

July 8, 2020

Via Email (techforum@bpa.gov)

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

Re: Comments of Avangrid Renewables, LLC on EIM Policy Issues

Avangrid Renewables, LLC, (“Avangrid”) hereby submits comments to the Bonneville Power Administration (“Bonneville”) concerning the policy issues presented at the workshops held on June 23, 2020 and June 24, 2020 (the “June Workshops”).

Bonneville presented proposals on seventeen distinct topics over two days of meetings, and here Avangrid offers comments on a select subset of those topics. As discussed below, to the extent that Bonneville believes additional information could be presented at the next customer-led workshop (the “July 15 Workshop”), Avangrid requests that Bonneville schedule time and subject matter experts accordingly.

1. Hourly Firm Update

Bonneville’s proposal to maintain the status quo for Hourly Firm service through the TC-22 period—October 1, 2021 through September 2023—appears to both mollify the concerns raised in the TC-20 Settlement process and preserve a transmission product heavily relied upon by many of Bonneville’s customers, including Avangrid.¹

Pursuant to the TC-20 Settlement, Bonneville agreed to continue providing Hourly Firm transmission service that was limited by Available Transfer Capability (“ATC”) and reserved by 2340 on the day prior to the operating day.² Bonneville also agreed *not* to propose any additional changes to Hourly Firm service in the TC-22 proceeding unless it identified: 1) a demonstrable adverse reliability risk; 2) more than a *de minimis* adverse impact to firm transmission service; or 3) a conflict with market rules.

¹ TC-22, BP-22 and EIM Phase III Customer Workshop at 76 (June 24, 2020) [hereinafter June 24 Presentation], *available at* <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Pages/Meetings-and-Workshops.aspx>; *see also* Hourly Firm Customer Comments, *available at* <https://www.bpa.gov/transmission/CustomerInvolvement/TC20Implementation/Pages/Customer-Comments.aspx>.

² *See* TC-20 Settlement Agreement, *available at* <https://www.bpa.gov/transmission/CustomerInvolvement/TC20Implementation/Pages/default.aspx>.

At the June Workshops, Bonneville confirmed its analysis has not demonstrated any problems attributable to the limited Hourly Firm product.³ To the contrary, Bonneville staff shared its view that the limitations achieved what they were intended to do, *i.e.*, shift hourly usage from firm to non-firm and decrease the overall threat of firm curtailments. Bonneville also summarized feedback from customers that the new limitations on Hourly Firm service decreased the value of long-term firm transmission products and increased operational difficulty and costs.⁴ Bonneville explained that it understands customers want to preserve their ability to redirect long-term rights with the Hourly Firm product, but reminded customers that despite their expectations at the time of purchasing their long-term rights, Bonneville's OATT does not guarantee redirects will be granted as firm. Avangrid agrees with Bonneville's assessment that the limited Hourly Firm product has not caused reliability risks or adverse impacts and does not conflict with market rules, and looks forward to working with Bonneville to evaluate the product for TC-24.

2. Transmission Losses

At the June Workshops, Bonneville requested feedback on numerous potential policy choices associated with transmission losses, including the Network Loss Factor, Line Loss Segments and Pricing Losses.⁵ According to Bonneville's presentation, these policy choices do not appear to be EIM-specific issues.⁶ Given the volume of other potential market changes customers are currently evaluating, and the number of alternatives associated with transmission losses that were presented at the June Workshops, Avangrid supports maintaining the status quo—including a flat yearly loss factor and retention of returns in-kind during the BP-22 period. This would give customers time to assess the operational viability of the different scenarios presented, including whether Bonneville should include a capacity component when pricing losses. At minimum, Avangrid requests additional analysis and discussion of all the alternatives associated with transmission losses before Bonneville moves forward with its decision process.⁷

3. EIM Base Schedule Timelines

At the June Workshops, Bonneville requested feedback on the two alternatives under consideration for setting the financially binding EIM base schedule timeline.⁸ Avangrid is initially inclined to favor the T-50 alternative, to minimize exposure to EIM congestion costs, but would like to see more analysis on why other EIM Entities rely upon T-57 and possible seams issues to determine if T-50 is a workable option overall.

According to Bonneville, its current scheduling timelines are not compatible with the EIM scheduling timelines, which means that while customers will still be able to utilize the

³ June 24 Presentation at 83.

⁴ *Id.* at 82.

⁵ *Id.* at 18-58 (including 2 issues and 8 alternatives for Network Loss Factor, 6 alternatives and 2 options for Line Loss Settlements, and 3 methods plus 3 alternatives and 2 cost recovery options for Pricing Losses).

⁶ *See id.* at 13-17.

⁷ Bonneville anticipates deciding Line Loss Settlements in August whereas both Network Loss Factors and Pricing Losses will move on steps 5 and 6 of Bonneville's decision process at the July 28, 2020 workshop. *Id.* at 58.

⁸ TC-22, BP-22 and EIM Phase III Customer Workshop at 112 (June 23, 2020) [hereinafter June 23 Presentation], available at <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Pages/Meetings-and-Workshops.aspx>.

