



Eugene Water & Electric Board

500 East 4th Avenue/Post Office Box 10148
Eugene, Oregon 97440-2148
541-685-7000
www.eweb.org

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Bonneville Power Administration

via: techforum@bpa.gov

Re: Concurrent Loss Returns

To Whom it May Concern,

These comments are respectfully submitted by the Eugene Water & Electric Board (“EWEB”), Clatskanie Public Utility District (“CPUD”), PNGC Power (“PNGC”), and Northwest Requirements Utilities (“NRU”). Hereinafter, the commenting customers may be referred to individually, or collectively as “we.” EWEB, CPUD, PNGC, and NRU are grateful for the opportunity to engage with BPA on developing a financial and operational solution to loss returns that works for both BPA and its customers.

We appreciate the “History and Context” that BPA provided as part of the January 26, 2022 Concurrent Losses workshop. However, there is a significant portion of the history that we would like to ensure is not lost as we continue the conversation. BPA and its customers have been discussing moving away from 168-hour delayed in-kind loss returns for nearly five years. Each time the issue was presented, customers consistently raised concerns about the lack of justification from BPA, questioned BPA’s decision to prioritize modification of a process that worked well for customers, and expressed doubt as to BPA’s ability to implement the systems and processes efficiently and effectively.

Now, as we take the opportunity to raise those same concerns once again, we will first outline some of the additional history behind this conversation and encourage BPA to remain flexible in its interpretation and implementation of the BP-22 Settlement requirements.

Transmission Services Pro Forma/Industry Standard Gap Analysis

BPA initially signaled its interest in concurrent loss returns and a desire to move toward financial-only settlement in 2017, at the outset of the Transmission Services Pro Forma/Industry Standard Gap Analysis (PFGA) Customer Workshop process.

Specifically, during the [September 20, 2017](#) meeting BPA’s notes include the statement “*BPA is interested in pursuing more use of financial-only returns for settled losses*” along with the following timeline:

FY 2018	FY 2019	FY 2020	FY 2021
	Explore Calculating Losses Method	Explore Concurrent Losses	
		Explore Financial Only Settled Losses	

In responding to BPA’s requests and stated concerns, none of the [commenting customers](#) were in favor of BPA pursuing financial-only settlement, and those few in favor of BPA’s further study of concurrent losses were generally cautious of the lack of detail provided by BPA with respect to the business case and potential obstacles to getting there. Absent justification, customers didn’t see any reason to commit the time and resources necessary to make the change. Specifically, the [NT Customer Group](#) (which at the time included EWEB, PNGC, and NRU) provided the following comments with respect to financial-only returns:

“We caution BPA against moving too quickly toward mandatory financial settlement of loss returns. Current practices give Block and Slice/Block power contract customers the flexibility to choose in-kind, financial, or Slice loss returns. In addition, Load Following customers will often utilize in-kind loss returns as a least-cost option. Our preference is to maintain this flexibility. We believe this customer optionality is an effective check on the pricing of loss returns being in the hands of any one party.”

... and with respect to concurrent losses:

“We encourage BPA to give due diligence to benchmarking similar entities to determine the potential for implementing concurrent loss returns. It is our understanding that OATI does not offer an “off-the-shelf” software product that would fit BPA’s needs, thus necessitating a level of investment that may not pass a cost/benefit analysis. That said, with the proviso that we wish to retain customer choice (financial, in kind, slice) of product, we support moving to concurrent losses if the analysis indicates a net gain for BPA and its customers.”

Further, in response to the subsequent Customer Workshop on October 27, 2017, BPA asked all participants the following questions, to which the [NT Customer Group](#) provided the following responses.

“Real Power Losses.

