Seattle City Light

700 5th Ave. | P.O. Box 34023 | Seattle WA 98124-4023
TEL (206) 684-3000 TTY/TDD (206) 684-3225 FAX (206) 625-3709
seattle.gov/city-light
twitter.com/SEACityLight facebook.com/SeattleCityLight

March 3, 2023

BONNEVILLE POWER ADMINISTRATION
905 NE 11TH AVENUE
PORTLAND OR 97232

Submitted via email: post2028@bpa.gov

Comments on February 2023 Provider of Choice Workshops

Thank you for the opportunity to comment on BPA's Provider of Choice (POC) Workshops held in February. We appreciate that BPA's workshops offer a platform for parties to voice their positions.

PEAK NET REQUIREMENTS

City Light is opposed to BPA's proposed Peak Net Requirement (PNR) calculation methodology, which does not comport with BPA's design goals[1] that the PNR methodology is durable beyond the contract length, uses standard planning considerations and definitions, and is agnostic of BPA product.

First, **BPA's proposed PNR methodology is not durable**. Customers of planned products under the proposed methodology would not be able to meet a 1 in 10 Loss of Load Expectation (LOLE) planning metric with dedicated resources and Priority Firm products from BPA because the proposal engineers a gap between the reliability standard and PNR. The proposed methodology also unnecessarily complicates a customer's ability to participate in regional resource adequacy programs and energy markets and discourages non-federal resource development by inconsistently applying the resource accreditation methodology and planning reserve margin (PRM) calculation from the Western Resource Adequacy Program (WRAP). This is counterproductive to policies intended to encourage non-federal resource development that can reduce BPA's future load service obligations. Further, if BPA's approach is not compatible with WRAP it could interfere with customers' participation in organized markets that require meeting one's resource adequacy obligations as a condition of participation.

Second, **BPA's proposed PNR methodology does not use standard planning considerations.** It misuses the WRAP resource adequacy methodology by applying a fraction (50%) of a customer's PRM to its dedicated resources (documented in WRAP's Qualifying Capacity Contribution (QCC)), which leads to inequitable treatment of customers' obligations by arbitrarily selecting different treatment for PRM in planned products compared to load following products. Standard planning practice requires that a planning entity consider the probability that resources can perform concurrently with periods of peak need. The need to consider coincidence for PNR is distinct from the methodology for the annual

[1] From slide number 13 from February 21, 2023 Provider of Choice meeting materials

average energy net requirement calculation because peak service is an instantaneous measure rather than energy which is a volumetric measure. The proposed distinction and bifurcation of PRM based on whether it accounts for uncertainty of resources performance versus uncertainty of peak is inconsistent with standard planning considerations.

Third, **BPA's proposed definition of PNR is not product agnostic**, because BPA stated its intent to treat its load following customers differently than its planning product customers purchasing Block and Slice/Block products. For example, BPA said it will carry the PRM obligations of its load following customers, but not for planning product customers. This will create problems with WRAP compliance as described above and does not represent equitable treatment among product types.

Given all the fundamental issues with BPA's proposed PNR methodology City Light strongly opposes the methodology on its own merits, regardless of impact on products or rates. City Light recommends that BPA consider the alternate proposal presented by the Slice Customer Group to the PNR task force which adopts the full WRAP methodology, including applying a PRM to P50 (i.e., average) peak loads. City Light believes the Slice Customer Group's proposal is consistent with BPA's annual energy net requirements methodology.

The WRAP methodology (without fractionalizing the PRM) is City Light's preferred approach to defining PNR since it was industry developed and withstood the scrutiny of participants, industry stakeholders, and the Federal Energy Regulatory Commission. If BPA is unwilling to adopt the regionally accepted approach, City Light suggests that BPA explore other methodologies that achieve a 1 in 10 LOLE planning standard. City Light has developed an approach to calculating net need based on coincidence of peak loads with dedicated resource flexible capability during periods of regional and/or system stress. City Light is willing to present the alternative methodology at a future Provider of Choice workshop.

It is City Light's observation that the rationale for fractionalizing the PRM presented by BPA staff at the September 21st workshop (slide 22) is based on how planned products offered by BPA under Regional Dialogue contracts address peak uncertainty. In considering products that may be viable under POC, City Light urges BPA to align the methodology for determining PNR with prudent planning practices in order to allow customers and BPA to develop mutually beneficial planned products under POC, instead of limiting products to what is currently offered.

