



May 12, 2020

Re: NIPPC comments on BPA 4/28/20 Workshop

NIPPC appreciates the opportunity to provide comments to BPA on the topics below:

1. Charge Code Allocation

NIPPC notes that BPA has rejected adopting a proven sub-allocation mechanism already successfully implemented by other EIM entities and instead decided to develop a BPA-unique sub-allocation mechanism. Unfortunately, BPA made this decision without first providing customers much of the information they requested earlier in the process: specifically, detailed illustrative examples of allocation of charge codes by customer type and the connection of sub-allocation to other work streams.

NIPPC recognizes that BPA has decided to develop its own allocation mechanism which will directly allocate to customers some charge codes while deviating from charge code allocation policies approved for other EIM entities by FERC. This decision contributes to NIPPC's core concern that the charge code allocation policies adopted by BPA will have the effect of creating "seams" — because while existing EIM entities will be allocating CAISO charges and credits one way, BPA will be allocating those charges and credits in a different way. BPA will be creating a potential misalignment of credits and charges across the EIM footprint. In addition, there is a risk that BPA's decision will shift costs to transmission customers while shifting credits to power customers. Moreover, NIPPC is also concerned that the decision will have the effect within transmission rates of shifting costs to point to point customers while shifting credits to network customers.

These, and other, factors suggest that BPA's decision to join the EIM may have less to do with marketing energy on a sub-hourly basis than with obtaining a non-wires mechanism to manage congestion on BPA's transmission system. NIPPC is very concerned that BPA is on a policy path that will result in transmission customers (or a subset of transmission customers) bearing the costs of participating in the EIM (by compensating BPA for the cost of capacity needed to satisfy the EIM capacity screens and donating transmission) while revenues from BPA's EIM transactions are shared only with BPA's Power customers. NIPPC's core suggestion is that the costs of this congestion man-

agement tool should be shared by all transmission customers and to the extent BPA's use of the tool results in revenues, those revenues should first be allocated to transmission customers to fully compensate them for their contribution to the costs of participating in the EIM. Only after EIM revenues cover all the costs of EIM participation should any surplus be shared with Power customers.

With regard to BPA's specific proposed sub-allocation, NIPPC does support the decision to allocate directly to customers the Base Codes and the associated Neutrality Codes. The Base Codes represent the actual charges to the customers for their deviations from their schedules, while the Neutrality Codes are intended to resolve any under or over collections of the underlying Base Codes. NIPPC also supports allocation of over and under scheduling penalties to the customers who cause them.

On the other hand, NIPPC still awaits further details to understand why BPA proposes excluding other codes from sub-allocation. BPA justified its decision to pursue its unique allocation mechanism based on high level principles related to administrative burden (on BPA and customers) and the need for more data and experience in the EIM before implementing the FERC approved allocation. BPA provided a description justifying why staff thought it appropriate to allocate certain charge codes. But BPA did not provide any analysis describing why other charge codes would not be sub-allocated at this time. In its presentation, BPA provided a listing of charge codes that would be excluded from sub-allocation in BP-22:

- Bid Cost Recovery Codes
- Flexible Ramp Codes
- Grid Management Charge Codes
- Enforcement Protocol (EP) Penalty Code
- Administrative Codes

NIPPC requests that BPA provide a detailed description of each of these charge codes and an analysis of the expected incremental administrative burden or other justification for delaying sub-allocation for each of the excluded charge codes. NIPPC also requests analysis of which of BPA's rates each excluded charge code will fall under, especially if those charge codes will be recovered through transmission rates (in whole or in part through generation inputs or similar calculation).

2. Timelines for Base Schedules

NIPPC notes with concern that BPA will change its scheduling timelines and likely require point to point customers to submit their schedules by T-75 rather than the current T-20. Losing nearly a full hour of transaction time may have a significant impact on the bilateral energy market. At the same time, NIPPC recognizes that other entities have joined the EIM and the bilateral market seems to have adapted to the new scheduling timelines in those markets. But the dramatic change in scheduling timelines does represent a significant change to the bilateral energy market that makes up the bulk of point to point use of BPA's system. NIPPC has expected that this significant reduction

in customer's scheduling flexibility would be offset with benefits beyond the singular benefit that BPA continually points to — that the EIM provides BPA with a non-wires mechanism to manage congestion on its system. But this expectation remains unfulfilled.

NIPPC is also concerned that the EIM scheduling timelines will preclude BPA from continuing to offer VERBS customers the ability to manage their exposure to capacity charges through the scheduling elections. As NIPPC has stated previously, the scheduling elections have been an effective way to reduce the quantity of reserves that BPA must carry; losing these options will likely put significant upward pressure on VERBS rates. NIPPC has raised these concerns in multiple rounds of comments, yet BPA has provided no assurance that it will seek to explore alternative mechanisms to reduce the upward rate pressure on VERBS rates. In fact, when presented with the opportunity to do so, BPA decided that it would not follow up the TC-20 Settlement Shaped Solar study with any effort to apply a shaped reserve obligation to reduce the amount of capacity that must be set aside to meet integration needs — even to the extent of simply describing the workload and timeline needed to allow customers and BPA to make an informed decision. As stated in earlier comments, NIPPC believes that BPA should begin the process of developing a reserve commitment calculation that more broadly incorporates load and generation forecasts. NIPPC also notes that, to date, BPA has not provided an acknowledgment nor a substantive response to those comments. As BPA moves closer to joining the EIM, it should take advantage of the greater geographic diversity and additional forecasts to develop an option that would shape the reserve commitment based on near term load and generation forecasts rather than biennial forecasts.

In that same vein, NIPPC urges BPA to respond to NIPPC's request to convene a workshop to educate CAISO on the tools that BPA and renewable developers have used to reduce integration costs on BPA's system.

3. TC-20 Settlement/Shaped Reserve Requirement

As noted above in the comments on Base Scheduling Timelines, NIPPC does not support BPA's decision to delay development of a shaped quantity of reserves for the ancillary services products. While NIPPC recognizes that there would be sufficient solar generation in the next rate period to justify a shaped reserve program limited to solar, NIPPC had suggested expanding the exploration of a shaped quantity to include wind generation. This concept could have been developed into a mechanism to put downward pressure on the VERBS rates which is even more significant because it appears that the other tools BPA and VERBS customers have used to keep VERBS rates down will no longer be available (e.g., the committed scheduling options). VERBS customers have supported expansion of the EIM with the expectation that the larger geographic footprint would reduce the overall cost of integration of renewables. BPA, however, is now signaling that those costs are likely to increase — which is not only inconsistent with renewable integration studies but also, in NIPPC's view, bad public policy.

4. NIPPC requests a response

Throughout this document — as well as in comments submitted following earlier workshops — NIPPC has posed questions and requested additional information. Please convene a “customer led” workshop for BPA staff to provide the requested information.