

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

The Northwest & Intermountain Power Producers Coalition (“NIPPC”) and Renewable Northwest (“RNW”) (together, the “Commenting Parties”) submit the following comments in response to topics raised at the BP/TC-26 workshop on June 26, 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 NIPPC’s thirty 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 more than 80 member organizations that include renewable energy developers and manufacturers, as well as consumer advocates, environmental groups, and other industry advisers. Many of Renewable Northwest’s members are also current or prospective BPA customers.

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.

Non-EIM Balancing

NIPPC and RNW suggest that a decision-making framework and further exploration of alternatives are warranted in evaluating the best path forward on this issue. While we generally agree with the principle that customers who create imbalance should pay for the imbalance they create, we do not have a clear enough grasp of the various permutations of this issue, and we have some concerns with BPA’s proposed solutions as they relate to the two specific examples discussed at the workshop.

As we presented in our customer-led workshop on June 13, NIPPC and RNW suggest that BPA should rely primarily on market signals and market structures to manage customer behavior and recover costs in preference to extra-market rate and penalty mechanisms. Only when price signals and market structures are inadequate should BPA pursue extra-market options for ensuring appropriate cost recovery. It is not clear in this instance that price signals and market structures – including the California Independent System Operator’s (“CAISO”) market monitoring unit – are insufficient at addressing the issues raised in BPA’s presentation. NIPPC and RNW again encourage BPA to adopt a decision-making framework to apply whenever it considers extra-market penalties or restrictions, and to apply that framework to the questions raised in the Non-EIM Balancing presentation.

If BPA moves forward with an out-of-market imbalance settlement mechanism, NIPPC and RNW expect that any such mechanism would not be limited to charging customers but would also allocate credits for imbalance energy to customers when appropriate. NIPPC and RNW also agree with the suggestion from WPAG at the workshop that any out-of-market settlement mechanism for imbalance charges (or credits) should include a dispute resolution mechanism for customers to challenge BPA's allocations.

We note that generation imbalance customers themselves have an easy option to mitigate the "Base Schedule Mismatch" scenario that BPA described. In short, customers can ensure that the pMax on file with the CAISO accurately represents their units' maximum output. If balancing service customers will not take that simple step, then NIPPC and RNW support further exploring BPA's proposal to establish a mechanism to recover the costs of imbalance energy from customers who create imbalances on BPA's system but are not charged for those imbalances in the market.

More difficult is the "Outage Sync" issue. In these situations, BPA described circumstances where the market communication mechanisms are coordinated poorly and customers – through no fault of their own – may receive an imbalance charge or credit through the market that does not accurately reflect a given customer's actual imbalance for an interval. In these instances, the customer is not responsible for creating the imbalance, but BPA nonetheless seeks to impose imbalance charges on the customer. Ideally, BPA would continue to work with CAISO to ensure that communications between BPA, CAISO, and units recovering from an outage would be better coordinated. We are concerned that an extra-market settlement mechanism will result in BPA deprioritizing efforts to work with CAISO to improve the coordination of their communications to customers and that once it is adopted, BPA will simply look to the out-of-market settlement to resolve the issue after the fact. We encourage BPA to prioritize system improvements and coordination over imposing a charge on customers for "Outage Sync" issues.

Withdrawal Penalties

NIPPC and RNW support the proposal to impose withdrawal penalties on customers in the interconnection queue. Our members share BPA's concerns that without meaningful withdrawal penalties, non-viable generation projects will enter and remain in the queue only to withdraw later in the interconnection process, triggering delays and increased costs for customers who remain in the queue. These withdrawals also strain BPA staff resources that are endeavoring to process the requests. Other transmission providers using a cluster process for interconnection studies have found that withdrawal penalties have mitigated the impacts and delays that result when interconnection customers withdraw from the interconnection process in later stages. Not only do withdrawals require remaining customers to pay for restudies, but the additional delay in completing the restudy increases interconnection customers' costs and risks—all of which must eventually be passed through to consumers.

