



Provider of Choice Engagement Plan & Initial Leanings

PPC Rates and Contracts
March 18, 2021

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Provider of Choice Timeline

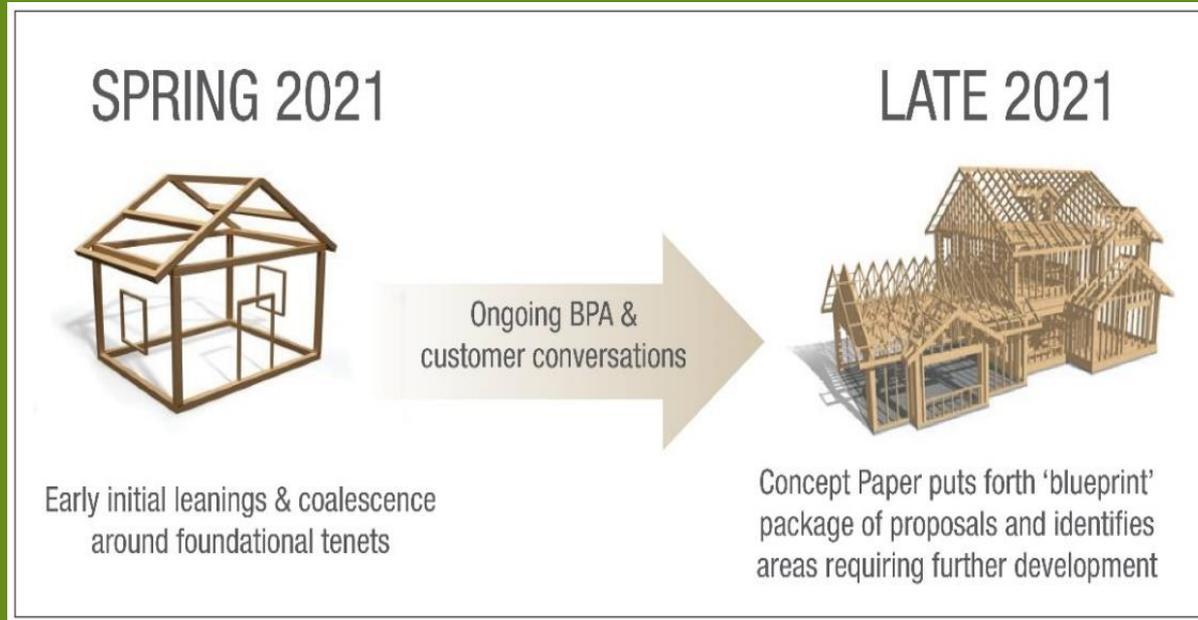


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The Engagement Plan for 2021



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The Engagement Plan for 2021

- Goal: achieve early coalescence on the interests and foundational tenets
 - How do we define early? Coalescence?
 - Different thresholds for principles and tenets



May continue to evolve through policy and ROD



More pressing to achieve coalescence

BPA Staff Leanings – A Conversation Starter

- **Interests**
 - the philosophical foundation for direction of Provider of Choice
 - high-level criteria against which we will base decision-making

- **Foundational Tenets**
 - The initial building blocks for the Provider of Choice construct



Provider of Choice Interests or Principles

The proposed interests are carried over from Regional Dialogue, but continue to reflect what BPA has heard from customers since 2017 when we started the Focus 2028/Provider of Choice discussions.

2008 was a different time, different circumstances than 2028

- Context and current interpretation will matter
- BPA staff will address our perspectives, but also want to hear customers' thoughts on interests and interpretation

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Proposed Provider of Choice Interests

- **Lowest Tier 1 Costs and Tier 1 Rates**
- **Durability/Stability/Contract Enforceability**
- **Customer/Regional Support and Equity**
- **Certainty of Obligations for All Parties**
- **Promote Infrastructure Development Consistent with the Northwest Power Act**
- **Consistency with BPA Stewardship Obligations**
- **Legality**
- **Simplicity**
- **Advancement of National and Regional* Objectives**

*The inclusion of “and Regional” is a proposed addition to this interest that BPA staff is recommending for Provider of Choice.



