AWEC

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Via Electronic Submission

Elliot Mainzer
Administrator and Chief Executive Officer
Bonneville Power Administration
911 NE 11th Avenue
Portland, OR 97232

Re: February 25, 2020 TC-22, BP-22 and EIM Phase III Workshop

Dear Administrator Mainzer:

The Alliance of Western Energy Consumers ("AWEC") appreciates the opportunity to provide feedback on the February 25, 2020 TC-22, BP-22 and EIM Phase III Workshop. Specifically, the following comments provide feedback on the Bonneville Power Administration ("BPA" or "Agency") presentation addressing Section 7(f) Rate Options, EIM Charge Code Allocation, Regional Planning Organization, Creditworthiness, Generation Inputs, Resource Sufficiency, and Generator Interconnection.

Section 7(f) Power Rate Option Follow-Up

AWEC appreciates BPA's exploration of 7(f) options that might assist utilities and new large single loads ("NLSLs") in meeting their loads with federal service. BPA's proposal for new rate options merits further exploration and we look forward to those conversations in future workshops. Additionally, AWEC continues to believe that there is merit in exploring contractual solutions such as the grandfathered Green Exception. AWEC members and other corporations are facing growing public pressure to invest in environmental stewardship in ways that were not present when the Regional Dialogue policy and contracts were developed. Thus, there may be value in opening the grandfathered Green Exception to these entities. Such benefits may be realized by both BPA and its power customers generally, as well as an entity participating in the Green Exception. A second rationale for consideration of an expanded Green Exception is that the structure provided by this contractual feature limits the amount of incremental requirements load that may be placed on BPA to 9.9 aMW and the Tiered Rates Methodology then dictates what priority firm ("PF") rate that incremental load is charged. If the customer has unused rate period high water mark ("RHWM"), then this load is treated similar to load growth within a customer's RHWM and Tier 1 is charged. If the customer's total retail load ("TRL") has surpassed their RHWM, then the additional PF load is charged at Tier 2 (unless the customer has elected to serve it with resources). No incremental implementation details need to

be resolved for this structure to function, unlike the new firm power and surplus products and services ("FPS") or new resource firm power ("NR") alternatives discussed. In addition, while this approach limits the exposure to BPA to 9.9 aMW of incremental load per NLSL, it does not change the composition of the Agency's risk, since it fits within the existing PF rate structure. Finally, expanded access to the grandfathered Green Exception is worthy of discussion because the Green Exception could be improved based on the experiences of the participant currently taking it. In particular, AWEC supports expanding the resource pool that qualifies for this treatment.

Regional Planning Organization

AWEC supports the continued progress towards consolidating regional planning organizations in the Pacific Northwest in the hope of lowering regional planning costs, increasing the planning footprint, and improving the planning process. We look forward to hearing more details in April on the two alternatives for referencing the planning process details.

EIM Charge Code Allocation

AWEC appreciates the continued discussion and further exploration of the issue discussed at the February 25th workshop: how should BPA, as the EIM Entity Scheduling Coordinator ("EESC"), recover the EIM charge codes it incurs from using the transmission system on behalf of customers.[1/] AWEC recommends that, as a general principle, BPA adopt a cost allocation policy that assigns costs in a manner that is consistent with the customers that are using (and thus, benefiting from) imbalance services in the EIM. Notwithstanding, AWEC does not yet have a clear understanding about the impacts of the alternatives which would be necessary to provide a concrete recommendation at this time. As such, AWEC will provide initial thoughts and requests for additional information in these comments. Further, AWEC hopes to revisit this issue as more information is made available in future workshops and meetings. Specifically, AWEC requests illustrative examples and scenarios of different customer types and how they would be treated under these different alternatives and options to confirm our understanding of how these concepts would function.

As discussed in earlier comments, AWEC supports a phased-in approach towards integrating the EIM charge codes. However, it is vital that BPA and stakeholders have a shared

[1/] At the first workshop on this topic (12/12/19), BPA shared that the EIM will invoice Transmission Services as the EESC and Transmission must decide how it allocates those charges and credits to its customers (Load, non-Participating resources, wheel-throughs/interchanges… including Power Services). The EIM will also invoice Power Services as the Participating Resource Scheduling Coordinator and Power must decide how it allocates those charges and credits to its customers (and consider rate schedules, product type, and its transfer policy).

vision for an end goal for the phasing-in process, and more specifically, a stated time period addressing when stakeholders may expect subsets of charges to be added. AWEC acknowledges that there will be learning along the way and that this initial phase-in plan could evolve, but parties would benefit from an understanding of how the phases will be staged.

Under alternative one, no sub-allocation of charges (i.e., the meld cost approach), BPA would generally pass through these costs and credits to Transmission customers through a combination of existing rate design (possibly with some tweaks) and new/expanded risk mitigation tools. There seems to be many options for how BPA might structure this alternative. However, few options were discussed during the workshops and none were explicitly presented by BPA. BPA made reference to a possible solution that could either include a surcharge or additional planned net revenue for risk ("PNRR") to cover the unforecastable costs, but how BPA structures the rate design and risk mitigation could impact the degree to which and how sheltered one customer is from others' costs. In order to better evaluate this option, additional analysis and conversation is needed to better understand implementation. Without additional details, it is difficult to judge how far this alternative strays from cost causation principles.

