

Comments of the

M-S-R Public Power Agency

Regarding BP-20 Workshop

M-S-R¹ values the opportunity to comment on BPA's August 22, 2018 BP-20 workshop presentations on Scheduling, System Dispatch and Control.

Scheduling, System Dispatch and Control. It is appropriate for BPA to review and improve its mechanism for charging Scheduling and Dispatch Charges ("SCD"). The SCD charge has nearly doubled from a rate of \$0.166 in 2004 to the BP-18 rate of \$0.322. A review of the SCD Industry Scan published by BPA on August 23, 2018, reveals that BPA's SCD rate is significantly higher than the SCD rate of just about every other Transmission provider included in the scan. Of the 19 utilities shown that charge SCD through reservation charges, 12 have rates less than \$0.100/kW/month, all but two are below \$0.200, and only one has a slightly higher SCD rate than BPA. The BPA SCD rates being significantly higher than other utilities charges is reason enough to investigate the charge and explore ways to make sure the costs are properly allocated to SCD, and that the SCD charge is structured to reflect cost causation. While many customers have requested additional information about the SCD costs and rates, it appears that a significant number of customers are interested in pursuing the investigation into the rates and cost allocation mechanisms.

BPA's whitepaper correctly references that the SCD charge needs to be modified to better reflect cost causation. One area where the current mechanism fails to follow cost causation is the imposition of the charge twice when power is wheeled off of or through the network and across either the Southern Intertie or the Eastern Intertie. The service received for a 1 MW schedule under those circumstances is no different than the service received for a 1 MW schedule limited to only the network, yet the former circumstances pays the rate twice. That is not consistent with cost causation, and BPA's efforts to eliminate that double charge is necessary. While BPA refers to it as pancaking, that typically means two charges to move across two segments, which at least involves the use of distinct facilities. Regardless of whether or not pancaked transmission charges should be eliminated, charging SCD for use of more than one segment does not reflect cost causation because no additional services are received by the customer, and it does not cause BPA to incur any additional costs for separate facilities, or otherwise. As such, M-S-R supports the concept of improving the SCD charge to avoid the current double charge

¹ The M-S-R Public Power Agency ("M-S-R") is a joint powers agency formed by the Modesto Irrigation District, and the Cities of Santa Clara and Redding, California, each of which is a consumer owned utility. Beginning with a 2005 contract, M-S-R obtained contractual rights to the output from some of the first large scale wind resources developed in Washington State. M-S-R and its members currently have rights to 350 MW of wind generation in Washington and Oregon, which its members use to serve their customers and meet California's Renewable Portfolio Standards. Those customers ultimately bear the cost of the Bonneville Power Administration ("BPA") Transmission and ancillary services rates and charges.

circumstance when energy is scheduled across both the network segment and one of the intertie segments.

While BPA's industry scan indicates that some other utilities have separate charges for SCD across different segments, those circumstances appear to involve one schedule across jointly owned facilities, which may themselves have their own SCD rate that the Transmission Provider incurs when it provides the service, in which case the charge is for scheduling along two different systems, which may involve additional services being provided.

BPA's whitepaper and presentation reviewed five alternatives to the status quo. It appears that only alternatives 1 and 2 accomplish the goal of avoiding double charges, and for that reason M-S-R would support implementing either of those alternatives.

BPA lists as a "con" of Alternative 1 (eliminate SCD for Interties) that it allows for free riders because entities could schedule on only the intertie, and thereby avoid the charge. M-S-R would like to know the magnitude of the potential free-riders. In other words, how many schedules does BPA receive for service across an intertie without a corresponding schedule on the network segment?

Because they do not eliminate pancaking/double charges M-S-R does not support Alternatives 3, 4 or 5. However, one of the "cons" listed for Alternative 3 states that usage of the Utility Delivery segment does not currently incur an SCD charge. Why is that the case? BPA's OATT says that all transmission customers must purchase SCD service, so it is not apparent why the charge would not apply to Utility Delivery customers.

The whitepaper provides a breakdown between costs of the Scheduling function and the System Operations functions, for both O&M and capital investment. It appears that over 80% of the SCD costs and investments are associated with Control and Dispatch, and less than 20% is associated with Scheduling. While this is interesting information it is not clear from workshop discussions if BPA is proposing to create different charges for Scheduling vs System Control and Dispatch. If it does break the charges down, how would BPA contemplate applying the new charges? Do different classes of customers rely less on Control and Dispatch than others? For example, if a customer is just wheeling through the BPA balancing authority area, is it using the "Power System Dispatch" function included in BPA's System Operations costs?

Conclusion. In conclusion, while additional information may shed more light on how to best allocate BPA's SCD costs, M-S-R supports the investigation and appropriate measures to ensure the rates follow cost causation, and eliminate double charges. M-S-R appreciates the continued development of the investigation into the SCD charge, and looks forward to clarification on the points identified above. Because Alternatives 1 and 2 appear to accomplish the goal of avoiding double charges, M-S-R supports those alternatives.