1. *From a customer perspective, what are the barriers to making the election to pay back transmission losses financially rather than in-kind?*
 - a. Pricing of financial losses. In general, BPA’s pricing of financial loss returns would only be satisfactory to any individual transmission customer where such customer could not return losses cheaper by using the in-kind option. Pricing should be subject to a public process such as a 7(i) rate hearing. We still support the option of “in-kind” loss returns being maintained so that the pricing of loss returns is more market oriented.
2. *What are the perceived barriers to using concurrent losses?*
 - a. Rounding to the nearest MW, potential increase in work-load, and possible adjustment to deal entry systems necessitating a level of investment that may not pencil out.”

To summarize with respect to loss returns, throughout the 2017 PFGA Workshops BPA learned that in addition to being confused as to why BPA was pursuing any change to the status-quo, customers valued maintaining the option of delayed in-kind loss returns and were skeptical of the technical lift

needed for BPA to move to concurrent in-kind losses. Further, customers were unconvinced that BPA had provided any rational justification for modifying the status-quo and expressed concern that BPA seemed interested in complicated alternatives that were likely to result in additional systems and software requirements for customers. In BPA's own words, the [September 20, 2017 Workshop Summary](#) states:

"General Comments

- BPA should consider how any changes to losses relate to market dynamics such as the CAISO EIM.
- Customers like having options. BPA should consider maintaining more than one option for loss returns.
- Be considerate of overall cost/value to customers. Don't just pursue options to streamline resources (i.e., FTE).
- Don't move to a method that is more complicated than what we already have."

Note that the above bullets are largely consistent with the concerns that customers continue to raise today, nearly 5 years later.

BP-22 - Settlement

Jumping forward to 2020, unprompted by customers BPA once again raised the subject of loss returns during its June 24 presentation as part of the [TC-22, BP-22 and EIM Phase III Customer Workshop](#). Therein, BPA introduced a capacity component to the 168-hour delayed in-kind loss returns, introduced the option to move to concurrent only, and announced its intent to eliminate delayed in-kind returns entirely and instead to begin requiring financial-only returns in BP-24.

Customers were once again consistent in their commentary with respect to maintaining the option to return losses in-kind, as illustrated in the following excerpt from [EWEB's comments](#):

"EWEB will continue to assert that eliminating the option to settle loss returns in-kind is non-negotiable in the near term, and that attempting to move to concurrent in-kind returns would unduly burden [BPA's] customers. We recognize, however, that losses may need to be treated differently in the EIM, and so remain open to discussing the viability of Alternative 6 [financial only] in BP-24, and how those changes will align with the optionality currently provided as part of the Slice product."

At the time, BPA's desire to modify in-kind loss returns had been clear for several years, and yet BPA staff had yet to provide a business case justifying the change, or to fully scope what would be needed to implement concurrent losses. Further, given the many systems changes BPA would be performing in BP-22 in preparation for EIM implementation, customers generally recognized – and many took the opportunity to [comment](#) upon – the overwhelming risks of pursuing such a change in BP-22.

However, BPA's decision to include a capacity charge for 168-hour delayed in-kind returns resulted in several customers demanding that BPA immediately implement concurrent returns, due entirely to the purported lack of a capacity charge for in-kind returns. Specifically, on slide 49 of its [June 24, 2020 Presentation](#), BPA stated the following:

“If BPA were to keep its current loss program, Power Services should pass the costs of providing such capacity onto Transmission Services.

- If BPA replaced the 168-hour delay with concurrent physical returns, then Power Services would not need to assess a capacity charge for supporting delayed returns.
- If BPA were to update its current loss factor to monthly/diurnal loss factors, then Power Services would not need to assess a capacity charge for supporting the flat 1.9% loss factor.”

Initially, BPA was hesitant to commit to a specific timeframe for implementation given the many competing initiatives that were already anticipated during BP-22.

