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October 13, 2020

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Subject: TransAlta September 29, 2020 BP-22, TC-22, and EIM Workshop Comments

Matt:

TransAlta Energy Marketing (U.S.) Inc.'s ("TEMUS") comments follow regarding topics presented at BPA's September 29th workshop.

Loss Factor - Granularity

At the August 25, 2020 workshop¹, TEMUS suggested that adopting monthly loss factors would create administrative burden for customers. BPA staff requested more information and TEMUS submitted written comments on September 14, 2020² explaining how customers incorporate loss factors when assessing each bilateral transaction's all-in costs before executing.

The question resurfaced at BPA's September 29th workshop and BPA staff requested information again on how monthly loss factors create hardship for customers.

Customers use the loss factor when entering into day-ahead and real-time transactions. Before executing a transaction, customers calculate all-in costs to ensure the transaction is economic (break-even or better). All-in costs mean summing the energy cost, any required ancillary services, transmission to the point of delivery, and the correct volume of losses that must be returned. Calculating all-in transaction costs correctly does not require sophisticated math, but under BPA's current proposal, it would require customers to manage twelve separate loss factors and deal with transactions that extend beyond month-end into the next month. TEMUS reiterates that this is unnecessary because the benefit appears to be immaterial. According to BPA's

¹ See BPA's August 25, 2020 presentation at slide 75, <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/25Aug20%20-%20Main%20Tariff-Rates-EIM%20Workshop.pdf>

² TEMUS' August 25 Workshop, Transmission Losses comments, <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/Comments/Aug%2025%20Workshop/TEMUS-BP-22-TC-22-EIM-Aug-25-Transmission-Losses-Comments.pdf>

analysis³, Summer (June – September) is the only season that varies significantly from BPA existing 1.9% annual loss factor. TEMUS contends that adopting two seasonal loss factors strikes the right balance between representing Bonneville’s network transmission system accurately enough and avoiding unreasonable administrative burden on customers. Using BPA’s corrected seasonal average loss factors⁴, the two seasons would be as follows.

Season	Loss Factor
Summer (June, July, August)	2.31%
Spring, Fall, and Winter	1.94%

Proposed Losses Pricing - Capacity Costs

Reiterating earlier comments, TEMUS proposes that BPA focus on adopting a seasonal loss factor and transitioning in-kind loss returns to something more concurrent compared to today’s practice of delaying 168-hours. TEMUS considers it unjust to rapidly introduce capacity costs for losses—which is unique in the industry, in our experience—without any attempt to deploy the two solutions. TEMUS believes they would be much less impactful to customers and would address most of BPA’s capacity concerns. Adopting a more accurate, seasonal loss factor is reasonable. Shifting to more concurrent in-kind loss returns, when accomplished in consultation with the region, is reasonable. BPA should deploy those two solutions before considering a capacity cost proposal.

Losses Settlement Elections

TEMUS also reiterates that staff’s “anticipated change” to eliminate intra-rate period loss return settlement elections⁵ takes away a customer benefit without justification. The benefit for customers is flexibility, and when combined with a fair price for financial losses settlement, such as the Day-Ahead ICE Index, within-period loss elections can be particularly beneficial in Q2 when thermal plants are off-line and the region is seeking load for excess generation.

Sub-allocation of the EIM Real Time Energy Imbalance Offset (“RTEIO”) Charge

TEMUS continues to see two problems with BPA proposal to sub-allocate RTIEO charges to wheeling customers. First, based on slide 43 from BPA’s September 29th presentation, it appears that BPA is still deliberating internally what wheels will be subject to RTEIO charges. In this context, TEMUS objects because “wheels” can encompass traditional transmission usage that has nothing to do with EIM transfers. As currently stated, the policy is unclear. Second, TEMUS is aligned with concerns expressed by NIPPC in their September 18, 2020 comments⁶ that wheeling customers do not contribute to incremental losses created by EIM activity. BPA’s September 29 response at slide 44 did not address this concern and failed to explain why traditional transmission usage, not affiliated with any EIM transfers, should be exposed to this

³ BPA June 24 2020 at slides 24 – 26, <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/24June2020-%20Main%20Tariff-Rates-EIM%20Workshop.pdf>

⁴ BPA September 29, 2020 workshop presentation at slide 37, <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/29Sep2020-%20Main%20Tariff-Rates-EIM%20Workshop.pdf>

⁵ Slide 34 of BPA’s September 29, 2020 presentation

⁶ NIPPC comments at page 1, to BPA’s August 25 and 26, 2020 workshops, <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/Comments/Aug%2025%20Workshop/NIPPC-Comments-to-BPA-Sept20final.pdf>

charge. For these reasons, TEMUS does not support BPA's proposed tariff language for Sections 15.7 or 28.5 and requests that BPA retain the current practice of up to four changes per year.

Long Term Strategic Financial Issues

TEMUS is very concerned with the direction BPA suggested during the September 29th workshop at slide 62, which apparently would increase rates up to 13.4% *over and above* increases already outlined in Transmission's draft BP-22 revenue requirement. There are two issues with BPA's proposal that are particularly concerning to TEMUS. First, BPA has suggested raising transmission rates as the go-to answer instead of, for example, reexamining upcoming capital projects to confirm they are essential to system reliability, evaluating costs for alternate sources of funding, or revisiting whether retaining \$1.5B borrowing authority is the right amount when the alternative is significant transmission rate increases. Second, the proposed solution does not avoid rate shock or maintain rates stability from BP-20 to BP-22. Given the current economic climate, TEMUS believes this rate principle should have added weight and consideration.

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