



# Provider of Choice Discussion: Transfer Service and Transmission

PPC Rates and Contracts Forum  
October 12, 2021

**PROVIDER of CHOICE**

— POST-2028 —



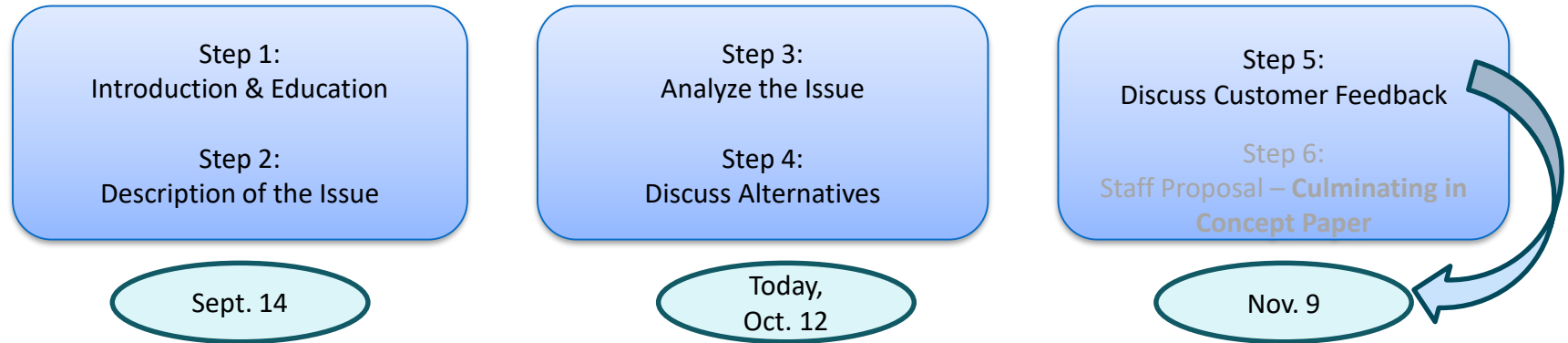
# Agenda

- Customer feedback from September 14<sup>th</sup> Energy Efficiency, transfer service & transmission background session
- What principles/interests to apply to transfer service?
- Key policy questions: What to arrange for? What to pay for?
- Transmission considerations

# Today's discussion & the 6 steps

Today's session will focus on the options available in the *approach* BPA takes to transfer service and highlight some of the tradeoffs among the options. We will also discuss how we can better align power and transmission services as we consider the Provider of Choice policy and contracts.

The conversation today—and discussion around the *value* of transfer service—will dovetail very well with the next planned PPC discussion on October 26th when we'll discuss the foundational principles that will ground Provider of Choice decisions.



<b>Summary of Comments from Sept. 14 Energy Efficiency session</b>	<b>BPA response</b>
<p>One customer would like more substantive consideration of BPA’s Energy Efficiency Program <i>before</i> the next Power Sales Contract is signed to ensure optimal use of its rate payer funds.</p>	<p>Thank you for the comment. This is aligned with feedback that BPA has received throughout the Provider of Choice customer engagement. BPA looks forward to working with customers in the coming years to develop the goals and policy that will shape the future energy efficiency program.</p>
<p>One customer recognized BPA’s statutory obligation to encourage conservation across the Northwest, but expressed “that customers’ ability to take actions in accordance with their local State law [must] remain unhindered”. The customer encouraged the recognition of current “regional driving forces” and to ensure sufficient flexibility exists for customers to meet their obligations.</p>	<p>As noted, BPA is obligated to acquire conservation as the priority resource for meeting customer load and must collect in rates to meet the costs associated with this acquisition. As in the past, BPA’s energy efficiency program will take into account applicable state laws that require a customer to develop conservation independent of BPA. BPA looks forward to working with customers to meet these common goals.</p>
<p>One customer would like BPA to examine its acquisition model, specifically incentives collected in rates and the highly variable level of self-funding as concerns.</p>	
<p>One customer would like to ensure any use of efficiency funds designed to provide benefit to the transmission system is well considered and follows cost causation principles.</p>	<p>BPA agrees that any exploration of an energy efficiency program designed to provide benefit to the transmission system would require careful consideration and ensure cost causation principles are followed.</p>
<p>A group of customers support BPA’s continued reliance on the Resource Program as the means by which it establishes overall regional efficiency acquisition targets.</p>	<p>BPA is encouraged to hear customers find value in our current program design. We look forward to a robust conversation on the most effective means to establish and allocate targets as well as develop and deploy regional infrastructure in a way that best positions BPA and its customers for success in achieving energy efficiency post 2028.</p>
<p>A group of customers suggest BPA should continue to set targets at a regional rather than individual utility level to address the inherent differences in potential across its service territory</p>	
<p>A group of customers suggest BPA should continue to support centralized program infrastructure to ensure economies of scale, and enable achievement that would not be possible absent this centralized approach</p>	

