



Provider of Choice Workshop Non-Federal Resources

May 14-15, 2024

PROVIDER OF CHOICE

**POST
2028**



Non-federal Resources Topics

Day	Topic	Presenter(s)	Est'd Time	Est'd Time
May 14	Welcome & Agenda	Michelle Lichtenfels, Provider of Choice	5 min	11 – 11:05am
May 14	Non-federal Resources: <ul style="list-style-type: none"> • April 25 follow up • Consumer-owned resources • Non-federal resource allowance • New vs. existing • Additions or temporary removals 	Lindsay Bleifuss, Power Account Executive Wally Roghair, Power Account Specialist team	2.5 hr	11:05am – 2:30pm



April 25 Follow Up



Follow Up –Standards for Resource Declarations

- Any open questions from April 25 workshop on Standards for Resource Declarations?
- Contact Power AE or Post2028@bpa.gov regarding:
 - Suggestions or approaches on Standards for Resource Declarations
 - Specific requests for BPA to evaluate changes to existing Exhibit A amounts. Data will need to be provided.
- **Timeline:**
 - Suggestions or approaches for the Standards for Resource Declarations by September 30, 2024.
 - BPA will post a draft of the Standards for Resource Declarations by Winter 2024/2025 and provide a comment period before finalizing.
 - Requests for specific changes to existing Exhibit A amounts should be sent to BPA by October 31, 2024.



Non-Federal Resources Consumer-Owned Resources



Objectives

Continue discussion started at the April 10, 2024 Non-Federal Resource Workshop RE: the Regional Dialogue Contract definition of Consumer-Owned Resources.





Consumer-Owned Resources under Provider of Choice Contracts

Regional Dialogue Contract Concerns to Address

Customers and their consumers have expressed concern that Regional Dialogue Contract definitions of on-site resources on the customer's "distribution system" may inhibit consumers' resource plans

BPA has not proposed a solution to this concern but is aware that it requires attention

- More conversation, starting today, is needed before preparing contract language.

Administration Challenge – “distribution”

- Consumer-Owned Resources and On-Site Consumer Load in Regional Dialogue Contracts both refer to “distribution system.”
- Section 2.11 Defines Consumer-Owned Resource as,
 - “a Generating Resource connected to [Customer’s] distribution system that is owned by a retail consumer, has a nameplate capability greater than 200 kilowatts, is operated or applied to load, . . . []

“Distribution” (cont)

On-Site Consumer Load in Regional Dialogue Contracts; “distribution system”

- Section 2.4.3 defines on-site load as interconnected on the same portion of the distribution system as the resource.
 - “Onsite Consumer Load” means the electric load of an identified retail consumer of [Customer] that is directly interconnected or electrically interconnected on the same portion of [Customer’s] distribution system with a Consumer-Owned Resource of that same identified retail consumer such that no transmission schedule is needed to deliver the generation from the Consumer-Owned Resource to the consumer load.”

“Distribution”

The term “distribution” in the definitions of consumer-owned resource and onsite consumer loads has led to questions.

- Commonly distribution system refers to low voltage facilities (less than 34.5 kV) but also can mean any facilities used to deliver energy to consumers
 - Distribution system appears repeatedly, but is not a defined term in, Regional Dialogue Contracts
 - From the Energy Information Administration (EIA), Distribution System is, “The portion of the transmission and facilities of an electric system that is dedicated to delivering electric energy to an end-user.”

Administration Challenge – “distribution”

For POC contracts BPA expects to revisit the definitions of Consumer-Owned Resources and On-Site Consumer Load currently in Regional Dialogue Contracts

- Goal is to clarify the use of, or substitute language for, “distribution system” in respect to Consumer-Owned Resources
 - This will make the application of consumer-owned resources to consumer loads clearer
 - This issue will be addressed in the Contract Drafting phase, and Parties will have opportunity to review and comment on proposed language

Potential Clarification

For Consumer-Owned Resources serving On-Site Consumer Load, BPA intends to clarify in Contracts that:

- On-Site resources of Consumers need to be co-located with and connected to the Consumer load in a meaningful way
 - Perhaps at the same Point of Delivery from a Transmission Provider
- Such resources are not wheeled by a Transmission Provider, and
- Are not scheduled from another location

Next Steps

Assuming no additional significant discussion remains, BPA will initiate contract drafting based on concepts shared today, and bring to future contract drafting workshops.



