

August 12, 2020

Via Email (techforum@bpa.gov)

U.S. Department of Energy
Bonneville Power Administration
Transmission Services

Re: Comments of Avangrid Renewables, Avista Corporation, PacifiCorp, Portland General Electric Company, and Puget Sound Energy Regarding TC-22, BP-22 and EIM Phase III July 28, 29 and 30 Workshops on LMP Pricing for BPA Generator Imbalance (GI) Charges; Removal of BPA GI Deviation Bands; and Removal of BPA Intentional Deviation (ID) and Persistent Deviation (PD) Charges for Generation

Avangrid Renewables, LLC, Avista Corporation, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc. (the “Commenting Parties”) submit the following comments on the BPA TC-22, BP-22 and EIM Phase III July 28, 29 and 30 workshops and BPA presentations at those workshops.¹

The July 28 Presentation at pages 74-86 raises the questions of (a) whether BPA generation imbalances should be priced at the Mid-C index or the LMP, (b) whether the BPA deviation bands should be removed, and (c) whether BPA ID and PD should be removed.² As discussed below, BPA should strongly consider

- (i) adopting CAISO EIM pricing (LMP) as the rate for GI;
- (ii) removing GI deviation bands; and
- (iii) removing the ID and PD charges for generation.

¹ Available at <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/23June20%20-%20Main%20Tarrif-Rates-EIM%20Workshop.pdf> <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/07.28.20-Main-Tarrif-Rates-EIM-Workshop.pdf> (“July 28 Presentation”); and <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/29-30Jul20%20-%20Main%20Tarrif-Rates-EIM%20Workshop.pdf> (“July 29 and 30 Presentation”).

² The BPA presentation also raises questions regarding energy imbalance, but these comments focus on generation imbalance rather than energy imbalance--although many of the considerations regarding generation imbalance also apply to energy imbalance. Of course, energy imbalances would be settled by BPA using Load Aggregation Point (LAP) pricing instead of LMP pricing.

a. BPA Use of EIM LMP for GI Charges Should More Accurately Reflect BPA’s Cost of Imbalance Energy than the Mid-C Index

In reviewing a proposal of PacifiCorp as an CAISO EIM Entity, FERC has concluded that EIM LMP is an appropriate pricing mechanism for generation imbalance, reflects the actual cost of providing imbalance service, and more accurately reflects the cost of providing that service than market indices:

. . . We find that PacifiCorp’s proposal to charge for Schedule 4 and Schedule 9 imbalance service using the EIM LMP more accurately reflects the cost of providing that service by PacifiCorp. PacifiCorp’s current approach of using a proxy price to determine imbalance energy costs using four liquid trading hubs only provides a proxy for PacifiCorp’s actual cost of providing imbalance energy, whereas the EIM LMP will reflect the actual cost that PacifiCorp pays for imbalance service. . . .³

BPA’s GI charges should be based on the cost of providing GI service,⁴ and FERC has concluded that LMP will reflect the cost of providing that service.

b. BPA Use of EIM LMP for GI Charges Should Provide Adequate Incentive for Scheduling Accuracy

BPA use of LMP for GI charges should provide adequate incentive for scheduling accuracy, and GI deviation bands⁵ should be removed. In this regard, FERC stated as follows in finding that the deviation bands should be removed by a CAISO EIM entity using LMP for GI charges:

97. We do not, however, find that APS’s support for retaining the pro forma penalty tiers in Schedules 4 and 10 of its OATT, in combination with LMP pricing, is persuasive. Specifically, we find that APS has failed to account for the existing features of the EIM structure that discourage over- and under-scheduling under section 29.11(d) of the CAISO tariff. We find that the penalty tiers would add additional charges without a clear indication that they would improve the incentives to adhere to dispatch instructions and load schedules in the EIM construct. In addition, we find that imposing such penalties may have the effect of penalizing transmission customers for accurately scheduling their load and generation because the penalties are based on the transmission customer’s base schedule, which customers submit 57 minutes prior to the trading hour. Notably, the Commission has

³ *PacifiCorp*, 147 FERC ¶ 61,227, at P 160 (2014); *see also, e.g., Ariz. Pub. Serv. Co.*, 155 FERC ¶ 61,112 at P 96 (2016).

⁴ *See, e.g.*, Section 10 of the Federal Columbia River Transmission System Act, 16 U.S.C. § 838h (including the following requirement: “The recovery of the cost of the Federal transmission system shall be equitably allocated between Federal and non-Federal power utilizing such system.”); *see also* Section 7 of the Northwest Power Act, 16 U.S.C. § 839e.

⁵ Deviation bands are sometimes referred to as “penalty tiers” by FERC. *See, e.g., Ariz. Pub. Serv. Co.*, 155 FERC ¶ 61,112 at P 97 (2016).

previously accepted LMPs as a superior alternative to the deviation band approach in competitive energy markets.

98. Moreover, as noted above, we also find LMP-based pricing for imbalances to be an adequate inducement for the customer to act in accordance to market rules. The Commission has previously asserted that the EIM LMP represents 100 percent of the cost of imbalance energy without any additional penalties.¹⁶⁵ Therefore, additional penalty tiers would be duplicative. Finally, under the Commission's *pro forma* OATT, transmission customers are allowed to manage their imbalance energy needs without any additional penalties.⁶

Indeed, as stated in July 28 Presentation at page 77, removal of GI deviation bands would align with other EIM Entities.

Inasmuch as BPA use of LMP for GI charges should, as discussed above, provide adequate incentive for scheduling accuracy, BPA should remove the ID and PD charges for generation. In this regard, the July 28 Presentation states at page 82 that “[o]ther EIM entities have not used ID/PD penalties pre or post EIM”.

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Nothing contained in these comments constitutes a waiver or relinquishment of any rights or remedies provided by applicable law or provided under BPA's Tariff or otherwise under contract. The Commenting Parties appreciate BPA's review of these comments and consideration of the recommendations contained herein. By return e-mail, please confirm BPA's receipt of these comments.

⁶ *Ariz. Pub. Serv. Co.*, 155 FERC ¶ 61,112 at PP 97-98 (2016) (footnotes omitted).