Prior to engaging in Settlement discussions, and ignoring the capacity charge for a moment, [customer comments](#) generally seemed to agree that BPA should not move to concurrent losses in BP-22, but that customers may be willing to explore the option in BP-24. Further, customers commented that BPA had not vetted the requirements for concurrent loss returns to the extent necessary to justify the agency’s proposed shift for BP-22, especially given the heavy lift that EIM implementation represented. Finally, customers noted that given the available information, the agency had failed to establish any justification for the elimination of delayed in-kind returns in BP-24.

Once again, please note the similarity between the above customer concerns from BP-22 and those expressed throughout the 2017 PFGA process.

Transmission Losses Settlement for TC-22 & BP-22

In attempting to Settle the BP-22 rate case, the issue of including a capacity charge for delayed in-kind returns was sufficiently divisive to necessitate an independent process. Many of BPA’s transmission customers were frustrated with BPA’s stated inability to move to concurrent returns prior to BP-24, and refusal to provide a market index option, which together would effectively force customers to choose between utilizing financial returns or paying for FCRPS capacity that many did not believe was applied in a fair manner. Though PNGC maintained an objection to any solution that included capacity costs for loss returns, most preference customers were supportive of a result that ensured Power Services was fully compensated for any use of the FCRPS, and that ensured preference customers were credited for those additional revenues. Finally, all parties continued to express doubt as to BPA’s ability to effectively implement concurrent in-kind returns in a timely manner.

To reiterate, at no point had customers requested that BPA modify delayed in-kind loss returns. However, toward the end of the BP-22 process, and due to the capacity charge, customers found themselves considering a Transmission Losses Settlement Proposal; largely to facilitate the Settlement of broader issues unrelated to loss returns. Regardless, it is essential to recognize the causal relationship between BPA’s unilateral decision to charge capacity for delayed in-kind loss returns and customers’ demand that any BP-22 Settlement include delayed implementation of that capacity charge and an explicit commitment from BPA to provide customers with concurrent in-kind loss return optionality by BP-24.

Today

Having established a timeline for implementing Concurrent Loss Returns in November 2020, on December 8, 2021, BPA kicked off the implementation process with a Customer Workshop where BPA presented its Principles for the implementation process, as follows:

1. Meet BPA's commitment in the BP-22 settlement.
2. Informed by what has been implemented by other utilities.
3. As simple as possible and minimizes administrative burden for BPA and customers, where possible.
4. Cost efficient implementation for BPA through minimization of custom changes to systems.
5. Losses returned the same hour as the schedule.
6. Minimizes unintended impacts on other policies and is auditable.

We respectfully request any and all information that BPA can provide detailing how the above Principles were established, as it is unclear whether customers were given an opportunity to provide input into the process. Specifically, the impacts of numbers 4 and 5, especially within the context of 3 and 6, merit additional discussion. For example, the impacts of the move to concurrent losses on BPA's proposed scheduling timeline for EIM implementation seems to ignore the impacts to customers, which may be consistent with Principle #4, but does so to the detriment of #3. Further, there are a considerable number of issues that could be easily avoided but for Principle #5 and were some flexibility outside of "the same hour as the schedule" – even as little as 10 minutes – permitted. Finally, BPA's stated intent to preclude Slice/Block customers from continuing to utilize a reduction to their RTP as a method of providing in-kind returns is completely unacceptable.

To reiterate, BPA was repeatedly told that customers were concerned with BPA's ability to implement concurrent in-kind returns during BP-22 given resource constraints and competing priorities. Now, during the [January 26, 2022 Customer Workshop](#), customers were informed that BPA is resource constrained, and that due to those constraints and competing priorities at least one option for returning in-kind losses (i.e., Slice RTP reduction) may be eliminated due to BPA's tight timeline for implementation.

We appreciate, however, that BPA is now bound by the terms of the BP-22 Settlement, and we look forward to working together to identify a mutually beneficial path forward. To that end, we respectfully request that in moving to implement concurrent in-kind returns, that BPA include as one of its Principles language to the effect of: "*Preservation of customer optionality in the in-kind settlement of loss returns.*" This would be in keeping with repeated customer feedback that BPA has received since 2017, and further help to balance the remaining Principles through the inclusion of one of the few consistent customer concerns.

