



March 28, 2023

Submitted via email.

Suzanne Cooper, Senior VP Power Services
Kim Thompson, VP of Requirements Marketing
Bonneville Power Administration

Dear Suzanne and Kim:

Thank you for the opportunity to submit the following comments on BPA's proposed approach to defining Peak Net Requirements (PNR) for the Provider of Choice contract on behalf of Northwest Requirements Utilities (NRU). NRU represents the interests of its 57 member utilities located in 7 states throughout the region, all of which are BPA Load Following and Network Transmission customers, and that together represent roughly 30% of BPA's total preference load.

Recently, the question of how to define Peak Net Requirements has gained a considerable amount of attention. NRU members maintain a critical interest in these issues and are committed to working with all preference customers in support of legal and operationally implementable PNR solutions under the Provider of Choice contracts that work for customers and for BPA.

Background

NRU is supportive of BPA's goal of establishing a PNR definition, accurately calculating each customer's energy and peak net requirement, and using this information to ensure equitable capacity allocation and efficient use of the federal system to serve firm requirements load.

During Regional Dialogue, BPA calculated customers' energy net requirements but chose not to calculate capacity for individual customers. Instead, BPA identified peak net requirements as a future need in the Block and Slice/Block contracts (Section 3.4 – Peak Amount Methodologies), stating that BPA may need to adopt a methodology that *"shall include a calculation of a customer's total peak load, customer's peaking energy capability from its resources, and Bonneville's peaking energy capability for the federal system."* BPA has consistently held that post-2028, these calculations will be addressed through the implementation of a PNR definition and methodology.

The firm power requirements products that BPA has proposed to offer for Provider of Choice include the Load Following product, which will be shaped to meet the customer's actual net load in all hours, and the Block, Slice/Block, and Shaped Block products, which BPA proposes to provide on a "planned net requirements" basis. As with the Block and Slice/Block products under Regional Dialogue, for the next iteration of Planned products BPA's firm power supply obligation will be fixed in advance, and the customer is responsible for meeting variations in its actual load. With both Load Following and Planned products, BPA requires the ability to perform the system planning needed to ensure reliable load service, which means an accurate net requirements calculation is necessary for all preference customers, irrespective of product choice. Further, given BPA's stated intent to use an aggregate CHWM to determine the Tier 1 System Size, an accurate PNR definition is essential to moving forward with both the System Size and Allocation and Product Design components of the Provider of Choice Process.

Accordingly, NRU supports BPA's request for any customer non-federal resource data necessary to facilitate the implementation of a PNR definition, and an accurate net requirements calculation. We look forward to working with NRU members and with BPA to facilitate the exchange of any requested information and encourage other preference customers and customer groups to do the same. Finally, NRU believes preference customers should have the ability to choose the firm requirements product that best suits their needs, and we encourage BPA to continue to offer Block, Slice/Block, and Shaped Block product alternatives, as permitted by statute, under the Provider of Choice contract.

Proposed Methodology

For Planned product customers, BPA is proposing to use a forecasted average peak load (1:2, or P50) together with the forecasted peaking capability (i.e., WRAP Qualified Capacity Contribution, or "QCC") of the customer's dedicated resources to determine non-federal resource peaking capability, and thus, the customer's PNR obligation. Just how PNR will impact customers taking Planned products remains an open question, however, given the position BPA took in its Concept Paper with respect to BPA's right to reduce a Planned product customer's capacity in excess of that customer's calculated PNR for the month. The operational implementation and timing of such a limitation or reduction, and the financial implications of any resulting compensation, are both areas where NRU requires additional information.

In contrast to Planned products, BPA proposed to continue to offer a Load Following product that meets all of the customer's energy and peak net requirements on an hourly basis. We believe this is consistent with statute and with BPA's Revised 5(b)/9(c) policy, wherein BPA interprets §5(b)(1) to calculate net requirements using "*either the actual measured load of the customer or the customer's own actual load forecast*" depending on product type. Further, this is also consistent with the Administrator's determination in the 2000 5(b)/9(c) Record of Decision, which states:

“BPA believes that any sales under section 5(b)(1) for any purpose must be reasonably based upon a customer’s actual hourly or planned net loads and related to serving those loads... BPA offered products in its initial power sales contracts based on both types of service, planned and actual loads.”

With the above determination in mind, NRU maintains concern with BPA’s characterization of its PNR obligation to Load Following customers. As such, we are seeking an affirmative statement from BPA, in writing, confirming that both the peak and energy net requirements of Load Following customers will continue to be determined by the actual loads of those customers, as has been the case at least since the passage of the Northwest Power Act (NWPA). Additionally, we would like to better understand how BPA intends to address actual Load Following customer needs in excess of that 1:2 standard from both product and rate design perspectives.

Use of WRAP Standards

NRU appreciates BPA’s acknowledgement of its continued obligation to Load Following customers with respect to WRAP compliance obligations. We look forward to learning more about the “price signal” (as it was described by BPA staff in a previous Workshop) intended to account for circumstances where BPA is required to increase its Forward Showing obligation due to customers’ use of non-federal resources with a QCC less than the corresponding AHWM obligation for their load needs. While we assume this “price signal” will be structured in a manner similar to the “Resource Adequacy Incentive” language included in the BP-24 Rates Settlement, additional information is needed before we are able to determine our position.

Further, we hope that when BPA states that the Load Following product will see few changes from today, that those few changes do not include an intent to allocate additional costs due to WRAP obligations over which Load Following customers have little or no control. We would also appreciate additional clarity from BPA as to whether it intends to tier capacity for the purposes of applying the demand rate to the Load Following product, and if so, how it intends to do so. Finally, we also look forward to the opportunity to better understand any corresponding updates to the existing Revised 5(b)/9(c) Policy ROD necessary to account for these anticipated changes, along with those required to facilitate both BPA and customer participation in the WRAP.

Finally, in the interest of facilitating organized market participation for customers taking Planned products, NRU remains open to the possibility of BPA offering a surplus capacity product to preference customers at a marginal or market price, assuming surplus capacity remains after customers’ net requirements under section 5(b) of the NWPA are met.

Conclusion

NRU welcomes additional discussion around the definition of peak net requirements and the implications of implementation, and would echo those customers requesting additional meeting time and collaboration on the subject. That said, we caution against delaying publication of the Draft Policy given the many important policy, rates, and product design questions still

outstanding, and the tight timeline that remains. In closing, we look forward to BPA's continued consideration of both the issues addressed above, as well as those detailed in the NRU Proposal. Thank you once again for your time and attention.

Sincerely,

Matthew A. Schroettig
Director of Operations and General Counsel
Northwest Requirement Utilities