<b>Summary of Comments from Sept. 14 Transfer Service and Transmission Background Session</b>	<b>BPA response</b>
<p>One commenter supports BPA maintaining transfer service post-2028 largely as it functions today under the Regional Dialogue construct.</p>	<p>Thank you for the feedback. BPA looks forward to discussing and weighing the principles and interests that customers believe should be applied to transfer service issues as we move forward.</p>
<p>One commenter states that all customers have a significant interest in the transfer service program because transfer service provides significant cost savings, not only to transfer customers, but to all BPA customers.</p>	
<p>One commenter wrote that, consistent with what is stated in the ARTS, BPA must provide equivalent treatment to both directly-connected preference customers and preference customers served by transfer.</p>	<p>BPA has concerns that equivalent treatment is not an achievable standard for transfer service. We look forward to explaining our position and exploring alternative standards that would serve to reinforce BPA’s commitment to quality service.</p>







# What specific interests or principles should inform BPA's approach to transfer service post-2028?



# Staff perspective

BPA's post-2028 transfer and transmission team believe that in order to position BPA as a competitive power provider for the post-2028 time frame, BPA should continue to provide some level of transfer service support.

We also believe that providing valuable services like transfer service will need to be balanced with other shared objectives such as keeping rates as low as possible.

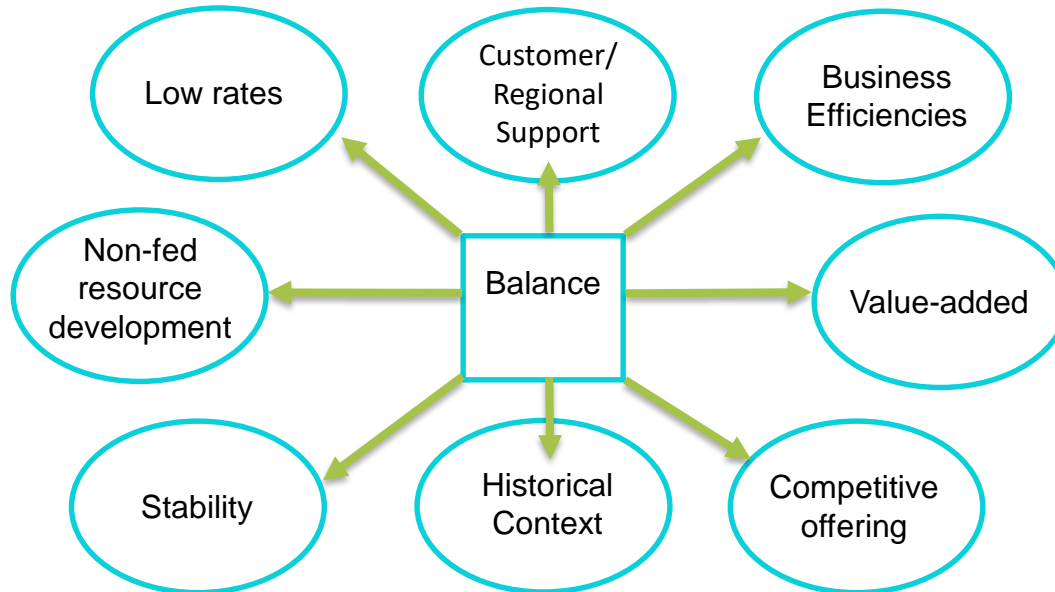
It is BPA's goal under Provider of Choice to offer products customers want and offer long-term contracts that customers will sign. Transfer service has been a valued means of delivering federal power to preference customers' load not directly connected to BPA's system.

While we acknowledge Provider of Choice customer negotiations that will determine policy direction are yet to come, the staff looks forward to continuing its long standing relationship with our transfer service customers and anticipates that BPA will continue to advocate for transfer customers' interests with the third party transmission providers.

# Trade-offs between various interests

Looking ahead to October 26, BPA will revisit the conversation around the foundational principles, or interests, that will underscore future decisions for Provider of Choice, including those related to transfer service.