The Tenets



With the purpose of gaining general alignment around the **initial building blocks** for the Provider of Choice construct, BPA staff proposes:

1. Standardized contracts offered over a consistent term length.
2. A long-term contract term and rate structure.
3. Provider of Choice product offerings of Load Following, Block, and Slice/Block.
4. Continue to utilize a tiered rate structure and a TRM.

Starting points
for further
conversations

BPA is not suggesting nor advocating for a roll-over of Regional Dialogue.

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Tenets - Standardized Contracts

1. Standardized contracts offered over a consistent term length

- reduces risk of inconsistent treatment between customers electing similar products and services
- uniform and fair treatment of all customers
- creation of inter-customer equity is addressed up-front and transparently
- reduces ongoing burden and costs associated with contract administration
- standardizing service dates enables an orderly transition into new contract administration, including any necessary system or process adjustments.



Tenets - Long-term Contracts/Rate Structure

2. A long-term contract term and rate structure

- provides predictability and certainty, and accordingly serve to secure many if not most of the interests named above
- locks in customers' right to be supplied from the low-carbon and competitively priced FBS
- accommodate long capital recovery periods for acquiring resources, technologies and associated financial commitments
- provide certainty for financial planning, supporting financial strength and lower borrowing costs



Tenets - Products

3. Load Following, Block, and Slice/Block as a starting point

- BPA staff proposes the current three products serving as a *starting point* for conversations as we contemplate and negotiate adjustments to these products in the coming years.
- majority of customers expressed general satisfaction with the current product offerings and indicated that the same or similar products would meet their needs and allow them to remain competitive post 2028.
- adjustments improve upon the status quo



Tenets – Tiered Rate Structure

4. Continue to utilize a tiered rate structure

- limit BPA’s sales of firm power at the Tier 1 rate to public preference customers to approximately the firm capability of the existing federal system.
- minimize the dilution of the value of the existing system with potentially higher cost resource/power purchases
- Customers, if they choose, are able purchase additional federal power from BPA to serve their net requirement load priced at Tier 2 rates
- Customers have expressed general satisfaction with the tiered rate structure; appreciate the equity provided through the “high water mark” allocation of system costs and benefits, coupled with the establishment of cost pools in the TRM

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Additional policy topics for 2021



Ongoing BPA &
customer conversations

The Engagement Plan outlines topics BPA may tee up in 2021

- Calculation of Contract High Water Marks and Rate Period High Water Marks
- Carbon
- Modifications or flexibilities to better facilitate the application of non-Federal resources
- Modifications or flexibilities to help customers meet peak loads
- Cost control mechanisms

- ***Additional topics based on customer interest.**

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Building up to Concept Paper



Once BPA has customer feedback, we will work to schedule a calendar of topics for roughly May through October.

Anticipate continued discussions at PPC Rates and Contracts forum in 2021

Concept Paper will be BPA's package of policy proposals, anticipated in late 2021.

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Next Steps

- Please provide informal feedback by April 8 to post2028@bpa.gov (with copy to your Power Account Executive):
 - Also welcome discussions directly with your Power AE; and,
 - Feedback through your trade organizations, as applicable.
- Scope of feedback:
 - **Proposed interests**
 - **Proposed tenets**
 - **Other issues customers want to discuss in 2021...**
- In coordination with PPC, BPA will communicate schedule of future discussions – expect roughly one per month



Additional Resources

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Educational Materials

Regional Dialogue Materials

Provider of Choice

With BPA's current power sales contracts set to expire in 2028, BPA is planning for successor agreements. Provider of Choice is the initiative designed to lay the foundation for the development of the policies and contracts BPA will offer its customers to meet their evolving needs and deliver competitively priced power beyond 2028.

In 2016, BPA began talking with preference customers to learn about their needs and interests for post-2028 service. In 2019, BPA initiated a second round of discussions with customers and memorialized these findings in the Provider of Choice [Customer Engagement Summary](#). In 2021, BPA plans to start collaboratively formulating a policy framework to set the foundation for post-2028 Provider of Choice contracts and rates. This work will culminate in BPA's release of a concept paper, planned for late 2021.

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Resources

[Customer Engagement Summary](#)
[Post-2028 Timeline](#)
[2016 Provider of Choice Feedback](#)



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