WECC e-tagging timelines to make e-tag adjustments or submit new e-tags 20 minutes prior to each 15 minute timeframe, there may be financial consequences for changes made after the EIM financially binding point in time.⁹ Among the potential financial consequences, Avangrid is primarily concerned with EIM congestion charges. Congestion generally leads to differences in the Locational Marginal Price (“LMP”) between generation and load whereby generation “behind” congestion is likely to receive a lower price than the price paid on the other side of that congestion. Congestion “rents” that result from the differences in the LMPs could be either charges and credits and must be allocated by Bonneville. Bonneville plans to address sub-allocation of EIM charge codes in the BP-22 rate proceeding.¹⁰ As Bonneville acknowledged at the June Workshops, however, customers have provided feedback that charging existing long-term firm transmission customers EIM-based congestion costs for simply using the existing transmission rights that they have already paid for, goes against the value proposition of that firm transmission service.¹¹

Other EIM Entities consider the financially binding point for base schedules to be T-57 (“Alternative #1”), which Bonneville refers to as the status quo. Bonneville is also considering allowing changes to base schedules up to T-50 (“Alternative #2”), however, which would require Bonneville as the EIM Entity Scheduling Coordinator to make base schedule changes on behalf of its customers after T-55. Bonneville asked for feedback on these alternatives and specifically whether there is a compelling reason to adopt something other than the status quo.¹²

Avangrid notes that Alternative #2 would allow customers seven additional minutes to make schedule changes before submitting a financially binding schedule, which would minimize some of its exposure to EIM congestion costs. Avangrid appreciates Bonneville’s willingness to evaluate alternatives that would minimize the company’s exposure to congestion costs, but has concerns about the feasibility of Alternative #2. Bonneville should do more analysis to determine why other EIM Entities have consistently relied upon the status quo. It is not currently clear to Avangrid whether the benefits from the additional seven minutes would be outweighed by burdens, including additional market complexity for all market participants.

4. Generator Interconnection Reforms

Avangrid appreciates Bonneville’s work developing repower and replacement alternatives for the Large Generator Interconnection Procedures (“LGIP”) and implementing the remaining Federal Energy Regulatory Commission (“FERC”) Order No. 845 reforms.¹³ Bonneville’s interconnection policies are important to Avangrid and the company has separately requested that these proposed revisions be addressed in more detail during the July 15 Workshop.

Bonneville explained that as customer’s generating facilities are aging, some have found it necessary to replace and update their equipment, which prompted Bonneville to develop the four alternatives for repower and replacement provisions in its LGIP presented at the June

⁹ *Id.* at 99, 102.

¹⁰ *Id.* at 101 (“BPA will be looking at these concerns in the rate settlement process”).

¹¹ *Id.*

¹² *Id.* at 112.

¹³ June 24 Presentation at 59-68.

Workshops.¹⁴ Bonneville also implemented eight of the ten reforms outlined in FERC Order No. 845 as part of the TC-20 Settlement and agreed to a phased-in approach to implement the two remaining reforms.¹⁵ Since that time, FERC issued a rehearing order and numerous orders addressing other transmission providers' compliance filings.¹⁶ Bonneville indicated that it made four more substantive edits¹⁷ based primarily on PacifiCorp and Portland General Electric's compliance filings and published a redlined Attachment L, but did not substantively review the proposed revisions during the June Workshops. Instead, Bonneville requested targeted questions on the redlines and suggested a customer-led workshop may be appropriate if multiple customers were interested in the revisions. Avangrid has separately requested additional information be provided at the July 15 Workshop.

5. Secondary Revenue Proposal

Finally, Avangrid supports the continued exploration of Bonneville's proposal to reduce its reliance on secondary revenue in the base power rates.

At the June Workshops, Bonneville introduced customers to a construct that would decrease over time Bonneville's dependence on its secondary revenues for purposes of recovering its costs, without creating additional rate pressure when the secondary revenue forecasts are the same or less than the amount of secondary included in the previous rate period's base rates.¹⁸ Bonneville explained that the variability associated with secondary revenues makes it the largest risk factor for Power Services rates and causes Bonneville to rely heavily on its risk mechanisms, which often trigger in difficult times. When secondary revenues come in lower than expected, Power Services must dip into its financial reserves. Due to the historically low levels of secondary revenues in the current rates, Bonneville believes now is an opportune time to reduce BPA's dependence on secondary revenues for purposes of recovering its costs.

Avangrid applauds Bonneville for this creative approach to bolster the agency's financial health without forcing rate pressure or simply waiting to rely on its traditional risk measures. The current impacts of COVID-19 on the national economy and the Administrator's recent decision to suspend the Financial Reserves Policy Surcharge,¹⁹ which was intended to build Bonneville's cash reserves, underscore the importance of this kind of action and highlight the timeliness of BPA's proposal. The new secondary revenue construct is simple, has merit and should be evaluated further to reduce risk to the agency's financial reserves and help bolster the agency's overall financial health.

¹⁴ *Id.* at 61.

¹⁵ *See* TC-20 Settlement Agreement.

¹⁶ *See e.g., Reform of Generator Interconnection Procedures and Agreements*, Order No. 845-A, 166 FERC ¶ 61,137 (Feb. 21, 2019); *PacifiCorp*, 169 FERC ¶ 61,223 (Dec. 19, 2019); *Portland General Electric Company*, 171 FERC ¶ 61,026 (Apr. 16, 2020).

¹⁷ BPA's revisions focus on R1 (Interconnection Customer's Option to Build), R3 (Identification and Definition of Contingent Facilities), R9 (Utilization of Surplus Interconnection Service) and R10 (Material Modification and Incorporation of Advanced Technologies).

¹⁸ June 24 Presentation at 69-75.

¹⁹ *See generally* BP-20E Expedited Rate Proceeding, Administrator's Final Record of Decision, BPA Docket No. BP-20E-A-01 (June 29, 2020), available at <https://www.bpa.gov/Finance/RateCases/BP-20E-Rate-Case/Pages/BP-20E-Rate-Case-Proceeding.aspx>.

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