Appendix: Consumer-Owned Resources under Regional Dialogue Contracts

Consumer-Owned Resources Historically

Prior to Regional Dialogue Contracts, Consumer-Owned Resources typically were co-generators within industrial plants.

- Generators turned by waste heat or steam
- Other generation using by-product fuels from manufacturing processes

That paradigm changed with the advent of solar generation, available to many modestly-sized consumer loads.

- Solar generation started appearing early during the Regional Dialogue period

Consumer-Owned Resources in the RD Contract

Consumer-Owned Resources are listed in Section 7 of Exhibit A NET REQUIREMENTS AND RESOURCES of Regional Dialogue (RD) Contracts

- Including all resources exceeding 200 kW Nameplate

In RD Contracts, customers elect from three options for how their consumers will apply their Consumer-Owned Resources:

- Serving Onsite Consumer Load
- Serving Other than Onsite Consumer Load, or
- Serving both Onsite and Other than Onsite Consumer Load

These elections are for how Consumer-Owned Resources are treated in the Power Sales Agreement between BPA and the Customer



Non-federal Resource Allowance



Objective

- Clarify non-federal resource allowance.
- Review examples of how allowance would be implemented.



Non-Federal Allowance

- Bonneville **committed to include a non-federal resource allowance in the Provider of Choice contracts** that allows customers to add New Resources to offset Tier 1 take-or-pay obligations.
- Provides flexibility to add certain non-federal resources even if loads are not growing.
- **Limitations to the total allowance granted ensures that one customer's resource decisions do not create significant cost shifts in the Tier 1 cost pool.**

