations	Michelle Lichtenfels
9:05 a.m.	9:30 a.m.	Carbon	Alisa Kaseweter
9:30 a.m.	10 a.m.	Billing Credits Overview	Scott Wilson
<b>10:00 a.m.</b>	<b>10:15 a.m.</b>	<b>Break</b>	
10:15 a.m.	10:45 a.m.	Regional Dialogue Augmentation	Sarah Burczak
10:45 a.m.	11:45 a.m.	Contract High Water Marks	Sarah Burczak
11:45 a.m.	12:00 p.m.	Wrap up	Michelle Lichtenfels

# Format

- Presenters will take pauses for questions.
- There is scheduled Q & A time.
- If a question arises during a presentation, please:
  - Hold your question until a pause, or
  - Write your question in the Webex chat with the corresponding slide number.
-  Chat questions will be addressed in the order received.
- We will call on raised hands.  You can unmute/mute yourself. 
  - **Please state your name and organization.**

# Workshop Roles & Expectations: BPA

- Distribute workshop materials a minimum of 48 hours in advance via email and/or post on BPA website.
  - Materials will not be printed.
- Start and end workshops on time.
- Facilitate and moderate conversations with an eye on workshop objectives and scope.
- Provide open and inclusive opportunities for feedback, both within and following workshops.
- Respect others and assume good intentions.
- Bring a constructive mentality.



# Workshop Roles & Expectations: Participants



- Come prepared by reviewing materials in advance of workshops.
- Participants are empowered to represent utility or organization, as applicable.
- Share your perspective and provide feedback.
- Limit discussion to the scope of each workshop. Don't start side conversations.
- Respect others and assume good intentions.
- Bring a constructive mentality.



# Carbon

Alisa Kaseweter, Climate Change Specialist

# Carbon Focus

BPA recognizes the importance to its customers and constituents of the carbon content of the power BPA sells.

## Areas BPA is focused on:

- Continued accurate and transparent accounting of fuel mix and GHG emissions.
- Supporting customers by considering cost-effective opportunities to achieve an even cleaner federal system.
- Conveying attributes (RECs, emissions) consistent with power purchases and rate elections.



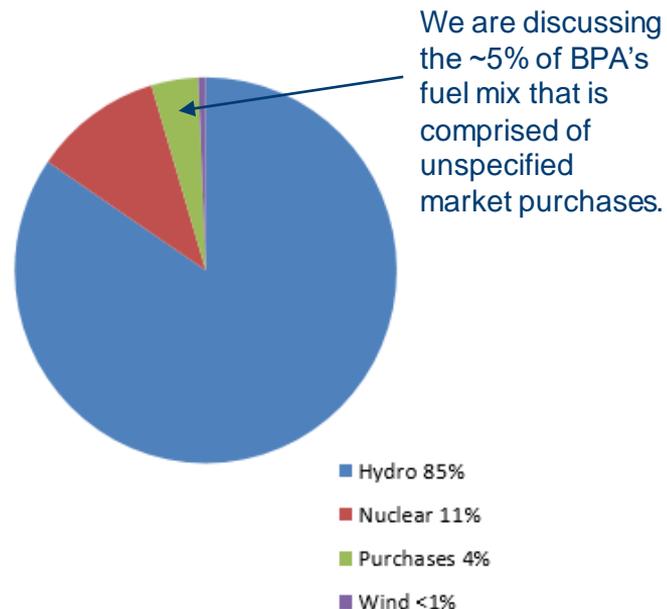
# Accurate & Transparent Accounting

- BPA has **reported its fuel mix** to states for more than 20 years. BPA intends to continue reporting information to support its customers in meeting state requirements for emissions reporting and compliance.
- BPA expects accounting for emissions and RECs to **get more complicated** in the future, particularly given the variety of and differences between state program requirements.
- **Administrative workload** for BPA in this area will increase.

# A Cleaner Federal System

- BPA will consider cost-effective carbon-free options for augmentation and long-term acquisitions when needed to meet load.
- BPA will look at ways to make cost-effective carbon-free and low carbon balancing purchases.
- We are not committing to a 100% carbon-free system at this time.
  - This is not currently feasible as markets and accounting practices do not enable this to occur efficiently and cost-effectively.

