

Northwest & Intermountain Power Producers Coalition and Renewable Northwest Comments on BP/TC-26 Workshop of July 30, 2024

The Northwest & Intermountain Power Producers Coalition (“NIPPC”) and Renewable Northwest (“RNW”) submit the following comments in response to topics raised at the BP/TC-26 workshop on July 30, 2024. NIPPC is a membership-based advocacy group representing competitive electricity market participants in the Pacific Northwest and Intermountain region. NIPPC has a diverse membership including independent power producers and developers, electricity service suppliers, transmission companies, marketers, storage providers, and others. Nearly all NIPPC’s thirty members purchase transmission service from BPA. Renewable Northwest is a non-profit advocacy organization that works to decarbonize the region by accelerating the transition to renewable electricity. Renewable Northwest has more than 80 member organizations that include renewable energy developers and manufacturers, as well as consumer advocates, environmental groups, and other industry advisers. Many of Renewable Northwest’s members are also current or prospective BPA customers.

NIPPC and RNW appreciate the opportunity to provide initial comments in response to BPA Staff’s presentation. We reserve the right to provide additional comments on these topics as new information becomes available and as discussions evolve. Our comments below first discuss some issues not covered at the July 30 workshop and then discuss topics in the order presented at the workshop.

General Comments and Requests

We recognize the significant undertaking in putting together BP/TC-26 proposals for stakeholder consideration amid other workload constraints, especially in a time of major industry change. However, as noted at the workshop, we remain concerned that we are nearing the end of the pre-rate case process and have yet to see proposals on several important issues, including withdrawal penalties and the option to self-build interconnection facilities. It may be worth considering adding one or more pre-rate case workshops to the schedule to allow for more collaborative discussion prior to the start of the official proceeding.

As far as topics to cover, we request that BPA provide some initial projections regarding the proposed transmission rate increase that is expected based on updates from BPA’s Integrated Program Review (“IPR”) process. We seek to better understand the magnitude of the capital and expense increases announced in the IPR ahead of the formal BP/TC-26 process. Relatedly, we request that BPA provide a primer on the other inputs that impact the overall rate and explain how certain transmission rates flow through power rates. With so many new and prospective customers in the region, it would be helpful for BPA to provide this basic overview for those who are unfamiliar with BPA’s system and practices. We do not anticipate that BPA would need to prepare any new material for such a presentation, but request that BPA simply provide a walk-through to give all interested stakeholders the same foundation going into the official BP/TC-26 process.

In response to BPA’s July 29, 2024 “Summary of Written Comments Received and BPA Staff’s Responses,”¹ we reiterate our concerns regarding BPA’s proposal to not evaluate or consider Affected Systems Studies as part of TC-26. We remain concerned about the potential for significant project delays due to the delays in processing Affected Systems Studies. We encourage BPA to include this topic in a future pre-rate case workshop in order to discuss potential timelines and options for addressing this issue.

ROFR Queue Management

NIPPC and RNW support BPA Staff’s proposal to conform BPA’s tariff to its existing practice of awarding rollover rights to customers who request a term of service of 5 years or longer.

Large Generator Interconnection Agreement

NIPPC and RNW appreciate BPA’s effort to update its Large Generator Interconnection Agreement (“LGIA”) to incorporate reforms adopted by the Federal Energy Regulatory Commission (“FERC”) in Orders 2023 and 2023-A, as well as changes necessitated by the TC-25 settlement agreement. NIPPC and RNW recognize that the TC-25 settlement agreement will require BPA to include some deviations from the pro forma LGIA. While we await further redlines from BPA on pending topics, we provide our initial reactions below.

NIPPC and RNW note that BPA proposes to retain the existing language of LGIA Section 11.5 related to Provision of Security, which applies only when construction of network upgrades is about to begin.

NIPPC and RNW also note that while BPA expressly excluded withdrawal penalties from the TC-25 process, the magnitude and other details associated with a withdrawal penalty framework are in scope for the BP/TC-26 proceeding. NIPPC and RNW are concerned that undercapitalized customers faced with withdrawal penalties may simply declare insolvency and walk away from paying withdrawal penalties that are intended to mitigate harm to BPA and its customers from the costs and delays associated with the withdrawal. NIPPC and RNW ask that BPA explain how it will recover the full amount of withdrawal penalties from insolvent customers in the absence of requiring customers to provide security for those amounts. NIPPC and RNW suggest that BPA consider including language in BPA’s LGIA requiring a customer to provide security in an amount sufficient to cover the estimated withdrawal penalties that would accrue if the customer withdrew from the generator interconnection cluster study process.

NIPPC and RNW appreciate BPA’s update at the July 30 workshop that it is working to implement the reforms of FERC Order 845 allowing customers to self-build interconnection facilities. As previously noted, BPA has already adopted the Order 845 self-build option in its tariff, but has yet to implement that functionality for transmission customers. NIPPC and RNW look forward to BPA’s update at the August workshop with more detail and proposed LGIA redlines on this topic.

¹ BPA, “Summary of Written Comments Received and BPA Staff’s Responses,” (July 29, 2024), *available at* <https://www.bpa.gov/-/media/Aep/rates-tariff/bp-26/July-30-Workshop/bptc26customercommentsandresponses072924updated.pdf>.