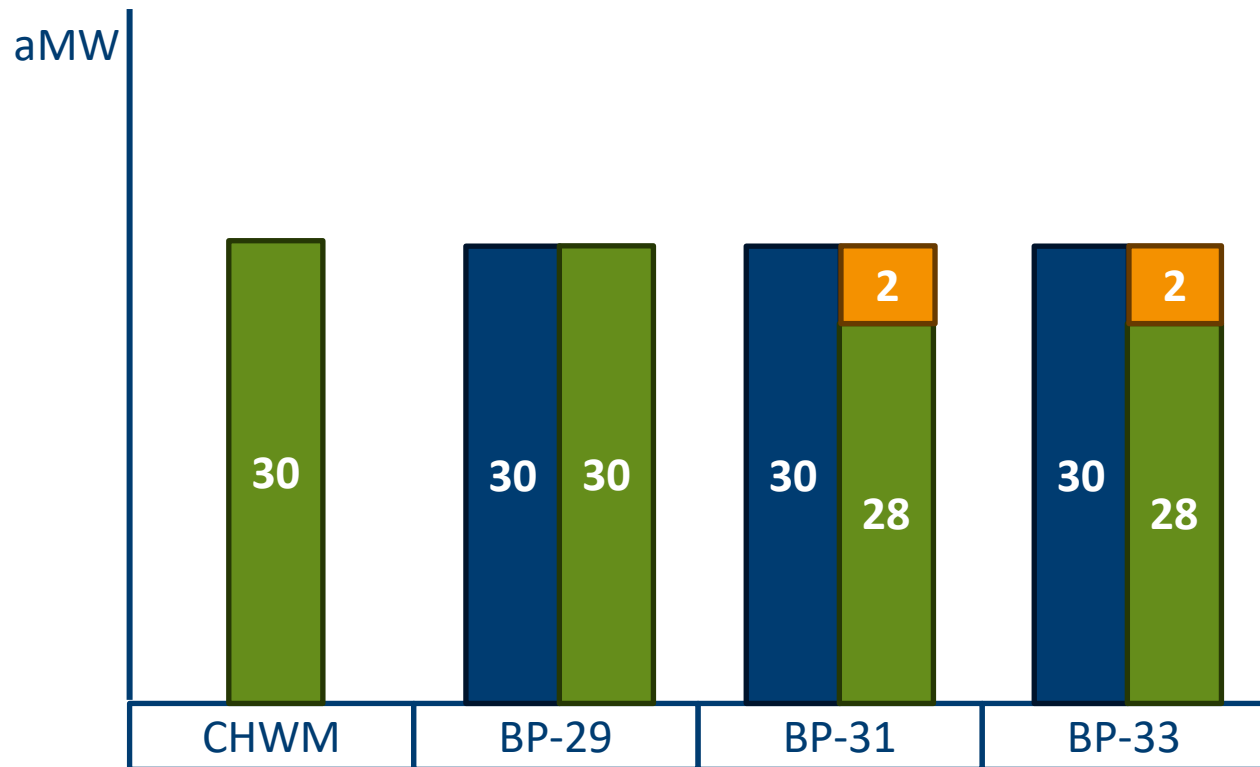
Non-Federal Allowance Conditions

- Allowance resources must meet the following criteria:
 - Aggregate nameplate capacity of 5 megawatts (MWs) or 50% of customer's CHWM, whichever is less.
 - Connected to a customer's or a joint operating entity's utility member's distribution system. (If the distribution within a customer's area includes higher voltage systems that primarily serve only that customer's loads and resources, resources connected to such systems will be eligible for the non-federal resource allowance.)
 - Dedicated under the customer's Provider of Choice contract.
 - Market purchases, or unspecified resources, will not be eligible for this allowance.
- One-time election as to whether the New Resource will be used towards the allowance or to serve Above-CHWM load.
- Will not require Resource Support Services (RSS)
 - Could be subject to any additional capacity costs created by the addition of such resources.

Non-federal Allowance Examples

- **Four examples:**
 1. Flat (non-growing) Load.
 2. Headroom and Load Growth.
 3. Above-CHWM and Load Growth.
 4. Above-CHWM and Load Declines.
 5. Adding Resources Over Time (Based on Example 2).
- **Examples assume that non-federal resource allowance results in 2 aMW of offsetting Tier 1 take-or-pay obligation.**

