

Comments of the M-S-R Public Power Agency *Transmission Losses*

The M-S-R Public Power Agency¹ (M-S-R) appreciates the opportunity to comment on BPA’s initiatives respecting transmission losses. M-S-R understands BPA’s transmission loss discussions to date address four issues:

- (1) Updating the loss factors;
- (2) Redefine the financial loss rate;
- (3) Addressing the 168-hour delay for in-kind loss returns; and
- (4) Determining the loss factor BPA needs to provide to the California Independent System Operator (“CAISO”) for use in CAISO’s determination of BPA’s Load Base Schedule.

M-S-R understands that the fourth item is the only initiative necessary for BPA to participate in the Western Energy Imbalance Market (“EIM”). The first three aspects of the Transmission Losses initiative are the focus of these comments. M-S-R understands Staff’s current proposals on the three issues to be:

- (1) **Updating the loss factors.** BPA performed a new study and intends to apply the study results to apply loss factors that reflect seasonal differences. The loss factors may differ each month, and may be reset each rate period.
- (2) **Redefine the financial loss charge.** BPA intends to change from the current monthly average of Mid-C heavy load hour prices, plus a 15% adder, to a capacity charge of \$6.65/MWh, plus the hourly energy price determined

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.

either by Powerdex or, once operational, the EIM load aggregation point (“LAP”) price.

(3) **In-Kind Loss Returns**. M-S-R understands Staff’s preference would be to eliminate in-kind loss returns and require all customers to pay for losses through the above described financial losses charge. An alternative discussed has been to move to concurrent loss returns, rather than the existing 168 hour delayed loss returns. Because of complexity and system development limitations, BPA is unable to implement concurrent loss returns during this rate period. Instead, BPA Staff is proposing to impose a charge of \$3.00/MWh on in-kind loss returns, which BPA Staff asserts is necessary to compensate BPA for generating capacity necessary for the 168 hour delayed loss return.

All three of the changes add layers of complexity to loss returns on BPA’s system. With loss factors changing monthly and financial loss charges changing hourly, settlements will be significantly complicated.

The second and third proposals introduce a capacity charge to the losses charge, the support for which is less than clear and convincing. M-S-R is not aware of any other transmission utilities in the region imposing a capacity charge on loss returns.

The addition of a capacity charge to in-kind loss returns is a new charge imposed on an existing service, taxing all point-to-point transmission customers that utilize in-kind loss returns with no additional benefit. With regard to the financial loss return proposal, a number of customers questioned how the new charge compares with the existing financial losses charge. The initial indication from BPA Staff was the charge would be significantly lower. However, it is difficult to see how the capacity charge will be less than the existing adder, even if weighted to heavy load hour prices. For the \$6.65/MWh capacity charge to be less than the 15% adder the average heavy load Mid-C price would need to exceed \$45/MWh, which is not consistent with market prices. M-S-R understands additional analysis is in the works, but with the information to date M-S-R presumes the charge will impose a significant cost increase on transmission customers.

M-S-R urges BPA to maintain the status quo on Transmission Losses until the next rate case. A delay is justified by the complexity of the losses issues, the lack of need for the changes for the EIM, the numerous other changes in play, and the significant increase in costs associated with the proposed changes. Given the

issues customers are facing beyond the rate proceeding deferring the Transmission Loss issues is necessary to give customers adequate time to analyze the changes while allowing BPA time to develop the systems necessary for concurrent loss returns.