Persistent Deviation Penalty

NIPPC and RNW suggest that BPA should reconsider whether extra-market penalties continue to be necessary now that BPA has partially implemented the Energy Imbalance Market (“EIM”).² In the past, energy imbalance charges were based on an hourly index price at Mid-C. BPA explained that the hourly index price failed to adequately and accurately reflect the actual cost of providing energy to meet generator imbalances. Under the EIM, however, energy imbalance prices are based on locational marginal prices. These locational marginal prices, in turn, are based on bids by participating resources willing to provide energy for imbalances (within BPA’s balancing area, those bids reflect BPA Power’s determination of its opportunity cost).

In earlier comments, NIPPC and RNW suggested that BPA adopt a formal framework to evaluate whether extra-market penalties are appropriate or whether market price signals are sufficient to manage customer behavior. BPA declined the invitation in part because there is “no pro forma rate structure against which BPA could compare itself to”,³ however, this response does not appear to take into account that the FERC-approved market rules provide just such a rate structure against which BPA could compare itself.

NIPPC and RNW suggest that by joining the EIM, the circumstances within BPA’s balancing authority area (“BAA”) have changed significantly enough that BPA should review its past assumptions regarding customer scheduling behavior and the need for penalties. BPA, however, maintains that its penalties are “intended to ensure cost recovery by establishing incentives to keep customer behavior in line with rate case assumptions.”⁴

BPA also stated that the EIM does not sufficiently incentivize accurate scheduling and that inaccurate scheduling in the EIM impacts the BPA BAA by consuming incremental and decremental reserves and consuming available transmission donations to the EIM. While NIPPC and RNW agree that this is how the EIM is supposed to work, we disagree with BPA’s conclusory statement that the more accurate pricing of imbalance energy from the EIM is insufficient to incentivize accurate scheduling by customers. In the EIM, customers who schedule inaccurately pay market prices for their imbalance. When imbalance prices are high (reflecting high demand and/or low supply), customers with higher imbalances are “punished” for their decision by paying higher prices for energy to meet their imbalance. When imbalance prices are low (reflecting low demand and/or ample supply), customers are not “punished” as severely for their inaccurate schedule. BPA’s conclusion that the more accurate pricing of imbalance energy from the EIM is insufficient to incentivize accurate scheduling is not supported by any analysis and appears to discount the benefits of participating in a market.

BPA decided to join the EIM for a host of benefits. But obtaining the benefits of the EIM does not come without costs. Transmission customers have borne significant implementation costs to upgrade BPA’s systems to join the EIM (even though BPA has still not fully implemented the EIM). Among the challenges and costs BPA must bear in implementing the EIM is a

² Currently, BPA will not allow generators to register as participating resources in the EIM. Until this prohibition is lifted, BPA should not claim to have fully implemented the EIM.

³ BPA, “Summary of Written Comments Received and BPA Staff’s Responses,” at 27.

⁴ *Id.*

responsibility to re-evaluate whether the penalties associated with settling energy imbalances at an index rate are appropriate in a market. Once BPA has undertaken that evaluation and shared its conclusions with customers, customers may agree that penalties remain appropriate in order to prevent cost shifts or increased prices for other customers. BPA cannot, however, simply point to customer behavior in years prior to EIM implementation as justification for continuing to impose the same penalties following EIM implementation.

NIPPC and RNW also note that BPA has separate rate schedules to recover the cost of capacity used to provide imbalance services. We agree that the EIM is not intended to replace those capacity charges. We also note that penalties typically are not intended to recover costs; rather they are intended to incentivize behavior. To the extent that BPA justifies the persistent deviation penalty (and intentional deviation and other penalties) as needed to recover costs, NIPPC and RNW request that BPA identify the specific costs each penalty is intended to recover. We also note that to the extent more capacity is needed to meet the requirements of the Resource Sufficiency, Capacity, and Flex Ramp Tests in the EIM, it is BPA that has imposed a moratorium on customers seeking to become participating resources in the EIM who could otherwise be a source of additional capacity to meet those tests.

Finally, as suggested above and in our prior comments and presentation, this potential exposure to penalties in addition to EIM charges is not limited to BPA's persistent deviation penalty. We encourage BPA to review its penalty practices comprehensively, now that it has invested in and implemented the EIM.

New Technology Pilot

NIPPC and RNW applaud BPA for its efforts to expand the scope of the New Technology Pilot to incorporate newer technologies—such as wave generation and fuel cells—as well as new combinations of existing technologies. We appreciate BPA's collaborative approach to facilitating the interconnection of these new technologies, as well as the option for existing non-eligible projects to add energy storage devices ("ESDs") in order to qualify. However, we are concerned that there appears to be little transparency into how BPA would determine whether a given project qualifies for participation in the pilot. We request that BPA share any criteria it has in place for making such a determination or develop and share criteria if it does not already have any in place.

Based on the discussion at the July 30 workshop, we understand that BPA proposes to exclude standalone ESDs from this pilot. BPA indicated that it has yet to finalize a recommendation with respect to standalone ESDs. We continue to recommend that it is premature for BPA to implement a new use-based capacity charge for standalone ESDs at this time, but look forward to future discussions on this issue.

Thank you for the opportunity to comment.