



TransAlta Energy
Marketing (US) Inc.

T (503) 295-8490
www.transalta.com

1155 SW Morrison Street
Suite 200
Portland, Oregon
USA 97205

Steve Lincoln
Commercial Specialist

Direct Line: (503) 295-8490
Email: Steve.Lincoln@TransAlta.com

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Matt Rios
Transmission Account Executive, Transmission Sales
Bonneville Power Administration
Mail Stop: TSE/TPP-2
7500 NE 41st Street, Suite 130
Vancouver, WA 98662-7905

Subject: TransAlta BP-22, TC-22, and EIM Workshop Comments on Transmission Losses Presented on August 25, 2020

Matt:

TransAlta Energy Marketing (U.S.) Inc.'s ("TEMUS") comments follow regarding Transmission Losses, which was one topic presented at the August 25th workshop.

Monthly vs. Seasonal Loss Factors

TEMUS supports changing from BPA's current annual average loss factor, provided doing so strikes a balance between accurately representing Bonneville's network transmission system and imposing reasonable administrative burden on customers. To strike that balance, TEMUS has suggested two flat seasonal loss factors, one for summer and one for all other seasons as shown in the table below¹. These loss factors would allow BPA to recover losses much more closely to how they are incurred while sparing customers undue administrative burden.

Season	Loss Factor (Flat)
Summer	2.3%
Spring, Fall, and Winter	1.9%

As an example of administrative burden, customers use the loss factor when entering into day-ahead and real-time transactions. Before transacting, losses are included to calculate all-in costs, thus ensuring each transaction is financially viable. In this way, losses are accounted for before each transaction and later when they are physically returned to BPA. TEMUS strongly opposes

¹ Seasonal average rates based on BPA's monthly loss factor analysis first introduced at the June 24, 2020 workshop.
<https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/TTSL%202017-19.xlsx>

adopting monthly loss factors, which would require customers to manage twelve transitions that will likely be complicated by transactions that span a transition from one month to the next. TEMUS considers BPA's monthly proposal as unreasonable because it burdens customers and results in a statistically insignificant improvement in accuracy compared to the seasonal recommendation above.

Proposed Transmission Losses Capacity Price

To reiterate earlier comments, TEMUS supports a continued in-kind loss return option and we believe that BPA's concerns about capacity can largely be addressed by a seasonal loss factor and moving towards more concurrent returns, instead of the current 168-hour delay. TEMUS contends that introducing and enforcing a capacity price before BPA and the region can transition to more concurrent returns is also unjust and unreasonable because customers have no way to mitigate or avoid the charge.

As the region considers more concurrent in-kind loss returns, TEMUS suggests that reducing the delay from 168-hours must also strike the right balance of addressing BPA's capacity concerns while avoiding customer burden and scheduling inefficiencies. We believe this balance is best achieved when losses from an operating day are summed for each hour and returned on a single e-Tag the next preschedule day, and we believe BPA and the region can reach this goal for adoption in BP-24.

Financial-Only Settlement and Losses Energy Price

As stated before, TEMUS strongly disagrees that financial-only settlement in BP-24 should remain an option proposed by BPA, particularly in the face of overwhelming customer opposition.

Regarding the energy price for losses settled financially, TEMUS believes the Day-Ahead Ice Index most appropriately represents energy prices in the MIDC area for this traditional transmission function. We suggest that it should be used to price loss energy, instead of a LAP calculated for an entirely different purpose, the Energy Imbalance Market, or the PowerDex Real-Time "index", which is based on voluntary price reporting.

Loss Return Election Period

TEMUS also reiterates that restricting loss return elections down to one election for an entire two-year rate period is a drastic reduction from current practice without compelling evidence that customers will begin changing their elections erratically (which appears to be BPA primary concern). Two-year elections also eliminate an opportunity to create load during Q2 oversupply situations. TEMUS encourages BPA to continue the current loss election procedures.

TRANSALTA ENERGY MARKETING (US) INC.

Steve Lincoln
Commercial Specialist