

Submitted via email to techforum@bpa.gov on September 18, 2020

RE: PPC Comments on TC/BP/EIM Workshop Issues

PPC appreciates the opportunity to comment on various issues covered during the TC/BP/EIM workshop series. Our comments below cover topics that will be further addressed in the TC-22 and BP-22 processes as well as those decisions that will be captured in BPA's EIM Phase III Decision Document. We have appreciated the effort of BPA staff to work with customers throughout the workshop series, particularly given the difficulty of conducting remote meetings in response to the COVID-19 pandemic. The comments below are offered based on our current understanding of the issues addressed in BPA's workshops, which may further evolve as more information becomes available through the rates and tariff processes or other forums.

EIM Implementation, Assessment and Reporting

On several of the items addressed below, we highlight the need for BPA to monitor the impacts of proposed policies once the agency goes live with its EIM participation. PPC recommends that as part of its Phase III close out letter, BPA make a commitment to regularly monitor and report out to customers on various aspects of its EIM participation for the first two years after it goes-live. A quarterly review of BPA's participation, including metrics on specific rate, tariff, and implementation issues could help the agency and customers in any areas where policy revisions may be required in BP/TC-24, or even areas that required nearer term intervention. We are interested in discussing with BPA what types of information might be feasible to provide during such regular reports and whether quarterly updates are an appropriate timeframe for having those discussions.

EIM Entity Charge Code Allocation

PPC appreciates that in its proposal BPA is striving to create a balance between simplicity and ensuring that the correct price signals and incentives are established. We support the agency's efforts to review and learn from how other EIM Entities have approached EIM charge code allocation; however, given BPA's large, complex transmission system and the diversity of users of that system, we are not sure that the approaches used by others are entirely appropriate for the agency in all cases. There may be reasons for BPA to adopt a unique approach on EIM implementation issues based on the specifics of its own system. We look forward to more detailed discussion of BPA's considerations on where those deviations may be necessary in the agency's Initial Proposal.

PPC has some remaining reservations about whether BPA's proposed approach could unnecessarily expose customers to additional costs due to schedule changes after T-57. BPA should continue to work with customers in advance of the Initial Proposal to explore options that might limit these cost exposures, particularly in cases where offsetting credits would later be

assigned back to the BPA BAA. We are aware the Powerex has developed a proposal which may address some of these concerns and would like to hear initial reactions to the proposal from BPA staff at the September workshop.

BPA has stated that its current proposal is part of a “phased in approach” that will be revisited in BP-24 once the agency has data available related to its EIM participation which could further inform future rate design. As part of this phased in approach, BPA should commit to a quarterly review of the assignment of these charges after it goes live in the EIM for at least the first two years of its participation. This measure would help ensure that BPA’s approach to allocating EIM Entity charge codes is not having unintended consequences.

Details on implementing the proposed approach - including potential challenges, system requirements, and workload associated with different alternatives - was not provided during the workshop discussions. This is an area where PPC had sought additional information to help inform our assessment around the risks to successfully implementing various alternatives for cost recovery. If additional information on implementation becomes available, it could further inform PPC’s position on EIM charge code allocation.

In any case, BPA should ensure that it implements charge code allocation in a way that is easily adaptable if unintended consequences occur. This is consistent with BPA’s intent to pursue a “phased in approach” which may evolve over time. We look forward to more discussion on settlement details during the next discussions on EIM implementation and will encourage BPA to be transparent with customers throughout the implementation process.

EIM Losses

It is our understanding that BPA proposes no changes to its current transmission loss methodology in response to the “EIM losses” issue. If this is not correct, we request that BPA clarify this point at the September workshop.

We look forward to additional discussion on assumptions for the EIM loss factor in the next round of EIM implementation discussions. There is not enough information at this time to provide additional comment on the “EIM losses” decision captured in the EIM Phase III draft decision document.

BPA’s proposal to not specifically charge for losses on EIM transfers, but to instead recover those costs from measured demand is likely reasonable. Like other aspects of the agency’s initial participation, BPA should commit to quarterly reports on the costs resulting from losses on EIM transfers to ensure this cost is reasonable and commensurate with the benefits received from EIM dispatches.

