

Northwest & Intermountain Power Producers Coalition and Renewable Northwest Comments on BP/TC-26 Workshop of May 22, 2024

The Northwest & Intermountain Power Producers Coalition (“NIPPC”) and Renewable Northwest (the “Commenting Parties”) submit the following comments in response to topics raised at the BP/TC-26 workshop on May 22, 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 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 approximately 80 member organizations that include renewable energy developers and manufacturers, as well as consumer advocates, environmental groups, and other industry advisers.

The Commenting Parties 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.

Transmission Line Ratings

Commenting Parties seek to better understand BPA Staff’s proposal on implementing certain aspects of Federal Energy Regulatory Commission (“FERC”) Order 881. FERC adopted Order 881 on December 16, 2021 after a standard rulemaking process. Order 881 requires transmission providers to improve the accuracy and transparency of transmission line ratings. BPA provided comments to FERC opposing specific elements of the proposed rule. Nevertheless, FERC issued its order requiring – among other things – that transmission providers post separate daytime and nighttime ratings for their transmission lines.

BPA staff, however, proposes that BPA will not comply with Order 881’s requirement to calculate and post separate daytime and nighttime transmission line ratings. BPA has a framework to determine the circumstances in which it will propose tariff provisions that deviate from the FERC *pro forma* Open Access Transmission Tariff (“OATT”). BPA staff, however, has not presented any analysis that explains to customers why it is appropriate for BPA to deviate from FERC’s Order 881 on this issue. FERC conducted a rulemaking process and upon full consideration of the record, FERC determined the requirements of Order 881 were necessary to ensure accurate line ratings and avoid rates that are unjust and unreasonable. Based on the information presented to date, it is not clear why BPA staff has come to a different conclusion than FERC on the usefulness of separate daytime and nighttime transmission line ratings.

Staff also seeks to insert additional language to the definition of “Ambient-Adjusted Rating” proposed by FERC. On the one hand, it seems reasonable that BPA would “evaluat(e) the need to curtail paths or develop(e) Operating Plans to prevent/mitigate an (sic) System Operating Limit (SOL) exceedance on the network.” On the other hand, that additional language does not seem to be appropriate within the definition of an Ambient Adjusted Rating. Rather, it seems to be an ongoing action that BPA would take to ensure the reliability of its system and not limited to any requirement to develop or post ambient adjusted line ratings. Moreover, BPA has not provided any analysis under its OATT deviation framework that explains how this additional language meets that standard.

Commenting Parties also note that BPA’s neighboring transmission systems will be complying with Order 881 and posting daytime and nighttime Ambient Adjusted Ratings for their transmission facilities connecting to BPA’s network. Commenting Parties request further explanation from BPA staff about whether its proposal to deviate from the language of Order 881 will create any unnecessary seams with its adjoining transmission providers. At this time, Commenting Parties do not have a formal recommendation as to BPA’s proposed deviations from Order 881, but simply seek to better understand BPA’s reasoning for proposing them.

Rights of First Refusal

Commenting Parties support Alternative 2. We agree that transmission customers who seek transmission service for five years or more should not lose their right of first refusal due to delays in BPA offering the requested service. The defining feature of rollover rights should be that the customer initially requested service for five years or more; if BPA experiences delays to the point that the term of service offered to a customer is less than the five years of service the customer requested, then rollover rights should still apply.

Attachment A – Conditional Firm Service Agreement

Commenting Parties support Alternative 2. We agree that the Conditional Firm Service Agreement should be included in Attachment A along with other form Service Agreements.

Attachment C – ATC and TTC Methodology

Commenting Parties support Alternative 2. Attachment C of the BPA tariff documents BPA’s methodology for calculating Available Transfer Capability (“ATC”) and Total Transfer Capability (“TTC”). BPA recently updated Attachment C as part of the TC-24 tariff revision process. Commenting Parties agree that BPA should conform Section 4 of its OATT to reflect BPA’s practice as documented in Attachment C.

