To: BPA PRDM Team
From: Planned Product Group
Re: Informal Comments on BPA's Rough Draft of the PRDM
Date: August 12, 2024

Thank you for providing an early draft of the PRDM. Having the ability to review the substantive language in advance of the final draft being issued creates a meaningful way for customers to engage with BPA in this process.

The Planned Product Group (PPG) utilities have coordinated the following remarks with the aim of providing additional detail and individual comments in the near future.

As part of our comments the PPG utilities request BPA include alongside the PRDM draft a PoC product and rates matrix describing the eligible services and charges associated with each product offered by BPA. This should include whether the billing determinate is take-or-pay or take-and-pay. For instance, load following services pays for capacity on a take-and-pay basis (actual monthly peak) while BWCS is billed on a take-or-pay. We believe this is necessary to understanding each product element, their proposed costs, and to ensure equity between the services rendered under each product.

1. Section 2.4 regarding Tier 1 Secondary Energy Credit
    a. The language within this section generally considers the secondary energy provided to the Slice and Non-Slice products comparable. However, within the proposal to define Slice firm and non-firm deliveries as a Day-Ahead only product undermines, the objective to seek comparable treatment between the cost pools. The PPG believes this section should firmly commit to a process addressing the shifting of Slice from a real-time to a Day-Ahead product. Unless otherwise amended, the shift in timing will impact cost allocation on the first day of the PoC contracts to the detriment of Slice.

2. Section 2.7 regarding Cost True-Up
    a. This section needs additional language allowing customers access to the operational and settlement information necessary to audit the financial settlements associated with planned product charges and credits.

3. Section 4.2 regarding Marginal Energy True-Up

   a. Additional review and analysis are needed before the PPG can provide substantive comment on the application of a marginal energy true-up (METU) to planned products. The draft points to different METUs for Load Following and Block products, which may contribute to inter-product equity, but all customers need additional details on how that equity would be achieved.
   b. Please add simple numerical examples of the operation of the new Marginal Energy True-Up for Load Following, Block and Slice products, making sure that all amounts are clearly identified as CHWM, forecasted net requirements load, actual net requirements load, or other loads as necessary, and that differences between Load Following and Block customers are clearly cognizable.

4. Section 4.3.5 regarding Demand Rate Adjustment Cap
   a. There are concerns with the demand rate cap as proposed. The application of a cap creates inconsistencies with the intent described within section 4.3 to send a marginal price signal to customers. The PPG recognizes the potential volatility within the demand rate and is open to alternatives which minimize "rate shock" while continuing to distribute costs equitably and send appropriate price signals to incent conservation and investment in non-federal resources.

5. Section 4.7 regarding "Disaggregation of Risks within the Tier-1 Non-Slice Products.
   a. The PPG has significant concerns with the language and policy position taken within the document. We agree with the need to perform further analysis and determine appropriate sub allocations of risks through a subsequent 7(i) process if necessary. The prohibition on conducting that 7(i) process within the entire term of the PoC contracts is unacceptable. This represents a significant shift in risk (and potential costs) from one product to another. The PPG recommends removing the prohibition and clearly defining a commitment to evaluate the issue in each rate period within the term of the PRDM.

6. Section 4.3.6 regarding Capacity Credit
   a. The language within the section should be expanded to include a capacity credit to

planned products including Slice, where the customer's actions reduce the Administrator's capacity obligations or increase the Administrator's available supply. This includes planning obligations including planning margins necessary for forward showing compliance within the WRAP or successor program.

7. Section 4.4 regarding Peak Load Variance Charge
   a. BPA proposes to charge the embedded cost of capacity for both Load Following and Block purchases of PLVS. In the case of LF customers, PLVS is designed to cover BPA's entire responsibility for compliance with the WRAP Planning Reserve Margin (PRM), which means ensuring that sufficient capacity is available to cover *all* instances of P10 loads including instances where load grows beyond CHWM and RICc amounts, and the associated BPA's P10 load obligation increases commensurately. In the case of Block customers, PLVS provides a limited service that will support, but not cover entirely, the customer's responsibility for the planning obligations associated with serving load; that is, only some of P10 loads for Block customers are covered by PLVS. BPA proposes limits on the number of times that PLVS may be called on by a Block customer but proposes no limits on access to PLVS by LF customers, either by frequency or by requiring advance notice. The energy supplied by PLVS also differs between LF and Block customers. These two services are thus not the same, and PLVS for Block customers is clearly inferior to PLVS for LF customers. Charging the same capacity rate for two very different services violates a basic principle of ratemaking and separates the rates from the cost of service. The PPG has no concerns with BPA providing WRAP compliant service within the Load Following product. However, BPA should reconsider the design of PLVS and PLVC for Planned Product customers including but not limited to a reduction of the capacity charge for Block PLVS to reflect the difference in the cost to BPA of providing PLVS to Block customers, and/or add a capacity credit to reflect the cost dissimilarity embedded within the different product obligations.
   b. There are most likely interactions between the new METU and the energy charges for PLVS, and those interactions appear to differ between Block and Load Following in the Rough Draft. Please provide numerical examples of the METU-PLVS energy

charge interactions, building on the examples requested above for METU, and ensure the forecasted and actual energy charges for PLVS adequately track costs to rates, including both in monthly billing and in after-the-fact true-ups.

8. Section 4.5.1 regarding Rate Impact Credit, Capacity (RICc)
    a. The PPG request additional examples of how the RICc will be calculated and applied to planned products. There are concerns that dissimilar calculation of RICc amounts will shift costs between products.

9. Section 4.5.2 regarding Rate Impact Credit, Mitigation (RICm)
    a. The PPG recognizes the intent of the RICm and does not object to it as a tool within the PRDM. However, there are concerns about the starting point included in the draft. We believe the initial threshold should be set to no less than 5%.
    b. The PPG supports a RICm phase out within the term of the PoC contracts.

10. Section 5 Tier 2 Rate Design
    a. The PPG supports BPA's efforts to offer an expanded suite of Tier 2 offerings including the offering of a long-term product linked to the Tier 1 energy rate. Consistent with the sections introductory remarks, ("the tier 1 system will not be used in a way that subsidizes the allocated costs of the Tier 2 rate service") we believe it important to affirm that the use of the tier 1 system to provided, planning, reserve, balancing services, and related capacity service will be charged at the marginal cost rate. This clarification would apply to those portions of the Tier 2 product offering where the energy is priced at the Tier 1 rate.

11. Section 9 regarding PRDM Revision Processes and Dispute Resolution
    a. The PPG requests the expansion of the "Customer Group" definition to accommodate the request of a group of customers comprising not less than 45% of the total CHWM. This revision would be separate from and in addition to the 45 customers by count threshold.
    b. The PPG requests language either within section 9 or elsewhere as a standalone

section within the PRDM that commits the Agency to conducting a process to amend relevant sections of the PRDM to accommodate BPA's participation in a Day-Ahead or otherwise organized market if and when such participation impacts product costs and equity. This commitment should generally comply with the outline of section 9 but be contained as an independent obligation not subject to the customer engagement or approval thresholds.

12. Section 9.3 regarding Revisions for Unintended Consequences
    a. The PPG remains concerned about unaddressed and unintended consequences inherent within the planned products as currently proposed. Given the customers advanced and long-standing indication of concern about the potential for such unintended consequences and resulting potential for inequity between products we request a clear path within the PRDM to ensure products are equitably distributing the costs and benefits of the Tier 1 system. As previously described, this issue should be subject to an explicit commitment outside of the Section 9 procedural obligations.