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Submitted via email to techforum@bpa.gov

Northwest & Intermountain Power Producers Coalition and Renewable Northwest Comments on BP/TC-26 Workshop of April 24, 2024

The Northwest & Intermountain Power Producers Coalition ("NIPPC") and Renewable Northwest (the "Commenting Parties") submit the following comments in response to topics raised at the BP/TC-26 workshop on April 24, 2024. NIPPC is a membership-based advocacy group representing competitive electricity market participants in the Pacific Northwest and Intermountain region. NIPPC has a diverse membership including independent power producers and developers, electricity service suppliers, transmission companies, marketers, storage providers, and others. Nearly all of NIPPC's members purchase transmission service from BPA. Renewable Northwest is a non-profit advocacy organization that works to decarbonize the region by accelerating the transition to renewable electricity. Renewable Northwest has approximately 80 member organizations that include renewable energy developers and manufacturers, as well as consumer advocates, environmental groups, and other industry advisers.

The Commenting Parties appreciate the opportunity to provide initial comments in response to BPA Staff's presentation. We reserve the right to provide additional comments on these topics as new information becomes available and as discussions evolve.

1. **Segmentation.**

Our comments on Segmentation are limited to the proposed "plant in service forecast" for the years 2024-2029. BPA has decided that the BP-26 rate period will cover three years—not the normal two-year rate period for BPA rates. Historically, BPA has struggled to fully and consistently execute the capital spending program approved in the Integrated Program Review ("IPR") during a two-year rate period. In recognition of the consistent delta between forecast and actual capital investment, BPA now incorporates into its ratemaking process a lapse factor of 10% of the forecast capital spending plan to reflect the inconsistency in BPA's ability to fully execute its capital spending forecast. Commenting Parties suggest that the uncertainty around a three-year capital spending forecast will be greater than the uncertainty of a two-year capital spending forecast. Further analysis is needed to better evaluate what constitutes an appropriate lapse factor over a three-year rate period.

Commenting Parties encourage BPA to apply an appropriate lapse factor to the first two years of the capital spending forecast developed in the IPR, with a higher lapse factor for the third year of the rate period. Rather than locking in higher rates based on a very uncertain capital spending forecast, BPA should rely on the Cost Recovery Adjustment

Clause mechanism to temporarily increase rates if BPA is able to fully execute the capital spending plan developed in the IPR across all three years of the rate period.[1]

2. Generation Inputs

BPA notes the magnitude of interest in connecting energy storage devices ("ESDs") to its transmission system. BPA also highlights the lack of a mechanism to charge ESDs for capacity for balancing reserves.

BPA proposes two alternatives. The first option would maintain the status quo and not impose any capacity charge on ESDs in the upcoming rate period. The second alternative would be to develop a use-based capacity charge similar to the Dispatchable Energy Resource Balancing Service ("DERBS") to cover the cost associated with capacity used for balancing reserves deployed for the imbalances of ESDs.

As discussed below, Commenting Parties encourage BPA to maintain the status quo for BP-26 and not develop a use-based capacity charge for ESDs. BPA acknowledges that it does not yet have sufficient data on the effect of ESDs on its system to calculate the amount of balancing capacity needed. As far as requests in the queue, BPA has not yet begun the Transition Cluster Study for interconnections; many of the requests to interconnect ESDs may withdraw or be unable to meet the requirements to remain in the Transition Cluster.

Furthermore, even if ESDs come onto BPA's transmission system, it is not clear what their impact on balancing reserves would be. Many ESDs are quite flexible. DERBS applies to thermal plants that may need hours to ramp to their full output. However, variable pumped hydro storage devices, advanced compressed air energy storage, and other long-duration energy storage technologies can transition from full pumping or storing mode to full generation in under a minute or slightly longer depending on technology characteristics. Batteries can also be extremely flexible. Commenting Parties suggest that ESDs will deviate from their schedules significantly less than variable energy resources or base load thermal plants. In short, ESDs do not share the operating limitations that some thermal and renewable generators have that drive the need for imbalance reserves.