Intentional Deviation in the EIM

Commenting Parties have concerns that the current language of the Intentional Deviation Penalty (“IDP”) unnecessarily limits the ability of BPA’s customers to take full advantage of market opportunities allowed by the Energy Imbalance Market (“EIM”) provisions of the California Independent System Operator (“CAISO”) tariff. Commenting Parties note that the current language of the IDP may expose customers to unnecessary Under/Over Delivery Charges in the EIM. Commenting Parties suggest that the IDP should not apply to any scheduling or bidding activity that is permitted by the CAISO EIM tariff. Commenting Parties note that the various conditions surrounding wind output that led to BPA initially adopting the IDP for variable energy resources have changed. Commenting Parties further suggest that now would be a good time to revisit whether the IDP remains necessary in light of these changed circumstances.

In the early stages of wind development in the Pacific Northwest, culminating in BPA’s first wind integration charges in WI-09, there were several factors that encouraged wind projects to maximize the output of their project. At the time, most wind projects benefited from the Production Tax Credit (“PTC”). The PTC provided the project with a tax credit for every MWh the project produced. Likewise, several states in the West, particularly California, had renewable energy standards that could be satisfied with Renewable Energy Credits (“RECs”). These RECs were also awarded based on actual output of the generation project.

Today, however, most states have moved away from relying on RECs to meet their clean energy policy goals. Likewise, the PTC has expired for the early generation of wind projects, and more recent projects benefit from tax incentives that are tied to the level of investment and not explicitly tied to the project’s energy production. Another significant difference is that BPA and the West now have a sophisticated market, the EIM, that is more effective at valuing imbalance energy – especially when imbalance energy is scarce – than existed in the early phases of wind development. The disappearance of multiple value streams associated with production (applying tax incentives and RECs on top of the value of the energy produced) and more accurate market pricing of imbalance energy have shifted the incentives for operators of wind projects. Increasingly, wind projects are seeking to limit their exposure to energy imbalance charges while having less incentive to squeeze every kWh of production out of their projects.

Operators of renewable energy projects also have access to more tools to manage the output of their project, including various forms of energy storage. For example, as battery technology becomes more affordable, wind and solar developers are increasingly looking to add batteries to new and existing projects to allow them to increase the capacity factor of their project and minimize their exposure to energy imbalance charges. As battery installations become more common, variable energy resource (“VER”) operators are more likely to schedule below their forecast and use the surplus output to charge their battery. Or if the battery is fully charged, VER operators may schedule to the full forecast, confident that they can discharge their battery to meet

any decline in the generator's production. The accuracy of wind forecasts has also dramatically improved over time.

Commenting Parties, and the larger renewable energy community in the Pacific Northwest, supported BPA in its decision to join the EIM in large part out of the expectation that the EIM would both reduce the costs of imbalance energy and allow project owners more options to limit their exposure to imbalance energy costs. Commenting Parties also suggest that BPA's rates should encourage – and not explicitly discourage – generators from scheduling to more accurate forecasts and engaging in market behavior that limits their reliance on balancing reserves from BPA.

Currently, BPA requires all VERs on its system to schedule to BPA's Hourly Forecast. While BPA's Hourly Forecast updates every five minutes, it provides customers with only a single scheduling value across the full hour. Customers who schedule to a forecast that is less accurate than BPA's are charged an intentional deviation penalty of \$100/MWh.

The CAISO, however, provides VERs in the EIM with a forecast that provides four scheduling values across the hour, one for each 15-minute interval. The CAISO EIM tariff specifically allows VERs to schedule up to the CAISO forecast (or another forecast that the customer demonstrates is just as accurate as the CAISO forecast). The CAISO EIM tariff also allows participating resources to submit economic bids capped by their forecast output.

