

September 14, 2020

RE: Comments on 8/25 BPA Workshop on Transmission Losses

Northwest Requirements Utilities (NRU) submits these comments in response to the proposals regarding transmission losses that were shared at the August 25th BP-22 and TC-22 workshop.

NRU recognizes the complexity of the issues related to transmission losses and appreciates BPA's efforts to clearly articulate each. These comments follow the structure laid out in the August 25 workshop materials.

Issue 1 – Should BPA allow customers to choose to supply in-kind losses in BP-22?

NRU strongly supports BPA's proposal to retain the option for customers to supply in-kind losses in BP-22.

While NRU firmly believes in-kind loss returns should remain an option after BP-22, BPA has implied that the agency will potentially move to financial-only loss returns at some point in the future. NRU again requests that BPA provide an analysis of the FCRPS' ability to provide financial-only losses and whether that is the highest and best use of the FCRPS' capability. NRU does not consider providing financial loss returns as a higher priority than meeting future preference customer needs, including load growth, increased "peakiness" of retail loads (such as due to increased integration of distributed energy resources), and ability to meet new requirements, such as resource adequacy.

Issue 2 – Should BPA update its network loss factor?

NRU strongly supports BPA's proposal to update its network loss factor to better reflect today's transmission system.

Issue 3 – Should BPA adopt a seasonal and/or diurnal loss factor?

NRU strongly supports BPA adopting loss factors that reflect the seasonality in the amount of losses incurred on the system. To balance accuracy with administrative complexity, we would recommend either monthly or seasonal loss factors to best capture the differences in factors over the year. If seasonal factors are used (instead of monthly), it is important that the defined “seasons” capture the months that exceed the average loss factor of 2.03%, e.g., January, February, June, July and August.

Issue 4 – How should BPA calculate the cost of providing loss services and how will that cost be allocated to customers that use those services?

NRU strongly supports BPA employing a rate structure that ensures the FCRPS is appropriately compensated for being used. BPA proposes to set the cost of capacity equal to the embedded cost of capacity of the FCRPS, using the same methodology that is used to set contingency and balancing reserve services. It seems reasonable to use an existing and well-vetted pricing methodology to inform the pricing of similar services. NRU also supports BPA offering different “Loss Service” options based on the customer’s circumstances.

However, NRU needs further explanation on how the embedded cost of capacity is converted into a \$/MWh service fee before we are able to comment on the overall proposal to price “Loss Service” options.

Additionally, NRU recommends using more than one year of historical data to convert the embedded cost of capacity into a \$/MWh service fee. This would better capture the variation in transmission usage due to differences in water (i.e., generation) and weather (i.e., load) conditions over the years. For example, BPA could use three years of historical data.

BPA should allow customers to switch between Loss Service A (in-kind returns) and Loss Service C (financial losses) on a BPA fiscal year basis.¹ Certain preference customers may choose to use non-federal resources to serve their Above Rate Period High Water Mark Load (ARHWML) and will thus need to return losses. They may try one approach (in-kind or financial) and decide that is no longer a viable option for them, due to excessive cost, lack of available third-party loss return providers, or administrative burden. Thus, they should be allowed to choose the other option on an

¹ We assume BPA will not maintain a single flat annual loss factor, so Loss Service B will not be applicable.

annual basis. This flexibility is important to ensure they are truly able to use non-federal resources to serve ARHWML, but still addresses BPA's concern about customers jumping between in-kind and financial on a monthly basis depending on which is the better deal for them at this time. NRU wants the ability to switch between in-kind and financial, on an annual fiscal year basis, in order to ensure smaller customers have a real option of using non-federal resources.

As discussed during the workshop, the NT formula rate shown on slide 87 of the presentation needs to be modified as the loss return service would apply *only* to non-federal resources, not metered load. This is because losses are already included in the federal power delivered to NT customers.

Issue 5 – Should BPA adopt a Financial for Inaccuracy (FFI) rate to encourage customers to meet their loss obligations?

NRU strongly supports BPA's proposal to adopt an FFI rate to ensure customers return losses accurately and on time. NRU supports the proposal to use the "Loss Service C" (financial-only losses) multiplied by a "penalty-factor" as the formula for the FFI rate. NRU recommends that the "penalty-factor" is at least two (2x) to ensure an appropriate price signal is sent to customers that are not accurately or timely returning losses. It is especially important that the FFI rate is structured as a "penalty" rate since BPA is not proposing to keep track of customers' recurrent errors in returning losses and has no other mechanism to incent proper behavior and avoid uncompensated use of the FCRPS.

Issue 6 – Should BPA move to concurrent losses and, if so, how quickly?

Moving to concurrent loss return eliminates the need to ensure proper compensation for the use of the FCRPS. However, this will necessitate changes to BPA's and customers' systems and business practices. NRU recommends further conversation on this issue to ensure all parties, including BPA, understand the cost and complexities of modifying their systems and business practices and ensure there are not any unintended consequences. NRU observes there should be sufficient time between now and BP-24 workshops to dive into this. Finally, NRU observes that BPA is undertaking enormous changes to its systems and processes right now due to its potential participation in the Energy Imbalance Market. It seems prudent to ensure those systems are operational and effective prior to undertaking another major change.

Thank you for the opportunity to submit comments.

Sincerely,

A handwritten signature in black ink that reads "Megan Stratman". The signature is written in a cursive style with a long horizontal flourish at the end.

Megan Stratman
Rates and Policy Director