

September 14, 2020

RE: Comments on Bonneville's August 25-26, 2020 BP-22/TC-22/EIM Phase III Workshops – Transmission Losses (Issue #9)

Powerex appreciates Bonneville staff's continued efforts to engage its stakeholders on in the workshop process. At the August 25 workshop, Bonneville set forth six issues related to transmission losses.¹ Powerex offers comments on each of the issues below. In sum, Powerex urges Bonneville to maintain the status quo for the BP-22 rate period. Powerex believes that any capacity charges should be deferred until such time that Bonneville also allows concurrent in-kind loss returns, which will allow customers to avoid transmission costs while also ensuring Bonneville is adequately compensated for losses.

Issue 1: Should BPA allow customers to choose to supply in-kind losses in BP-22?

Bonneville Staff proposes to maintain the option to provide in-kind losses for the BP-22 rate period.² Powerex supports this recommendation and again urges Bonneville not to make any determinations in BP-22 regarding losses for the BP-24 rate period.

Issue 2: Should BPA update its network loss factor?

Given the 20 years since Bonneville last updated its loss factor, Bonneville Staff proposes to update its loss factor to reflect changes on the system.³ Powerex does not oppose this recommendation.

Issue 3: Should BPA adopt a seasonal and/or diurnal loss factor?

Bonneville Staff proposes to replace its annual loss factor with one updated monthly, ranging from 1.83% to 2.34% and an average 2.03%.⁴ Powerex appreciates that Bonneville is seeking to have loss returns accurately reflect actual losses. However, loss factors that change on a monthly basis appear to provide Bonneville with little improved loss return accuracy and limited benefits while imposing additional administrative burden on customers to be aware of, accommodate, verify, and return losses based on a factor that changes 12 times per year. Instead, Powerex suggests Bonneville continue with an annual loss factor. However, if BPA believes a more granular loss factor is beneficial then Powerex suggests that adopting a seasonally-adjusted loss factors, summer and non-summer, as an approach should recoup losses accurately while minimizing the administrative burden on customers.

Issue 4: How should BPA calculate the cost of providing loss services and how will that cost be allocated to customers that use those services?

¹ Bonneville Power Admin., Presentation - TC-22, BP-22 and EIM Phase III Customer Workshop at Slide 72 (Aug. 25, 2020).

² *Id.* at Slide 73.

³ *Id.* at Slide 74.

⁴ *Id.* at Slides 75, 76.

Bonneville Staff proposes three types of capacity charges, one for loss service for in-kind 168-hour delayed loss returns, one for in-kind concurrent loss returns (applicable only if Bonneville has a single flat annual loss factor), and one for loss service for financial losses.⁵

Powerex urges Bonneville to maintain the status quo and not to impose a new capacity charge for physical loss returns in the BP-22 rate period. The proposed capacity charge for 168-hour delayed loss returns would result in a material increase in costs for transmission customers that elect this option. Powerex believes that any new capacity charge for physical loss returns should only be imposed when Bonneville simultaneously allows transmission customers to avoid such new costs by electing concurrent in-kind loss returns.

Bonneville Staff also proposes to eliminate 168-hour delayed in-kind loss returns in the BP-24 rate period. As noted above and by others during the workshop, Powerex does not believe Bonneville should include proposals for the BP-24 rate case in the preparations for the BP-22 rate case. However, if Bonneville does intend to eliminate 168-hour delayed in-kind loss returns in BP-24, Powerex questions whether the effort to impose these capacity charges for a two-year rate period is justified when other efforts, such as overcoming the implementation challenges for concurrent in-kind returns (discussed below in Issue 6), could reach a better result for customers.

Issue 5: Should BPA adopt a Financial for Inaccuracy (FFI) rate to encourage customers to meet their loss obligations?

Powerex supports the principle of Bonneville not being harmed by customers' failure to return losses. Powerex believes that Bonneville should include appropriate and reasonable incentives or penalties to ensure it receives accurate loss returns.

Issue 6: Should BPA move to concurrent losses and if so, how quickly could such a move be made?

Bonneville Staff and customers agree that Bonneville should move towards having loss returns better match actual losses. Bonneville Staff has identified that there are implementation challenges relating to software and process changes in both the Transmission and Power business lines.⁶ Bonneville Staff also described several options for the BP-24 rate period, such as requiring concurrent losses, which would thereby eliminate the loss service for the 168-hour delayed loss returns, or shifting to customers compensating Bonneville for all losses financially.⁷ Nonetheless, Bonneville Staff asserted that Bonneville will no longer offer 168-hour delayed in-kind loss returns starting with the BP-24 rate period.⁸

Where a less expensive option exists for compensating Bonneville for losses, Bonneville should pursue and select this option and not unnecessarily shoulder customers with increased transmission costs. As stated above, Powerex believes that any imposition of capacity charges for losses must be accompanied by allowing concurrent in-kind loss returns.

⁵ *Id.* at Slide 77.

⁶ *Id.* at Slide 91.

⁷ *Id.* at Slide 92.

⁸ *Id.*



Given that Bonneville states there are implementation challenges associated with allowing concurrent in-kind loss returns, Powerex believes these challenges support Powerex's proposal to maintain the status quo and imposing capacity charges for losses only when Bonneville can accommodate concurrent in-kind loss returns.

Again, Powerex appreciates Bonneville engaging customers on this important and complicated topic.

Sincerely,

Raj Hundal

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