

Submitted via email to techforum@bpa.gov on July 8, 2020

RE: Comments on BPA’s June 23 and 24 TC-22, BP-22, and EIM Phase III Workshop

PPC appreciates the opportunity to comment on BPA’s latest TC/BP/EIM workshop. The addition of a second day to this latest workshop was very helpful. It was important to provide sufficient time for discussion of these key topics. Even with the additional day, some topics required more than the planned agenda time to answer customers’ questions. PPC asks that BPA thoroughly review its planned agenda for the July workshop and add additional agenda time if needed to allow discussion. As we get closer to the beginning of the tariff and rate case proceedings, it will be important that each of these workshops include sufficient time for discussion to help customers understand BPA’s proposal and provide feedback in advance of the Initial Proposal.

To this end, we are supportive of BPA’s plan to share a summary of its positions on TC/BP/EIM issues in August to allow customers to comment on the full package of proposals. It will be important that proposals introduced/finalized in August are understood well enough for customers to provide robust comments on “the full package.” BPA should set the comment date, with this in mind, allow for discussion at the customer-led workshop in advance of the comment deadline.

For many of the topics addressed at the June 23 and 24 workshop, PPC is anticipating that additional discussions will further inform our perspectives and we may offer subsequent comments after follow-up conversations. The following comments are provided as initial reactions to inform further discussion on these topics at subsequent workshops.

Resource Sufficiency

RS Issue #1: What Options are Available to Balance the BAA in the EIM?

In PPC’s previous comments on RS Issue #1 we were generally supportive of Alternative #2 – collecting load forecasts from customers but asked that the agency consider the implementation details of collecting these forecasts and specifically identify the benefits of this additional information. We appreciate staff’s careful review of how the additional information collected from Alternative #2 would be used before moving forward with that alternative. Based on the information shared at the June workshop, we are supportive of staff’s recommendation for Alternative #1 – status quo for the BP-22 rate period. We also agree with staff’s proposal to conduct a data driven assessment prior to BP-24 to determine if additional actions are needed to help BPA pass the Balancing Test.

RS Issue #2: Should BPA Set a Pass Target for RS?

PPC continues to support status quo on RS Issue #2. Based on BPA staff's analysis we agree it is likely not necessary to have a target in place to pass the Capacity and Flex Ramp Sufficiency Tests most of the time. We are also concerned that if an RS Target were established during this rate period, Power Services would be taking on additional responsibility without additional compensation for actions necessary to meet the RS Target. We support staff's recommendation of status quo for BP-22. Additional discussions informed by data after BPA goes live in the EIM should occur prior to BP-24.

RS Issue #3: Should BPA Cover the Gap in the Balancing Test?

PPC looks forward to more discussion on how BPA should address RS Issue #3. While we understand that there is limited data to answer the questions that BPA raised on slide 39 of the June 23 presentation, we would like to further explore these questions with BPA prior to the staff recommendation. Additionally, more discussion is needed on how costs and operations for BPA Power Services may differ based on the alternatives presented on slide 38.

We would also like to understand if there is any difference in the operational impacts between these alternatives. Does BPA believe that one of these alternatives will produce a more reliable outcome than the others?

BPA flagged that some adjustment to its initial approach may be needed because of the number of unknowns associated with this issue. Is that something that might occur mid-rate period? What are some of the criteria BPA would be using to determine if a mid-rate period change is needed?

Transmission Usage on the Network

PPC appreciated the information provided at the June workshop, but would like to have additional discussions on BPA's recommendation prior to commenting on BPA staff's proposal. We generally agree with the "Areas of Risk to Be Analyzed" identified on slides 48 and 49 of the June 23rd presentation. It appears that BPA has identified the right areas of risk and appropriate criteria. We would like to review some of the details of BPA's evaluation of these criteria, including:

- What analysis did BPA perform to ensure there would be minimal impacts to existing customers' use of transmission from this approach?
- Did BPA assess how this may affect both physical and financial congestion (including allocation of congestion rent) given that hourly non-firm is currently offered on an unlimited basis?
- Why did staff determine that only allowing firm donations would significantly impact the potential for EIM benefits?
- How did BPA weigh trade-offs between the various criteria in making their recommendation?

