

May 11, 2022

COMMENTS OF NIPPC – BP-24/TC-24 Kick-off

Thank you for the opportunity to provide comments and pose questions following the Workshop on April 27.

Approach to Customer Engagement

BPA proposes to continue to apply its Three Phase/Six Step process to customer engagement. NIPPC generally agrees that -- as written -- this process can be an effective way to engage customers. In practice, however, the process frequently fails to live up to its promise. The process anticipates that multiple steps may be covered in one workshop depending on the complexity of the issue. NIPPC's perception, however, is that multiple steps are ALWAYS covered when a topic is scheduled for a workshop. The Steps that make up the process also appear to assume that it is customers who must be introduced and educated on an issue; the engagement process does not define a separate step for customers to educate BPA staff on their perspective to an issue until after the issue is defined and staff has developed alternatives for solving a problem. It is critical that customers have the opportunity to educate BPA staff on their perspectives of the issue before BPA staff begins to develop solutions. NIPPC suggests that BPA's standard practice allow for customers to submit comments after each Phase of the Customer Engagement Process. While customers might be able to use the "customer-led" workshops to educate staff, NIPPC is concerned that the proposed timeline to request a customer led workshop is too short for customers to develop and present formal positions – especially on complex topics.

NIPPC encourages BPA staff to schedule more topics early in this workshop process and to strive to minimize the number of different steps that must be covered in a single workshop for any given topic. If complicated topics are delayed until the end of the workshop process, the likelihood increases that multiple steps must be covered in a single workshop and likely limits the ability of customers to educate BPA staff on the customer perspective on an issue. NIPPC suggests that any situation where more than two Steps on a particular topic are covered in a single workshop fails to give customers a realistic opportunity to engage. As an example, BPA proposes to schedule the topic of Generation Inputs for Losses for the first time in August. Concurrent Loss Returns and the appropriateness of an associated capacity charge were a major issue in BP-22. Even though resolution of this issue was an element of the BP-22 Settlement Agreement, much of the underlying historical data and analysis have still not been shared with customers even though BPA staff has conducted three workshops on this topic since December 2021. NIPPC suggests that it is unlikely that scheduling this topic in August and/or scheduling Steps One through Six in a single workshop is conducive to customers

believing that they have a real opportunity to engage with BPA staff on that issue. NIPPC encourages BPA to post a workshop schedule that details which Steps of a topic will be covered in each workshop (NIPPC notes that only for Tariff issues does the workshop schedule identify which Steps will be covered in a workshop; NIPPC recommends that BPA provide a similarly more detailed schedule for Rates issues). Scheduling the specific Steps for any given topic will likely improve the pacing of the issues across the workshop process, as well as reduce the likelihood that the most challenging topics will not be resolved prior to the start of the formal rate case.

Conditional Reservation Deadline

At this time, NIPPC does not have any comments on this topic.

Long Term ATC

At this time, NIPPC does not have any comments on this topic.

Additional Rate Case and Tariff Topics

NIPPC asks BPA staff to include the following topics in the workshop schedule.

1. Equitable allocation of costs of capacity for balancing reserves in proportion to allocation of benefits (including EIM revenues).

Currently the costs of Generation Inputs capacity to meet reliability standards are allocated among load, VERBS and DERBS. Now that BPA has joined the EIM, that capacity is also used to pass the flexible resource sufficiency screen that enables generation in BPA's Balancing Area (including generation from the FCRPS) to engage in Inter-tie transactions as part of the EIM. Even though the Generation Inputs capacity is used for this additional purpose, the beneficiaries of that new purpose do not currently contribute to the cost of that capacity (more accurately; BPA's transmission customers all share the reliability benefits of that capacity equally, but BPA's power customers who benefit from EIM revenues do not contribute to those costs above their share of the reliability benefits). NIPPC recognizes that it can be a challenge to allocate costs between quantifiable benefits (EIM revenues) and non-quantifiable benefits (compliance with reliability standards). Nevertheless, NIPPC suggests that the status quo fails to represent an equitable allocation of costs between Federal and non-Federal users of the system. BPA's customers who benefit from EIM transactions should contribute to the cost of the capacity that BPA relies on to demonstrate that it can participate in that market.

