



Energizing Life in Our Communities

Comments of Public Utility District No. 1 of Snohomish County
In Response to Bonneville Power Administration's
July 28-30, 2020 BP-22/TC-22/EIM Phase III Workshop

Submitted to techforum@bpa.gov on Aug 14, 2020

Public Utility District No. 1 of Snohomish County ("Snohomish") appreciates the opportunity to provide feedback on the Bonneville Power Administration's ("BPA's") BP-22/TC-22/EIM Phase III workshop held on July 28-30, 2020 ("July Workshop"). We also thank BPA for holding the customer-led workshop on August 12 ("Customer-Led Workshop"). Discussions at the Customer-Led Workshop informed our thinking on several of the issues included in these topics.

Workplan

Snohomish appreciates BPA's flexibility in adjusting its workplan and timeline as the need arises. Snohomish is supportive of the extended comment periods following the Phase III Draft EIM Letter and August workshop, as well as including a customer-led workshop in September *prior* to the comment deadline of September 18 (see July 28 Presentation, slide 14). BPA has also proposed adding an additional workshop on September 22. Given the number of unresolved issues, Snohomish is supportive of an additional workshop, but is concerned that BPA will not have time to incorporate customer feedback it receives on September 18 into workshop discussions on September 22. Snohomish suggests moving the new workshop at least two weeks after the September 18 comment deadline.

Generation Inputs

Energy Imbalance (EI) and Generation Imbalance (GI) Bands

Snohomish supports Alternative 3, removal of the EI/GI bands (see July 28 Presentation, slides 74-77), and was pleased to hear at the Customer-Led Workshop that this is BPA staff's current leaning as well. It is our understanding that EIM pricing reflects the cost or value to BPA of customer imbalance in any given time interval and appropriately incentivizes scheduling behavior so there is no need to retain the bands. As we have previously noted several times, including in our comments to the June Workshop, the proposed financially binding scheduling deadline of T-57 will likely result in an increase in customers' hourly imbalance megawatt-hour quantities relative to today; removal of the bands will help mitigate this impact on customers. Finally, if BPA were to change course from current staff leanings and determine that it *will* retain the bands, it should consider *not* applying them to any imbalance incurred by participating resources in accordance with CAISO dispatch instructions.

Persistent Deviation (PD) and Intentional Deviation (ID) Penalties

Snohomish does not support retaining the PD and ID penalties in their current form and is open to removal or potential modification of the penalties (see July 28 Presentation, slides 78-86). As with the EI and GI bands, removal of the penalties would help mitigate the impact to customers of the earlier scheduling deadline. As BPA notes (see slide 82), other EIM Entities do not use the PD/ID Penalties and there is a risk that customers could incur both a PD/ID penalty and be suballocated a portion of an over- or under-scheduling penalty and thus be doubly penalized for the same behavior. That said, Snohomish is interested in further discussions as to how the penalties could potentially be modified to better align with the EIM structure. As with the EI/GI bands Snohomish suggests that if BPA retains the PD/ID penalties that BPA consider not applying them to any imbalance incurred by participating resources in accordance with CAISO dispatch instructions.

EIM Charge Code Cost Allocation

Snohomish thanks BPA staff for the additional examples that help illustrate how the base codes would be suballocated in a range of scenarios under BPA's proposed implementation (see July 29-30 Presentation Slides 57-68).

Neutrality Codes

Snohomish does not believe that BPA has fully addressed the concerns raised by several parties (including by Snohomish in our comments to the April workshop and by Powerex during the June Customer-Led Workshop) about the relationship between the base codes and the neutrality codes, particularly the Congestion Offset code. As shown in Scenarios 2-4, there can be instances when a customer has equal and offsetting imbalance MWhs (for example if the customer's load and a nonparticipating resource both change by the same amount), but may incur some net costs or revenues if there are price differences between the two locations due to congestion on the system. It is Snohomish's understanding that LMP pricing can result in CAISO collecting surplus congestion rent that is returned to the BAA through the Congestion Offset code. According to Powerex this surplus congestion can be quite substantial.

Ideally, this surplus congestion rent would be suballocated to those customers who incurred the costs, but BPA has indicated that there may not be sufficient information provided by CAISO to suballocate in this manner. BPA initially proposed allocating the Congestion Offset code based on Measured Demand, which would seem to result in a significant mismatch by allocating the offset to a different set of customers than to those who pay congestion. Snohomish appreciates BPA's new option to allocate the Congestion Offset code to imbalance by magnitude. Based on Snohomish's current understanding, this has some potential to be a closer match, but is still an imperfect approximation of cost allocation. Snohomish encourages BPA to continue to explore alternative approaches.