Resource Sufficiency

PPC supports no sub-allocation of RS obligations for BPA’s initial go-live participation and encourages BPA to study the impacts of this policy as proposed in advance of BP-24.

We also support BPA not establishing an RS pass target at this time.

PPC agrees that making an hour-by-hour determination of whether to take actions to ensure the RS test is passed is likely appropriate at this time. We look forward to more discussions after BPA goes live on how this approach is working. Part of this follow-up discussion should include a conversation with preference customers on the costs and benefits BPA has experienced from intervening to ensure the RS test is passed and the frequency of that intervention. Once BPA has some additional experience with EIM participation, the agency should reconsider whether more specific guidelines are needed to determine when it will intervene to ensure that the BAA is passing the RS test.

Network Transmission Usage

PPC understands BPA's desire to facilitate additional transmission donations by allowing donation of non-firm transmission; however, the agency must work to ensure that firm transmission use is minimally impacted by this policy. During the implementation phase, BPA should scope whether additional restrictions on non-firm donation are necessary to ensure that those holding firm transmission rights have limited exposure to increased curtailments or costs as a result of this policy. Some monitoring of transmission donation and utilization in the EIM should be included in a quarterly review of BPA's EIM participation. To the extent customers identify any unintended consequences from donation of non-firm transmission, BPA should be prepared to take actions to mitigate any potential harm.

Enabling Participation for Resources in BPA's Balancing Authority Area

BPA's proposal to enable EIM participation with existing service agreements seems appropriate at this time and should minimize the additional workload to enable non-federal resource participation.

PPC agrees that there is a limited risk to allowing EIM participation without requiring a transmission reservation for BP/TC-22. We request that BPA commit to reviewing whether the principles the agency has established for this policy decision are being met by this policy prior BP/TC-24. Included in that discussion should be an assessment of whether this policy has led to any reduction in transmission reservations or a change in transmission purchasing behavior within the BPA BAA. If that is the case, it may be appropriate to revise this policy in future rate and tariff cases.

PPC understands that the proposed six-month delay for non-federal resource participation is driven by implementation challenges, and that as such, it may not be possible for BPA to eliminate this delay. To address potential issues of inequity around participation of federal and non-federal resources, BPA should work with non-federal resources interested in participating in the EIM to mitigate the impact of the proposed six-month delay for non-federal EIM participation. The agency should also work to ensure that this delay is not extended beyond the current proposed six months.

Metering

PPC is pleased with BPA's finding that additional meter requirements will not be necessary to support the agency's EIM participation. To the extent there are any changes in these

requirements, BPA should work to give customers significant advance notice to implement any needed upgrades.

Operational Controls

PPC supports BPA retaining the OCBR tools it uses to manage its system after it joins the EIM. These tools are important to BPA's ability to balance its own Balancing Authority Area (BAA), the responsibility of ensuring that the BAA is balanced will remain with BPA even after it joins the EIM. Thus, it is important that it retain these tools, even if the EIM reduces the potential need for future use.

Ancillary Services Changes to Support EIM Participation

As BPA considers changes to its Ancillary Services as part of its EIM participation, it will be important to maintain the incentives established by BPA's current Energy Imbalance/Generation Imbalance, Persistent Deviation and Intentional Deviation rate designs. Once BPA joins the EIM, the agency's policies on EIM charge code allocation and its ancillary service rate design must be assessed together. We offer the following comments based on BPA's current proposal on EIM charge code allocation. If that proposal changes, additional considerations may be needed regarding the agency's proposed Ancillary Service rates.

Based on BPA's proposed EIM charge allocation methodology, elimination of the current Energy Imbalance/Generation Imbalance penalty bands is likely appropriate, as is moving to pricing to the LMP and LAP for imbalance. This is another area where additional review, once BPA goes live in the EIM, is appropriate. In advance of BP-24, we would like to understand whether BPA has observed any changes in scheduling behavior in BP-22 that increase the amount of reserves that need to be held out in order to balance the BAA. If such an increase is observed, additional discussion may be needed to determine whether removal of the penalty bands has reduced the incentive for customers to accurately schedule and whether revisions to BPA's Ancillary Service design would be appropriate for BP-24.