Likewise, it is not yet clear how the owners of ESDs will operate those devices. Existing renewable energy projects co-located with ESDs may rely on those on-site ESDs to smooth out the variability of the renewable energy generation to increase the site's capacity value and reduce the combined project's reliance on BPA's balancing reserves. Other owners may elect to participate in the Energy Imbalance Market ("EIM") (and

[1] Commenting Parties do not agree that the Revenue Distribution Clause ("RDC") is an effective tool to provide rate relief to customers when BPA is unable to execute its planned capital spending program during the rate period. While BPA Transmission has consistently over-collected revenues from transmission customers to the point where the RDC triggers on a regular basis, BPA has also consistently used the surplus revenues for "other high value uses" rather than using those surpluses to provide the rate relief which customers seek.

potentially a future day-ahead market). In that case, those ESDs could be providing incremental and decremental reserves to the system at market prices. Commenting Parties suggest that market mechanisms and prices should regulate the behavior of ESDs who bid ancillary services into the market.

Given all these uncertainties, Commenting Parties encourage BPA to maintain the status quo and postpone development of a use-based capacity charge for imbalance reserves for ESDs. Commenting Parties note that BPA developed its first wind integration charge (the precursor to Variable Energy Resources Balancing Service "VERBS") in a stand-alone rate case (WI-09). If the pace of installation of ESDs towards the end of the upcoming rate period and other market developments justify it, BPA can initiate a stand-alone rate case to develop its proposed use-based charge for ESDs. At that time, there may be more clarity around the day-ahead market rules that would apply. At this stage, however, the scope of both the problem and the proposed solution remain largely speculative. At the same time, other generation inputs rates (VERBS and DERBS) need to be updated to reflect the opportunities for customers in the EIM. Commenting Parties suggest that BPA's generation inputs subject matter experts should prioritize updating the generation inputs rates to reflect the EIM rather than developing a new charge for ESDs without the data or analysis to support it.

3. Withdrawal Penalties

Commenting Parties appreciate BPA addressing this important issue early in the workshop process for BP-26. Commenting Parties share the concerns BPA has articulated regarding the impact of withdrawals from the interconnection queue, particularly on the delays in completing the cluster study. Customers who withdraw from the interconnection queue may impact other customers in a variety of ways. Customer withdrawals may create a need for additional studies/restudies and may impact the cost burden of other customers. In addition to the impact on other customers, withdrawals also strain the workload of BPA staff. Other transmission owners have noted that withdrawals trigger restudies and cost reallocations that trigger subsequent withdrawals, thus making it difficult to complete studies on schedule. The Federal Energy Regulatory Commission ("FERC") has attempted to address this problem in Orders 2023 and 2023-A by providing for withdrawal penalties in the *pro forma* Open Access Transmission Tariff. Commenting Parties recommend that BPA adopt a withdrawal penalty mechanism consistent with Orders 2023 and 2023-A.

i. *How to Calculate the Withdrawal Penalty*

Commenting Parties recommend that BPA align with FERC Orders 2023 and 2023-A with respect to calculation of withdrawal penalties. First, Commenting Parties note that the interconnection cluster study process developed by BPA in coordination with its interconnection customers is a "first-ready, first-served" cluster study approach. Customers who are "not ready" should wait for subsequent cluster study cycles. If a customer believes that its project is ready to enter the interconnection cluster study process, then the customer should be willing to demonstrate that confidence by having

funds at risk above its share of the cost of the interconnection study (as explained further below).