## BPA's 2021 Fuel Mix



# Conveyance of Attributes

As proposed in the Concept paper, BPA intends to:

- Convey RECs commensurate with the actual MWhs purchased from BPA. This provides a direct correlation between power purchased from BPA and RECs.
- Convey RECs and emission attributes to customers electing Tier 2 rates and the NR rate per customer election to purchase power at that rate.
  - Cost-causation. Attributes conveyed coordinate with customer resource elections regarding how the customer elects to supply additional power to meet its load growth or purchase at the NR rate.
  - Staff have discussed this with Washington Department of Commerce and indications are that it will work for CETA. Commerce explained utilities must be able to demonstrate planning to meet load with at least 80% renewables and non-emitting on an hourly basis, plus demonstrate compliance by retiring RECs.

These attributes would be accounted for separate from accounting for attributes of power sold at Tier 1 or melded rates.

# Customer Reallocation Concept

BPA understands customers are interested in a way to get to a 100% carbon-free **allocation of power** from BPA.

- This concept is premised on customers paying a premium to claim the attributes of carbon-free resources for purposes of meeting state program requirements (e.g. CETA).
- Does not infer the federal system is 100% carbon-free or that BPA is delivering carbon-free power to those customers.

**BPA has not fully explored this idea yet.**

- Washington Dept. of Commerce indicated to BPA that the concept, as currently understood, could work with CETA.
- BPA sells power produced from a system of federal and nonfederal resources. BPA's ability to support the concept hinges on whether the concept and system-based sales interact.
- BPA will further explore this idea and come back to customers in a future workshop (tentatively slated for early calendar year 2023).



# DISCUSSION



# Billing Credits Overview

Scott Wilson, Western Power Customer Services Manager

# Billing Credits Overview

- Under the Northwest Power Act of 1980, an eligible customer has **the right to request a billing credit** for conservation or resources constructed, completed or acquired by a customer or its agent.
- The credit would be based on the amount by which the conservation or generation resource actually **changes the customer's net requirement** (energy and capacity) and reduces the Administrator's obligation to serve.
- Customers **agreed during Regional Dialogue to waived their statutory right** to request billing credits for non-federal resources. Parties broadly agreed billing credits are mis-aligned with the tiered rate construct.



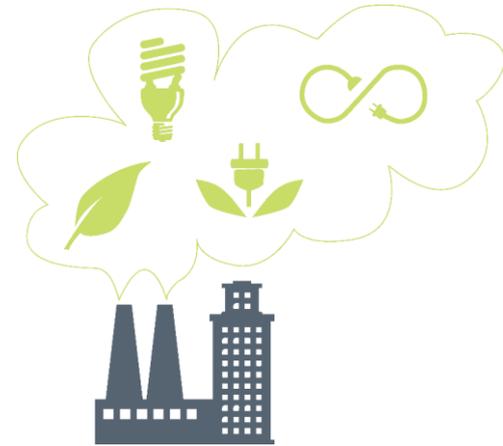
# Billing Credits – Eligible Customers

Under the Northwest Power Act eligible customers included:

- All BPA's wholesale customers who signed a firm power sales contract since the Regional Act were eligible to apply for billing credits.
- Included investor owned, public and cooperative utilities, direct service industries and Federal agencies.

# Why Offer Billing Credits?

- Congress included billing credits in the Northwest Power Act to enable BPA's customers to develop electric power resources for their own use rather than purchasing equivalent amounts of power from BPA.
- The aim of billing credits was to make **local development of new generating and non-generating resources** more feasible.
- The policy was designed to **encourage cooperation among BPA's customers, local governments, industries, and private entrepreneurs** in developing eligible resources.
- In awarding billing credit contracts, **conservation** was given priority over non-conservation resources.



# Billing Credits – Eligible Resources

## Eligible Resources:

- Eligible resources are conservation, renewable resources, multipurpose projects or other resources which are not inconsistent with the Council's Power Plan.
- Resource must have a lifetime of at least five years to qualify.
- The resource is required to be producing actual, measurable power or savings before it receives a billing credit.
- Contracts based on actual and not potential energy reduction.