Non-federal Allowance Example 1

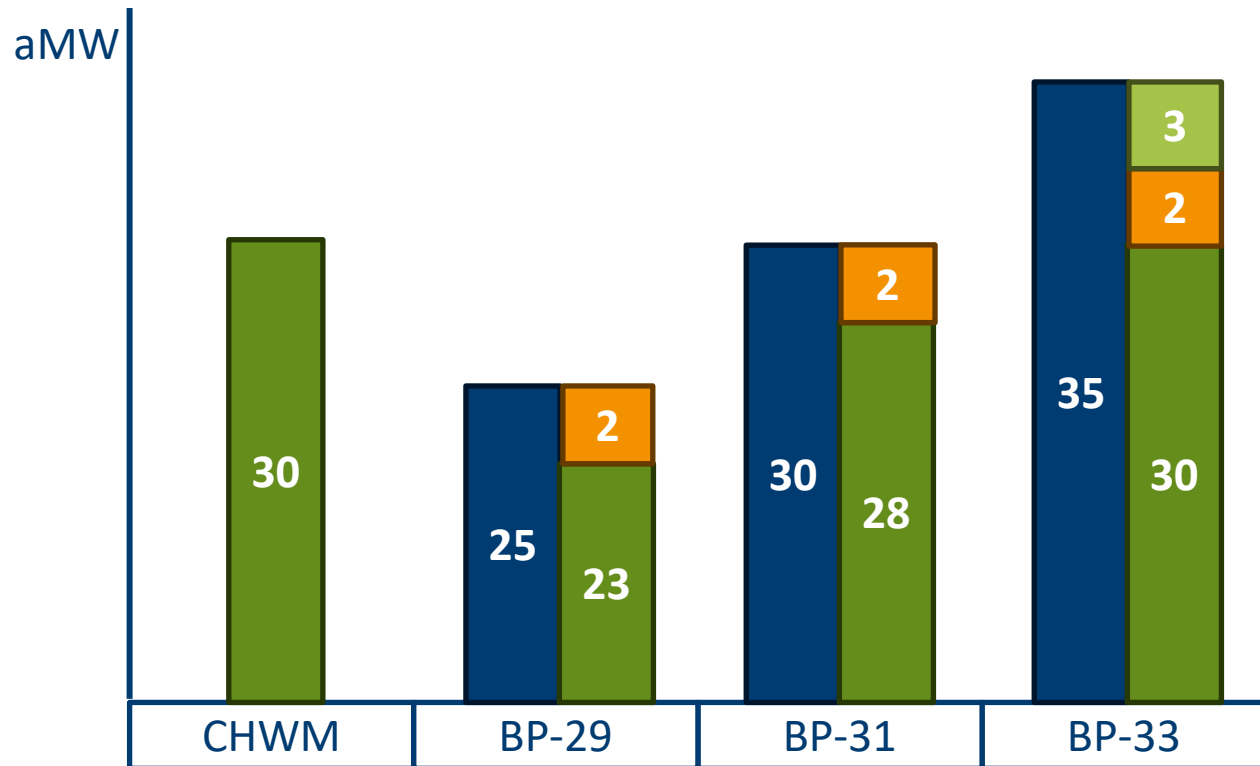


Example: Flat Load

- Customer adds resources to utilize allowance for BP-31.
- Allowance offsets Tier 1 take-or-pay obligation starting in BP-31 and every rate period thereafter.



Non-federal Allowance Example 2

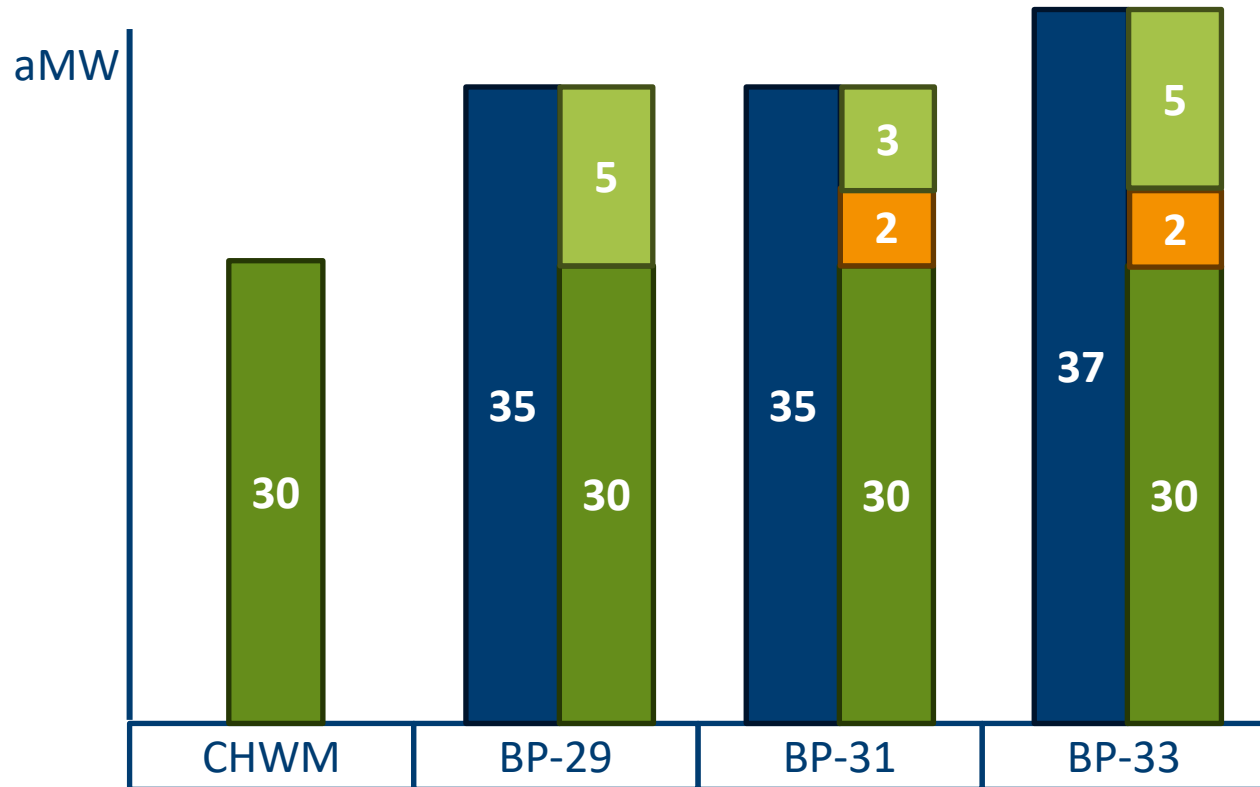


Example: Headroom and Load Growth

- Customer starts with headroom in BP-29, and uses 2 aMW of allowance in first rate period further reducing amount of power needed at PF Tier 1 rate.
- In BP-31, customer grows to CHWM load but allowance offsets 2 aMW of Tier 1 take-or-pay obligation.
- In BP-33, customer grows again and receives power at a Tier 1 rate for its full CHWM amount. Allowance offsets take-or-pay obligation.