Commenting Parties generally agree that the magnitude of the penalty should increase with each phase. The deeper into the process that a customer goes before it withdraws increases the impact of that customer's withdrawal on the remaining customers. Withdrawal penalties that increase with each phase are more likely to encourage customers who are considering withdrawing to do so early in the cycle. Commenting Parties suggest that in the initial phase of the cycle, the withdrawal penalties should be based on a multiple of the study costs. In subsequent phases, however, as BPA and the interconnection customers learn more about the magnitude of customers' network upgrade costs, calculation of the withdrawal penalty for any given customer should be based on a percentage of that customer's forecast network upgrade costs.

ii. *When to Apply a Withdrawal Penalty.*

a. Transition Cluster

Commenting Parties understand that BPA is contemplating applying withdrawal penalties to the Transition Cluster only after the effective date of the BP-26 transmission rates (October 1, 2025). No withdrawal penalties should be applied to any customer who withdraws from the Transition Cluster before this date. Commenting Parties also suggest that even if there are delays in the cluster study cycle, no withdrawal penalty should attach to customers who withdraw after their receipt of the initial Phase 1 Study results of the Transition Cluster.

Commenting Parties suggest that withdrawal penalties should attach only to cluster study phases that begin after the effective date of the BP-26 rates; thus, such penalties could apply to any restudies of Phase 1 or the initial Phase 2 Study. In either case (a restudy of Phase 1 or the Phase 2 Study), customers would have indicative results from the initial Phase 1 Study of the likely magnitude of their interconnection costs and would have sufficient information to make an informed decision about whether to stay in or withdraw from the next phase of the Transition Cluster. Commenting Parties encourage BPA to provide stakeholders with additional information on how BPA envisions applying such penalties. Commenting Parties look forward to evaluating such proposal and providing additional feedback at that time.

b. Durable Cluster Study Process

Commenting Parties support BPA adopting withdrawal penalties for the durable Cluster Study process consistent with FERC Orders 2023 and 2023-A. To that end, any withdrawal penalty that applies to the initial Phase 1 Study should be relatively low. Customers need to gain insight into the interconnection costs associated with potential projects, no matter how "ready" those projects might be. Interconnection customers are actively managing a wide range of costs associated with multiple processes that they must complete before bringing their projects online. The interconnection process and

the costs of interconnection network upgrades is one of several parallel processes and cost streams that a generation developer must juggle. A customer who enters an interconnection study window believing that its project is competitive and likely to secure interconnection service only to find out that the interconnection costs make the project uneconomic should be allowed to withdraw from the queue with a penalty equal to two times its actual allocated study costs. Commenting Parties believe this strikes the proper balance of incenting interconnection customers to enter the queue with projects they truly consider to be ready and keeping penalties reasonable should their calculations be wrong.

Commenting Parties also suggest that any withdrawal penalty for Phase 1 restudies, Phase 2 Studies, or Phase 2 restudies should be limited to 5% of the interconnection customer's network upgrade costs that were identified in the initial study results. A penalty of that magnitude at this stage would help offset the additional study costs for customers who remain in the cluster study.

Customers who withdraw after the Facilities and Environmental Studies begin should face more significant penalties equal to 10% of the interconnection customer's network upgrade costs from Phase 2. Customers who continue past Phase 2 should be prepared to move forward with their project based on those cost estimates. Commenting Parties also support applying withdrawal penalties to customers after executing the Large Generator Interconnection Agreement ("LGIA").

To summarize, Commenting Parties support withdrawal penalties that escalate at each stage; the deeper into the process an interconnection customer proceeds, the steeper the penalty should be if that customer withdraws (subject to the exceptions described below). Penalties should attach in accordance with the following penalty structure if the customer withdraws during or after the identified phase and before entering the subsequent phase on the list:

Phase 1 Initial Study	2 times study costs
Phase 1 Restudy(ies)	5% of Network Upgrade costs
Phase 2 Initial Study	5% of Network Upgrade costs
Phase 2 Restudy(ies)	5% of Network Upgrade costs
Facilities Study	10% of Network Upgrade costs
LGIA	20% of Network Upgrade costs

c. Exemptions

Commenting Parties reiterate that BPA has established a "first-ready, first-served" cluster study process for interconnections. Customers should have some opportunity to discover the costs of interconnection-related upgrades of their project with minimal penalty. Once customers have that preliminary information, however, they should face

increasingly meaningful penalties if they decide to withdraw in later phases of the cluster study. Indeed, BPA and all the other customers in the cluster study must have some assurance that all customers who enter later phases of the interconnection process are ready to move forward with their projects. Accordingly, we support limited exemptions from the application of withdrawal penalties, consistent with FERC Orders 2023 and 2023-A.