These trade-offs will exist for decisions on transfer service, as on other aspects of post-2028.





# Feedback on Principles for Transfer Service

- How should these principles relate to transfer service policies and contracts?
- Should some principles be weighted more or less?
- Are there other principles that are missing?

# Quality of Service

BPA will need a standard to rely on as its guiding principle for the provision of transfer service.

Possible post-2028 principles for approaching the quality of service for transfer customers:

- Best plan of service, reliable transmission service.
- Advocate on behalf of transfer customers with providers.
- Work with providers for consistency with their native load customers.
- Include transfer customer in decisions regarding their transfer service.

These guiding principles will consider the realities of customers' unique circumstances, as necessary, and regional issues in the industry such as geographical limitations, cost limitations, transmission congestion, and regional factors such as energy imbalance markets, carbon legislation, and resource adequacy. These factors present significant challenges.

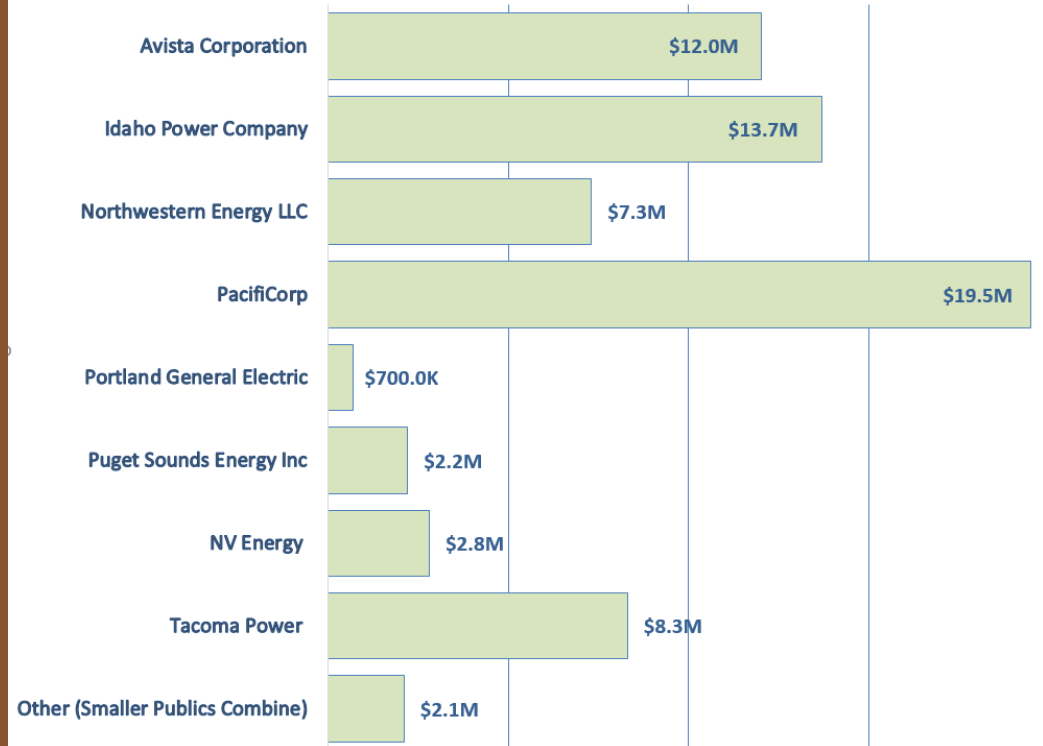


# Transfer Service Facts and Figures Refresh

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- Currently, 83 of BPA's 134 requirements power sales customers have at least one transfer point of delivery.
- 55 requirements customers are served solely by Transfer Service.
- In 2010, BPA's Transfer Service cost was about \$50 million/year. As of 2020, it is approximately \$70 million/year.
  - Approximately \$2 million/year of this currently supports non-federal resource delivery.
- Utilizing Transfer Service allows BPA to deliver approximately \$415 million dollars' worth of federal energy to our Transfer Service preference customers annually.