Non-federal Allowance Example 3

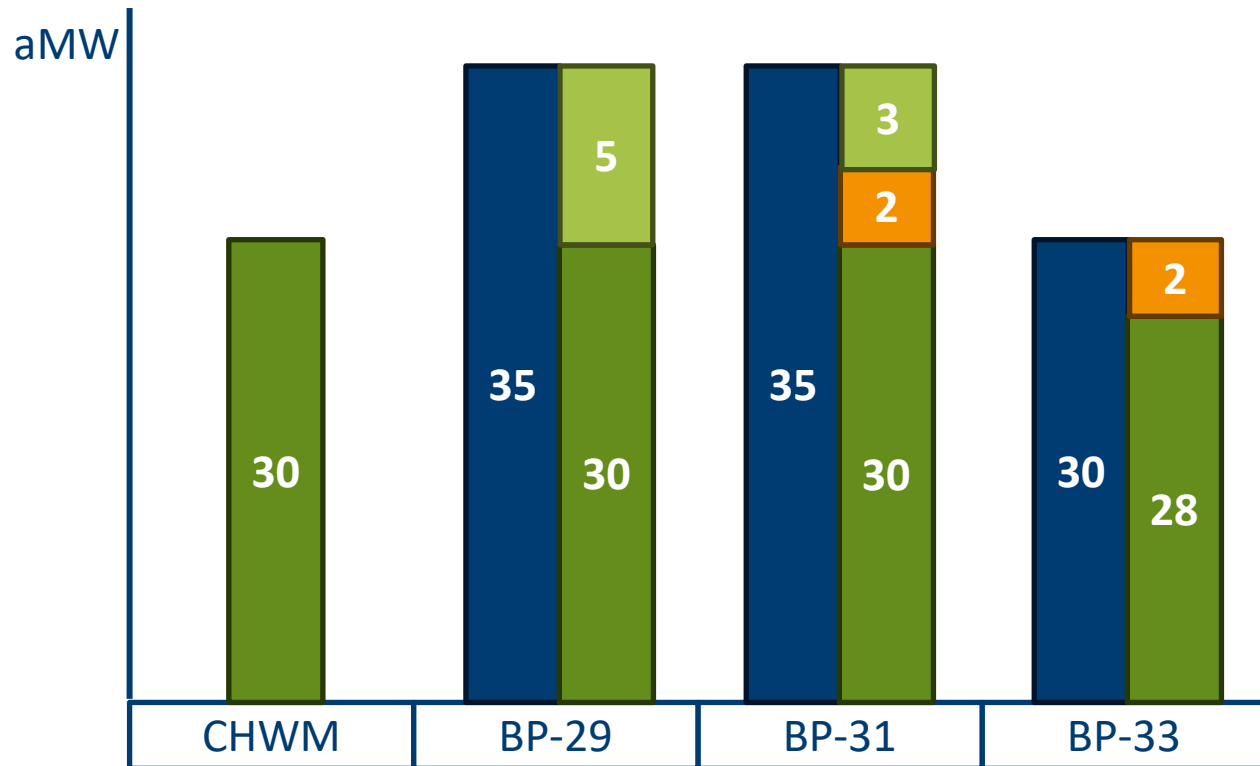


Example: Above-CHWM and Load Growth

- Customer begins the contract period with Above-CHWM load but no allowance resources.
- In BP-31, customer adds allowance resources and reduces Above-CHWM exposure.
- In BP-33, customer grows and Above-CHWM exposure increases.



