

Joint Customer Comments on BPA's Short Distance Discount Discussion¹

Thank you for the opportunity to provide comments regarding BPA's August 31, 2026 workshop. We appreciate the significant level of stakeholder participation and believe the discussion demonstrated broad regional interest by both Network Integration Transmission Service (NITS) customers and Point-to-Point (PTP) customers in supporting efficient and reliable use of the Federal transmission system. The fundamental issues surrounding the Short Distance Discount (SDD) are shared by all customers and warrant continued collaborative review.

We appreciate BPA's willingness to revisit the SDD discussion and engage stakeholders on a topic with significant implications for transmission efficiency, customer investment decisions, and long-term infrastructure planning. The workshop demonstrated substantial customer interest in understanding how the SDD framework could be modernized to better recognize resources that reduce demands on the Federal transmission system while maintaining reliability objectives. Given the broad customer interest and potential regional benefits, we view this as the beginning of an important regional conversation and encourage BPA to continue exploring these opportunities through a collaborative process involving customers and stakeholders, including future workshops and other stakeholder engagement opportunities.

At its core, the SDD reflects a policy objective that should encourage generation resources to locate closer to load centers by reducing reliance on long-distance transmission service. This objective aligns with broader industry efforts to improve grid efficiency, enhance reliability, support resource diversity, increase system flexibility, and make more effective use of existing infrastructure before pursuing costly transmission expansion. Consistent with evolving industry practices, BPA should consider how rate design can better support solutions that optimize use of existing assets, reduce congestion, and improve overall transmission system utilization while avoiding unnecessary investments.

Guiding Principles

1. Transmission Efficiency and Cost Causation

Customers that invest in behind-the-meter generation, distributed energy resources, or generation located near load centers can reduce reliance on long-distance transmission facilities, improve utilization of existing infrastructure, and potentially defer future transmission expansion.

¹ These comments are submitted on behalf of Clatskanie People's Utility District, Harney Electric Cooperative, Snohomish Public Utility District, and Umatilla Electric Cooperative.

To the extent these investments reduce transmission usage and overall system costs, BPA's rate structures should recognize and encourage those efficiencies. Arrangements that free capacity, reduce congestion, improve transfer capability, or avoid future investment needs should be appropriately reflected in transmission rates and policies, and should benefit all users of the transmission system.

2. Reliability Concerns Should Be Addressed Directly

Throughout the discussion, BPA identified the need to remain ready to serve load when customer-owned or behind-the-meter generation underperforms or becomes unavailable. We agree that reliability and resource adequacy must remain paramount. However, this concern should be addressed directly rather than limiting consideration of improvements to the SDD framework.

A variety of mechanisms could be considered to address this risk directly, including demand response programs, reserve capacity and balancing service arrangements, third-party capacity procurement, performance obligations for qualifying resources, power flow controls, targeted load shedding, and generator-side underperformance charges similar in concept to Point-to-Point transmission unauthorized-use provisions.

These approaches would align costs with the source of reliability risk while preserving incentives for customers to locate generation closer to load and reduce demands on the transmission system. Such solutions are also increasingly consistent with industry efforts to leverage load flexibility, distributed resources, and non-wires alternatives while maintaining reliability standards.

3. Consistent Eligibility and Equitable Treatment

Any future SDD framework should apply clear, objective, and consistent eligibility standards across customer classes. Eligibility should be based on a resource's demonstrated ability to reduce use of the Federal transmission system, rather than the customer class, resource designation, or service arrangement through which those benefits are achieved. Resources that provide comparable transmission system benefits should be evaluated using the same criteria.

We also encourage BPA to examine whether comparable principles are being applied consistently across Transmission and Power services. For example, BPA recognizes customer-owned resources when calculating Total Retail Load for Power services, even though BPA remains responsible for serving load during periods of resource underperformance. However, a comparable netting approach is not recognized for Transmission services, where obligations are generally based on gross load. Greater

consistency would improve transparency, align rates more closely with actual system usage, and strengthen confidence in the underlying rate design.

Additionally, we encourage BPA to explore opportunities within its existing tariff framework that may offer additional flexibility for NT customers. A review of currently available provisions, including those that support different service arrangements, could help improve near-term efficiencies while longer-term approaches continue to be developed.

4. Review of the Existing Discount Methodology

We encourage BPA to evaluate whether the current SDD calculation fully captures the benefits associated with locating generation closer to load.

There is concern that the existing methodology may effectively dilute the value of the discount and may unintentionally weaken the economic signal that the SDD was designed to provide.

A review of the methodology may identify opportunities to better align the discount with actual transmission system benefits and strengthen incentives for efficient resource planning.

Continued Customer Engagement

This discussion should not end without further process, including but not limited to future workshops. The issues raised involve transmission planning, rates, reliability, resource adequacy, customer investment signals, and long-term infrastructure strategy. As BPA continues its planning and modernization efforts, including initiatives such as RAPID, customers can provide valuable perspectives on how resource-location efficiencies, distributed generation, demand response, and other operational tools may contribute to more effective use of the existing system.

We encourage BPA to maintain an active stakeholder dialogue on these topics, as continued engagement will allow BPA and its customers to work collaboratively toward solutions that balance reliability, affordability, operational flexibility, and efficient stewardship of the Federal transmission system.

In closing, we believe the SDD discussion presents an opportunity for BPA and its customers to jointly explore whether transmission rate design can more effectively recognize investments that improve utilization of existing transmission assets before new infrastructure is required. More broadly, this is an opportunity to align customer incentives with BPA's longstanding objective of encouraging resources closer to load centers while supporting broader goals of transmission efficiency, system reliability, and responsible infrastructure investment. We appreciate BPA's willingness to continue this discussion and

encourage additional stakeholder engagement as this issue evolves. Given the broad customer interest and potential regional benefits, we believe this topic merits additional attention in future workshops and rate case discussions so that BPA and its customers can continue working collaboratively to identify practical paths forward.