Northwest Requirements Utilities

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Submitted via email at post2028@bpa.gov

Northwest Requirements Utilities (NRU) submits these comments in response to Bonneville Power Administration's (BPA) Provider of Choice Workshops held December 8 to discuss a number of issues of importance to preference utilities and review product options and December 14 to review the Low Density Discount Program, Irrigation Rate Discount Program, approach to New Large Single Load, and Transfer Service.

NRU represents the interests of 56 Load-Following customers located in 7 states across the region that hold Network Transmission contracts with BPA and hold power contracts for almost 30% of BPA's Tier 1 load. Of primary importance to NRU members is BPA's ability to offer an affordable and reliable power supply and transmission that maximizes the value of the Federal system for the benefit of preference customers.

In response to the dialogue and content reviewed during the workshop, NRU would like to offer the following comments:

NRU supports BPA's proposal to keep the core Load Following product primarily as it operates today, although with modifications to support non-federal resource development. This product has successfully addressed our members' needs under Regional Dialogue.

During the workshop there was discussion regarding whether BPA should continue to apply the Load Shaping rate for Above-Rate Period High Water Mark Load below 1 aMW. NRU encourages BPA to continue this policy because it has provided planning certainty for utilities with unexpected load growth.

The area that Load Following customers need particular help is in establishing policies that will create incentives and reduce administrative barriers associated with non-federal resource development. The overall effect of non-federal resource development will help the federal system and preference utilities and, as it is likely that the system will be fully subscribed, a new approach may not create undue risk for the system. Particular policies of interest for NRU that could stimulate non-federal resource development are policies to offer billing credits, an offset to a utility's take-or-pay obligation, and reviewing integration policies for non-federal resources to determine whether adjustments could bring down the costs.

If the post-2028 era brings a larger Tier 1 system, providing billing credits to customers provides an opportunity for them to make investments in non-federal resources that may be more cost-competitive than if BPA were to add the generation, especially considering the Direct Pay and/or Transferability of incentives available through the Inflation Reduction Act. Billing credits would be a way for the entirety of the preference customer base to support non-federal resource development, reflecting the value of reducing net requirements placed on the system.

Also related to product development, NRU urges BPA to ensure that any product changes between Load Following, Block and Slice must continue to ensure fairness and neutral impacts to other customers.

NRU supports continuing the Irrigation Rate Discount (IRD) and Low Density Discount (LDD) and a review of eligibility requirements, so long as any expansion ensures existing eligible recipients are not harmed. BPA expressed support in its concept paper and at the workshop for continuing the IRD and LDD rate mechanisms post-2028. NRU members particularly support the retention of these programs due to the extensive benefits the relatively low-cost discount programs bring to small and rural utilities.

NRU is interested in discussion regarding the eligibility requirements of those programs and considering whether there is a way to maintain the current level of benefits of the programs and adjust requirements to reflect the needs of utilities in the future. In particular, NRU is interested in exploring whether the eligibility threshold of the LDD program should be adjusted and identifying approaches to taper discounts as low density systems reach the eligibility threshold.

NRU supports including a peak net requirements (PNR) calculation in the post-2028 contracts. NRU anticipates the value of capacity will only increase and supports inclusion of a PNR capacity calculation specific to individual customers. NRU supports BPA's effort to distinguish between the Load Following product, which meets a customer's hourly energy and peak net requirements, and the Slice/Block and Block products, which provide no guarantee of meeting a customer's actual hourly needs. We are continuing to work with others to find mechanisms that work for all preference customers on this topic.

Customers need more Tier 2 product choices and tools to serve Above-High Water Mark Load. NRU strongly opposes BPA's recommendation to require a one-time Tier 2 election for the entirety of the 20-year contract. More than one Tier 2 alternative will be necessary. Both long- and short-term and low- or no-carbon options would provide customers with the options they need.

NRU is interested in exploring with BPA the benefits of risk-sharing groups for above-Rate Period High Water Mark (RHWM) load through a Shared Rate Plan, joint operating entity, or similar arrangement. NRU recommends that BPA provide additional flexibility on the timeline for resource election.

NRU supports analyzing the impacts of pricing Tier 2 load met with firm power from the federal system differently than non-federal resources that are acquired to meet load needs. In particular, NRU is interested in exploring the benefits and impacts of pricing Tier 2 load served with firm power from the federal system at the Tier 1 rate rather than marginal or opportunity cost.

NRU supports equivalent treatment of Transfer customers and directly connected preference customers and urges BPA to continue its approach under Regional Dialogue to this service. NRU continues to support the principle of "comparability" as outlined in the Agreement Regarding Transfer Service (ARTS). For 55 preference customers and more than half of NRU members, the only viable alternative for meeting load obligations is transfer service. Transfer is the fiscally prudent alternative and is estimated to save $350 million annual in transmission costs and more than $3.7 billion total capital costs.

NRU strongly opposes directly assigning Transfer Service costs for non-federal resources. The impact is de minimis: non-federal resource integration for Transfer customers represents less than $2 million per year in costs. BPA's proposed policy of directly assigning these costs creates an unnecessary disincentive for non-federal resource investment.

The Post-2028 Contracts must be flexible enough to respond to market initiatives and provide customers with the options they need to meet clean energy requirements and goals. NRU recognizes the transformative era that we are in and looks forward to ensuring the durability of the post-2028 contracts to respond to changes that will likely occur during the term of the contracts. NRU encourages BPA to consider whether and how its post-2028 products will interface with future and emerging market opportunities. CAISO's extended day-ahead market and SPP's Markets+ are both voluntary day-ahead market offerings that, while still under design, are far enough along in their development to begin understanding how BPA's proposed products may function within these markets. NRU appreciates BPA's proactive approach to these and other market issues and looks forward to learning more about how future market opportunities would benefit both BPA and its load following customers. We will look forward to further engagement on these issues.

We appreciate the public process and open dialogue provided by BPA. Thank you for considering these comments and questions.

Sincerely,

/s/ Tashiana Wangler

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