Non-federal Allowance Example 4

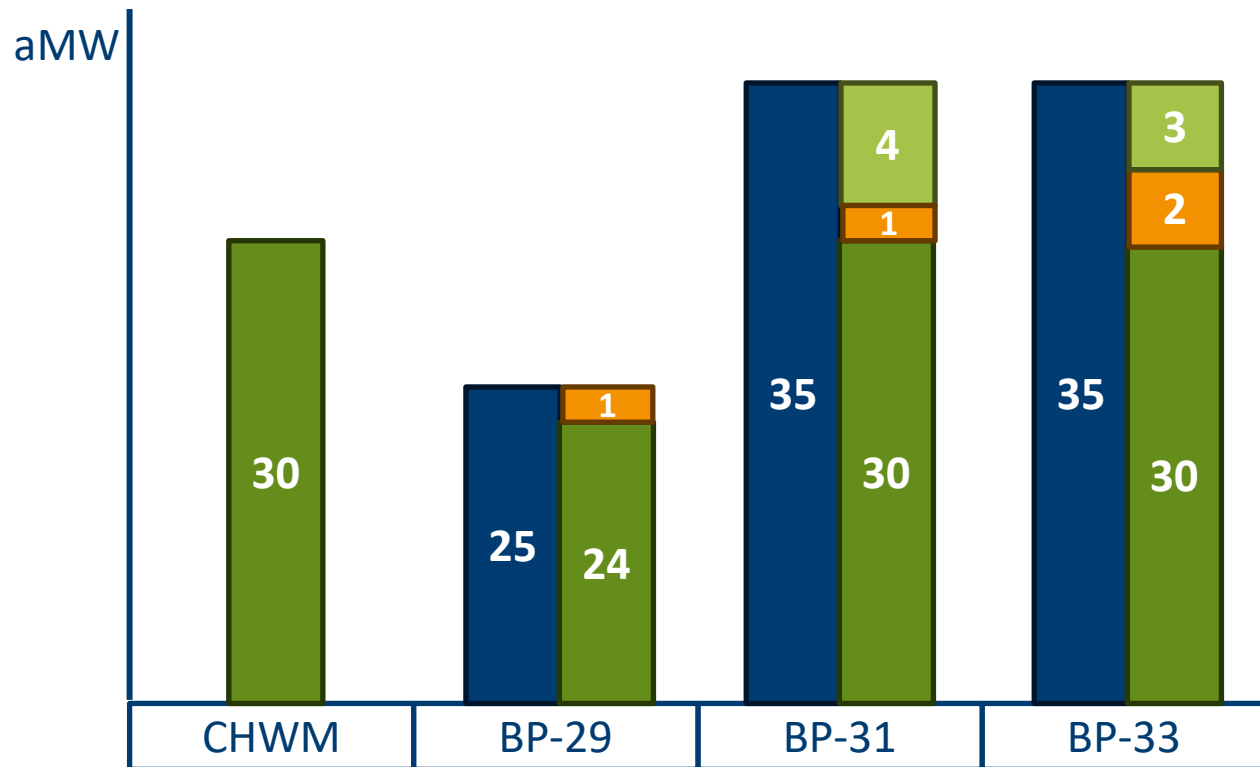


Example: Above-CHWM and Load Declines

- Customer begins the contract period with Above-CHWM load but no allowance resources.
- In BP-31, customer adds allowance resources and reduces Above-CHWM exposure.
- In BP-33, customer loses load and no longer has any Above-CHWM load exposure. The allowance offsets the customer's Tier 1 take-or-pay obligation.



Non-federal Allowance Example 5



Example: Adding Resources Over Time

- Customer starts with headroom in BP-29 and uses half of their allowance in first rate period, further reducing amount of power purchased at a PF Tier 1 rate.
- In BP-31, customer grows to CHWM load but allowance reduces Above-CHWM exposure.
- In BP-33, customer uses remaining half of their allowance and reduces their Above-CHWM exposure.





DISCUSSION

For non-federal resource allowance topic, Bonneville intends to move it into contract redlines.

Any details you think are missing?



New Resources vs Existing Resources



Objective

- Review Bonneville proposal for existing v. new resource determination date.
- Discussion whether there is alignment on approach.