Based on the limited information that is available on the potential impacts of moving to LMP and LAP pricing, BPA should commit to work with customers if any individual customers are exposed to significant additional charges as a result of this change. Some summary of these impacts should be included in a quarterly report on EIM participation for the first two years the agency is live in the EIM.

The current proposed methodology for allocating EIM charge codes includes an incentive for the BAA to reduce scheduling error overall but does not create specific incentives to avoid chronic scheduling errors within the BAA. Maintaining the Persistent Deviation and Intentional Deviation charges is likely appropriate to continue to incent proper scheduling within the BAA. BPA should work with customers after EIM go-live to ensure there are not unintended consequences of maintaining these charges.

Other Changes to Gen Inputs

PPC supports the proposed changes in BPA's reserve pricing methodology to better reflect the value provided by regulation and non-regulation reserves.

Power Service Allocation of PRSC and EESC EIM Charge Code Allocations

PPC agrees that any allocation of PRSC and EESC costs should be done consistent with the allocation of EIM participation benefits. BPA's proposal to assign PRSC charge codes consistent with its allocation of benefits for its resource participation appears appropriate (consistent with the "off the top" proposal). Likewise, the proposal for allocation of EESC costs to the non-composite cost pool also appears appropriate at this time given our understanding of the level of costs likely to be incurred. Costs and credits assigned to Power Services related to both PRSC and EESC codes should be tracked and reported quarterly as part of a regular assessment shared with customers regarding BPA's EIM participation.

EIM Benefits in Power Rates

PPC recognizes that risk and uncertainty exist in the level of net benefit that Power Services will be able to achieve through EIM participation. However, the \$2.4 million proposed for inclusion in Power Rates to reflect BPA's EIM participation is much lower than the agency should expect to recover based on earlier analysis, even considering less than a full rate period of participation and a conservative ramp up. As such, PPC is concerned that assuming zero net benefits will result in unnecessarily high power rates in BP-22. Given this uncertainty, PPC will evaluate this assumption holistically as part of the overall risk profile of power rates in the BP-22 proceeding and may make specific proposals in testimony based on that assessment.

Regardless of the level of benefits assumed in BP-22, BPA should clarify how it would approach inclusion of EIM benefits in future rate cases. Specifically, PPC requests a commitment to make necessary data available for collaborative work on this issue ahead of BP-24.

Net Secondary

PPC members are appreciative of BPA staff's efforts to think outside the box and develop potential solutions in the area of risk mitigation. PPC staff and members have engaged with BPA staff in good faith to develop potential avenues to address the underlying concerns raised by BPA staff as well as to propose enhancements to specific areas of the proposal.

Yet, after months of analysis and discussion, PPC members are overall strongly opposed to the proposal. Further, they support the view that this is a foundational area of BPA power rate design and changes should not be made without a high level of unanimity among public power.

Ultimately, the proposal as presented will result in substantially higher base rates without commensurate benefits to public power. Although a higher likelihood of surcharges is not desirable, neither are higher base rates and/or BPA holding significantly higher levels of customer funds in financial reserves. Public power utilities have their own local tolerances for risk which they can implement through their retail rate designs. We also note that the current methodology and associated policies, such as the FRP and TPP, are generally working as

intended—there has not been a CRAC in many years and Power Services is closing in on the desired 60 days cash on hand.

Raising base rates by \$50 million or more per year, relative to the current rate design, is not tenable for public power communities under present circumstances, particularly without substantial concurrent changes to the FRP surcharge mechanism and RDC threshold. Increasing base rates by as much or more than a potential surcharge to mitigate the possibility of that surcharge is difficult to endorse. Further, this money has substantial opportunity cost in local communities throughout the Northwest, highlighted by a pandemic, recession, and now impacts from unprecedented wildfires.

Although this proposal is not acceptable to public power and cannot go forward, we believe the effort and conversation has been productive and worthwhile. Given the timing proposed by BPA staff for a more comprehensive review of risk mitigation in BP-26 under the proposal, PPC believes that NSR rate design should be taken up as part of the post-2028 process.