

ISSUE #16: SELLER'S CHOICE

Step 1: Introduction and Education

Step 2: Description of the Issue

SELLER'S CHOICE EVALUATION APPROACH

Phase One: Approach Development

Step 1:
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Today's
Workshop

Phase Two: Evaluation

Step 3:
Analyze the Issue

Step 4:
Discuss Alternatives

April 28
Workshop

Phase Three: Proposal Development

Step 5:
Discuss Customer
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Step 6:
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What is Seller's Choice (SC)?

- A type of Power Purchase Agreement (PPA) in which the seller agrees to deliver energy without identifying the resource at the time the agreement is made.
 - Seller can choose to source energy from a number of generators.
 - Seller does not generally indicate a specific generator until the Preschedule day.

- SC also refers to implementation of an exception to BPA's NT designation/scheduling requirements, as requested by BPA customers using SC contracts and agreed upon in TC-20.
 - Allows customer to designate a SC PPA as a network resource.
 - SC contract delivered at the Mid-C market (NWH or Mid-C BA participant).
 - Seller responsible for transmission to deliver generation to the Mid-C.

BPA's Commitment

- In accordance with the provisions of the TC-20 Settlement (2.g.iii);
 - Monitor and evaluate the implementation of Seller's Choice.
 - Share the results of its evaluation with customers at least once before July 2020.
 - Consider including Network Resource designation at Mid-Columbia Points of Receipt in TC-22.

Objective

To collaborate with customers on BPA's Seller's Choice implementation in order to determine how best to meet customers' and BPA's needs after October 1, 2021.

BPA's Seller's Choice Background

- Prior to the TC-20 Settlement, BPA required the NT customer to specify the Balancing Authority Area (BAA) when the customer requested to designate an off-system resource as a Network Resource, consistent with *pro forma* tariff requirements.
- NT customers requested an exception allowing designation of Seller's Choice purchases as Network Resources, to access lower cost generation.
 - Initial proposal included Northwest Market Hub (NWH) only.
 - Customer request for additional resource options to include Mid-C Remote, Chelan, Grant, and Douglas.

BPA's Seller's Choice Background

- BPA agreed to implement and evaluate the exception to the *pro forma* tariff requirement from October 1, 2019 through September 30, 2021, as part of the evaluation of hourly firm service.
- Version 9 of the NT Business Practice incorporated Seller's Choice on July 9, 2019 ahead of the October 1, 2019 implementation date.

What is “Sleeving?”

- Seller’s Choice purchases using “sleeving” agreements with third-party utilities:
 - Allows NT customer to attest to a single Mid-C BA.
 - Seller delivers generation hour-by-hour to the Mid-C.
 - Customers may incur an additional cost.
 - Impairs BPA’s visibility for planning.

Before TC-20

- NT customers required to submit an attestation that they owned or had purchased the output of a specific generator or BA when requesting firm transmission service.
- With a SC PPA, required resource information was generally not provided until Pre-schedule day (e.g., BAA for the resource, POR for the BPA transmission leg).
 - Customers requested hourly firm transmission and supplied attestation at this time.
 - Some customers reserved long-term transmission for SC PPAs using “sleeving” agreements with third-party utilities.

NT Customers' Perspectives

- Looking for a way to adapt to limited hourly firm environment.
- Want assurance to get market purchases to load, ability to reserve LTF.
- Prefer 7F to 6NN for transmission.
- Seller's Choice arrangement with BPA is more cost-effective than using "sleeving" agreements.
- Current implementation requires multiple legs of TSRs, incurring additional Transmission charges.

BPA's Perspectives


- Agency Strategic Goal 4: Meet transmission customer needs efficiently and responsively.
 - 4c: Meet current and future needs of Network Integration Transmission Service customers through clear business practices and streamlined processes.
- Seeking to balance customer flexibility to acquire low-cost resources with BPA's need to plan for load service.
- Seller's Choice implementation is challenging - currently requires up to five TSRs in order to enable maximum flexibility.
- Implications for **potential** future implementation of NT redispatch, in support of moving toward *pro forma*. BPA would need to know resources in advance to ensure required controls and communications are in place. BPA is not actively working on NT redispatch at this time.

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March 31 – Feedback due on Seller's Choice

Please submit to techforum@bpa.gov (with copy to your Account Executive)