# Past Program Offers

- **1984 – BPA’s Billing Credits Policy published.**
  - Established framework and structure of billing credits.
- **Policy was updated in 1993 and several policy issues were addressed.**
  - Required a commitment to replace failed or under-performing billing credits resources.
  - Only granted for existing generation which is not dedicated to meet firm load and not conservation.
  - Minimum 5 years, maximum operating life.
  - Preference for long-term agreements.
- **BPA offered a billing credits solicitation in early 1990’s.**
  - Resources tended to be long term capital intense resources.
- **Bonneville recognizes complexity of administering billing credits.**
  - Aim would be to simplify Billing Credits if they are pursued under a Provider of Choice melded rate structure.

# Billing Credits and Tiered Rates

- Fundamental to the tiered rate construct is the principle that customers:
  - Elect how to serve their own Above-RHWM load.
  - Are responsible for the associated costs.
- The basis for tiered rates is that one customer should be **insulated from another customer's resource decisions**.
- In Regional Dialogue under tiered rates, there was no basis for affording billing credits to a customer as it would create the opportunity to **meld their resource costs with Bonneville and have those costs borne by all customers in the Tier 1 rate pool**.

# Billing Credits and TRM

As outlined in the Concept Paper, Bonneville proposed to request customers to waive their right to billing credits for the next contract:

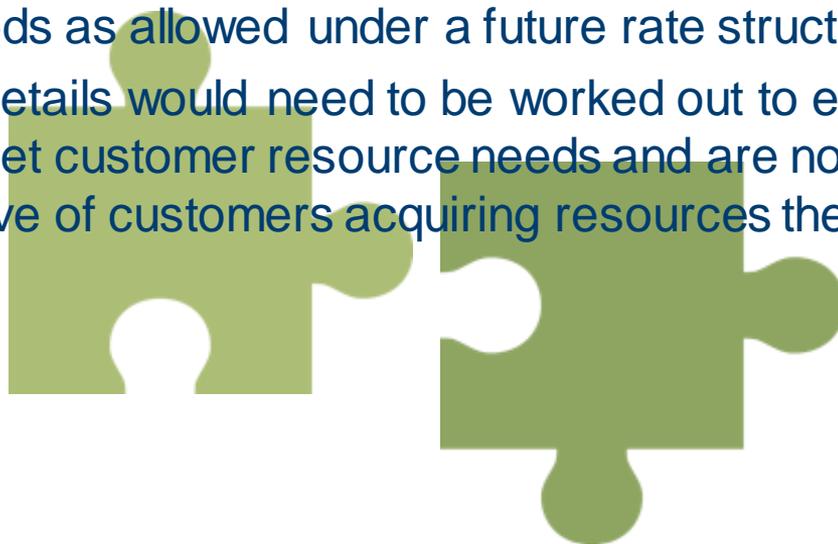
- Includes waiving rights to billing credits for generating resources and for conservation.
- This position assumes the continuation of a Tiered Rate Methodology post-2028.

Billing credits would dilute the economic value of the tiered rate construct:

- Shifts non-federal resource costs incurred by a customer to serve its above-RHWM loads to Tier 1 rates.
- Tier 1 rates not designed to include the cost of new resources.

# Billing Credits and Augmentation

- If BPA were to acquire actual resources for augmentation under Tiered rates, BPA could consider offering billing credits rather than acquiring resources.
- Under this scenario amounts would be limited to augmentation that BPA determines it needs as allowed under a future rate structure.
- Implementation details would need to be worked out to ensure that amounts are limited, to meet customer resource needs and are no more expensive than the alternative of customers acquiring resources themselves.