NIPPC and RNW generally support the criteria BPA outlined for interconnection queue withdrawal penalties that:

- Align with cost causation by fairly allocating costs based on proportionate share;
- Are simple, clear, adopted in a transparent public process, and feasible to apply and implement; and
- Send the appropriate incentives to encourage projects to remain commercially viable through the process.

In addition to these criteria, as noted in our comments submitted in response to the April 24 BP/TC-26 workshop, we support BPA adopting a withdrawal penalty framework that adheres as closely as possible to the requirements of Federal Energy Regulatory Commission (“FERC”) Orders 2023 and 2023-A.

BPA Withdrawal Stages:

Stage #	Study Phase
Stage 1	Valid Request
Stage 2	Phase 1 Study
Stage 3	Phase 1 Restudy
Stage 4	Phase 2 Study
Stage 5	Phase 2 Restudy
Stage 6	FAS Executed
Stage 7	LGIA Executed

NIPPC and RNW support elements of the Alternatives BPA has outlined.

1. When Penalties Should Attach

As noted above, NIPPC and RNW encourage BPA to adopt a withdrawal penalty framework that remains as close to FERC Orders 2023 and 2023-A as possible. In this vein, BPA’s proposed Alternative 2 is the closest to the FERC approach. At the same time, we recognize that BPA’s study phases adopted as part of the TC-25 settlement do not perfectly align with the phases in Orders 2023 and 2023-A. We also recognize that interconnection customers may benefit from a mechanism to discover a proposed generation project’s likely interconnection costs before withdrawal penalties attach. Accordingly, we would consider supporting an alternative that generally tracks Alternative 2 but first imposes withdrawal penalties at Stage 3 – after customers have received and have had the opportunity to consider the Phase 1 study results that provide them with initial cost estimates for their interconnection project. In order to align with BPA’s decision-making criteria of encouraging commercially viable projects to proceed through the queue, such a hybrid approach should fit into an overall framework that ensures there is enough “skin in the game”—even in the early stages. If that cannot be accomplished through the hybrid approach, then we would support Alternative 2 as presented by BPA.

2. Penalties Should Increase with Each Phase

Our members support phased penalties that increase the deeper into the process a customer progresses before withdrawing. Penalties that increase with each phase of the study ensure that projects on the margin have an incentive to withdraw early in the process. Encouraging customers with less viable requests to withdraw early helps ensure that customers who remain in the queue with viable projects experience less delay and uncertainty. While questions have arisen as to whether the penalty for withdrawing after a Phase 2 Restudy (Stage 5) should be higher than the penalty for withdrawing after the initial Phase 2 Study (Stage 4), we note FERC Order 2023 does not escalate withdrawal penalties for restudies.

3. Co-located Resources

For interconnection customers with storage co-located with generation, we suggest that penalties should be based on the MW value of the request's maximum injection of power onto the grid.

4. Magnitude of Penalties

NIPPC and RNW support penalties that escalate from Stage 2 or 3 to Stage 7. We note that in Order 2023, FERC based withdrawal penalties on a percentage of a customer's network upgrade costs once those were identified in the initial cluster study. We agree with this approach and suggest that BPA's withdrawal penalties should be based on a percentage of the customer's network upgrade costs identified in the study.

Some of the alternatives BPA has suggested base penalties on a flat dollar/MW basis. The challenge with a dollar/MW penalty is zeroing in on the "right" dollar amount that provides a meaningful penalty but at the same time is not so high that it inhibits generation development activity.

In our view, a sliding scale that bases the penalty amount on the percentage of upgrade costs provides greater benefits than a penalty mechanism based on a flat dollar/MW. First, it would relieve BPA from having to estimate the right dollar/MW penalty. Second, the penalty would organically increase with inflation or other costs without requiring a subsequent rate process to modify the penalty amounts. Third, this approach would be consistent with cost-causation principles, as customers whose projects require higher interconnection costs would face higher penalties. Customers with smaller projects or who have identified locations with lower interconnections costs would face lower penalties than customers whose projects have higher interconnection costs. Finally, FERC Order 2023 bases withdrawal penalties on a percentage of network upgrade costs; we suggest a deviation from the *pro forma* OATT is not appropriate for BPA to pursue.