Under alternative two, BPA-designed partial sub-allocation of charges, BPA would pass through some subset of charges to those that cause them. This alternative appears to be better at aligning to the cost causation principle than the no sub-allocation alternative. However, were BPA to include only Base Code Option + Neutrality Codes, then BPA customers would likely still be facing many potential melded costs. At the very least, AWEC believes it could support sub-allocation at the Base Code (UIE, FMM IIE, RTIIE) option level. The parties need additional time to understand the implications and connections to other topics before we affirmatively recommend inclusion of the other, noted adder options that were presented. Nevertheless, there appears to be merit in sub-allocating certain additional charges such as:

- The neutrality codes to complete the UIE and IIE charges;
- The scheduling penalty codes, if there was a way to potentially replace the BPA PD and ID rates for rates simplification across EIM Entity BAs (how that is done while recognizing that one set of rates is intended to prevent parties from leaning on the market and the other prevents parties from leaning on the BA is yet to be understood); and
- The flexible ramp codes, if there was a way to potentially replace BPA's VERBS, DERBS, and RFR, again for rates simplification across EIM Entity BAs (how that is done while recognizing that the EIM codes are capacity focused only is yet to be understood).

Under alternative three, the existing FERC-approved sub-allocation model, BPA would take the path that other entities have taken. Of note, one element is missing in these sub-allocations (Real Time Unaccounted for EIM Energy Settlement) that BPA would want to include so that the complete set of neutrality codes that settle the market are sub-allocated. This is a tested, practiced path and would have 27 (plus one additional) codes passed through to all. This could certainly create an administrative burden for BPA and customers, but this may be a proper end goal for the phased-in process to target.

AWEC agrees that there does not appear to be significant, obvious merit in pursuing alternative four, sub-allocation past existing models.

BPA should plot out the alternatives and options within these alternatives, relative to other related issues (e.g., Generation Inputs and Resource Sufficiency) to assess how supportive or unsupportive one issue's alternative solution may be with one of these charge code alternatives and to illustrate how a package of alternatives across these different issues may work together.

BPA customers are sensitive to costs and AWEC generally supports approaches that align with cost causation. This may be tempered by possible increases to BPA's overhead costs associated with administering these settlements. We request additional estimates on the additional administrative costs BPA might incur under these alternatives.

Generation Inputs

AWEC appreciates BPA engaging in a conversation regarding the interaction between Generation Inputs and the EIM. Many of the topics identified as potentially impacted by joining the EIM are of great importance to our membership and include the following:

- Determination of the balancing reserve capacity and components
- Impacts of participating resources
- Scheduling election options
- Intentional Deviation and Persistent Deviation penalties
- Energy Imbalance and Generation Imbalance service rates

AWEC sees a strong relationship between some of the abovementioned topics and charge code allocation. As such, AWEC would like to see Generation Inputs more clearly evaluated relative to the alternatives and options presented during the charge code allocation discussion.

In conjunction with joining the EIM, it is appropriate for BPA to reevaluate the ancillary services that it provides to customers through BPA's OATT. As BPA acknowledges, the types of ancillary service products available through the EIM do not necessarily align with the products BPA offers in its OATT. Since BPA will now have the ability to purchase and sell ancillary services in the market, the EIM will impact the cost of providing ancillary services to OATT customers. It is appropriate for BPA to consider these cost impacts as it evaluates its OATT ancillary service rates.

AWEC recommends that BPA perform further analysis regarding Generation Imbalance services. Specifically, AWEC recommends BPA evaluate the impact of transitioning to the EIM methodology for Schedule 9, Generator Imbalance Services.

Further, AWEC recommends that BPA evaluate Schedule 10 under the new EIM framework. If a customer pays for balancing capacity under the Schedule 10, the customer appropriately receives the benefit of the market instructions for that capacity in the EIM market, as an offset to the charges the customer pays under Schedule 10.

ID, PD, EI, and GI rates are all identified as closely related to EIM charge codes. As a result, a more robust conversation about these rates relative to the charge code sub-allocation alternatives should be held to see how the EIM charge codes and abovementioned rates relate.

Resource Sufficiency

A. *Load forecast options for balancing the BAA.* The options presented appear to have strong connections with the charge code allocation discussions. For example, if BPA employs alternative one, no sub-allocation for charge codes, is there a point in trying to know who is causing the challenges for passing the RS test? Accordingly, AWEC requests the four alternatives and options presented in prior discussions be put into a matrix, so stakeholders are able to evaluate how the alternatives align or do not align with those various alternatives. In general, those who generate costs should bear them. Further, minimizing those costs by allocating the CAISO load forecast would also be a desirable outcome; however, it is unclear what level of complication for implementation this alternative would present, given this is a different approach than just scheduling to a load's own best forecast. AWEC is interested in discussing this further to understand the impact alternative three—Sub-Allocation of Load Forecast—presents to loads.

B. *Options for setting an RS pass target.* AWEC does not believe there appears to be sufficient information at this time to set a self-imposed pass target for BPA

relative to the implementation costs associated with it, and thus does not think this concept has merit at this point. AWEC would like to know how and in what process this concept could be revisited in the future should additional benefit be identified.

Generator Interconnection

We appreciate BPA addressing Generator Interconnection and look forward to alternatives presented in the future that simplify and expedite the process for generator interconnection.

/s/ John Carr
Executive Director
Alliance of Western Energy Consumers