



EWEB Comments: Provider of Choice

May 8, 2023

EWEB appreciates the ongoing opportunity to provide PoC comments prior to release of BPA's Draft Policy document. EWEB staff routinely engage with PPC and WPAG in drafting their comments. Please supplement our April 28 and earlier comments with those below, which address particular topic areas within the broader PoC framework.

Process

As expressed in EWEB's prior comments, we greatly appreciate the work BPA staff has put into the PoC process. This has allowed both BPA and public power to express and hear a variety of viewpoints and interests. We look forward to the formal comment period where we hope that BPA will provide responses to our comments and concerns to date.

Looking ahead, EWEB sees the significant amount of work that will be required to have fully fleshed out products before customers are expected to sign contracts in 2025. For this reason, we strongly encourage BPA to continue to engage with customers on key issues in parallel to finalizing the Policy ROD. Several potential areas of focus include implementation and application of Peak Net Requirements (PNR), product options and characteristics, and market compatibility. Any opportunity to gain certainty related to post 2028 contracts and markets in the near term will allow us to make better strategic decisions around utility operations and resource development.

Impact of BPA policy proposal to EWEB

EWEB supports BPA's current proposal on system size, allocation, and augmentation. We believe it appropriately recognizes the different customer positions and balances the interests of the region. We also want to point out that many of the provisions in BPA's proposal, such as load growth adjustment, LDD, IRD, transfer service, and small utility adjustment, do not benefit EWEB. It is our hope that the increased costs this proposal creates for our customers do not go unnoticed or unappreciated. We will continue to support balanced and wholistic approaches to the tough issues ahead of us.

Carbon

EWEB appreciates BPA's work to develop a low/no carbon product. Unfortunately, BPA's proposal is insufficient to meet EWEB's future low-carbon goals. We ask that BPA work to develop contract options to allow customers to meet local and regional policy objectives. We do not believe that relying on gradual decarbonization of the grid is an appropriate approach to providing a zero-carbon product.

Economic adjustment

EWEB supports the inclusion of an economic adjustment in the PoC policy as suggested by Cowlitz and amended by AWEC. The economic adjustment would support end-use customers that are vital to our communities. EWEB would appreciate further financial and operational analysis on the impact of the proposed economic adjustment.



Tier 2 options

EWEB supports BPA's proposed Tier 2 offerings. These provide utilities with sufficient flexibility to choose what works best for them, while providing BPA and customers with the certainty required to acquire resources. EWEB believes that customers and BPA will need to make difficult decisions on new resources, and that any future customer optionality or flexibility should not result in cost shifts or abandoned costs.

Products

EWEB is actively considering all BPA products post 2028 and we encourage BPA to provide a range of products to meet varying customer needs. Product choice should be a function of customer needs, desire for local control and risk tolerance, and should not result in cost shifts between customer groups. As we move through product design and rate structure, maintaining equitability between products should serve as BPA and public power's north star.

Transfer

Transfer customers have asked BPA to provide comparable treatment for Tier 2 and non-federal resources under PoC contracts. EWEB understands that the rationale for this proposal is that there is no incremental cost of providing this service. EWEB would appreciate seeing the financial analysis of the cost impacts of serving transfer customers with Tier 2 vs non-federal resources.

Transmission

EWEB views transmission as a strategic priority for the region, and essential to reliably serving our load and meeting our climate goals. To accomplish these objectives, there will be substantial costs in upgrades and/or expansions to BPA's transmission system. EWEB is prepared to shoulder our share of these costs, and we look forward to working with BPA to identify best paths forward with respect to queue reform, project prioritization and execution, and staffing requirements.

NLSL

EWEB has been engaged with a group of customers working on NLSL issues and policy, and we believe that BPA should provide staffing and time to address the related issues. With forecasted industrial growth and potential electrification of large existing loads, updating and modernizing BPA's NLSL policy is necessary.

Markets

We look forward to engaging with BPA and other customers to develop a path to joining a day ahead market. We see this workstream as integrally tied to 2028 contract discussions. We expect to transition from a bilateral model to an organized market structure by 2028, and any PoC product should be developed with this condition as the baseline. At the same time as we are exploring 2028 product design, customers and BPA are also attempting to unpack how existing products could interface with an organized market. However, because current Block and Block/Slice products were designed under a



bilateral framework, initial discussions point to major challenges adapting them to maximize value and functionality in a day ahead market.

Whether BPA joins an organized day ahead market pre, or post, 2028, we believe there is value to outlining what products characteristics would be optimal in a market. For both existing and future products, this may involve starting from the ground up, rather than building upon existing frameworks. EWEB places greater value on maximizing the value of BPA's system and products in an organized market than on making the existing slice/block product 'work'.

For these reasons, EWEB recommends aligning PoC and existing product design workstreams with market readiness to gain insights around the feasibility of BPA joining a market prior to 2028. Identifying key objectives, interests, obstacles, and tradeoffs will help us understand and tackle market integration more strategically. Given the tight timeframe and volume of work ahead of us, EWEB strongly encourages BPA to engage senior leadership and customers soon.

As requested by BPA staff, we are including several questions about future products and markets:

- How do BPA's statutes work with organized markets, specifically around the concept of preference?
- How would curtailments be managed?
- How would transmission rights and congestion revenue be treated?
- How do the current RSS rates align with WRAP compliance or market resource sufficiency obligations?
- How are load following and planned products differentiated in the planning, operations, and settlement phases of market participation?
 - What level of market settlement exposure will different products have? Is it possible to have multiple levels of 'load following' market settlement exposure?
 - Would all resources and load participate in the market?