



Western Power Trading Forum (WPTF)  
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## COMMENTS OF THE WESTERN POWER TRADING FORUM ON BONNEVILLE POWER ADMINISTRATION'S ENERGY IMBALANCE MARKET STAKEHOLDER PROCESS

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### Introduction

The Western Power Trading Forum (“WPTF”) appreciates the opportunity to comment on the Bonneville Power Administration’s (“PA”) October 11, 2018 stakeholder meeting to discuss BPA’s potential participation in the Energy Imbalance Market (“EIM”) and to facilitate discussion on some of the EIM issues BPA is reviewing.

WPTF is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets, while maintaining the current high level of system reliability. The membership of WPTF includes generators, power marketers, energy service providers, financial institutions, energy consultants, and utilities. WPTF’s membership actively participates in electric power markets in the West and across the country.

WPTF supports competitive power markets and has long advocated for the development of new markets, such as the EIM in the West. WPTF appreciates that BPA is exploring the costs and benefits of EIM participation and is taking the time to work through key issues related to BPA’s EIM participation.

The October 11<sup>th</sup> stakeholder call touched on a number of critical issues surrounding BPA’s EIM participation including governance and transmission use. These issues are important to review prior to EIM participation and, as discussed in these comments, it will be useful for BPA to develop criteria and transparency metrics surrounding its potential participation in the



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EIM, especially as it relates to transmission. Below WPTF discusses some recommended policies and reports that BPA consider issuing should it join the EIM.

### **Transmission Use in the EIM**

As discussed during BPA's EIM stakeholder meeting, transmission for EIM Transfers can be designated for use in the EIM using two approaches: the Interchange Rights Holder ("IRH") methodology (which is also known as the "customer donation") methodology, and the Available Transfer Capability ("ATC") methodology. Both methodologies have been approved by FERC and are used by various EIM Entities in the EIM today. Some EIM Entities utilize a combination of both approaches to facilitate their participation in the EIM. Notably, the EIM does not provide any compensation for use of transmission under either methodology. Instead, the EIM operates under the "reciprocity" transmission arrangement, with entities providing reciprocal use of transmission facilities for the EIM, but does not provide compensation use of transmission.

When an entity transitions to becoming an EIM Entity, there are various risks associated with the potential for losing existing transmission revenues due to the shifting of transactions from one venue (where transmission is paid for) to the EIM. For instance, certain EIM Entities have experienced substantial reductions in their short-term transmission sales revenues following EIM participation. This has likely happened as customers that would have previously purchased short-term transmission service to make energy sales instead opt to wait and transact in the EIM, where there is no charge for transmission. This loss of short-term sales revenues can result in increased costs for long-term transmission customers, as there are fewer "revenue credits" from short-term sales applied to reduce the cost of long-term transmission service.



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There are other ways in which transmission availability and costs can be impacted by the EIM and it is useful for BPA to thoroughly explore these prior to joining the EIM. BPA is uniquely situated in that it could be a “net wheeler” entity in the EIM, with more wheel-throughs than generation or load in the EIM. Therefore, BPA is, appropriately, seeking to ensure that its potential entrance to the EIM is not harmful to its customers and the implications of its “net wheeler” situation are considered.

One way the EIM could be harmful to BPA’s customers is if BPA allowed full use of its transmission system for EIM Transfers, with no compensation for that use. Such an exercise would, no doubt, result in entities that own long-term firm transmission on BPA’s system today (and frequently use those rights to facilitate EIM Transfers) foregoing the purchase of those transmission rights. This would drive up costs for transmission service to remaining BPA transmission customers.

To mitigate this, BPA has indicated that it plans to only allow EIM Transfers using the customer donation (or IRH) methodology. This practice will help ensure that customers that today use their long-term transmission rights on BPA’s system for EIM Transfers will likely continue to purchase those rights on the BPA system.

Given BPA unique situation as a potential “net wheeler” in the EIM and the need to protect existing transmission customers from cost increases, WPTF generally supports this approach for BPA’s initial EIM participation. However, WPTF notes that there can be unintended consequences from using the customer donation methodology in the EIM. Notably, using the customer donation methodology can be problematic if it results in what little transmission capability is commercially available being procured and “held back” for use solely



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in the EIM. There are several examples of this situation potentially occurring with other EIM Entities (including Portland General Electric, Puget Sound Energy, and Powerex) using transmission rights for the EIM. Sometimes the amount of transmission given to the EIM is the amount remaining after other transactions have occurred, but other times transmission is “held back” and only available for use in the EIM.