Requirements for Participating and Non-participating Resources in the BAA

PPC appreciated the description of the technical requirements for non-participating resources. This was an issue we had asked to be addressed early in the process to provide some certainty for customers. BPA should continue advocating for open conversations with customers to ensure they have the information they need to be ready for BPA's participation in the EIM.

BPA staff recommended that there be no requirement for a participating resource in BPA's BAA to hold transmission rights. While this likely introduces minimal risk in the BP-22 period, we have some concerns about BPA establishing this as a longer-term policy. We would like to understand how the agency might determine whether a change may be needed in future rate periods. What are some of the metrics BPA will track after going live to help the agency make that decision? We would also like to understand how ongoing discussions on transmission use in the potential extended day-ahead market interact with BPA staff's proposal and how those policies may change the anticipated impacts of this policy.

Generation Inputs

PPC appreciated the thorough overview provided on changes in pricing and capacity associated with Gen Inputs in BP-22 compared to BP-20. We are generally supportive of BPA aligning its approach to pricing different types of capacity (fast vs. slow) more closely with industry standards and market values. Both methodologies developed by BPA appear to be supportable options for achieving this alignment. While there would be some benefit to aligning the methodology for pricing the capacity for reserves with BPA's demand methodology (as it is in Method A), our preliminary assessment is that the simplified approach recommended by BPA (Method B) sufficiently captures the market value of the different capacity products provided. We look forward to some additional discussions on these two proposals.

Transmission Losses

PPC appreciates BPA addressing all three losses-related issues at the June workshop. These issues have areas of overlap, and it is helpful for stakeholders be able to assess these proposals together as a package to understand combined impacts as well as what options are available to address the concerns raised by BPA.

Based on the information provided by staff thus far it appears that there are two main problems resulting from status quo policies which need to be addressed: 1) BPA Power Services is often not being compensated (through delayed in-kind returns or financial settlements) for the energy supplied to cover losses in real-time, and 2) capacity on the FCRPS is being set aside to cover differences between in-kind loss returns and system losses in real time in order to balance the transmission system. BPA has identified additional criteria to evaluate alternatives. PPC does not disagree with these criteria, including minimizing administrative costs, but to date we have not seen information related to these criteria that would justify significant changes from the status quo.

We would like to work together with BPA to identify the package of proposals on transmission losses that best addresses the two issues above while also considering customers' interests.

Given the discussion to date, we think that in BP-22 there are several changes that BPA can make to address the issues identified above, while not unnecessarily disrupting customers' existing business processes. First, updating the loss factor to reduce differences between the actual losses incurred and losses returned will help solve Issue #1. Issue #1 could be further addressed by adopting some kind of "backstop" to prevent customers from regularly not returning physical losses they are responsible for. BPA has created such a backstop with its "Financial for Inaccuracy" proposal. Lastly, to address Issue #2, BPA should work with its customers develop a capacity pricing methodology. Setting the financial loss settlement rate through the rate process would also be a reasonable action in BP-22, particularly if a charge for the capacity associated with losses is developed.

Focusing on these changes in BP-22 appears to be the most direct way to address the two issues identified above. Prior to BP-24, BPA should conduct a data driven analysis to review whether these changes have resolved the majority of the agency's concerns and whether there are outstanding issues that need to be further addressed. It is inappropriate at this time for BPA to assume that such changes will be necessary in BP-24 without first assessing the impacts of changes made in BP-22.

Given this analysis and the limited time remaining ahead of the formal rate case and tariff proceeding, PPC strongly encourages BPA to drop further consideration of financial-only return of line losses ahead of the BP-22 rate period to better focus on more immediate high value areas.

We offer these additional comments on specific aspects of the loss discussion.

Loss Factor

The seasonal and HLH/LLH loss factor analysis provided by BPA was helpful. PPC would like to understand whether this analysis was produced to inform the discussion or whether these are the specific loss factors that would be used in the Initial Proposal. Our understanding is that in the past a robust transmission loss study has been performed to support BPA's loss factor. Would BPA be planning on conducting a similar analysis to support an updated loss factor in BP/TC-22?

