

## Planned Product Group Customer Comments

### Comments on Block with Shaping Capacity Product and Rate Design

6/12/2024

#### **Planned Product Group**

We would like to thank BPA for its engagement on this product. We recognize that BPA is working to understand and identify customer needs and create something that bridges the gap between existing options. We also believe that the ‘a la carte’ nature of Block with Shaping Capacity creates transparency for the different services that BPA products provide. BPA’s proposed product has several desirable features and we hope the enclosed perspectives are a benefit to the process.

For the purpose of these comments, the Planned Product Group (PPG) gathered input from multiple utilities to determine ‘common’ interests and needs for the Block with Shaping Capacity product ramp rates and energy delivery needs. The ‘asks’ in these comments are supported by the group as a whole and represent common needs/interests for a potential Block with Shaping product that we believe would significantly improve the product’s viability.

Customers recognize BPA is interested in significant revisions to Planned Products in the next power contract. Customers further observe that the policy decision to push product scheduling before the day-ahead market run is a significant revision that increases the risk of Planned Products to effectively and efficiently meet load service needs. Additionally, customers are concerned that the current Block with Shaping Capacity design proposal may not be viable for load service due to additional product design constraints beyond the day-ahead scheduling constraint. In order to be a viable product, the product needs further design revision. Once the product meets reasonable load service needs, the product must also provide a reasonable value proposition relative to its risk, either through appropriate pricing, or differential access to non-firm federal surplus, or some combination thereof.

#### **Product Intent - Load Service**

Through the PoC process, BPA has described the intent of Planned Products and affirmed that Planned Products are not designed to meet a customer’s hourly retail load. Planned Product customers recognize this distinction but believe it is important to clarify that all of BPA’s products are grounded in service to the customer’s Net Requirements load. For Planned Products to be successful, they must provide customers with the ability to serve load independent of BPA. This load service obligation shows itself in both the planning time horizon as well as on an hourly basis.

We recommend BPA clarify the product intent and state what the product “is” intended to do as apposed to what it “isn’t” intended to do.

### **Concerns with BPA’s Initial Block with Shaping Capacity Proposal**

The PPG has five primary concerns with the current Block with Shaping Capacity product. These are:

1. The delivery constraints are too restrictive and limit customers’ ability to effectively serve load.
  - a. Initial ramp rate limitations (10%) are overly restrictive, resulting in significant periods of over and under delivery of energy when attempting to ramp the product based on load shape.
  - b. The within-month energy usage requirement (45-55% energy usage limitation during the first 14 days of each month) results in unnecessary energy shifting between periods when trying to anticipate and respond to dynamic and/or extreme load service conditions.
  - c. Energy limitations together with limited ramp rates place a disproportionate amount of load service risk into the end of the month.
  - d. There is a challenge with moving between months and the step function adjustments that will occur.
  - e. The 14-day energy test is not representative of the mid-point of the month.

BPA has expressed some willingness to explore ramping rates and find an appropriate and equitable solution. We believe that both aspects – within-month energy constraints combined with ramp rates, are key variables impacting product viability and value. *(further detail on the product constraints is provided below)*

2. The product envisions customers establishing fixed day-ahead schedules with no ability to directly access the benefits of market solutions.
  - a. For the reasons described by customers in workshops, this is an area of concern. *We ask for further clarification on how customers selecting the product with be made whole for the loss of market value.*
3. BPA’s proposal for “Block Shaping Recalculation” is insufficient.
  - a. *Customers request a rate-period based process for updating block shapes.* By updating the shape every 2 years, both customers and BPA will ensure the product is tethered to load service and can adapt to our changing environment.
4. Customers believe the value of the current Block with Shaping Capacity proposal is unlikely to mirror the cost. In recognizing BPA’s stated objective to limit “rate shock”

and mitigate impacts across customers; we request the features made available to Planned Product customers are representative of the risks taken and the cost paid. We believe the product constraints described below together with further detail on PLVS/PLVC and market value crediting are key to the issue.

5. PNR impacts continue to be a concern for customers. The interplay between limiting a customer's product peaking capability and the need to deliver energy in yearly, monthly, and hourly amounts is a significant issue. Consistent with Seattle City Light's previous comments, customers believe the current ramp rate is overly restrictive and forces customers into flat or diurnally shaped block products.
  - a. Customers believe the constraints described in detail below represent a sufficiently constrained peaking product and do not require additional PNR limitation.
  - b. Customers request this topic be addressed at an upcoming workshop.

### **Product Design Constraints**

In developing these parameters customers have attempted to incorporate our working knowledge of system capabilities while also acknowledging the product is not tied to system output or a customer's hourly retail load. Customers offer the following product design parameters for consideration.

- 28% maximum upward and downward ramp rate.
  - After further discussion, customers do not believe that seasonal ramp rates are appropriate, as different utilities have different needs and seasonal rates would be overly complex to implement.
- 40%-60% energy usage limitation during the first half of each month.
  - Customers have addressed the energy limitation proposed by BPA but believe there are alternative ways for customers to structure minimum/maximum energy delivery amounts that create less of a burden and resolve other unintended issues. We ask for additional conversation.
- Mechanism to shift energy between the first and last week of each month limited by a not-to-exceed amount
- Separation/distinguishing of Block customer cost/risk from Load Following in rates.
- PLVS energy priced at load shaping rates.

### **Customer Interests for Block with Shaping Capacity**

Customer's high-level interests for the Block with Shaping Capacity product are listed below. Generally, customers desire the ability to effectively apply the product to load service requirements, operate non-federal resources efficiently, and receive Federal Power in a way that is reflective rates paid.

- Equitable access to capacity, shaping, and PLVS from BPA.
- Rate design that recognizes value and risk of product.
- Ability to effectively move energy to align with near-term load service requirements.
- Access to direct market settlement – cost causation and incentivizing non-federal resources and customer programs.
- More efficient usage of non-federal resources to respond to dynamic conditions.

### **Clarity on Peak Load Variance Service**

Peak Load Variance Service (PLVS) has been offered as an add-on service to the Block with Shaping Capacity product to provide capacity and energy to customers up to a P10 peak load amount. To this point, BPA has not yet clearly defined or established a methodology for calculating a customer's P10 peak load that would be used as the basis for determining the incremental capacity available under PLVS. As a result, it is unclear how much capacity this service would provide. PPG requests that BPA provide additional clarity on the definition and calculation methodology for the P10 peak load associated with PLVS as well as additional specifics on the ability of PLVS to meet a customer's WRAP requirements as a WRAP qualifying capacity purchase. PPG believes this additional clarity on PLVS will be instrumental in determining the overall viability of the Block with Shaping Capacity product.

### **Closing**

Planned Product Group customers appreciate the time and consideration that has gone into developing the Block with Shaping product. We hope these comments provide meaningful input into BPA's process and illustrate how the product can be improved upon to provide customers with a viable product choice. Thank you for your ongoing effort.