ABOVE RATE PERIOD HIGH WATER MARK (ARHWM) LOAD

City Light supports BPA's clarification that it will not allocate non-firm (secondary) power to Tier 2 rates. As City Light mentioned in its comments on BPA's January POC workshops, allocating non-firm power to the Tier 2 cost pool would violate cost causation allocation. However, City Light is concerned that BPA's proposal to supply surplus firm federal system capability to Tier 2 customers at Tier 1 rates requires careful consideration of its cost shift implications. While City Light believes allocating firm surplus power to Tier 2 customers has a stronger link to cost causation than non-firm surplus power, City Light and other parties will need to explore further the cost impacts of the proposal, as the

proposal could reduce revenue to BPA. This could create a cost shift borne by Tier 1 customers. City Light recommends that BPA put guard rails in place so that Tier 1 rates are not significantly impacted by BPA's proposal to allocate firm surplus power to the Tier 2 cost pool.

BLOCK PRODUCTS

City Light is heartened by BPA's statements that PNR implementation will not impact the standalone Block product. In addition, we heard during the workshop from BPA staff that even if a customer's PNR is lower than the customer's monthly energy net requirement, the customer will still be able to elect Block with Diurnal Shaping and Block with Shaping Capacity products. We ask that BPA affirm this in writing in the workshop materials and in its policy documents. For example, it is City Light's understanding that PNR would not limit the amount of energy a customer could purchase in heavy load hours (HLH).

Additionally, with respect to monthly shaping factors, BPA is proposing to allow customers a one-time adjustment to their monthly shaping factors, but City Light feels this will not be sufficient to ensure that a customer's evolving requirements load is met with its BPA power products. For this reason, **City Light requests that BPA instead allow customers to update their monthly shaping factors at the beginning of each rate period**. City Light's load is projected to change rapidly during the next contract period to accommodate new electrification loads, new energy efficient technologies and distributed energy resources. Having more frequent updates of monthly shaping factors would allow City Light and other customers to better adjust to the continual evolution of their load over the duration of the contract to meet net requirements. It would also help incent customers to develop new non-federal resources, as customers could adjust their Block products to better match their net load once new resources come online.

In this era of great change in our industry, City Light believes access to tools to ensure resource adequacy will be essential for all customers during the next contract period. For that reason, **we urge BPA to consider redesigning its Block with Shaping Capacity product in a way that will 1) allow for shaping capacity across all hours in a day, and 2) allow customers to use this product to demonstrate compliance with WRAP's forward showing PRM requirements**. This would help the Block with Shaping Capacity customer to adjust to changing loads over the duration of the contract, meet WRAP compliance, and maximize the value received from the product.

Lastly on the discussion of products, BPA staff asked participants to propose products that may better suit customer needs. **City Light asks that BPA consider a new, separate Block with Planning Reserve Margin (PRM) product offering**. The development of a regional resource adequacy program opens new avenues for efficient products to account for resource adequacy under the POC contract. One such benefit is the development of efficient instruments to transfer resource adequacy obligations amongst participants. A ***Block with PRM*** product may be an efficient product that utilizes the presence of a regional program to efficiently meet PNR without providing additional energy or flexibility to the purchasers of the product.

While a redesigned Block with Shaping Capacity product may benefit some customers, the design of the product is complicated by energy constraints and the take-or-pay nature of the product design incentivizes the utilization of the product as an instrument to arbitrage on peak and off peak energy. A ***Block with PRM*** product could be more economically efficient at addressing PNR without introducing complications with energy deliveries and arbitrage opportunities, because hold-back obligation and energy deployments would be limited pursuant to the WRAP operational protocols.

To wrap up this topic, City Light would like to emphasize that a prerequisite to developing a viable ***Block with PRM*** product is that BPA would need to adopt a PNR definition that incorporates the full PRM contribution applied to P50 peaks, consistent with the WRAP methodology. City Light is willing to work collaboratively with BPA and other stakeholders to explore the possibility of a ***Block with PRM*** product and is willing to offer initial thoughts on how such a product could be scoped at a future Provider of Choice workshop.

Finally, to the extent BPA updates any of its proposals concerning the topics noted above, City Light recommends that these be presented as a complete package, so that customers can evaluate potential tradeoffs collectively rather than evaluate each adjustment in isolation.

Thank you for the opportunity to comment. We look forward to continuing the discussion on PNR, serving ARHWM loads, products, and other important topics in BPA's upcoming POC workshops.

cc:
Suzanne Cooper, Bonneville Power Administration
Kathryn Patton, Bonneville Power Administration