# Billing Credits and Augmentation

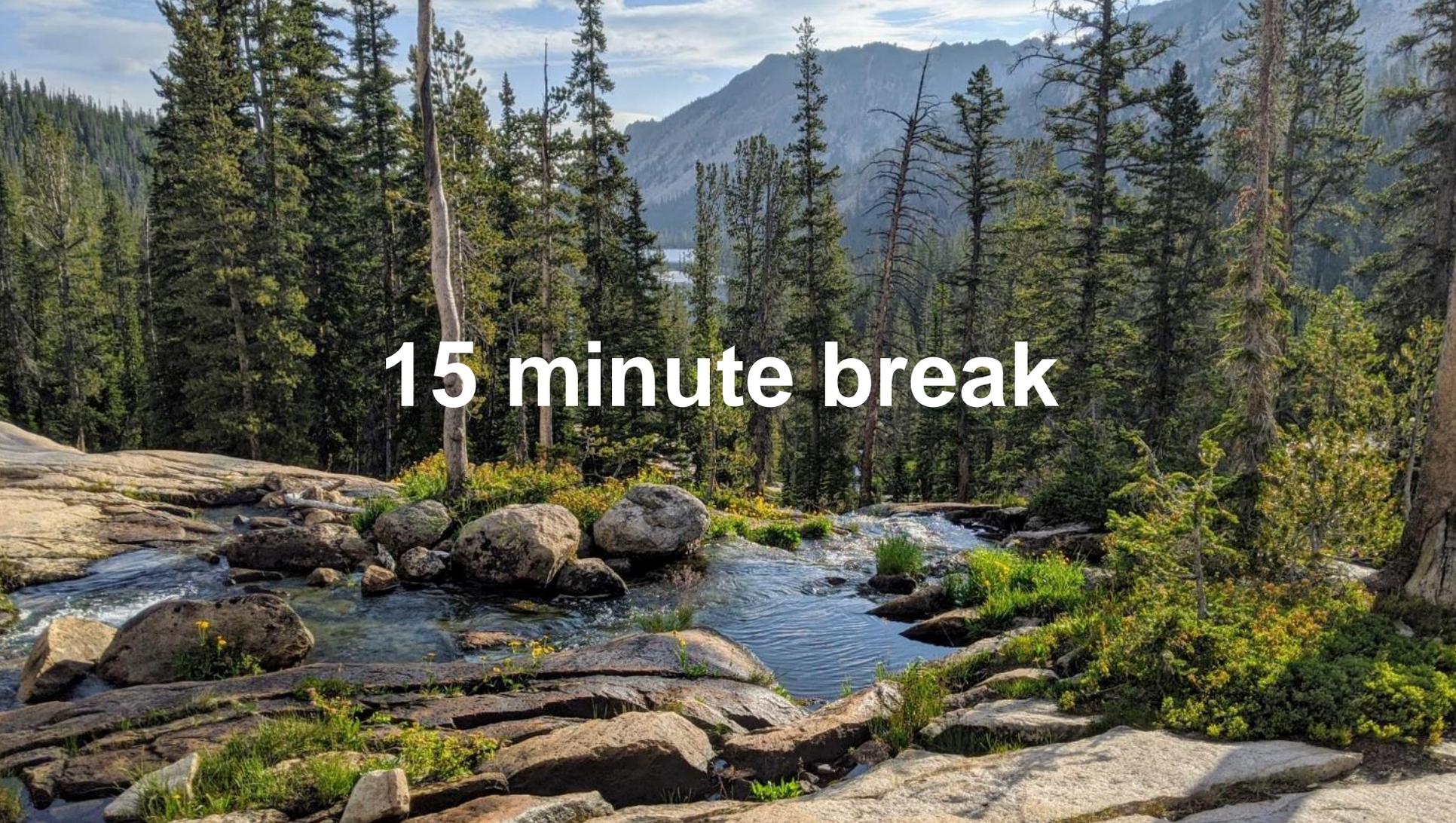
## Rates:

- Resource acquisition costs needed **to meet net requirements are “melded”** with the existing federal system costs in rates.
- The **rate impacts of billing credits** on the Administrator’s other customers are intended to be equal to the rate impact those customers would have experienced had the Administrator been obligated to acquire the resources.
- The costs to BPA of billing credits are included in BPA’s rates. In a tiered rate structure would need to establish the limit of how much this could be applied to Tier 1 rates based on augmentation decisions.

# Billing Credits and Augmentation

## Intent:

- Billing credits are designed to **credit customers up to** the cost that would have been incurred by BPA for the alternative resource.
- Customer would pay the applicable PF rate for the MWh that each resource produces for the term of the contract.
- Credit is directly provided to customer.
- Non-federal resource integration.
  - Need to determine **how and when billing credits could be applied.**

A scenic view of a rocky stream flowing through a dense forest of tall evergreen trees, with mountains in the background. The stream is surrounded by large, smooth boulders and patches of green grass and yellow wildflowers. The forest is composed of tall, thin evergreen trees, some of which are bare, suggesting a high-altitude or late autumn setting. In the distance, a range of mountains is visible under a blue sky with light clouds. The overall atmosphere is peaceful and natural.

