



September 14, 2020

Re: NIPPC comments re BPA August Workshops (Transmission Losses)

NIPPC appreciates the opportunity to submit these comments.

Loss Factors

NIPPC supports BPA staff's proposal to update system loss factors. NIPPC encourages BPA staff to consider seasonal loss factors. NIPPC is concerned that monthly loss factors will unnecessarily complicate the market for bilateral energy transactions, by requiring parties to constantly revise their determinations of price and quantity depending on each month. Instead, NIPPC would support two seasonal loss factors; summer and non-summer. For the months of both proposed seasons, the monthly loss factors vary very little. Adopting seasonal loss factors would serve BPA's purposes in ensuring that loss factors are accurate and that customers compensate BPA for transmission losses; while at the same time avoiding unnecessary complication to the bilateral market.

Capacity Charges for Losses

NIPPC encourages BPA to reconsider its proposal to add a capacity component to loss returns. NIPPC is unaware of any other transmission provider which imposes such a charge on its transmission customers — such a charge is not industry standard. NIPPC is concerned that if BPA were to take the lead in imposing such a charge on transmission customers, other transmission providers will follow suit. This in turn would result in higher charges to BPA loads in other balancing areas.

NIPPC members support BPA continuing to provide customers with the option to return losses in kind or settle those losses financially. NIPPC's members also recognize the value that BPA provides — as a transmission operator — in providing losses to maintain the reliability of the grid. NIPPC, however, reminds BPA that transmission service is a cost based service and that transmission rates should not be priced based on a forecast market value for capacity.

NIPPC also encourages BPA to delay implementation of a capacity component for real power loss returns. At the same time, NIPPC encourages BPA to move to implement concurrent loss returns for the BP-24 rate period. Before now, BPA has never imposed (or even proposed) a capacity obligation on loss returns. BPA is currently undertaking other more significant changes to its operations and rate structures that are far more significant. While NIPPC members do not necessarily agree with the need for — or the proposed calculation of — a capacity component for the 168-hour physical return for losses; NIPPC members would prefer BPA focus its efforts on implementing concurrent or near-concurrent loss returns in future rate periods. Accordingly, NIPPC suggests that developing and implementing a methodology to include capacity charges as part of physical loss returns is an inefficient use of BPA staff resources when that charge will only apply to a single rate period.

NIPPC also agrees with the comments raised by Puget at the recent workshop that if BPA imposes a capacity charge on losses, it must compensate customers subject to “Real Power Loss Return Waivers” for BPA retaining the option to put energy back to its customers especially in a negatively priced market. Currently, this option is available to BPA for the entire rate period, not just those hours when it is deployed — and is appropriately a capacity product.

As BPA begins to consider changing the timing of physical loss returns from 168-hour-lagged to “concurrent”, NIPPC asks BPA to consider that not all of BPA’s customers use fixed schedules to deliver their power. Any proposal to move towards concurrent loss returns must consider customers who use dynamic schedules and pseudo-ties and how those customers will be able to return losses in kind. NIPPC anticipates that many customers would support an option that allowed in-kind loss returns with a delay of 2-4 hours; which should negate the need for imposing a capacity charge for that delay, or require an exceedingly small charge.

Pricing of Energy for Losses

NIPPC also encourages BPA staff to develop a reasonable price for financial settlement of the energy component of loss returns. An arbitrary 15% percent addition to a bilateral index is not in line with other EIM BAAs nor industry standards. NIPPC supports BPA moving to a transparent LAP settlement price for loss service.

NIPPC understands that BPA is currently charging its Network Transmission Service customers for losses through its power rates. If so, this would be inappropriate considering that one of the underlying purposes of FERC’s Open Access Transmission Tariff was functional unbundling of transmission and power services and rates. While all of BPA’s Network Transmission service may also currently be its power customers, this may not be true in the future. NIPPC encourages BPA to revisit this issue in future workshops to explain how Network Transmission customers who are not also BPA’s power customers are contributing their share of system losses, and why these rates should not be unbundled.