

September 16, 2020

Via email:

techforum@bpa.gov

U.S. Department of Energy
Bonneville Power Administration
Transmission Services

**Re: Comments of PacifiCorp Regarding TC-22, BP-22 and EIM Phase III
August 25 Workshop on Transmission Losses**

PacifiCorp submits the following comments on the BPA TC-22, BP-22 and EIM Phase III August 25 workshop and BPA presentation at that workshop regarding transmission losses.¹

It is PacifiCorp's understanding that various other BPA Transmission Customers submitted similar comments on BPA's transmission losses proposal.² PacifiCorp generally supports those comments, but writes separately here to highlight particular concerns raised by BPA's proposal and to encourage BPA to adopt a loss valuation methodology that is more consistent with cost-causation principles and existing EIM Entity practices.

1. BPA's Losses Proposal is Inconsistent with Standard Loss Calculation Practices and True Cost-Causation Principles

The August 25 Presentation indicates at page 77 that BPA plans to propose a "capacity cost" or "service adder" in connection with loss services—whether in-kind 168-hour delay of loss returns, in-kind concurrent loss returns (if a flat annual loss factor is used³), or financial settlement of losses. PacifiCorp has not opposed BPA's stated goal of seeking "new opportunities...for more efficient repayment of losses."⁴ With the emergence of the Energy Imbalance Market in the West, FERC-jurisdictional EIM Entities have largely adopted a transmission loss calculation methodology that is based on Load Aggregation Point ("LAP") pricing for financial settlement of losses,⁵ and there is no such additional "service adder" for

¹ Available at <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/25Aug20%20-%20Main%20Tarrif-Rates-EIM%20Workshop.pdf> ("August 25 Presentation").

² See September 14, 2020 Comments of Avangrid Renewables, LLC, Avista Corporation, Idaho Power Company, Portland General Electric Company, and Puget Sound Energy, Inc., Regarding TC-22, BP-22 and EIM Phase III August 25 Workshop on Transmission Losses.

³ See August 25 Presentation at page 81, indicating that BPA's proposal to calculate the cost of concurrent loss returns is "applicable only if BPA has a single flat annual loss factor".

⁴ BPA EIM Policy ROD, at 174-175, available at <https://www.bpa.gov/news/pubs/RecordsofDecision/rod-20190926-Energy-Imbalance-Market-Policy.pdf> (hereinafter "EIM Policy ROD")

⁵ See, e.g. Arizona Public Service Company, OATT Schedule 12 ("The Transmission Customer shall compensate the Transmission Provider at a rate equal to the amount of Real Power Losses assessed to such Transmission Customer in a given hour multiplied by the hourly LAP price for the APS BAA in that hour"); Idaho Power Company, OATT Schedule 12 (noting similar real power loss charges based on LAP prices); Nevada Power Company and Sierra Pacific Power Company ("NV Energy"), Schedule 10 (same); PacifiCorp, OATT Schedule 11

capacity. Such rates have been found by FERC to be just and reasonable and not unduly discriminatory or preferential. The use of LAP for loss settlements is particularly appropriate because, from a physics point of view, the market is dispatching energy to meet load at point B, but it also has to cover for the losses to get to point B (from the generator at point A). Therefore, the energy that is dispatched has to cover both points. Since LAP is essentially the weighted average of LMPs, settling losses incurred to get to point B based on the LAP price represents the “true cost to serve load” and provides fair compensation to the transmission provider.

BPA is correct that utilities must, and do, plan for losses when they plan their systems, run loss of load probabilities, and determine how much conservation and generation needs to be acquired to reliably meet load obligations.⁶ However, PacifiCorp is unaware of any utility that holds back generation capacity that might otherwise be sold into the market and charge a premium “service adder” if such capacity is dispatched for loss services. BPA’s usage of its own surplus capacity to provide transmission losses is no different than other similarly-situated utilities using their own surplus capacity for such purposes. Tacking on a separate “service adder” is not cost-based, as demonstrated above. Rather, this appears to represent an opportunity for BPA to double-charge customers: a recoupment of actual costs for providing losses as well as a special “service adder” to, apparently, make up for missed commercial opportunities.⁷ PacifiCorp is aware of no other regional transmission provider—whether part of EIM or otherwise—that imposes such excessive costs onto customers. BPA has argued that losses repayments should be both efficient and reflect actual costs.⁸ LAP-based loss settlements would achieve both goals for BPA, as such an approach efficiently captures the true costs of serving load without imposing unwarranted costs onto customers.

Simply put, PacifiCorp has significant concerns that BPA has not adequately justified its supposed “capacity cost” / “service adder” in a manner that is consistent with true cost causation principles. This is particularly the case since other EIM entities, as approved by FERC, have found LAP-based prices sufficient to recoup their costs. Accordingly, PacifiCorp strongly encourages BPA to reconsider this proposal and to adopt a financial settlement price for loss returns that is similarly based on LAP.

(same); Portland General Electric, OATT Schedule 11 (same); Puget Sound Energy, OATT Schedule 12 (same); Salt River Project, OATT Schedule 10 (same).

⁶ BPA June 25 BP-22, TC-22, EIM Workshop presentation at 42: <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/24June20%20-%20Main%20Tariff-Rates-EIM%20Workshop.pdf>

⁷ *Id.* (arguing that “taking on this obligation reduces BPA’s ability to sell capacity products.”).

⁸ EIM Policy ROD at 174-75 (“Bonneville will discuss with stakeholders the extent to which the EIM’s handling of losses should lead to changes in Bonneville’s current practices regarding transmission losses, or what new opportunities are available for a more efficient repayment of losses.”); August 25 Presentation at 91 (“BPA Staff and some customers agree that BPA should work towards having loss returns better match actual losses”).

2. BPA Should Clarify Whether In-Kind Loss Returns and Concurrent Loss Returns Will Incur a Similar “Capacity” Charge, and Why such a Charge Would be Appropriate for In-Kind Returns that are Delayed 168-Hours

The August 25 Presentation indicates at page 79 that BPA intends to incur a capacity charge even for in-kind loss returns with a 168-hour delay⁹ and for concurrent loss returns (for single flat annual loss¹⁰). PacifiCorp reiterates its concerns with imposing any kind of so-called “capacity charge” at all. BPA should also clarify whether concurrent loss returns with a shaped loss factor would incur a capacity charge. More significantly, BPA has not explained what new costs have suddenly been incurred *now* that justify changing the status quo and impose this additional charge for in-kind returns that are delayed 168 hours.

* * *

Nothing contained in these comments constitutes a waiver or relinquishment of any rights or remedies provided by applicable law or provided under BPA’s Tariff or otherwise under contract. PacifiCorp appreciates BPA’s review of these comments and consideration of the recommendations contained herein. By return e-mail, please confirm BPA’s receipt of these comments.

⁹ August 25 presentation at 79 (“This produces a rate of \$3.53/MWh that BPA would charge to any in-kind loss returns (both network and inertia) that are 168-hours delayed (this include Slice loss returns)”).

¹⁰ *Id.* at 81.