Background

- For purposes of a tiered rate construct, there is a distinction between ‘Existing’ Resources and ‘New’ Resources.
 - **Existing Resources** are applied to load that is otherwise served with power priced at the PF Tier 1 rate.
 - **New Resources, under Regional Dialogue, are applied to Above-CHWM load** that would otherwise be served with power priced at a PF Tier 2 rate.
- **Under Regional Dialogue, the determination date for a non-federal resource to be considered ‘Existing’ was September 30, 2006.**
 - Any resource that was dedicated to load in the Subscription Contract as of September 30, 2006, was determined to be ‘Existing’ and applied to the CHWM calculations (which took place in 2011).

Provider of Choice Draft Policy

- In the draft Policy, Bonneville suggested that new resources would be resources added after 2028.
 - Commenters responded with varied perspectives from maintaining the current definition to some earlier date. Little support for 2028.
- In the final Policy, Bonneville removed a recommendation for a determination date and signaled it would discuss this issue during the policy implementation phase.

Provider of Choice Approach

- Bonneville appreciates the logic used under Regional Dialogue of aligning the determination date for Existing Resources with the CHWM non-federal resource date.
- Clear reasoning for considering a resource 'Existing' for purposes of offsetting the Tier 1 rate which is based on costs associated with the 'existing federal system'.
- Provides straightforward understanding and implementation.

Determination Date

- Bonneville plans to use **September 30, 2023, as the determination date** for Existing Resources versus New Resources.
- Any Specified Resource dedicated to serve load prior to September 30, 2023, will be considered an Existing Resource.
- Any non-federal resource dedicated to serve load after September 30, 2023, will be considered a New Resources.
- **Date aligns with** using FY 2023 for the index year for loads and non-federal resources in **CHWM calculations**.
- Provider of Choice contracts include new provision for New Resource development (that meet certain criteria), even for customers with no load growth.



DISCUSSION

**Existing v. new resources
determination date of
September 30, 2023:**

*Any considerations
or concerns?*



Non-federal Resource Additions or Temporary Removals



Non-federal Resource Additions

There are two options to add non-federal resources to offset take-or-pay obligations under Provider of Choice contract:

- 1) Tier 1 Allowance Amount – up to 5MW nameplate or 50% of CHWM, whichever is less.
- 2) Flexible Above-CHWM Load Path (either all or a portion) – must have enough Above-CHWM Load to justify amount of critical generation from Exhibit A (average megawatt amount).

Non-federal Resource – Tier 1 Allowance

- Customers must notify Bonneville to add a qualifying resource to serve the Tier 1 Allowance Amount (up to 5 MW nameplate or 50% of CHWM, whichever is less).
- No specific notice deadline or timing requirement.
- No RSS election needed.

Non-federal Resource – Above-CHWM Load

- Customers must notify BPA to add a non-federal resource to serve Above-CHWM Load for the upcoming Rate Period.
- Notification deadline to add non-federal resources for the upcoming Rate Period is July 31, prior to the Rate Case year.
- RSS and market-related elections are due July 31, prior to the Rate Case year, as well.



Non-federal Resource Temporary Removal

Load Following Product

- Customers may choose to temporarily remove resources if a customer's Above-CHWM Load forecast for an upcoming Rate Period is less than the sum of:
 - (1) Above-CHWM Load resource amounts (New Resources) and,
 - (2) Tier 2 Rate purchase amounts
- By July 31, prior to the Rate Case year, BPA will remove New Resources, and if further removal is needed, the Tier 2 Rate purchase amounts will be removed for each applicable Fiscal Year of the upcoming Rate Period
- Customers may request and remarketing may apply for qualifying non-federal resources and Tier 2 Rate purchase amounts

Planned Products

- After Above-CHWM Loads are established for the Rate Period, customers may choose to temporarily remove resources if a customer's forecast net requirement* for an upcoming Fiscal Year is less than the sum of:
 - (1) Customer's CHWM and,
 - (2) Tier 2 Rate purchase amounts
- By August 31, of the applicable year, BPA will remove New Resources, and if further removal is needed, the Tier 2 Rate purchase amounts for the Fiscal Year.
- Customers may request and remarketing may apply for qualifying non-federal resources and Tier 2 Rate purchase amounts

*Planned Products have an annual net requirement process to determine the planned amount of power the customer receives from BPA for the upcoming Fiscal Year