Commenting Parties support an exemption from withdrawal penalties if subsequent studies significantly increase the customer's projected interconnection costs. A customer should not be subject to penalties if (1) the customer withdraws after receiving the most recent cluster study report and the network upgrade costs assigned to the customer have increased 25% compared to the previous cluster study report; or (2) the customer withdraws after receiving the individual Facilities Study report and the costs assigned to the customer's request have increased by more than 100% compared to costs identified in the cluster study report.

Commenting Parties also support an exemption for withdrawals that do not materially impact the cost or timing of projects remaining in the cluster.

In thinking through the potential exemptions, Commenting Parties also note that there should be some accountability and incentives for BPA to complete its interconnection studies in a timely fashion.

iii. *BPA Use of Penalty Funds*

Consistent with FERC Orders 2023 and 2023-A, penalty funds should first be applied to fund studies and restudies in the same cluster as the withdrawing customer. If penalty funds remain after using those funds to offset study costs for those remaining in the cluster, penalties collected should be applied to offset the incremental cost increases to other customers remaining in the cluster study for network upgrade costs that the withdrawals caused, including incremental financial security requirements that are associated with higher network upgrade costs.

iv. *Alternatives to Withdrawal Penalties*

Commenting Parties do not have other suggestions for mechanisms that would prevent the need for restudies as effectively as withdrawal penalties. We recognize that withdrawal penalties will not completely eliminate the need for restudies. Some customers will enter the interconnection cluster study process in good faith, but ultimately need to withdraw for any number of potential valid reasons. The withdrawal penalties will mitigate the cost shifts and other impacts to the customers remaining in the interconnection process.

4. Affected Systems Studies

Commenting Parties suggest that there are two separate but related issues for Affected System Studies. The first is when BPA is an affected system in a study conducted by one of its neighboring transmission providers. The second is the studies that a neighboring transmission provider must complete when BPA determines that the neighbor is an affected system of a study BPA is conducting.

For the first, when BPA is the affected system, Commenting Parties encourage BPA to comply with the Order 2023/Order 2023-A timelines for completing Affected System Studies with its neighbors. The Affected System Studies that BPA must undertake for its neighbors are just as important for the region as the studies BPA undertakes directly. To the extent possible, BPA should conduct Affected System Studies for its neighbors independently and in parallel with its interconnection cluster study processes. Orders 2023 and 2023-A require all the investor-owned utilities in the region to adopt a cluster study process for interconnection requests. Commenting Parties note that BPA's neighboring transmission providers – at least the ones subject to FERC jurisdiction – will need to comply with the Order 2023/Order 2023-A timelines when BPA identifies them as an affected system. BPA should make every effort to deliver its own Affected System Studies on the same timeline.

Commenting Parties also encourage BPA to coordinate and collaborate with its neighbors to develop a regional process to complete Affected System Studies. The schedule and timelines for interconnection cluster studies are known well in advance. It may become obvious in the early stages of a cluster study that a neighbor may be an affected system. Ideally, a formal request for an Affected System Study is not a surprise but rather a confirmation of earlier informal information exchanges between the transmission providers on the potential need to conduct an Affected System Study. As the region gains experience with cluster studies for interconnections, it may be appropriate to align the timing of interconnection cluster studies across the region to achieve efficiencies in Affected System Studies.

Affected System Study processes and timelines should be transparent. Commenting Parties suggest that when BPA is asked to conduct an Affected System Study, it should provide the transmission provider and the transmission provider's customer(s) with the estimated timeline to complete the study, as well as regular updates on progress.

5. Large Generation Interconnection Agreement

Commenting Parties agree that BPA should review and propose edits to the LGIA consistent with the TC-25 settlement.

Thank you for the opportunity to comment. We look forward to further discussion on these topics.