

Bonneville Power Administration Provider of Choice Workshop: December 8, 2022

Summary of Opening Remarks by: Suzanne Cooper, Senior Vice President of Power Services Kim Thompson, Vice President of Northwest Requirements Marketing

The future will be different

- Future contracts must adapt to changes we expect to unfold over next ~20 years:
 - Load growth – electrification & energy/capacity demands
 - Industry evolution – new markets, improved coordination, standardized planning
 - Changing resource mix – capacity constraints?
- BPA's offering must evolve. Examples:
 - Align product scheduling / flexibilities with market design and timing
 - More granular net requirement checks (peak net requirement)
 - Decision cycles that support longer-lead resource strategies
- Regional Dialogue contracts were durable in the face of unexpected circumstances. Much has changed since RD concepts forged.
- Goal – design next contracts to protect value of federal assets for customers. Allow customers to rely on those assets for years.
 - Will require ability to invest in assets. Take or pay assures that and simultaneously protects customers from cost shifts that would occur absent the provision.
- Need clear policy intent for role BPA will have in the region, as embodied by the contracts.

Preference customer consideration

- Main Provider of Choice goal – fully subscribe the federal base system, carry on long-standing relationship with preference customers.
- Must weigh potential changes such as expanding the federal system. All must clearly understand requirements to serve load.
 - May need to shift acquisitions, e.g. just-in-time blocks of market purchases not going to meet BPA's operational requirements nor meet region's preferences.
- Above-RHWM load – when BPA tiered rates, region decided that existing load in FY 2010 could be served by the federal system, with load growth served by an acquisition or a customers' own resource decision.

Draft Policy

- Goal with policy workshops – collaborate on policy for future contracts.
 - Seek broad participation from customers and constituents in this process.
- Goal – contracts offered have equitable options.
- Do not have unlimited time to hold these conversations. Next summer BPA will have a draft policy.
 - Bring new ideas sooner than later - unlikely to be able to incorporate new proposals if brought close to the draft policy publication.
- Must discuss how these individual issues fit together and trade-offs needed.
 - Some options may or may not fit in the path we are moving forward.
 - Going to have to balance flexibility with an ability to meet firm load.
- Draft policy will cover many of the same issues outlined in the concept paper; provide more specificity. Will not address other post-2028 processes; these are different processes.

Direction and design intent

- In new year, first and foremost decide on a direction for the next contracts.
- Assumption and early feedback demonstrate desire to continue with tiered rates.
- But customer proposals are testing the foundations of tiered rates.
 - Interest to expand the Tier 1 system in significant ways; this would likely create need to acquire resources and buy and meld costs for that rate pool.
 - Desire to have more flexibility in how load is served; creates more uncertainty for load planning and potentially shifting costs from one customer to others; the opposite intent of tiered rates.
- BPA needs to make foundational decisions on what new contracts should achieve.
 - As a region, how to meet load obligations in the future.
 - If tiered rates serve the region well under future outcomes, e.g. shifting energy costs.
 - More issues still to discuss, e.g. non-federal resources integration.

Multi-year process to contract signatures

- Provider of Choice is multi-year process.
 - In 2024 and 2025, will translate policy to implementable contract language. Policy will not address all of the details; some of this may come from contract language.
- Other processes include:
 - Post-2028 Rates Methodology. Will kick the rates process off in 2023.
 - Post-2028 Residential Exchange Program. Currently in the first phase of workshops; reviewing options (e.g. rates versus settlement). Encourage participation.
- Goal – finalize contract templates in the summer of 2025, followed by contract offers.