## 2020 Annual Cost (\$)

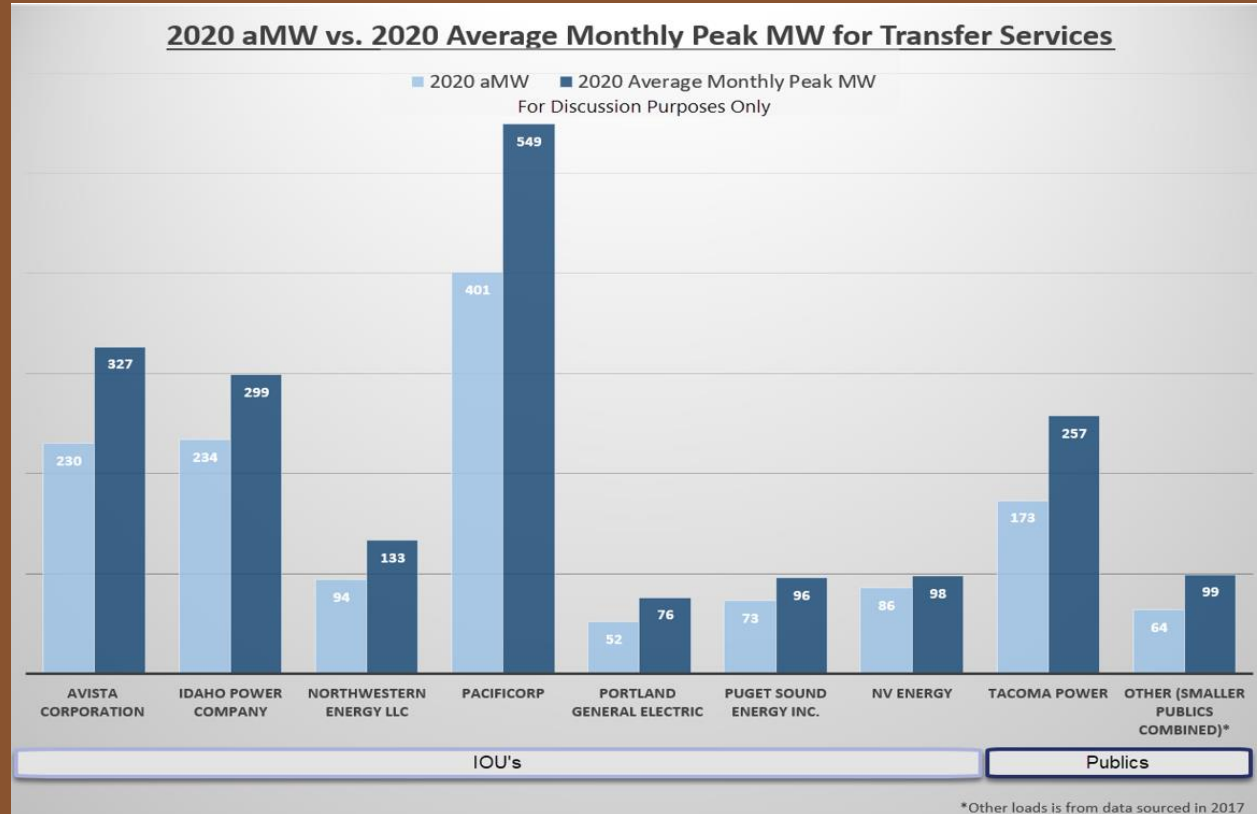


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# Facts and Figures Refresh

- BPA contracts with 19 transmission providers in the region to acquire transfer service.
- 7 of these are Investor-Owned Utilities
- The remainder are public utilities.
- Loads shown by provider to the right.
- In total, about 1400 aMW of energy and over 1900MW peak.



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Pre-decisional. For discussion purposes only.



# How might BPA approach transfer service post-2028?

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# Transfer Service: Arrangement and Management

## Currently...

BPA contracts with third party transmission providers to deliver power to customer loads. In managing these transfer agreements BPA provides the following to its customers:

- Provides administrative support including supporting/challenging the transfer provider at FERC or other regulatory body, as applicable.
- BPA participates in transmission provider rate cases including establishment of initial rates and annual Formula Rate process and if necessary challenges rates at FERC or other appropriate forum.
- Manages all Open Access Same-Time Information System (OASIS) for customer transmission reservations for deliveries on the third party transmission system. This includes managing the long term firm and non firm reservation to load.
- Forecast and schedule hourly interchange schedules for customer's hourly load in the Transfer providers BAA. This is for all Load Following customers.
- Track, review and propose changes to TP Business Practices, Tariff and other governing documents. BPA makes formal comments to the transfer provider and possible FERC challenges if needed.

# Transfer Service: Arrangement and Management

## Going forward:

- Any thoughts on alterations or refinements to status quo model?
- Difficult to separate responsibilities for arranging, one contract/contract holder per POD.

