

November 6, 2019

Submitted via email to techforum@bpa.gov

Re: NRU's Comments in Response to BPA's October 23rd Workshop

Northwest Requirements Utilities (NRU) appreciates the thoughtfulness BPA staff put into developing the timeline and process for discussing TC-22, BP-22 and Energy Imbalance Market (EIM) Phase III in the coming months. Many of these issues overlap and impact one another, and a tightly coordinated and iterative process is essential. NRU offers the following comments in response to BPA's October 23rd presentation.

Process Logistics

NRU appreciates BPA scheduling BPA-led and customer-led workshops on a regular basis. We encourage BPA to maximize the scheduled time by carefully planning agenda items and grouping interrelated topics together.

Generally, a two-week feedback period after each workshop seems reasonable. However, there may be occasions where a longer comment period is warranted. We ask that BPA is willing to extend the comment period if requested by customers.

Interconnectedness of Topics

As noted by BPA, many of the topics in the TC-22, BP-22 and EIM Phase III will impact one another. The Venn diagram nicely portrays such interconnectedness. We acknowledge that as we collectively deepen our understanding of certain issues and begin to develop rates and policies to govern this new world, there may be circumstances where we need to revisit a previously-decided position. We ask BPA to be flexible and willing to reevaluate issues as needed if we discover new information in subsequent months.

Proposed Issues for Discussion

We support BPA's proposal to begin discussions early (November and December) on the first three topics: (1) EIM charge code allocation, (2) EIM losses and (3) EIM resource sufficiency. These issues are extraordinarily complex and will impact many parts of BPA's business and rates. It is important to have sufficient time to understand the issues, explore and analyze options and be able to see how the proposed solutions impact subsequent issues.

We support BPA's proposal to begin discussions early (January) on the topic of service to New Large Single Loads, such as potential modifications to the New Resource (NR) rate. As we said in our BP-20 testimony, BPA's ability to sell power to NLSLs could represent new revenue opportunities and higher value sales of surplus power. Additionally, local economic opportunities will arise if preference customers are able to serve NLSLs at a more reasonable NR rate and without the risks and challenges associated with using non-federal resources to serve NLSLs. Topics for the workshops include identifying and mitigating potential risks, such as increased carbon content in BPA's system mix and the risk of the NLSL going away or defaulting on its payment to the utility.

We ask BPA to begin discussions earlier than proposed on the topics of (5) EIM transmission usage for Network and (6) EIM non-federal resource participation. For Issue (5), there are many aspects of EIM transmission usage on the Network that need to be understood and considered. For example, how will transmission usage on the Network be allocated and paid for? For Issue (6), we need more information on how smaller resources in BPA's balancing authority area will be impacted, such as data and metering requirements. These smaller, non-federal resources are generally located behind the meter and are used entirely to serve the customer's load. We have specific examples of these resources we can share with BPA staff to understand how they might be impacted via metering and data requirements or otherwise.

We ask BPA to provide further information and describe the impetus and relative priority of its proposed Tariff changes. We are especially interested in more detail on the following: (9) transmission loss returns options, (14) creditworthiness, and (15) PTP/NT agreement template changes.

Ancillary Services

BPA's provision and pricing of ancillary services may change as a result of it joining the EIM. This goes beyond simply allocating EIM charge codes. There are numerous rate

design considerations when it comes to allocating costs, benefits and risks first between Power and Transmission and then among different customer classes. Here are some examples:

- To the extent BPA uses the FCRPS to meet its Resource Sufficiency requirements, how are those costs calculated and to whom are they allocated?
- To the extent BPA captures additional revenues, how are those calculated and to whom are they allocated?
- Are changes needed to energy imbalance and generation imbalance rate designs? What about to the rate designs of other ancillary services?

Delving into rate design and proper allocation of costs and benefits (not to mention Tariff or policy changes) will constitute an enormous undertaking that will impact both Power and Transmission, and all BPA customers. Preference customers may be impacted through both their Power and Transmission rates. Non-preference customers are likely to be impacted via the Transmission rates.

Given the complexity and wide reach of these issues, we ask BPA to engage earlier on the broad topic of ancillary services rate design, particularly imbalance services. We also expect this will be an iterative process as it will involve most aspects of the agency, from rate design, to billing, to contracts, to legal and policy. Ancillary services is also uniquely situated because both Power and Transmission are directly involved and impacted. NRU recommends that this initiative be led from a rate design perspective as the ultimate outcome will be the rate design(s).

Conclusion

NRU appreciates the work BPA staff have put into developing a plan to coordinate this massive undertaking that is embarking upon new ground. We like the six steps proposed on slide 12 and the plan to allow for regular customer feedback. BPA should be willing to adjust the schedule as necessary and reevaluate certain topics if new information arises. Some of these issues may need to be addressed in an iterative process. This is particularly true for ancillary services, which is why we ask for all issues related to those (costs, benefits, risks and proper allocation and rate design) to be jointly worked on and to be led from the rate design perspective.

We look forward to working with BPA and other stakeholders in the months to come to ensure proper allocation of costs, benefits and risks.