Accordingly, NIPPC and RNW generally support the penalties described in BPA Alternative 2 for Stages 1 through 7, with potential changes at Stage 2 and Stage 5. Our

recommended approach closely tracks the penalties FERC established in Order 2023, with modifications that conform with the phased cluster study approach that BPA negotiated with customers and ultimately adopted in TC-25, subject to the above-described caveats.

5. Queue Crashing Mitigation

NIPPC and RNW acknowledge the concerns Savion and other customers have raised regarding queue crashing, where a customer floods the queue with so many requests that it alone can trigger an exception to withdrawal penalties. In principle, NIPPC and RNW support a penalty structure designed to mitigate the incentive for queue crashing. Our concerns relate to the implementation and enforcement challenge BPA would have in identifying and imposing higher tiers of penalties on customers who attempt to manipulate the queue to provide themselves with a free off-ramp from withdrawal penalties. We fear that customers inclined to abuse the interconnection process would find creative ways to conceal their efforts to do so and that the higher penalties might apply only to customers with legitimate but large generation pipelines who do not attempt to conceal their activity.

It is possible that the opportunity to discover interconnection costs without penalty at Stage 2 would mitigate the incentive to flood the queue for the purpose of triggering an exception to the penalty. Nevertheless, NIPPC and RNW would consider – and potentially support – a mechanism to limit queue flooding if BPA were to identify a transparent, predictable process that it could implement to identify customers with unreasonably large numbers of non-viable projects.

6. Security

NIPPC and RNW recommend requiring customers to post security to cover potential withdrawal penalties to ensure that customers who withdraw are able to cover the costs associated with penalties when their withdrawal does not trigger an exception. We look forward to working with BPA to address the specific mechanisms and processes for BPA to request and customers to provide security for potential withdrawal penalties.

7. Exceptions

NIPPC and RNW support limited exceptions to the application of withdrawal penalties. Consistent with FERC's Order 2023, we support an exception when a customer's withdrawal has no material impact on the cost or timing of other customers' interconnection requests. We also support an exception if network upgrade costs significantly increase compared to the customer's costs identified in the previous study cycle.

As far as when the exception triggers, we suggest that BPA should maintain consistency with FERC Order 2023 and allow an exception for customers to withdraw without penalty if their interconnection costs increase by 25% or more from the costs estimated

in an earlier study, as opposed to the 50% increase BPA suggested at the workshop. Nevertheless, we recognize the value of withdrawal penalties as a tool to bring discipline to customer behavior and note that an exception mechanism that is too generous in providing relief from penalties will mitigate the deterrent effect of the penalty itself. We consider the magnitude of the penalties and the eligibility for an exception as part of a package that must be considered together.

We also acknowledge the suggestion from Savion to incorporate a \$/MW threshold as part of an exception that would trigger when a customer's network upgrade costs increase significantly from one study to the next. We look forward to further discussions with BPA and other stakeholders on how to correctly design an exception that allows customers to withdraw without penalty when their interconnection costs increase significantly.

In summary, we encourage BPA to adhere to FERC Order 2023 and 2023-A as closely as possible, while recognizing that BPA must also implement tariff changes that are consistent with both the spirit and letter of the TC-25 Settlement Agreement. While we appreciate BPA staff's efforts in providing customers with a range of alternatives to consider, NIPPC and RNW believe that the recommendations set forth above effectively conform Order 2023 and 2023-A to the TC-25 Settlement Agreement. We look forward to reviewing a proposal from BPA and working with BPA and other customers to develop a more refined withdrawal penalty mechanism.