# Transfer Service: Payment for Federal Power

## Currently...

BPA acquires and pays for Transfer Service to deliver Firm Requirements Power and Surplus Firm Power to a customer's PODs in an amount not to exceed the customer's Total Retail Load on an hourly basis.

### Federal Deliveries for Preference Customers

- BPA pays for all wheeling charges across multiple transmission systems to the customer's load.
  - For certain services BPA then charges customers, either as a pass-through or at the BPAT rate.

### Transfer Service for New Large Single Load (NLSSL)

- BPA pays for the cost of transfer associated with federal power (NR) used to serve a customer's NLSSL.
- BPA does not pay for any costs associated with a non federal resource used to serve a customer's NLSSL.

# Transfer Service: Payment for Federal Power

## Going forward:

- Any thoughts on alterations or refinements to status quo model?
- Any concerns with payment for power sold at the NR rate?

# Transfer Service: Payment for Non-Federal Power

## Currently...

For non-federal resources serving Above Rate Period High Water Mark load:

- BPA pays for the last leg of transmission wheeling service on the transmission system where the customer's load resides.
- BPA does not pay for losses and any ancillary services associated with the non-federal resource. This includes losses, direct assignment charges and low voltage wheeling.
- RD set an annual cap of 41 MW per year, cumulative.

## Reasoning...

- Supported BPA's Regional Dialogue policy to not incentivize power customers into purchasing federal power sold at the Tier 2 rate.
- Fundamental principle of RD—and the tiered rate construct—was to promote resource development.

# Transfer Service: Payment for Non-Federal Power

## Intent versus outcome:

- Under RD contracts, transfer customers that elect to serve Above-RHWM load with non-federal resources have primarily relied on market purchases.
- Resource development in or close to service territories largely has not materialized.

## Going forward:

- Any thoughts on alterations or refinements to status quo model?
- Given lack of local non-federal resource development, does it still make sense to pay for non-federal transfer service for all resources?





# Transmission Considerations



# Transmission Considerations

- When customers are thinking about their load and resource planning, and long-term firm transmission, what do they need post-2028?
  - Requirements in the [OATT](#), Section 29.2, that customers should be keeping in mind. When it comes to customers' flexibilities with non-federal resources, there are opportunities and limitations.
  - As customers bring on new load and non-federal resources, and depending on customers' resource choices, congestion will require future solutions.
  - Customers need to help BPA plan ahead through their load and resource forecasts by working with their Transmission AE well in advance to evaluate potential resources and loads, and ensure there is sufficient transmission.

# Transmission Considerations

## Things for customers to keep in mind for service under BPA's OATT:

- Customers should provide a resource forecast as early as possible to ensure there is transmission capacity available when they are ready to designate the resource as a Network Resource.
- To designate a resource for long-term firm service, an NT customer must request, and attest to, a Network Resource at least 60 days prior to service.
- Long-term firm NT Service is not compatible with seller's choice market purchases, e.g., when the source is not known until pre-schedule.
- NT Secondary Service (6NN) does provide flexibility to use resources that cannot be designated as Network Resources and will be delivered on the highest priority non-firm transmission.
- NT Service can only be used to serve load.

# Feedback and Upcoming Sessions

## Provide feedback by October 26:

- [post2028@bpa.gov](mailto:post2028@bpa.gov)  
(copy your Power AE)
- Power AEs
- Trade Orgs, as applicable

May 27: 10am-noon	HWM & Tier 1 System Background
June 8: 1-3pm	Non-Federal Resources Background
June 22: 1-3pm	BPA's Statutes, Capacity & Resource Adequacy Background
July 13: 1-3pm	HWM & Tier 1 System Discussion
July 27: 1-3pm	Non-Federal Resources Discussion
August 10: 1-3pm	Carbon Background, Term/Cost Control Background
August 24: 1-3pm	Capacity & Resource Adequacy Discussion
September 14: 1-3pm	Transfer & Transmission Background, EE Background
September 28: 1-4pm	Carbon Discussion
October 12: 1-3pm	Transfer & Transmission Discussion
<b>October 26: 1-3pm</b>	<b>Term/Cost Control Discussion and revisit Interests</b>
November 9: 1-3pm	EE Discussion
November 18: 1-3pm	REP Background
December 14: 1-3pm	

Thank you for your time today and your ongoing engagement in post-2028 conversations.