



January 7, 2020

Re: NIPPC comments on BPA 12/12/19 Workshop

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

1. Losses on EIM transactions

No comments at this time.

2. Losses on Scheduled Transactions

In-kind loss returns to BPA are an important feature of the NW energy market. NIPPC members active in trading value the ability to return losses to BPA in-kind.

BPA has acknowledged that its current mechanism for calculating financial settlement will need to be revised. NIPPC agrees that the current mechanism for financial settlement is inappropriate if BPA eliminates in-kind loss returns. Before supporting proposals to eliminate in-kind loss returns, NIPPC and its members would need to have a much better understanding of the mechanism BPA will use to calculate the financial settlement of transmission losses.

During the workshop, BPA described the quantity of staff time that is dedicated to resolving customers' problems with in-kind loss returns. Much of that staff time seemed devoted to resolving errors or rescheduling missed deliveries. Would BPA consider a compromise that would allow customers to return losses in-kind with financial settlement of any errors in scheduling the in-kind loss returns?

In the presentation, BPA concedes that over time, physical return of losses results in roughly neutral energy related revenue to BPA. BPA, however, also notes that it is not compensated for the value of capacity needed to provide losses. Please provide more information regarding the capacity that BPA commits to cover losses. Please confirm that BPA considers a customer's obligation to return losses to be capacity; and if BPA does not consider that obligation to be capacity, please explain why.

3. Allocation of Charge Codes

NIPPC believes that the list of principles BPA laid out is incomplete and should be expanded to include a commitment to avoid transmission customers' subsidization of power rates. A revised list of proposed principles is below:

- Equitable cost allocation between Federal and non-Federal users of the transmission system;
- Prevent cross subsidy of power rates by transmission customers;
- Behavior-driven cost causation where practical, to incentivize appropriate market behaviors;
- Mitigate seams and potential for charge code allocation misalignments with other EIM Entities;
- Full and timely cost recovery, considering cost causation while balancing with simplicity;
- Develop understandable and transparent methodology that we can build upon as we gain experience in the market;
- Feasibility of implementation, recognizing forecasting constraints and administrative implications.

NIPPC also requests additional education related to the issue of allocation of charge codes.

It would be useful to have a glossary describing each charge code in detail. It would also be useful to have a crosswalk between the CAISO charge codes and BPA's existing rates. NIPPC recognizes that some charges will be entirely new; but it also appears that many charge codes have an analogous charge in BPA's existing rate structure. Where those analogs exist, they should be described. In coming to agreement around how charge codes should be allocated in the future, it will be useful to understand how the costs associated with those charges are recovered in rates today.

One of NIPPC's core principles is to "ensure efficient and transparent pricing signals are sent to all market participants facilitating investment in electric power supply and transmission infrastructure." Accordingly, NIPPC will likely support direct allocation of charge codes to customers where feasible. The costs and credits associated with the various charge codes appear to represent a price signal that market participants must have in order to make informed decisions in the market. These price signals are also likely to incent behavior that reduces the overall cost of the various charges to individual customers. NIPPC believes that customers who adapt their behavior to minimize these charges should not be responsible for subsidizing or sharing the charges incurred by customers who do not change their behavior.