Over/Under Scheduling Load Allocation

Code 6046, the under/over scheduling load allocation, is used by CAISO to distribute revenues it collects through the over/under scheduling penalties. Any such penalty revenues are allocated on a daily basis to all EIM Entities that were not subject to over- and under-scheduling penalties for the day. In the April Workshop, BPA's initial leaning was to allocate to measured demand by direction. In comments to that workshop, Snohomish pointed out that the revenues could come from a mix of over and under scheduling penalties incurred by other EIM entities in different hours of the day, so it was not clear to which direction BPA would suballocate the revenues.

Snohomish appreciates BPA revisiting the proposed suballocation method. Both allocation options presented at the July Workshop (see July 29-30 Presentation, Slide 48), *metered demand by magnitude*, or *metered demand by magnitude with imbalance threshold* appear to be reasonable and workable. Including an imbalance threshold may add some implementation complication and raises the question as to how the threshold will be measured (e.g., maximum absolute hourly imbalance within the day, daily net imbalance, etc.).

Allocation of ETSR congestion rents

In the EIM, CAISO typically splits congestion rents associated with EIM Transfers between the two EIM Entities on either side of the transfer. To date, BPA has not directly addressed in any workshop how it plans to handle these congestion rents. At a prior workshop, a BPA staff member informally indicated that one reasonable possibility would be to suballocate congestion rent to those interchange rights holders who donated transmission, while at the July workshop in a similar aside, a BPA staff member indicated that suballocating congestion rent associated with ETSRs may be difficult due to how CAISO allocates the congestion rent to BPA. Snohomish requests that in one of the remaining workshops BPA explain how CAISO allocates this congestion rent to EIM Entities and discuss with customers options for how BPA will handle ETSR congestion rents.

In general, Snohomish believes that BPA, its customers, and the broader EIM market should benefit from increased transmission donations. However, there is currently no clear incentive for customers to donate transmission, and in fact under BPA's current staff proposal the donor will incur EIM loss costs. Allocation of ETSR congestion rents to those that donate appears to be an appropriate form of compensation and would provide incentive to transmission customers to donate frequently congested paths to the market.

EIM Benefits and Charges in Power Rates

EIM Dispatch Benefits

Within the Record of Decision to sign the EIM Implementation Agreement with CAISO, BPA relied heavily on the E3 Study estimation of \$36-40 million in annual dispatch benefits to support the business case for joining the EIM (see Administrator's Record of Decision: Energy Imbalance Market Policy, September 2019, pages 95-100). Snohomish supported BPA signing the Implementation Agreement and has continued support of BPA moving through its five-phase

process in part because of an expectation that BPA’s dispatch benefits of participation in the EIM would be passed through to customers via reduced power rates.

Accordingly, Snohomish was surprised to see BPA’s initial staff leanings to set EIM net dispatch benefits at \$2.4 million/year or ~6-7% of E3’s estimated level for the BP-22 rate period (see July 29-30 Presentation, slides 89-90). Snohomish appreciates the difficulty in modeling the dispatch benefits prior to joining the EIM and supports BPA taking a conservative approach for the initial rate period for the various reasons presented. However, Snohomish believes BPA staff’s initial leaning is unreasonably low and supports further consideration of setting annual EIM net dispatch benefits at a level in between BPA’s initial staff leanings and the E3 Study estimate. Further, Snohomish requests that Bonneville commit to taking a more robust approach to modeling EIM net dispatch benefits for the BP-24 and future rate periods when it will have the benefit of real-world data and experience.

Balancing Reserves

Snohomish understands that under the EIM construct, the accounting associated with the deployment of balancing reserves would need to be changed (see July 29-30 Presentation, slides 91-95). To address this issue, Snohomish supports Off the Top Option 1, as discussed in the Slice Customer Group comments.

Southern Intertie Studies

Snohomish appreciates BPA’s continued efforts in developing alternatives for the Southern Intertie study processes (see July 28 Presentation, slides 88-102). In our comments to the May Workshop, Snohomish supported Alternative 2, because it provides the customer with more flexibility in pursuing system studies. BPA has added a new “merged” option, which appears to provide a similar level of customer flexibility. Accordingly, Snohomish supports either Alternative 2 or the “merged” option.

200 kW Interconnection Threshold

Snohomish appreciates the informational presentation on the 200 kW interconnection threshold (see July 28 Presentation, slides 110-113). Snohomish has interconnection customers within its service territory that serve its load that are either below or above the 200 kW threshold. The presentation clarified BPA’s process for future interconnection customers. Snohomish looks forward to working with BPA if any future changes to the threshold or process are warranted.

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Snohomish wishes to thank BPA staff for the efforts and engagement associated with the multiple topics from the July 28-30 workshops, and looks forward to continued engagement throughout the remainder of the stakeholder process. Please feel free to contact us with any questions about these comments.