



May 4th, 2018

To: Bonneville Power Administration,
U.S. Department of Energy
Delivered Via Email at techforum@bpa.gov

RE: BP-20, TC-20, and Balancing Reserve Capacity Business Practice
Comments

Background:

Renewable Northwest submits these comments in response to the May 4 deadline articulated as a part of the April 24 BP-20 Generation Inputs Workshop. Renewable Northwest also intends to submit additional comments on all of these topics by the May 22 comment deadline articulated in the April 23 TC-20 workshop and looks forward to additional conversations with BPA staff on these topics in the meantime.

Renewable Northwest supports the stated goals of the BPA Strategic Plan to “meet transmission customer needs efficiently and responsibly . . . by using flexible, scalable, cost-effective and efficient solutions . . . that incentive grid optimization and efficient regional resource development.” We also support BPA’s commitment to transition BPA’s Tariff to as close to *pro forma* as possible.

Renewable Northwest recognizes the long-term regional value of achieving these goals, but we also observe that many, if not all, of the benefits to customers are prospective and will not accrue to customers until after the BP-20 rate period. Meanwhile, the costs, the many process changes, and the potential policy changes, are happening today, and will be decided in the BP-20 Rate Case (and related business practice process) and the TC-20 process.

Renewable Northwest can appreciate that investment must be made upfront before benefits can be reaped, but customers should not be asked to bear all the risk of the many substantive and procedural changes being simultaneously proposed by BPA.

The Many Substantive and Procedural Changes Simultaneously Proposed by BPA Makes it Difficult For Customer to Assess the Cumulative Impacts and Risks:

For the past four rate cases, BPA and the parties have settled the balancing reserves rates, quality of service, terms and conditions, and operational practices in one all-encompassing non-precedential settlement document. This approach made it very easy for parties to understand the impacts and tradeoffs between the many interrelated aspects of the Balancing Reserves Services. It also fostered the

- 174 Power Global
- 3Degrees
- 7Skyline, LLC
- American Wind Energy Association
- Avangrid Renewables
- Bonneville Environmental Foundation
- Center for Energy Efficiency & Renewable Technologies
- Climate Solutions
- Columbia Gorge Community College
- Community Renewable Energy Association
- Cypress Creek Renewables
- Davis Wright Tremaine LLP
- DNV GL
- EDF Renewable Energy
- EDP Renewables
- Environment Oregon
- Environment Washington
- Erwin Legal
- Eurus Energy America
- Geothermal Resources Council
- Green Mountain Energy
- HDR Engineering, Inc.
- Idaho Conservation League
- Invenergy
- K&L Gates
- Kapla Law PLLC
- Latitude45 Associates
- MAP
- Montana Environmental Information Center
- MontPIRG
- National Grid
- Natural Resources Defense Council
- NextEra Energy Resources
- Northwest Environmental Business Council
- NRG Energy, Inc
- NW Energy Coalition
- OneEnergy Renewables
- Oregon Citizens' Utility Board
- Oregon Solar Energy Industries Association
- OSPIRG
- Oregon Tech
- Orion Renewable Energy Group
- Pattern Energy
- Scout Clean Energy
- Sempra Renewables
- Solar Oregon
- Spark Northwest
- Stoel Rives, LLP
- Sulus Solar
- SunPower Corporation
- SWCA Environmental Consultants
- Tetra Tech
- Vestas Americas
- Warm Springs Power & Water Enterprises
- Washington Environmental Council
- WashPIRG
- Western Resource Advocates

development of creative improvements to how the region integrates new renewable resources like wind and solar. Today, BPA is simultaneously proposing multiple procedural and substantive changes to the rate case process and methodologies that have historically established the Balancing Reserve services and rates. Based on our current understanding these proposed changes are:

- BPA is proposing a new embedded cost methodology.
- BPA is proposing that this methodology be established on the record in a fully litigated rate case (not a settlement).
- BPA is proposing a new OATT Schedule 9 and 10, including new “physical feasibility” language.
 - BPA has not made clear how or where the definition of physically feasible will be determined, or how it will be implemented in practice.
 - Many of the terms and conditions in the pro forma Schedule 9 are proposed to move to a business practice that has not been developed yet.
- BPA is proposing to move the current quality of service definition for VERBS to a new business practice.

One of Renewable Northwest’s primary concerns is procedural: BPA’s simultaneous implementation of new methodologies and new processes could leave customers exposed to unfavorable rates, terms or conditions, while the potential remedies are walled off in other processes already locked down. Similarly, with respect to the proposal to set the VERBS quality of service in a business practice, we are concerned that the underlying definition of the service—the “quality of service”—could be changed through a business practice modification at anytime during a rate period without providing customers the ability to challenge the terms and conditions or rate for that service until the next rate case or OATT proceeding.