**15 minute break**



# Regional Dialogue Augmentation

Sarah Burczak, Policy Lead for Provider of Choice

# Context

At the Aug. 31 workshop, BPA provided background on the adjustment categories defined for Regional Dialogue and its proposal to carry those forward for Provider of Choice.

Today's discussion focuses on how to handle the augmentation accrued to date for purposes of serving the Regional Dialogue adjustment categories.



# Regional Dialogue Adjustments

The three Regional Dialogue categories for adjusting the Tier 1 system size and CHWMs are:

1. Newly formed public utilities placing net requirements on BPA,
2. Load growth for existing and new tribal utilities served by BPA, and
3. To serve U.S. Department of Energy Richland's vitrification plant's planned load.

Under Regional Dialogue, this has resulted in 70.748 aMW of RHEM adjustment as of the BP-24 RHEM process.

# Impact to System Size Options

P10 Firm Monthly (Regional Dialogue methodology) based on BP-24 RHEM assumptions.

P10 Firm Energy	aMW
Total Federal System Hydro Generation	6,660
Total Designated Non-Federally Owned Resources	1,079
Total Designated BPA Contract Purchases	135
Total Designated System Obligations	<u>-881</u>
* Based on current BP24 RHEM numbers for FY24/25	6,993
Current RHEM augmentation	<u>71</u>
T1 System	7,064

# Impact to Setting CHWMs

If the region adopts a P10 methodology for Provider of Choice, the 71 aMW of augmentation would be eliminated from the Tier 1 system size. If applied to current HWMs, it would result in a pro rata scale down of everyone's HWM.

While not all impacts would be uniform, it effectively would result in a 1% reduction.

# Question for Discussion

Should BPA assume current level of augmentation is the minimum that needs to be added to any system scenario?

- **If yes:** eliminates status quo and likely points to a fixed amount system or a fixed system larger than firm.
- **If no:** keeps option to retain status quo for setting system size.