LGIA Updates

Please provide an update on BPA's timeline to implement the reforms of FERC Order 845 allowing customers to self-build interconnection facilities. NIPPC and RNW note that BPA has already adopted the Order 845 self-build option in its tariff, but has yet to implement that functionality for transmission customers.

Affected System Studies

NIPPC and RNW are disappointed with BPA's proposal to not evaluate or consider Affected System Studies as part of TC-26. BPA has limited windows to consider changes to its tariff to conform with new FERC requirements. While BPA may generally not be subject to FERC jurisdiction on the terms and conditions of transmission service, Affected System Studies are a critical component of ensuring that the region maintains a safe and reliable grid as that grid must expand to incorporate new generation needed to meet state energy policies. BPA's neighboring transmission operators will rely on BPA's timely completing of Affected System Studies. BPA's suggestion that it will maintain its status quo in the face of a significant reform which FERC has determined is necessary to ensure just and reasonable transmission rates is inappropriate. Accordingly, we encourage BPA to reconsider this decision. BPA should work closely now with its neighboring transmission providers to develop coordinated processes,

timelines, and expectations for the completion of Affected System Studies so that the long lead times for necessary transmission upgrades are not further extended because of delays in completing these studies.

Attachment K – Regional Planning

NIPPC and RNW are also disappointed with BPA’s update on regional planning and what appears to be a largely passive approach as NorthernGrid considers how to comply with FERC Order 1920. Order 1920 represents a significant reform of the existing regional transmission planning processes and cost allocation. BPA simply indicates that it is monitoring Order 1920 and the compliance plans of jurisdictional utilities in the region and will report developments to customers in the future. As the major transmission provider in the region, BPA must take a leadership role in every process that explores transmission expansion. Outside of NorthernGrid planning, BPA has its own processes – the Transmission Service Request Study and Expansion Process (“TSEP”) and the Bifurcated Commercial Model (“BCM”) – that it uses for transmission planning on its system and considering how to recover the costs of transmission expansion. There is an opportunity now – which will close once NorthernGrid’s compliance filing is complete – for BPA to influence the NorthernGrid process to ensure that the results of studies coming out of NorthernGrid meet the needs of BPA as it considers how transmission expansion projects identified in TSEP should be evaluated as regional projects for purposes of the BCM. Likewise, BPA has a limited opportunity to influence how the NorthernGrid process considers and incorporates the results of TSEP in the Order 1000/1920 regional planning process.

Our overall sense is that BPA considers TSEP/BCM and Order 1000/1920 planning and cost allocation as separate silos. NIPPC and RNW urge BPA to consider how those planning processes can inform and build upon each other instead of proceeding independently. We suggest that developing this coordination between TSEP/BCM and NorthernGrid must be happening now while transmission providers in the region are developing the compliance strategy for NorthernGrid; BPA’s customers cannot afford for BPA to wait and see what regional IOUs propose for NorthernGrid.

Accordingly, we urge BPA to meet its responsibilities to the region head on and be actively involved in NorthernGrid’s compliance process. More specifically, we recommend that BPA actively engage in NorthernGrid members’ compliance discussions and advocate that NorthernGrid incorporate mechanisms to develop transmission plans and a cost allocation structure that includes the following:

- Adopts the “seven benefits” and scenario planning as part of NorthernGrid compliance with Order 1920;
- Incorporates scenario planning on 10- and 20-year timeframes;
- Independently considers state policy requirements and other drivers of demand for transmission service;

- Considers a wide range of transmission portfolio future scenarios, including co-optimizing storage and other technologies, in the 10- and 20-year planning timeframes, in order to identify “no regrets” or “least regrets” portfolios;
- Develops a cost-allocation process consistent with the requirements of Order 1920 and that:
 - Incorporates formal state engagement in the NorthernGrid process;
 - Considers joint venture and partnership opportunities that rely on private capital and private projects to relieve BPA of initial development, construction, or subscription risk; and
 - Considers whether investor-owned utilities can and would be willing to serve in some form as backstop subscribers for transmission upgrades identified in the NorthernGrid planning process.

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