BPA staff has informally suggested that a VER could schedule to the CAISO VER forecast without triggering the IDP because as a 15-minute forecast, it will generally be more accurate than the BPA VER forecast. If that is indeed the case, then it seems appropriate for BPA to change the language in the rates to specifically allow customers to schedule to more accurate forecasts without exposure to the penalty. Both the current language and the magnitude of the penalty discourage customers from exploring scheduling to more accurate forecasts such as the CAISO VER forecast because while those forecasts may be more accurate than the BPA forecast in most intervals, there is the possibility that the alternative forecast might be less accurate over enough intervals that the risk of the \$100/MWh penalty becomes a significant factor.

CAISO's tariff provides that a customer who chooses to schedule to a forecast different from the CAISO VER Forecast and does not deliver its Expected Energy to the market is subject to an Under/Over Delivery Charge. Presumably, for a customer who schedules to the BPA Forecast, BPA would provide the within-hour balancing reserves to balance the deviation between the customer's actual output and the BPA Forecast, thereby limiting the customer's exposure to those Under/Over Delivery Charges. But this also requires BPA to carry balancing reserves on its system; a customer who scheduled to the CAISO VER Forecast would not be exposed to the Under/Over Delivery Charge and would rely far less on BPA to provide balancing reserves to serve its schedule. Commenting Parties note that the EIM tariff provisions cap a generator's schedule (or bids) to the value of the forecast for the scheduling interval. Commenting

Parties suggest that BPA should encourage customers to use more accurate forecasts, which will consume less of BPA's capacity for balancing reserves, thereby freeing up that capacity for other uses. Commenting Parties encourage BPA to revise its rate language to allow VERs to schedule to the CAISO forecast without fear of inadvertent exposure to the IDP.

Commenting Parties also suggest that \$100/MWh is simply too high a penalty given the market changes described above. The market-based incentive of the EIM's Under/Over Scheduling Charge should be sufficient for VER projects to schedule accurately. Commenting Parties note that the CAISO Balancing Area Authority ("BAA") has significant wind and solar resources on its system. In many hours, the CAISO BAA exports significant quantities of renewable energy. But the CAISO has not found the need to impose on its VER resources an IDP of the magnitude that BPA charges. Commenting Parties suggest that market-based incentives have matured now to the point that they can be relied upon to incentivize accurate scheduling and that a punitive charge (of \$100/MWh) is no longer necessary or appropriate.

This issue also raises a more fundamental question regarding BPA and its participation in organized markets. The EIM tariff already sets consequences for customers who deviate from their schedule – the Under/Over Delivery Charge. If BPA intends for the IDP to apply to participating resources in the EIM, Commenting Parties request that BPA explain why the charges for under and over delivery established through the market are not adequate to incentivize market participant behavior. In order to complete that analysis, Commenting Parties urge BPA to develop a decision matrix similar to the one that BPA applies when it considers tariff deviations from the *pro forma* OATT against which to measure this and future extra-market penalties. Commenting Parties suggest that any decision-making process that imposes rate penalties on top of an organized market's rules should conform with the following principles:

1. BPA should maintain rates that are as consistent with the market rules as possible; and
2. BPA will consider rates or penalties that differ from market rules if the difference is necessary to:
 - a. Implement BPA's statutory and legal obligations, authorities, or responsibilities;
 - b. Maintain the reliable and efficient operation of the federal system;
 - c. Prevent significant harm or provide significant benefit to BPA's mission or the region;
 - d. Or align with industry best practice.

Accordingly, Commenting Parties suggest that BPA should adopt the following recommendations with respect to the IDP (and other extra-market penalties, as applicable):

1. Revise the rates language to clarify:
 - a. That participating resources in the EIM who submit self-schedules or economic bids consistent with the provisions of the EIM are exempt from the intentional deviation penalty; or
 - b. Otherwise clarify the scope of the exemption in the existing rates language;
2. Revise the rates language to allow customers to schedule to the CAISO's VER Forecast;
3. Retain the rates language that applies the intentional deviation penalty to customers who schedule to the BPA forecast;
4. Adopt a set of principles that BPA will apply when considering whether to apply extra-market penalties to customers who are participating in an energy market; and
5. Apply that set of principles to the intentional deviation penalty.

Thank you for the opportunity to comment. We look forward to further discussions on these and other topics.