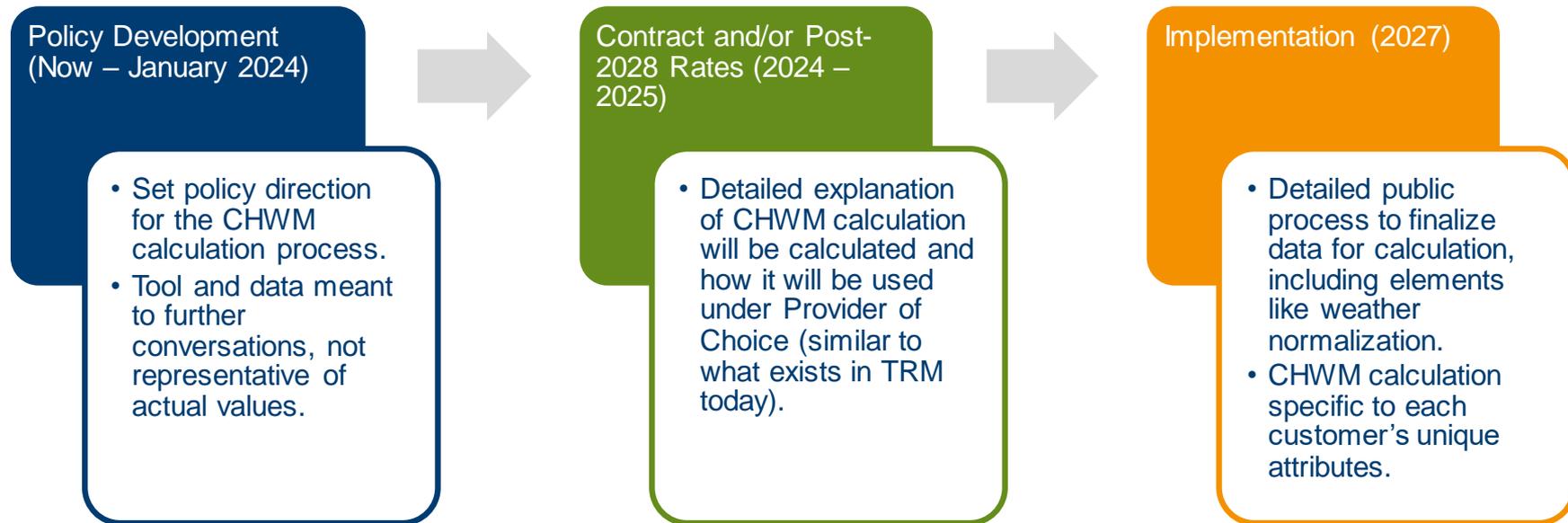
# Contract High Water Marks

Sarah Burczak, Policy Lead for Provider of Choice

# Today's Objective

- Discuss CHWM policy direction.
- August CHWM workshops kicked off topic. September and October workshops heavily focused on data, the model and scenarios.
- Goal: **realign the key questions** that are needed to tackle in the policy phase of the process
  - E.g. Should the calculation take into consideration the intent of the Regional Dialogue policy and contracts?

# Timeline



# Policy Consideration #1

- **Using FY 2026** as the year to as basis for calculations

## Timeline:

- FY 2021 – FY 2025 for weather normalization base years.
  - Heard concerns about pandemic impacts in FY 2021 numbers.
- FY 2026 as measurement year.
- FY 2027 is when CHWM calculation would occur.
- FY 2028 would be single year to prepare before power deliveries start in FY 2029.

# Policy Consideration #2

Nov. 9 workshop will focus on non-federal resources in the CHWM calculation. Considerations include:

- How new, specified resources are accounted for in the CHWM calculation
- 2026 as the resource “reset” year

*Please note this conversation is on how non-federal resources are handled in the CHWM calculation policy. BPA is not proposing any changes to how it calculates net requirements.*

# Policy Consideration #3

## Treatment of conservation in the CHWM calculation:

- Should it **incent investments** between now and the CHWM calculation?
- Should it credit customers who **invested in conservation to offset Tier 1** loads?
- Should it credit customers who **invested in conservation to offset potential load growth into Tier 2**?
- Should conservation be constrained to those achievements that have been **reported to BPA** in accordance with Energy Conservation Agreements?

# Policy Consideration #4

How should new or returning public utilities be treated for purpose of a CHWM?

- For example, if a new utility is formed and signs a contract by FY 2025, should **all CHWM-eligible load** be included? Should a **portion**?

# Policy Consideration #5

BPA has proposed a pro rata scaling if CHWMs exceed designated system size.

- Alternate approaches to consider?

# Policy Consideration #6

How should the Regional Dialogue policy influence approaches to CHWM calculation?

- Should **conservation and resource investments** through FY 2028 be considered?
- Is there value in carrying that value forward **if BPA continues to tier rates**? If the region moves to buy and meld?

# Discussion

What policy considerations may be **missing**?

Are there any CHWM policy decisions you are concerned have **unintended consequences** for other policy issues?



# Schedule & Feedback

Michelle Lichtenfels, Program Manager, Provider of Choice

# Mark Your Calendar

Date	Time	Workshop Topics
November 9, 2022	9am – 3pm; Webex	Non-federal Resources Overview; CHWMs and Resources
December 8, 2022	9am – 4pm; BPA Rates Hearing Room and Webex	Executive Overview (1 hour); Policy Discussions
December 14, 2022	9am – 3pm; Webex	Products
2023		Schedule in development

**BPA Event Calendar:** <https://www.bpa.gov/learn-and-participate/public-involvement-decisions/event-calendar>

# Feedback



## Requested due date:

- Share feedback by **November 9** to your Power AE and/or **Post2028@bpa.gov** with a copy to your Power AE.
- Please note that direct responses will not be provided.

On November 9, there is ~90 minutes available for customer presentations and proposals on CHWM. Email [post2028@bpa.gov](mailto:post2028@bpa.gov) by **Friday, October 28** to request time. Proposals should include:

- Contextual presentation materials.
- Rationale for proposal, including description of customer impacts.
- Data sources, if different than what was provided.
- Other model assumptions.

# *Thank You.*

## **Provider of Choice Lead Sponsor:**

Kim Thompson, Vice President, Northwest Requirements Marketing

## **Provider of Choice Team Leads:**

Sarah Burczak, Policy Lead

Kelly Olive, Contract Lead

Michelle Lichtenfels, Program Manager

## **Provider of Choice Website:**

<https://www.bpa.gov/energy-and-services/power/provider-of-choice>