Renewable Northwest does recognize and appreciate BPA’s proposal to run the BP-20 rate case and the TC-20 OATT process concurrently to help guard against this dynamic. However, BPA’s more recent proposal to move important components of the VERBS policy structure to business practices adds an additional wrinkle to this concern and deserve more discussion. At this time, Renewable Northwest encourages BPA to reconsider its approach to moving components of the VERBS terms and conditions and methodologies into business practices. Instead, BPA should consider the following options:

- Postponing moving any of the VERBS terms and conditions into business practices until BPA and customers have gained at least one cycle of experience with the new OATT process and how it interacts with the rate case process.
- If BPA desires to move certain details of the VERBS methodology into business practices for purely administrative reasons, BPA could still commit to allow any of those issues to be debated in the rate case. This could be accomplished by including those business practices in BPA’s initial proposal.
- At a minimum, it is critical that the quality of service standard (currently 99.7) be included in the rate case and not the business practice, as is currently proposed in the draft Balancing Reserve Capacity Business Practice (April 24, 2018). Here, Renewable Northwest distinguishes between the quality of service standard (currently 99.7) and the methodology by which BPA calculates the number of megawatts required to support a certain quality of service standard. The methodology, as opposed to the standard itself, may be more appropriate for a business practice.

With respect to the many moving parts and pieces of BPA’s proposed procedural and substantive changes, Renewable Northwest requests that BPA uses the next Generation Inputs Workshop to walk customers through a comprehensive description of how, when, and where the different aspects of VERBS will be determined. For example, it would be helpful to get a better understanding of what will be in the OATT, where physical feasibility will be defined and how it will be implemented. Similarly, it would be helpful to have more information about the relationship between the definition of physically feasible, purchases of third-party balancing reserves, and the use of OCBR—and where and when each of these components of VERBS will now be established.

BPA’s Proposed Changes to the Balancing Reserve Embedded Cost Methodology Require More Discussion:

The analysis presented by BPA on April 24 suggests that the impacts to many of the VERBS rates from the new methodology would be minimal and even lower some rates slightly, assuming BP-18 inputs. Renewable Northwest appreciates this analysis but would like to see additional sensitivities on how the new methodology performs under a range of operating and financial scenarios. For example, Renewable Northwest would appreciate a demonstration of how the new method would perform under the new “spill regime” imposed on BPA.

Renewable Northwest appreciates the move to 1-hour capacity measures as it is a better measure of BPA’s ability to provide within-hour services. However, the use of “critical water” rather than “average water” would seem to systematically (on average) underestimate the amount of flexible services BPA is able provide from its units. More discussion on this question is needed.

Renewable Northwest appreciates that this new methodology would remove the risk exposure (PNRR and CRAC) component of the VERBS rate. We also support the proposed consistency for load balancing reserves and between OATT Schedules 4 and 9.

A 50% Rate Increase to the VERBS Solar Rate Is Not Justified:

While the proposed changes to the embedded cost methodology would hold most of the balancing reserve rates harmless compared to the current settlement, the VERBS rate for solar would increase 50%. Such an increase in the solar rate is unwarranted and inconsistent with BPA’s comments at the April 24th Generation Inputs Workshop (slide 5) that solar penetration is relatively small and that at this time it is not worth the staff resources to develop operations and rate designs to decrease the impacts of solar integration to the system. Regardless of where the larger discussion on the embedded cost methodology goes, Renewable Northwest recommends that BPA develop a rate approach for solar integration that: 1) recognizes the current de minimis impact to the total BAA balancing reserve requirement and, 2) takes into account that BPA is postponing implementation of holding reserves diurnally to take advantage of the unique characteristics of solar and to minimize the integration burden on BPA’s system (and decrease the cost of providing VERBS to solar resources).

Additional Comments:

Renewable Northwest recommends that BPA reconsider the proposal to do away with the CSGI service option based solely on the observation that no party has currently elected to take this service. CSGI could still be an important and attractive option for customers, and one that significantly reduces the integration requirements placed on the BPA system.

Renewable Northwest supports the proposal to move to a single Scheduling, System Control, and Dispatch (“SCD”) charge for all segments. In the context of our work on the Montana Intertie Rate issue and Eastern Intertie operations, we have not found any physical justification for multiple SCD charges on BPA’s system.

Thank you for the opportunity to comment on these important issues.