

March 31, 2020

Via Electronic Submission

Elliot Mainzer
Administrator and Chief Executive Officer
Bonneville Power Administration
911 NE 11th Avenue
Portland, OR 97232

Re: March 17, 2020 TC-22, BP-22 and EIM Phase III Workshop

Dear Administrator Mainzer:

The Alliance of Western Energy Consumers (“AWEC”) appreciates the opportunity to provide feedback on the March 17, 2020 TC-22, BP-22 and Energy Imbalance Market (“EIM”) Phase III Workshop. Specifically, the following comments provide feedback on Bonneville Power Administration’s (“BPA” or the “Agency”) presentation on Transmission Losses, specifically the alternatives addressing how the Agency may settle transmission wheeling losses.

Additionally, although not specifically requested, included in these comments is feedback on the BPA’s 2020 Resource Program Summary.

I. EIM Loss Return Issues

A. In-Kind Loss Returns

BPA’s explicit objective in the settling of transmission wheeling losses is to ensure that BPA captures the value of capacity and energy while simultaneously minimizing administrative costs and burdens, and load uncertainty.^{1/} The alternatives provided by BPA are as follows: Alternative 1: Status Quo; Alternative 2: Keep in-kind at 168 hours + implement financial settlement only for inaccurate return of energy, (“Financial For Inaccuracy (“FFI”)); Alternative 3: Keep in-kind at 168 hours + change financial rate to be set in rate case + implement FFI; Alternative 4: Change in-kind to concurrent only + implement FFI; Alternative 5: Change in-kind to concurrent only + change financial rate to be set in rate case + implement FFI; and Alternative 6: Change to financial settlement only.

Our initial assessment indicates that the safest option at this time may be Alternative 3, given that there does not appear to be widespread customer support for completely

^{1/} Bonneville Power Administration, TC-22, BP-22 and EIM Phase III Customer Workshop, at 30 (March 17, 2020).

unwinding in-kind loss returns. Additionally, it continues to be difficult to evaluate the alternative of only financial settlement of loss returns without a conversation about the associated rate mechanism. However, given that most utilities removed the physical settlement option when they joined the EIM – generally because it caused problems with the pricing – BPA should continue to investigate this option in the context of rate mechanisms.

B. Inaccurate In-Kind Loss Returns

In keeping with BPA’s objectives, AWEC supports shifting inaccurate in-kind loss returns from the current status quo to financial settlement only based on the expected administrative efficiencies this will enable. However, given the number of unknowns at this time, further discussion will be necessary to fully understand proposed penalty rates.

C. Financial Settlement of Loss Returns

Although, as mentioned above, AWEC is interested in shifting inaccurate in-kind loss returns to financial settlement, more information will be required to understand how this mechanism will work. However, there is undoubtedly value in this concept given that the financial settlement of loss returns is an industry standard utilized by other EIM Balancing Authority Areas.

BPA’s plan to join the EIM comes with countless changes to the current dynamic between the Agency and its customers. AWEC continues to support BPA’s efforts to explore cost reductions and efficiencies with service changes that simultaneously improve BPA’s cost structure and maintain the value of services BPA customers receive.

D. Rates Methodology

Given the transparency between BPA and its customers during the rate case, we support alternatives that would have the rates associated with loss returns determined in the rate case.

E. Criteria for Decision

In addition to the six alternatives, BPA presented criteria for its decision. AWEC supports the proposed criteria for decision as a starting point and encourages BPA to consider any additional criteria that may be offered by stakeholders. The criteria for decision are as follows:

- Aligned with the pro forma tariff and/or industry standards or best practices
- Appropriate and fair compensation for FCRPS Capacity and Energy

- Efficiency of process and ease of administration, including managing deviations and imbalances
- Simplicity of policies to administer and enforce
- Cost of ongoing IT system maintenance
- Align losses valuation with pricing and scheduling used when commercially purchasing energy
- Customer impact^{2/}

II. 2020 Resource Program Summary

We appreciate BPA's willingness to update its Resource Program for 2020. Since 2017, BPA's needs assessment has declined by approximately 200 MW in the regional dialogue contract period. Thus, the trend noted in the BP-20 rate case addressing BPA's surplus firm capacity is likely to continue into the future.

As BPA considers the long-term implications of the 2020 Resource Program, it is advisable that BPA focus on its resource needs as well as improving the capacity contribution of the Federal Columbia River Power System.

Currently, BPA establishes the amount of firm resource capacity available based on 80-year critical water assumptions. Such a structure results in surplus capacity for 79 out of 80 years, even if BPA plans its system perfectly. Taking advantage of inter-regional resource diversity is one way to increase capacity while simultaneously providing significant benefits to BPA and its customers. For example, if BPA were to join a regional market, it is probable that the capacity contribution for its hydro resources would be higher than the critical water assumptions used for rate setting today. As such, BPA may be able to monetize more surplus capacity in the context of a regional market than it does today based on critical water assumptions for the benefit of customers.

AWEC understands that BPA is advocating for the interests of the Region with respect to the EIM and Extended Day-Ahead Market and is supportive of these efforts.

/s/ John Carr
Executive Director
Alliance of Western Energy Consumers

^{2/} Id. at 42.