



Energizing Life in Our Communities

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Submitted via email: post2028@bpa.gov

Snohomish County PUD appreciates the opportunity to comment on the Bonneville Power Administration's (BPA's) Provider of Choice (PoC) February 21 and 22 workshops. The topics presented contained a mix of desirable outcomes and areas that need significant improvement. These comments are aimed at identifying items that fall under these two categories, and suggesting pathways that would help BPA staff and customers craft workable solutions.

A. Workshop Topics with Desirable Outcomes

1. Above Rate Period High Water Mark (AHWM) Load Service Options

Snohomish appreciates BPA's responsiveness to customer feedback on Tier 2 options. The options allow for additional flexibility, which is a significant improvement to the current Regional Dialogue Tier 2 options. Snohomish is encouraged that the proposal broadens the ability to mix and match Tier 2 product types to serve future load; optionality is a desirable characteristic of any future contract. While flexibility is a highly desirable trait in AHWM products, that flexibility should not come at the cost of any cost shift between Tier 1 and Tier 2 rate pools. With increased electrification looming, it is foreseeable that Snohomish may have Tier 2 load during the post-2028 timeframe. It is evident that staff, listened to customers, and weighed different alternatives to come up with a suite of options to meet customer needs.

2. Transfer Service

Snohomish agrees with Bonneville's statement of intent on its proposed approach for non-federal transfer service. Like others, Snohomish is also sensitive to Transfer customer needs, but is concerned about Snohomish customers bearing costs as a result of others' load and resourcing decisions. Snohomish maintains that our interest is in a policy package that applies the principles of cost causality in the treatment of transfer service for non-federal resources. Snohomish looks forward to working with BPA and peers to find creative solutions.

B. Workshop Topics with Need for Significant Improvement

1. Products

Snohomish observes that the Products presented thus far are remarkably similar to the products that exist today. In some respects, this may be considered positive. BPA staff has correctly identified that a seams

issue could exist from the current contract to the Post-2028 contract, and **product stability helps to minimize these seams** which can create the risk of increasing costs or impacting load service to BPA customers. Many partial requirements in particular have added resources to manage RD contract load growth and within-year load service needs that an annual energy based product allocation creates. Snohomish has added wind resources, biomass, biogas, community solar, small hydro, conservation, and demand shifting programs to address these needs. Significant changes to products may effectively strand these assets, in part or in whole. However, product stability also requires that products are not made significantly worse than existing products, in terms of load service capability, than current products. Eroding the capability of products may create additional gaps that effectively limit the practical product choices available to customers. **For this reason, Snohomish supports the recommendation we anticipate the Public Power Council will offer, that existing product design serve as “the floor” for Post-2028 product design; and specifically that product designs do not create additional load service gaps relative to today’s products.**

It is Snohomish’s organizational goal to have no fewer than three viable products for consideration in the Post-2028 contract, and we appreciate BPA’s willingness to hear our needs, and work together to design products that can work well for BPA and its customers.

a. Slice/Block Product

In the spirit of collaboration and in the context of the Peak Net Requirement (PNR) conversation, Slice customers proposed enhancements to the Slice/Block products that were not reflected in the presentation by BPA. The purpose of these enhancements was an acknowledgement of significant Western Resource Adequacy Program capacity deficits many Slice customers face on a planning or Forward-Showing basis, and were in pursuit of creative product enhancements that may help all BPA customers become WRAP compliant. These product enhancements were also referenced in the Public Power Council Concept Paper advanced to BPA for consideration in the Provider of Choice process. Of particular potential relevance was consideration of bounded flexibility in the Slice/Block ratio and the potential for a diurnal block product to pair with the Slice portion of the Slice/Block product. These options would allow BPA to create enhancements to the Slice/Block product by using existing BPA product constructs with known pricing mechanisms, still be confined to annual energy allocation processes, and potentially bridge some of the gap many Slice customers experience with respect to WRAP program compliance. It is further Snohomish’s perspective that a Slice product may not be viable without a critical mass of participants, and that the product may be uniquely compatible with future markets. As a result, BPA should seek to make the product an attractive option to potential off-takers. **Snohomish requests BPA continue to consider the modest enhancements proposed by Slice customers as the Peak Net Requirements and Product design discussions continue to evolve.**

b. Block with Shaping Capacity

Block with Shaping Capacity has been an area BPA staff have pointed to as a potential opportunity for customers in the context of Peak Net Requirements discussions. The implication has been that there may be an opportunity for enhancements within this product that help meet capacity needs and improve upon the design of the existing product. The proposal at the February 21-22 workshop presented the existing product, but also indicated an openness to potential enhancements. Snohomish is potentially interested in the Block with Shaping Capacity product, but only if the product was enhanced for load service and renewable resource integration.

