RENEWABLE NORTHWEST

421 SW 6th Ave Ste 1400
Portland, OR 97204
503.223.4544
RenewableNW.org

December 21, 2022

RNW Comments to BPA on Provider of Choice

Renewable Northwest appreciates the time and effort that BPA has put into organizing workshops to discuss key concepts for the Provider of Choice ("POC") efforts to develop post-2028 contract language. As part of the process, BPA should ensure that the contracts are compatible with the rapid change we are seeing in the Pacific Northwest region. Clean energy requirements in Oregon and Washington, increasing adoption rates for electrification, and federal incentives for renewable and energy storage resources and manufacturing will change generation portfolios and load requirements during the period of the POC contracts. In addition, extended-day ahead markets are likely to be up and running by 2028—CAISO's EDAM plans to go-live in 2024, and SPP is hoping to have Markets+ live by 2028. BPA will need to ensure that the contracts it signs with its customers are flexible enough to adapt to these changes, as it will make the landscape of the POC contracts significantly different than the Regional Dialogue contracts.

BPA has a unique opportunity to support the region's desire for new clean energy resources, economic development and maintaining low rates. Concurrently with thinking about unique contract provisions to help customers get the most out of their non-federal resource contracts, BPA needs to think about how to support their customers in meeting state clean energy standards while also balancing system resiliency and local economic development opportunities. We have heard a strong desire from BPA customers to have zero carbon options to meet their own clean energy standards and goals. The best way to achieve this goal is to support customers' abilities to take advantage of the federal tax provisions in IRA themselves. Therefore it is critical that BPA customers have a variety of contracts to consider which do not penalize or discourage them from interconnecting new clean energy generation.

One of the first issues that BPA should prioritize is minimizing penalties for investing in non-federal resources or energy efficiency between now and the 2028 contracts. Including all new non-new federal specified resources in a customer's CHWM calculation as a reduction creates a disincentive to building new resources between now and 2026, despite the federal government's policy promoting an increase in new renewables and energy storage resources through the IRA tax credits. BPA should work with customers as soon as possible to determine a way forward that will not stifle development for the next four years. Energy Efficiency investments face a similar disincentive with the 2026 CHWM determination, despite being identified by BPA as both a least-cost generation resource and a least-cost transmission option to benefit the region.

BPA also must examine its rate structures that present barriers to customers obtaining non-federal specified resources, such as the RSS fees required by BPA to integrate renewable non-federal specified resources which adds as much as 50 percent to the cost of acquiring such

a resource. Additionally, RNW requests illustrative examples of the DFS and RSC charges for wind and solar to show how the charges varied from one rate period to another.

Furthermore, BPA must expand its view to incorporate scenarios where customers provide their own balancing services. BPA should explain what alternative sources could be used for DFS or other RSS, such as whether a DFS would still be needed if a customer paired a renewable resource with battery storage and what additional charges a customer would be exposed to if it relied on battery storage for non-BPA provided DFS.

BPA also must update its assumptions for the capacity contribution of renewable resources. When the RSS was developed for the Regional Dialogue, BPA assigned wind resources a capacity contribution of zero. While wind capacity varies throughout the region, modern modeling assumptions typically assign wind some capacity contribution value. The Western Resource Adequacy Program, for example, uses an ELCC for wind based on historical performance data that varies month to month and by geographic zone. Similarly, the capacity contribution of solar would also change as more utilities procure energy storage resources. In fact, most upcoming solar and hybrid projects have sophisticated control systems which can ramp generation up and down to produce a flat shape.[1]

As part of its RSS analysis, BPA should consider if its participation in the EIM and potential participation in an extended-day ahead market during the POC contract period changes the need for shaping services. Market opportunities present new dynamics that would reduce the need for flat block shapes. IOUs in the region have been taking advantage of the EIM for some time now to assist with variable generation shaping. BPA needs to re-evaluate its methodology for flattening renewables by placing them at the bottom of the stack, and instead calculating the amount of flexible capacity on top of the hydro system that each customer is allocated to follow their load plus any surplus flexibility, and then allow customers to add non-federal specified renewable resources and pay for any additional flexibility needs on top of their net load requirement.

The federal government is incentivizing investment in zero-carbon resources, and BPA must also encourage its customers to maximize the value of those incentives and implement advanced methods of optimizing its hydro resources with increasing penetration of renewables and energy storage. Electrification and a federal drive to increase manufacturing within the United States is likely to increase load for a number of BPA's customers. While it seems likely that BPA will need to augment the Federal system, it will be equally important that BPA provide flexibility to its customers to encourage them to obtain non-federal specified resources to allow them to meet the needs for both 100% zero-carbon generation resources and load growth from new large loads in the region.

[1] Evaluating Potential Benefits of Flexible Solar Power Generation in the Southern Company System. Wang et al. 2021. https://ieeexplore.ieee.org/stamp/stamp.jsp?arnumber=9627127

In sum, BPA needs to consider ways to evolve its modeling and contracting processes to provide customers opportunities to evolve themselves. The agency needs to carefully consider its role in the transformation of the grid and make certain that its goals of maintaining competitive prices for hydro resources is not in conflict with the needs and desires of the region to have a resilient, fossil fuel free grid which also provides local economic development opportunities.

Sincerely,

/s/ Robin Arnold

Robin Arnold
Markets & Transmission Director
Renewable Northwest