

Re: NRU Comments on SCD White Paper Updated 8/31/18

Northwest Requirements Utilities (NRU) expresses appreciation for the opportunity to submit comments on the SCD White Paper Updated 8/31/2018. We also appreciate BPA staff incorporating the suggestions that were made verbally at the last workshop. Having reviewed the Updated White Paper shared on 8/31/18, we offer the following comments to be used to revise the White Paper before it is shared with the BPA executive team:

- There is a discrepancy in the description of why the SCD rate design is being reviewed. The introduction paragraph on page 1 states that it stems from “looking to better align the rate designs with the function the service provides.” This is a reasonable rationale. However, the last paragraph on page 3 describes the review as “exploring whether its products are priced at the appropriate level for the value of services provided.” This is confusing, particularly since “value of services” has not been explored in this process. Thus, we recommend you revise the explanation on page 3 to align with that on page 1.
- Page 6 lists one of the cons for Status Quo as “Renewable Northwest believes the status quo does not satisfy the cost causation rate principle.” We do not believe this is an objective “con” to list, especially since none of the other submitted comments are described in the pros/cons. Additionally, the Updated White Paper provides a summary of commenting parties observations, which allows conveyance of Renewable Northwest’s perspective.
- The Updated White Paper insinuates that “pancaking” of the SCD charge is a negative. We disagree with this assertion. To the extent there are services provided on the intertie, it is reasonable to charge for those services. The bottom of page 1 lists several services that SCD provides on the interties, such as “controlling generation to ensure adequate generation to meet firm load and interchange schedules” and “verifying available transmission capacity.” Even though SCD is charged on both the network and intertie and therefore is a “pancaked” rate, this does not mean it is inappropriate. Thus, we ask that “elimination of pancaking SCD charges” is removed as a pro or con from the considerations of the alternatives.
- Status Quo should list “rate stability” as a pro.
- It is unclear why “rate stability” is listed as a pro under Alternatives #1 and #2. There are fairly large rate impacts when comparing Status Quo to Alternatives #1 or #2. For example, under Alternative #1, BPA’s rates analysis shows some customers receiving nearly a -100% rate reduction, while other receive a 17% rate increase. Under Alternative #2, some customers see a rate increase of over 100%. This is not rate stability.

- For all of the alternatives, the White Paper should describe the rate impact range for the SCD rate in addition to the rate impact range for overall transmission costs. For example, Alternative #1 shows that network transmission customers will see a 1-3% rate increase in their overall transmission costs. The rate increase for the SCD rate would be 17% for some customers. It is important to clearly show the SCD rate impact in addition to the overall transmission rate impact.
- The second con under Alternative #1 should be revised to say that it “would result in free-rider issues,” not that it “may lead to free-rider issues.” There are SCD services provided on the interties; if intertie users are not charged for them, then they *are* in fact free-riders.
- The third con under Alternative #1 should be also be revised. This alternative would *not* satisfy the cost causation rate principle because there *are* costs associated with scheduling across the interties. Additionally, there are costs associated with system control and dispatch, which is described on the bottom of page 1.
- The second pro under Alternative #5 is misleading because scheduling costs constitute less than 20% of the total SCD costs. “Cost causation” cannot be evaluated based on only one part of the services provided by SCD, especially when that service (scheduling) is less than 20% of the overall costs.
- On the matrix on page 11, we disagree that any of the alternatives meet the rate design principle of cost causation. Only Status Quo meets the “cost causation” principle. Tables 1 and 3 on page 2 show that less than 20% of the Segmented SCD Investments and SCD O&M Costs are associated with Scheduling. The rest of the costs are associated with Control and Dispatch Services. Cost Causation must align cost recovery with what is causing the costs. For SCD, the costs are mostly due to control and dispatch, which are necessary regardless of the scheduled, flowing energy – those services are available for the entire reservation amounts, which is the current rate design. Allocating costs only on schedules is inconsistent with cost causation because most of the SCD costs are not related to scheduling. Thus, our view is that only Status Quo meets the “cost causation” principle, and the matrix on page 11 should be revised accordingly.
- Based on the matrix, it appears that we have different definitions of “rate stability.” Please explain “rate stability” in the context it is used in this White Paper.

Please let us know if you have any questions.

Regards,

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