

Submitted via email to techforum@bpa.gov on August 14, 2020

RE: Comments on BPA's July 28, 29, and 30 TC-22, BP-22, and EIM Phase III Workshop

PPC appreciates the opportunity to comment on BPA's latest TC/BP/EIM workshop. The regular BPA workshops, as well as the customer led workshops, have been very helpful as we prepare for the upcoming rate case and tariff proceedings. Given the complex nature of many of the issues explored during this workshop series, the additional time provided for discussion at the customer led workshop has been critical to helping customers understand the proposals developed by BPA staff. We recognize the time that it takes to prepare for these workshops and appreciate BPA staff's efforts, particularly as we continue to operate in a virtual environment due to the COVID-19 pandemic.

While each of these workshops has generated informative discussions and helped progress the development TC-22, BP-22, and EIM Phase III issues, there are still a significant number of topics where PPC and our member utilities seek further clarification. We hope to work closely with BPA as we near the conclusion of these pre-proceeding workshops to further vet these remaining issues and to make sure there is sufficient time for customer feedback to be considered prior the resolution of this workshop process.

The comments below are offered with that intent, and we look forward to continuing the collaborative work with BPA staff to resolve outstanding questions prior to the commencement of the formal BP and TC proceedings.

Proposed TC/BP/EIM Workshop Timeline

Again, PPC would like to thank BPA staff for its ongoing work with customers throughout the TC/BP/EIM workshop process. As we near the conclusion of this near year-long workshop series, we want to ensure that there is adequate opportunity for customer comments to be considered prior to the Initial Proposal. The workshop series was specifically designed with this goal in mind, and we recommend a few adjustments to the remaining schedule to make certain this is the case.

First, as stated above, the customer-led workshops offered by BPA have been extremely helpful in gaining additionally clarity on the agency's proposals beyond the initial information shared in the regular workshops. Recent customer led workshops have included requests to discuss many topics, and in some cases these topics have exceeded their scheduled time and perhaps concluded before all customer questions have been addressed. It will be critical that at the last customer-led workshop there be sufficient time to answer all outstanding customer questions. To that end, we recommend that BPA add a second customer-led workshop the week of August 31. This workshop could potentially be kept to a half-day discussion, being that there would also be a customer-led workshop planned for September 9 (this could also be a half-day). Splitting this

follow-up discussion into two days provides another added benefit, which is allowing customers to consider any new information provided on August 31 before following up with final questions on September 9. Adding another customer led workshop prior to the customer comment deadline would also allow customers to get an earlier start on developing their comments.

Second, if there are any new concepts to be shared at the August workshops, we recommend an extension of the customer comment deadline in response to BPA's "full package" of BP/TC-22 proposals. These workshops have been ongoing for over a year and agency staff are still developing positions on some workshop topics. We appreciate that BPA started this process early to provide more time for the agency to scope its positions and we are glad that staff are carefully considering options. We would like customers to be afforded the same opportunity to carefully consider the proposals and alternatives identified. To the extent that new concepts arise in this last workshop, BPA should consider extending the comment period to provide customers with the same opportunity to carefully consider the issues provided for BPA staff.

Third, if the workshop scheduled for September 22 is intended to be a "no surprises" workshop where BPA shares all its positions prior to the Initial Proposal, we recommend that this workshop be delayed until early October. As stated above, customers will be carefully considering BPA's proposals and putting significant effort into their comments on BPA's suite of positions for the BP/TC-22 case. Those comments should be given due consideration by BPA staff and executives. After all, that is the purpose of this BP/TC pre-proceeding process. It does not seem plausible that this thorough consideration of customer comments would be able to occur between September 18 and September 22. We want to ensure that agency staff has an opportunity to review all customer comments, seek clarification if needed, and review this feedback with decision-makers prior to sharing its positions for Initial Proposal. This is the most critical of our recommendations for adjusting the proposed process timeline.

We look forward to working with BPA on potential modifications to the remaining timeline that would meet the needs of both the agency and its customers to ensure the objectives of this pre-proceeding workshop process are fulfilled.

Requirements for Participating & Non-participating Resources

PPC agrees that BPA's proposal to enable EIM participation with existing service agreements seems appropriate at this time. This approach appears to meet the required objectives with little additional implementation.

We agree that there is a limited risk to allowing EIM participation without requiring a transmission reservation for BP/TC-22. However, this may not be the case in the future. We recommend that BPA make a commitment to review whether this policy meets the principles the agency has established for its EIM participation prior to the BP/TC-24 proceedings. As part of this review, the agency should include an assessment of whether this policy has led to any change in transmission purchasing behavior within the BPA BAA.

Ancillary Services and Gen Inputs

Based on the information shared at the last workshop, PPC is still considering the implications of the identified alternatives, particularly when paired with BPA's proposed treatment of CAISO EIM Entity charge codes. Together, BPA's proposals on charge code allocation and revisions to its Ancillary Services should continue to incent accurate scheduling behavior from customers without being needlessly punitive. Customers should also not receive duplicative charges in order to create those incentives.

Additional information on how payments for these charges will be allocated after BPA joins the EIM (between BPA Transmission, BPA Power Services, and CAISO) would be helpful as well.

EIM Entity Charge Code Allocation

PPC is very appreciative of staff's work to create various examples demonstrating how BPA's proposals on EIM Entity charge codes would be applied. These scenarios were helpful in developing understanding of the potential impacts to customers as well as the interplay between the charge codes proposals and potential changes to BPA's Ancillary Services rates.