Some additional information will help PPC consider the proposed alternatives:

- What implementation challenges are associated with regularly updating the loss factor?
- Is BPA planning on updating these loss factors each rate period?
- How would changes in transmission use impact these calculations? For instance, would BPA's participation in the EIM and changes from historical dispatch cause large deviations from these historical numbers? How would BPA address those changes?

Line-Loss Settlements

Elements of BPA's recommendation on Line-Loss Settlements continue to lack the rigorous supporting analysis and evaluation that has been applied to other issues in this process. Since at least last summer, PPC and other stakeholders have asked BPA to provide more robust support for moving to concurrent or financial loss returns if the agency plans to pursue those changes.

The June presentation continued to lack clear support for those alternatives despite identifying them both as options for either BP/TC-22 or BP/TC-24

As discussed above, BPA has substantiated some issues with the status quo, largely related to customers not returning anticipated losses. However, it is unclear how some of BPA's recommendations would resolve this issue. For instance, if the agency moved to concurrent losses, there would be not additional incentive for customers to return accurate physical losses. In fact, returning accurate losses may be more challenging if customers are responsible for calculating their own loss obligations in real-time. BPA has also not demonstrated that an eventual move to financial only returns is required to address this issue. Other options like "Financial for Inaccuracy" could also help address this issue without significantly disrupting customers' current business practices. Further, although other balancing authorities may use financial only returns, BPA is uniquely situated, and its practices should be tailored to the specific needs of the agency and its customers.

Based on discussions to date, a large driver for BPA's interest in concurrent or financial only losses appears to be avoiding administrative work for implementing the current loss return methodology. While we agree with the objective of limiting additional administrative work where possible, PPC and other customers have repeatedly expressed that the cost savings estimated by BPA from avoiding this administrative work is outweighed by the lack of optionality associated with only allowing financial returns. We remain open to discussion on whether other alternatives methods of loss return are necessary in the future but have not yet heard sufficient justification for significant changes in BP-22.

The agency has also not addressed preference customers' concerns on committing Power Services to supply all transmission losses through financial agreements. BPA has not shown that the FCRPS has sufficient capacity to supply these reserves given other future needs nor that this is the best use of FCRPS capacity. Before obligating Power Services to provide all the losses for the BPA transmission system, a more robust discussion would be needed –including an evaluation of the opportunity costs associated with such a policy. We would like to understand if there are specific circumstances where BPA Transmission would seek supply from a third party instead of the FCRPS to cover losses.

As discussed above, PPC continues to support adoption of "Financial for Inaccuracy," or some other backstop, to ensure that BPA is compensated for the losses it provides. The agency should continue to work with customers to develop this policy, particularly in defining what is "inaccurate" scheduling. The policy should not be overly punitive, but still be strict enough to create incentives for accurate returns.

Pricing Losses

PPC generally supports the idea that BPA Power Services should be compensated for capacity it provides to balance the transmission system, as it is with Generation Inputs. Based on the information provided at the June workshop, it appears compensation for the capacity required to cover losses incurred in real-time on the system could be appropriate, but additional discussion is needed on how that capacity would be priced, how those charges would be applied.

PPC would like to work with Power Services to explore how the different pricing methodologies provided might be more appropriate depending on the approach taken on other loss related issues. Additionally, more clearly delineating between the capacity and energy portions of the discussion would be helpful.

Power Services: Secondary Revenue Treatment

Given the complexity and financial importance of the issue, additional time is needed for public power to work with BPA and for further development of the proposal. We look forward to working closely in the weeks or months and will be submitting separate comments on the treatment of secondary revenues in Power Rates after at the appropriate time.

Conclusion

The next several workshops will be critical to ensure that BPA and stakeholders have an opportunity to fully vet these issues in an open, constructive forum like these workshops prior to the beginning of BPA's formal rates and tariff processes. We encourage the agency to review the outstanding issues and schedule additional time for workshops and discussions, as necessary.

We also request that for the next several workshops, BPA begin to summarize what issues have been officially identified as "implementation" issues that will not be addressed prior to the beginning of the rates and tariff cases so customers can raise any questions related to these issues with sufficient time to address those questions prior to the rate and tariff processes.

We appreciate the opportunity to comment and look forward to upcoming follow-up discussions on these issues.