

July 10, 2020

Submitted electronically to techforum@bpa.gov

RE: Comments on 6/23 and 6/24 BPA Rate Case Workshops

Northwest Requirements Utilities (NRU) submits the following comments in response to certain topics discussed during the June 23rd and 24th TC-22, BP-22 and EIM Phase III BPA workshops.

Workshop Schedule and Timing

We are extremely concerned with the lack of time between now and when BPA needs to develop its Initial Proposal for release in November. There are many complicated, challenging and impactful issues that need to go through at least several more iterations of Steps 5 and 6, with BPA staff sharing their proposal, receiving public comment, and working with customers to revise and finalize any proposals that will go forward.

Now that all the workshops will be held virtually, we have the opportunity to modify the workshop schedule to accommodate the challenges and flexibilities provided by remote workshops and provide sufficient time for in-depth discussion. For example, the workshops can start at 9am instead of 9:30am, could be spread over three days instead of two, and are no longer reliant on Rates Hearing Room availability. The workshops could be sectioned into morning and afternoon sections, with one topic assigned to each section and allowed to run for as long as needed. We would then break until the start of the next section. Since attendance is remote, we are all able to work on other things until the workshop resumes.

Here is an example schedule:

	9am until finished (or noon)	1pm until finished (or 4pm)
Tuesday	EIM charge code allocations	Gen inputs, part 1
Wednesday	Transmission losses	Gen inputs, part 2
Thursday	Net secondary revenues	Tariff changes

Transmission Losses

NRU appreciates BPA grouping together all topics related to transmission losses during the workshop on June 24th. We believe it is important to define the key issues and develop solutions.

The first issue we have identified is that there is currently some amount of transmission losses that are being incurred but not being compensated for. In order to maintain reliability of the transmission system, BPA relies on the FCRPS to fill in the gaps but there is currently no compensation for this.

NRU believes that implementation of the following package of solutions would start to address this issue. NRU recommends these changes are implemented in BP-22 and that BPA and customers monitor the situation to see if additional changes would be necessary in BP-24.

- (1) Update the transmission loss factor to reflect present-day conditions.
- (2) Continue to allow customers to provide loss returns *either* physically (in-kind) or financially.
- (3) Implement a penalty structure for failure to return losses.

Below is further discussion of our package proposal.

Issue 1: Transmission Loss Factor

NRU believes it is prudent for BPA to update its transmission loss factor to account for changes in system topology and use of the system. The existing loss factor is 20 years old.

In terms of loss factor granularity, NRU recommends balancing complexity with accuracy. BPA's June 24th presentation shows a notable difference in the loss factor in the summer months compared to the rest of the year (2.3% to ~1.9%). NRU proposes that BPA implement two loss factors, one for the summer months (June through September) and one for the rest of the year (which would be calculated using the weighted, average loss factor for the "non-summer" months of October through May).

NRU assumes that the loss factor will be stated in the transmission Tariff, meaning that it will be updated only during a Terms and Conditions case, which are presently every two years. Thus, NRU does not expect having two loss

factors (summer and non-summer) set every two years (at the most) to be overly administratively burdensome for transmission customers.

Issue #2: Method to Return Losses

NRU supports BPA allowing customers the option to return losses physically (in-kind) or financially. NRU is extremely concerned with the prospect of relying on the FCRPS to supply all losses to all customers. The FCRPS has limited capabilities and we want to ensure it is available to the highest value use(s) and does not impinge upon preference customers' rights, now and into the future.

NRU sees no compelling reason to require financial loss returns for all customers. NRU does see considerable risks with requiring financial returns, especially committing the FCRPS to supply losses. This would become an off-the-top obligation of the FCRPS and would diminish the capability of the FCRPS to meet preference customers' needs. There are numerous unknowns in the future that may require increased use of the FCRPS by preference customers, such as resource adequacy requirements, integration of intermittent resources, load growth, etc. Even if there is surplus beyond preference customers' needs, there may be other uses of the FCRPS that can compel more revenues than the provision of transmission losses.

BPA has proposed two options for in-kind loss returns: 168 hours later or concurrently. NRU observes that concurrent loss return losses would further reduce uncompensated-for reliance on the FCRPS and would avoid the need to determine the subsequent reliance on the FCRPS and potential compensation structure. NRU would like to better understand the impact to BPA and customers if BPA were to change to concurrent returns – are there needed system upgrades, changes to business practices, etc.?

Issue #3: Accurate Loss Returns

NRU strongly agrees that transmission customers should be held accountable to the requirements for returning losses. We support BPA's effort to develop a policy that ensures the correct amount of losses are returned at the correct time. BPA's proposed "Financial for Inaccuracy" is heading in the right direction, but more details are needed. Below are areas for further development:

- Are "strikes" based on number of occurrences or MWh amount (or both)? It seems reasonable to look at both occurrence and MWh amounts, as it should better capture any potential gaming that could occur.

- How many strikes would be allowed before action is taken? Would this be based on number of occurrences, accumulated MWh, or some combination thereof? Again, it seems reasonable to consider both metrics in setting the policy.
- The slide says the imbalance will continue to be carried forward and the customer has the opportunity to correct their scheduling issues. Will the customer also be required to return those losses? How will BPA ensure that the timing of the make-up loss return isn't gaming the system by returning losses at a lower-value time?

NRU believes that the package proposed above would resolve several identified issues in BPA's existing loss return practices. It would also narrow the circumstances in which the FCRPS would be used, enabling us to begin more focused conversations on how to appropriately price the expected use of the FCRPS. NRU believes the FCRPS should be appropriately compensated. We will be able to provide better feedback on BPA's pricing concepts once we have better defined how the FCRPS will be used.

On the general topic of transmission losses, NRU would like to know whether BPA has been more regularly updating the loss factor for the Montana Intertie and Southern Intertie or if it intends to do so.

Changing the Rate Treatment of Secondary Revenues in Base Rates

NRU appreciates BPA staff's efforts in brainstorming potential changes to how secondary revenues are treated in the Tier 1 rate. This is responsive to the feedback NRU members have provided to BPA in wanting more rate stability over time.

NRU supports continued efforts to design a potential change to how secondary revenues are treated in base rates. We agree that now could be the appropriate time given the relatively low amount of secondary revenue included in the Tier 1 rate. We also agree that any change to how secondary revenues are treated should **not** cause an immediate rate impact and appreciate that BPA's staff proposal meets this parameter.

Further discussions on rate design changes are warranted but need to also include discussion of potential changes to certain aspects of the Financial Reserves Policy, such as the lower threshold and existence of the surcharge and the upper threshold and use of excess reserves.

Technical Requirements for Non-Participating Resources

NRU appreciates the information provided on slides 79-80 of the June 23rd presentation, including confirmation that these requirements apply only to resources that are 3 MW or greater.

Conclusion

We appreciate the work that BPA staff puts into developing materials for these rate case workshops and leading the workshops. These issues are tremendously important to NRU members as they directly impact the affordability and reliability of their power and transmission. We want to ensure sufficient time to understand the issues and discuss the best approaches to move forward. Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in cursive script that reads "Megan Stratman". The signature is written in black ink and is positioned below the word "Sincerely,".

Megan Stratman
Rates and Policy Director