The current product design allows for shaping capacity only during the on-peak period. The Western Resource Adequacy Program is a 24/7 capacity adequacy program, and WRAP compliance is expected to be a prerequisite for Markets + participation. Further, some utilities do not have sufficient capacity resources to provide for load service during off-peak hours, including those hours that include the entirety of Sunday and NERC holidays. **Snohomish’s specific request would be that the product be enhanced to allow for shaping capacity across all hours in a day, in order to make it more compatible with WRAP, future markets, load service and renewable resource integration.**

Further, Snohomish supports Tacoma Power’s comments that other Block with Shaping Capacity enhancements that would make the product more attractive would be scheduling provisions that make the product more aligned with current and future markets, and work to reduce the cost of the product relative to its value proposition, including consideration of a take-and-pay construct.

c. Load Following Product

Snohomish will fully consider the Load Following product for the Post-2028 contract. However, Snohomish is concerned, based upon the data presented to date, whether BPA will have the capability to take on a utility of Snohomish’s size (along with other large utilities that may be considering the same) with its existing system size. In the Peak Net Requirements workshop, BPA presented potential capacity net positions with modest surplus margins with an assumption that customers would continue with their existing products. It was also shared that the net position would be negative in many months if all customers were load following, using the same methodology. It is Snohomish’s hypothesis that BPA and its customers may benefit from a diversity of product off-takers in order to balance demands on BPA’s system. **Snohomish requests BPA provide analysis on its ability to provide the Load Following Product to all customers, and whether there is a potential benefit of a diversity of product off-takers.**

d. Other products

In addition to the products presented at the February 21-22 workshops, Snohomish is interested in a structured, **planned Resource Adequacy Transfer Product** offered by BPA to augment existing products to fill any gaps between the product offering and WRAP requirements. It is Snohomish’s perspective that BPA as the BAA for many LSE’s will need to have a defined route for WRAP compliance for LSE’s within its service territory in order to facilitate future organized market participation, and addressing this issue proactively in the context of a product offering may help BPA achieve its market compatibility goal for the next contract.

2. Peak Net Requirements

Snohomish has been heavily involved in the PNR customer dialogue, including serving on the PNR Task Force, and developing a customer led proposal in collaboration with our peers. **Snohomish remains concerned about the potential definition and lack of clarity on the implementation of PNR as discussed to date.** This concern stems from BPA’s current definition of PNR and lack of transparency in sharing how implementation could work. Thus, the range of impacts is unknown and could create significant new costs and risks for BPA customers.

Definition: Snohomish is opposed to the proposed Peak Net Requirement calculation methodology. BPA’s current definition of PNR creates structural capacity deficits for planned products beyond what

currently exists and what partial requirements customers have planned for. BPA shared in the February 21-22 workshop that if there were Slice/Block PNR deficits, they would not be addressed by that product. This combination would make it mathematically impossible for some current Slice/Block customers that are WRAP compliant, to be WRAP compliant upon the start of a new contract if the PNR definition resulted in a reduction of capacity allocation through the offered PNR definition.

An example is provided below that considers a Slice/Block partial requirements customer that has perfectly met its WRAP compliance needs through Exhibit A Dedicated Resources and the existing Slice/Block product before and after introduction of the PRM definition, if the definition is used to decrement the capacity allocation through the Slice/Block product offering.

Before introduction of the PNR definition:

	November-2022	December-2022	January-2023	February-2023	March-2023
Load	1,167.9	1,281.3	1,306.0	1,289.3	1,178.2
Resource QCC	187.3	221.4	249.9	305.4	184.2
BPA Slice Block	1,165.4	1,224.3	1,233.4	1,178.4	1,168.5
PRM	15.82%	12.83%	13.57%	15.08%	14.81%
Capacity Need (Load * (1+PRM))	1,353	1,446	1,483	1,484	1,353
Capacity Surplus/Deficits (Capacity Need - Resource QCC+BPA Slice/Block)	0.00	0.00	0.00	0.00	0.00

After introduction of the PNR definition:

	November-2022	December-2022	January-2023	February-2023	March-2023
Load	1,167.9	1,281.3	1,306.0	1,289.3	1,178.2
Resource QCC	187.3	221.4	249.9	305.4	184.2
BPA Slice Block (reduced to (.5*PRM*Resource QCC) if < System Slice/Block)	1,153.09	1,224.32	1,233.38	1,178.36	1,164.56
PRM	15.82%	12.83%	13.57%	15.08%	14.81%
Capacity Need (Load * (1+PRM))	1,353	1,446	1,483	1,484	1,353
Capacity Surplus/Deficits (Capacity Need - Resource QCC+BPA Slice/Block)	(12.32)	0.00	0.00	0.00	(3.93)

In addition, Snohomish agrees with comments from Tacoma Power and Seattle City Light that the current definition runs the risk of: (1) creating monthly energy net requirement violations, (2) being incompatible with regional resource adequacy program efforts, (3) being incompatible with future organized market efforts, (4) does not use standard planning considerations, and (5) is not product agnostic.

Application and Implementation: BPA has shared that the PNR definition could be applied to products in several ways: allocation, operations, rates, and rate making, or none of the above. The uncertainty of the application is one source of customer anxiety that BPA may be able to address. **Snohomish requests that BPA resolve this issue transparently with customers before the development of the Draft Policy ROD, including table-top exercises that test the proposal against real-life scenarios for all proposed products.** Snohomish appreciates BPA confirming that energy net requirements would supersede any PNR constraint, but requests that this be included in writing in future POC workshops as a conclusion of BPA staff.

Customer Led Proposal: Slice customers developed a proposal presented to the PNR Task Force. To date, BPA has not provided feedback on the proposal. **Snohomish requests the opportunity to present to the larger group in upcoming PoC workshops and seek BPA’s specific feedback on the proposal.**

Thank you for the opportunity to comment. We look forward to continuing the discussion on these and other important topics in BPA’s upcoming Provider of Choice workshops.

Sincerely,

Garrison Marr

cc:

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