Taken to its extreme, the procurement and use of transmission rights for EIM Transfers, with transmission use “held back” for the EIM only, could prevent any other potential use of the transmission system (such as use to wheel power from one Balancing Authority Area to another to facilitate long-term generation procurement, or seasonal/monthly/weekly/daily/hourly transactions). While the extreme case is not likely to occur, it illustrates the potential problems that may exist with the customer donation methodology: most notably, that rather than using “left over” transmission which had not been used for any other purpose, the EIM can eat into the transmission available for other transactions.

Given these concerns and the potential impacts on customers and rates, WPTF requests that BPA do two things to help address concerns and issues that might arise from EIM participation and the use of the customer donation methodology:

1. BPA should provide transparency by publishing granular data on the amount of transmission rights that are made available to the EIM through the customer donation approach
2. BPA should develop criteria for assessing adverse impacts to its existing, and potential future, customers from use of this approach and determine a “threshold”



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level of impacts after which BPA would request that the CAISO modify the EIM's transmission use and compensation policies

On item #1, above, BPA should provide a report that includes data on the amount of transmission, by customer and by segment, that is donated to EIM Transfers for each interval of the EIM. To the extent BPA does not have sufficient information to prepare this report/data table, it should work with the CAISO to either gather the data or to have CAISO prepare this type of report.<sup>1</sup> Having access to this type of information will be critical for BPA's transmission customers and other stakeholders to understand how the availability of transmission on BPA's system might be being impacted by the implementation of the EIM and the use of the customer donation methodology. BPA should commit to this level of transparency now, prior to joining the EIM.

On item #2, WPTF feels that it would be worthwhile for BPA to establish, proactively, some measures that would help it assess when (or if) transmission use for the EIM is negatively impacting its business and/or its customers. WPTF believes these criteria should be developed as part of a stakeholder process conducted by BPA. BPA could develop thresholds for when the impacts on its customers and business would cause BPA to proactively seek a stakeholder process at the CAISO to address transmission use and compensation in the EIM and, potentially, a threshold when BPA would determine EIM participation would need to be paused or terminated until a solution was implemented.

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<sup>1</sup> CAISO could also prepare this report and, ideally, would make this data available for all EIM Entities. This would provide greater transparency about the transmission rights that are being provided to the EIM (something for which there is little transparency today).



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In developing these criteria, the impacts on BPA's current transmission customers will, of course, be important. But additionally, impacts on potential future customers should also be considered. BPA's transmission system serves as a critical backbone in the Pacific Northwest and many generation facilities use BPA's transmission system to deliver generation to loads of other utilities in the region. Therefore, the existence of ATC on BPA's system is a key issue in the region and may be impacted by the implementation of the EIM and the donation of transmission rights for EIM Transfers. ATC on BPA's system is limited and its existence can help influence the location of generation resources that serve customers across the Pacific Northwest (and beyond). Therefore, as BPA evaluates the impacts of use of transmission for the EIM, it should not only focus on its existing customers, but should also keep an eye toward how procurement and use of transmission in the EIM is affecting ATC on the BPA system, and thus affecting potential, future BPA transmission customers.

Finally, WPTF notes that transmission use and compensation issues will be exacerbated and increasingly important as the day-ahead EIM is considered. WPTF encourages BPA to be mindful of transmission issues as it explores participation in the EIM and, to the extent it engages in these discussions, during discussions focused on the development of the day-ahead EIM.

## **Governance**

BPA has worked collaboratively with the CAISO to evaluate the EIM's governance. BPA has identified several areas where it seeks additional review, and potential change, related to the governance of the EIM. WPTF supports the review of governance of the EIM. This review is important for the real-time EIM that exists today, especially as the public-power participation



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in the EIM grows. But the review of governance for the real-time EIM may also be helpful in building a governance foundation to facilitate the day-ahead EIM.

### **Conclusion**

WPTF supports BPA's consideration of participation in the EIM. WPTF encourages BPA to increase the transparency of transmission use in the EIM and to evaluate the impacts of the EIM's transmission use on its customers, including its current and future transmission customers. WPTF looks forward to working with BPA as it continues to explore EIM participation and as BPA develops the reports and criteria recommended in these comments.