While it was helpful to better understand how BPA's proposals would function, we seek additional clarification on the staff evaluation supporting this approach. Our understanding is that BPA selected the "BPA defined sub-allocation" approach largely because it was mostly consistent with approaches that other EIM Entities have taken in their BAAs. While we agree this is a benefit, we would appreciate additional clarification on the team's assessment of whether aspects of this approach are appropriate for BPA given its large footprint and diverse use of the transmission system. In particular:

- Is the potential mis-match of directly assigning "base codes" (which include congestion) while allocating offset accounts (which will include offsets to that congestion) to measured demand exacerbated in BPA's BAA compared to other EIM Entities' because of the diverse use on BPA's system?
 - Based on discussion at the last workshop we understand that the agency is open to further exploring this issue and we look forward to more discussion at the next customer workshop to explore alternatives.
 - Is there the potential to work with the CAISO to make additional information available on the charges/credits composing some of the offset accounts to improve how they are allocated in the future?
- In other BAAs, charge codes assigned to measured demand are not allocated to generators within the BAA (unless they are exporting). Is that appropriate for BPA's BAA given the diverse ownership of generation?
 - We would like to explore this idea with BPA staff at the next customer led workshop to better understand the implications of such a proposal.

We would also like to better understand the amount of work that will be required to implement some of the identified options, as well as the work that has already been done to scope and prepare for implementation of these settlement changes. In particular, we would like to discuss:

- What is the timeframe for putting in place the settlement structures associated with these charge code allocations?
- What is the difference in requirements (both staff time and system changes) for using the different sub-allocation methodologies identified by BPA: Direct Assignment, Measured Demand by Magnitude, Imbalance by Magnitude, Metered Demand by Magnitude with Imbalance Threshold?
 - Are there different risks to implementation associated with each alternative?
- What information can customers expect to receive on their bills to support the sub-allocated charges?
 - Will the sub-allocation of the charges result in greater visibility for customers?
- Could systems changes made to facilitate BPA’s proposal for charge code allocation in BP-22 be a barrier to making changes to that policy in BP-24?
 - How much flexibility will be built into the settlements system if we determine that changes are needed later?
- What are some of the implementation details related to settlements that BPA is planning to address as part of the “implementation” discussions related to the EIM?

Additional outstanding questions on BPA’s EIM Entity Charge Code Proposals:

- BPA is exploring the use of “imbalance by magnitude” for allocation of neutrality codes. This appears to set the right incentives if these are costs, but if the neutrality codes result in credits, this could create the potential to incent imbalance. Information shared by BPA based on its experience in other BAAs indicates that some of these accounts frequently result in credits.¹ We would like to better understand the potential incentives and implications created by this proposed alternative.
- What is the cost-causation justification for BPA including the “non-allocated” costs into Network and Intertie rates generally as opposed to allocating through “measured demand?”

We look forward to discussing these questions at the next customer led workshop.

EIM Benefits in Power Rates

PPC appreciates the difficulty of estimating benefits associated with participating in the EIM for BP-22. Last year, when the agency was constructing the business case for EIM participation, BPA was very firm in the expectation that EIM participation would result in roughly \$36 to \$40M annually in gross benefits to Power Services. Based on this firmness, we are surprised by the proposal to include only \$2.4M in benefits resulting from BPA’s secondary next revenues in BP-22 rates.

BPA staff identified valid reasons that the agency is unlikely to achieve the full \$36-40M per year in estimated benefits in BP-22, including that participation will be limited to eighteen months. PPC understands the intent behind matching estimated benefits to estimated costs, but

¹ April 28, 2020 – EIM Charge Code Workshop Follow-up, page 4 <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/Charge%20Code%20Allocation%20April%2028%20Workshop%20Follow-up.pdf>

in this case the estimated benefits are too small in comparison with the agency's expected benefits of EIM participation. Given that there is some inherent uncertainty and risk to the level of EIM benefits assumed in power rates, PPC intends to evaluate options and make a recommendation in the rate case process. This will allow for a more holistic consideration of BPA's secondary revenue forecast and risk profile.

We would also like to work with BPA prior to BP-24 to further develop its forecasting tools and assumptions to better reflect secondary revenues resulting from BPA's EIM participation in advance of the BP-24 proposal. Regardless of the level of benefits assumed in BP-22, BPA should commit to sharing data necessary to best model future EIM benefits and engage with customers on how to forecast the benefits moving forward ahead of BP-24.

Separate from the BP-22 rates process, PPC would also like to understand if BPA is planning on refreshing its EIM business case prior to making its decision about participation. In response to BPA's letter to the region on its EIM participation, many stakeholders, including PPC, encouraged the agency to revisit its business case prior to making its final decision on participation, to ensure that the most up-to-date information was used in the assessment. The agency stated that it would review the implications "of significant changes in underlying facts" on its business case.² We would like to understand whether there are changes that BPA deems "significant," whether those changes are influencing the level of EIM benefits to be included in BP-22 rates, and whether those will be reflected in an updated cost-benefit analysis for BPA's EIM participation.

Power Service Allocation of PRSC and EESC EIM Charge Code Allocations

PPC is generally supportive of BPA's proposal approach to allocating both the PRSC and EESC charge codes it receives but is still assessing how these proposals are related to other ongoing discussions on EIM cost and benefit allocation.

Conclusion

PPC appreciates the opportunity to comment and the continued work of BPA staff to develop these issues prior to the beginning of the BP/TC-22 processes. We value the ongoing discussions with BPA staff in multiple forums and look forward to utilizing those forums to bring this BP/TC/EIM Workshop series to a successful conclusion.

² BPA Administrator's Record of Decision – Energy Imbalance Market Policy, pg. 48