With respect to the specific areas where BPA requested customer feedback during the most recent Customer Workshop, we once again appreciate the opportunity to engage. Our overriding request is that BPA work to simplify the process wherever and whenever possible. For example, EWEB, CPUD, and PNGC are in favor of financial settlement for all kW remainders and imbalances (whether due to late tags or curtailments) using the EIM LMP price. Further, as noted above, we would appreciate it if BPA would amend its Principles to be responsive to customer concerns and to eliminate the arbitrary

limitation that Principle #5 represents. With respect to BPA's questions, EWEB, CPUD, PNGC, and NRU offer the following comments:

- **kW Remainders** – BPA has a few options:
 - 1) Alternate code to round up one hour, round down the next. BPA could then choose to ignore the remainders
 - a. i.e., no financial settlement or true-up would be necessary
 - 2) Truncate all loss returns and financially settle the kW remainder using the EIM LMP price
 - 3) Round loss returns (up or down) and financially settle the hourly kW remainders.
 - a. This assumes that invoices would go both directions, meaning that BPA should be expected to pay in some cases

- **Loss Return Imbalance Proposal**
 - Recommend that BPA settle using EIM pricing mechanisms.
 - Recommend BPA use either EIM LMP Price or similar charge code
 - Not willing to support the creation of a new pricing structure

- **Imbalance due to Dynamic and Pseudo-Tie Scheduling**
 - Same as above.

- **Options for Handling Invalid Loss Returns**
 - Same as imbalance, above, but perhaps with a limitation.
 - i.e., if imbalance exceeds ~2MW, apply FFI or related penalty/charge code.

- **Current Options for Returning Loss Obligations**
 - EWEB requests the ability to continue utilizing Slice RTP reduction for in-kind returns.
 - i.e., Slice could autorun at T-75 to provide customers' final RTP number
 - Until we get this final RTP number and Tag it, customers won't know their total Loss Obligation
 - Less preferable is the option where customers are required to update the loss return tag every hour.

- **Additional Considerations**
 - Calculating and posting the obligation
 - Key here is the speed of BPA's calculation, from submitting a trade or Slice tag to posting of loss return obligation. BPA needs to prioritize this.
 - Since EWEB has created an interface with CDE, we recommend that BPA continue to facilitate use of this application to post Loss Obligations
 - Loss scheduling and timing
 - EWEB recommends that BPA ignore Principle #5, and lock in the customer's loss return obligation 10-minutes prior to flow.
 - i.e., CAISO schedules are done T-70, so loss return could reasonably be calculated by T-67, leaving 10 minutes for customers to tag

- Further, any delta that results in that 10-minute window could be settled financially using the EIM LMP

Finally, if BPA intends to contradict its statements from the [June 24, 2020 Presentation](#) and include a capacity charge for concurrent in-kind returns, we request that BPA develop a mechanism for reimbursing customers who provide that same capacity when BPA unilaterally “waives” customers’ loss-return obligations during Oversupply Management Protocol.

Once again, EWEB, CPUD, PNGC, and NRU staff appreciate the opportunity to engage in the Concurrent Loss Return Customer Workshop process and looks forward to the continued conversation with BPA and customers.

Best Regards,

Matthew A. Schroettig
Power Planning Supervisor & Staff Counsel
Eugene Water & Electric Board

Paul Dockery
Director of Energy Resources
Clatskanie Public Utility District

Alex Swerzbin
Director of Transmission and Markets
PNGC Power

Tashiana Wangler
Rates and Policies Director
Northwest Requirements Utilities

cc: Christopher Lockman, BPA Transmission Services;
Suzanne Zoller, BPA Transmission Services;
Brian Altman, BPA Transmission Services;
Eric Taylor, BPA Transmission Services;
Andy Meyers, BPA Power Services