



August 15, 2024

John Hairston
Administrator and CEO
Bonneville Power Administration

Submitted via email to techforum@bpa.gov

Administrator Hairston,

Northern Wasco County People's Utility District (NWCPUD) submits these comments in response to BPA's BP-26 proposed changes to the New Resource Energy Shaping Services (ESS) and Unauthorized Increase Charge (UAI Charge) designs implementation as presented in BPA's August 9, 2024, Rate Case Workshop. NWCPUD appreciates BPA's willingness to consider alternatives to current implementation, however, the August 9th proposals fail to address a few fundamental issues:

- Some wholesale energy suppliers are no longer responding to Preference Customer 'Requests for Offers' due to BPA's unreasonable UAI penalty structure.
- Wholesale energy suppliers, willing to accept UAI risk in their offers, are applying significant risk premiums to manage their overall risk exposure, thus passing along significant costs to retail customers.
- Because UAI energy settles at market prices (ICE Mid-C Daily Index), the price already contains a significant contribution to fixed capacity costs when capacity is constrained in the Mid-C market. This effectively results in double-counting resource capacity costs.

When taken together, BPA has clearly created an unfair competitive advantage for itself in the wholesale power marketplace that is detrimental to its Preference Customers. NWCPUD does not believe this is BPA's intent but is the basis for our insistence that BPA's ESS and UAI Charge implementation must be reformed.

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BPA's NR ESS Proposal:

In BPA's August 9th NR ESS proposal (at slide 23), staff proposes to increase the economic penalties for even minor schedule versus load differences. BPA staff has based its proposal on data that purportedly shows large differentials (over 200 MW) between NLSL loads and resources (at page 22). NWCPUD is fully aware of our contribution to this load and resource differential and offers a suggestion that BPA should conduct customer outreach prior to developing any proposal. Customers may provide new insights into this issue, which will help inform BPA staff and potentially yield better outcomes. NWCPUD typically manages our load and resource position in a very tight band (< 5 MWs) during on-peak hours with an overall monthly net energy well within BPA Rate Treatment B threshold of 1,488 MWh surplus delivered to BPA during the On-Peak periods.

NWCPUD recommends that BPA maintain the current NR ESS implementation for BP-26; however, if BPA is determined to make a change, then NWCPUD offers the following proposal for consideration:

NWCPUD's NR ESS Energy Rate Treatment B with modifications:

In the spirit of compromise, NWCPUD offers that for BP-26 the monthly sum of such daily/diurnal energy charges may be adjusted as follows:

- Threshold 1: No adjustment is made if the absolute value of the monthly sum of the daily HLH plus LLH Billing Determinants is less than or equal to (1) 1.5 percent of the total monthly measured load of the NLSLs receiving this service, or (2) 1,488 MWh.
- Threshold 2: If Threshold 1 is exceeded, Threshold 2 will apply if the absolute value of the monthly sum of the daily HLH plus LLH Billing Determinants is less than or equal to (1) 7.5 percent of the total monthly measured load of the NLSLs receiving this service, or (2) 3,720 MWh. If Threshold 2 applies, the monthly sum of the daily/diurnal energy charges will be multiplied by 94 percent if the monthly sum is negative (money owed to the customer) or multiplied by 106 percent if the monthly sum is positive (money owed to BPA).
- Threshold 3: If both Threshold 1 and 2 are exceeded, Threshold 3 applies. When applying Threshold 3, the monthly sum of the daily HLH plus LLH energy charges is multiplied by **50 percent** if the monthly sum is negative (money owed to the customer), or multiplied by 116 percent if the monthly sum is positive (money owed to BPA).
- NR Rate Customers should be offered a BPA capacity product that increases the deadband for Threshold 1 treatment.

Unauthorized Increase Charge Proposal (beginning at page 36 of the August 9 staff proposal):

At slide 41, BPA implies that a UAI settlement based on the existing rate schedule will not cover the cost of energy supplied by BPA to a customer receiving energy in excess of its contractual amounts. Because BPA bills customers at a multiple of the EIM price for Unauthorized Increases, this also implies that BPA cannot purchase energy at the EIM price and receive a substantial margin on the sale and delivery to the customer at the UAI price – which may also include a UAI demand charge. Lack of confidence in the Western Energy Imbalance Market, demonstrated by this BPA assertion, undermines the confidence of customers that BPA is ready to participate in organized markets that are designed specifically for the

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purpose of providing and settling energy imbalances that are typical for instances of UAI charges. EIM market prices reflect the cost of capacity committed to provide energy to load in the Western region whether it be from BPA or other power producers. During periods of capacity and energy scarcity, EIM prices far exceed the embedded cost of either capacity or energy – they are market-based prices, not regulated rates.

The "Analogy" offered on page 46, is a non-sequitur in a market-based pricing environment. The market price will reflect whether capacity is available in the system for the next increment of demand – just as hotel rates and airfares increase as demand increases.

For purposes of BP-26, NWCPUD recommends maintaining BP-24 implementation for purposes of assessing penalties; and, BPA should implement waiver conditions as described on slide 54.

Northern Wasco County People's Utility District appreciates the opportunity to help BPA develop a rational and fair approach to these issues.

Sincerely,



Chris Allen
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Northern Wasco County PUD