2. OCBR when BPA is participating in EIM.

Currently, BPA deploys its Operational Controls for Balancing Reserves when it has deployed 90% of the incremental or decremental capacity defined in the rate case. BPA, however, has now joined the EIM which should provide BPA's balancing area with additional sources of

balancing capacity from its neighbors above the quantity of FCRPS capacity defined in the rate case. NIPPC is particularly concerned with the potential scenario where BPA limits INCs or DECS to generators on its system when it is also exporting energy to the EIM. NIPPC requests a workshop to consider whether, to what extent, or in what specific circumstances OCBR remains appropriate now that BPA has joined the EIM and has access to balancing reserve capacity across a significantly larger geographic footprint.

As a threshold matter, NIPPC asks BPA to collect specific data for review in these workshops to determine how the EIM impacts OCBR. At the very least, BPA should collect and retain data regarding its EIM transactions (quantity, price and duration) during the hours in which it triggers OCBR.

3. OMP and Impact of EIM

Under certain circumstances, BPA deploys its oversupply management protocol. During periods of high stream flows, BPA retains the option of substituting its own hydro generation for its customers' generation. NIPPC suggests that BPA's successful entry into the Western Energy Imbalance Market represent sufficiently changed conditions to revisit whether this protocol remains necessary. NIPPC suggests that one of the underlying justifications for the policy — that BPA does not have an adequate market to sell its surplus generation under the defined conditions — no longer applies now that BPA has formally joined the EIM. At the very least, NIPPC believes that BPA should revise Section 1 of Attachment P to specify the actions it will take as part of the EIM prior to implementing OMP.

4. Revise BPA's Attachment K to incorporate best local transmission planning processes as identified in the Department of Energy's comments to the FERC ANOPR on Transmission Planning.

As BPA frequently notes, BPA operates 15,000 circuit miles of transmission located across nine states representing 75% of the transmission grid that serves the Pacific Northwest. BPA is effectively a regional transmission planning entity all on its own, notwithstanding any formal NERC certification.

Attached is a copy of the Department of Energy's (DOE) comments to FERC on its ANOPR on Transmission Planning. In its ANOPR, FERC identified a wide range of reasons why it believed that existing transmission planning requirements failed to achieve just and reasonable transmission rates. In the ANOPR, FERC sought comments on potential reforms to the transmission planning process. The DOE comments to the ANOPR include a broad range of reforms that the various National Laboratories argued would improve the existing transmission planning process. NIPPC recognizes that FERC recently issued a Notice of Proposed Rulemaking on a narrower set of issues and that FERC is still far from formalizing any reforms on transmission planning. Nevertheless, NIPPC encourages BPA to consider the specific reforms proposed by the National Laboratories to identify those it can implement on a voluntary basis in advance of a formal rule.

NIPPC suggests that BPA's existing transmission planning processes — focused on conservative load growth assumptions and the transmission service request queue — are inadequate to identify the scope of the transmission needs facing the region. NIPPC does not suggest that BPA's voluntary adoption of the National Laboratories' recommended reforms should result — without more — in an actionable construction plan. Rather NIPPC suggests that by adopting these reforms BPA would more effectively identify future transmission needs for the region's consideration than the existing processes do. NIPPC encourages BPA staff to review the DOE comments and identify which of the best practices BPA can adopt and implement prior to the release of a formal rule on this topic. At the appropriate time, NIPPC will be happy to share its own perspectives on which of these best practices BPA should prioritize and implement on a voluntary basis.

Unauthorized Increase/Failure to Comply Charges

BPA currently charges transmission customers who fail to comply with dispatch orders the higher of 500 mills/kwh or 150% of an hourly index price. BPA also charges customers who exceed their transmission capacity reservations an Unauthorized Increase Charge. NIPPC believes that BPA should review these charges with customers to determine whether they are higher than necessary to achieve their stated purpose. Part of this exercise should be to compare similar charges set forth in the tariffs of other transmission providers in the region as well as considering whether these charges remain appropriate now that BPA has joined the EIM.

Conditional Firm

NIPPC has been working with its members to develop a proposal for a revised conditional firm product which better meets the needs of developers of new generation resources. NIPPC may formally request that BPA consider that proposal during the course of these workshops.