

May 12, 2020

Via email:

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U.S. Department of Energy
Bonneville Power Administration
Transmission Services

Re: Comments of Avista Corporation, Idaho Power Company, Portland General Electric Company, and Puget Sound Energy, Inc. Regarding TC-22, BP-22 and EIM Phase III April 28, 2020 Workshop on

- (i) Allocation of BPA EIM Entity Costs (or Credits)**
- (ii) Reducing VERBs Balancing Reserve Requirements under EIM**
- (iii) Possible Clarification of PTP Service Agreement Effective Date Language**
- (iv) Undesignation of DNRs**

Avista Corporation, Idaho Power Company, Portland General Electric Company, and Puget Sound Energy, Inc. (“Commenting Parties”) submit the following comments on the BPA TC-22, BP-22 and EIM Phase III April 28, 2020 Workshop presentation¹ and other materials provided by BPA for that workshop.²

1. Failure to Allocate BPA EIM Entity Costs (or Credits) Consistent with Cost Causation May Result in Uneconomic Price Signals and Increase BPA EIM Entity Costs

BPA EIM entity costs (or credits) should be allocated³ in BPA rate cases, and such allocation should not be inconsistent with the principles of cost causation.⁴ Failure to allocate BPA EIM entity costs (or credits) consistent with cost causation may well result in uneconomic price signals and increase BPA EIM entity costs. BPA’s analysis of allocation of BPA EIM entity costs should take any such increased costs into account. In this regard, the “Criteria for Evaluation” at page 24 of the April 28 Presentation and the “Alternative Evaluation” at page 25 of the April 28 Presentation should be revised to reflect that a cost allocation that is not consistent with cost causation principles may well increase BPA EIM entity costs.

¹ Available at <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/28Apr20%20-%20Main%20Tarrif-Rates-EIM%20Workshop.pdf> (“April 28 Presentation”).

² Available at <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Pages/Meetings-and-Workshops.aspx>.

³ As used in these comments, the term “allocate” is used as a generic term for assignment, allocation, or sub-allocation of costs that includes assignment of costs through direct assignment.

⁴ It is recognized that there may be EIM entity charge codes (which should be relatively small in magnitude) for which cost causation by a particular customer or group of customers is not ascertainable. BPA should at an early date identify for stakeholders those charge codes for which BPA is not proposing cost allocation.

BPA indicated at the April 28 workshop that, under the BPA Staff proposal being considered, (i) some but not all charge codes would be sub-allocated (“partial sub-allocation”) and (ii) about eighty to ninety percent of the BPA EIM entity costs would be sub-allocated. To the extent that such sub-allocations are consistent with cost causation, such a BPA Staff proposal would generally represent a first step in an appropriate direction. However, various EIM entity charge codes are related to each other. Failure to allocate one charge code may be inappropriate and may result in inequitable treatment if a related charge code is allocated. In such cases--even if BPA pursues only partial sub-allocation for BP-22--both charge codes should generally be allocated.

The April 28 Presentation indicates at page 37 that Scheduling Penalties--if allocated--would potentially be allocated based on Measured Demand by Direction. However, the relative magnitude of Measured Demand by Direction may well not be consistent with cost causation. BPA should consider allocating Scheduling Penalties based on scheduling deviation by direction.

2. Imbalance (and Related) Charges and Scheduling Penalties Attributable to Serving BPA Load Following Customers Should Not be Borne by Other Customers

The April 28 Presentation indicates at page 37 that transmission bills for BPA’s Load Following Customers will not, under the BPA Staff proposal being considered, include Base, Neutrality + Congestion Offset, or Scheduling Penalty charge code items. How does BPA intend to account for and recover the costs associated with these charge code items?

BPA should (i) clarify and explain how and where all imbalance (and related) charges and Scheduling Penalties attributable to serving BPA load following customers with federal power in BPA’s BAA will be allocated and accounted for⁵ and (ii) provide transparency regarding such allocations and accounting. Similarly, BPA in developing rates for power and transmission in section 7(i) proceedings should ensure that rates for all imbalance charges and related charges and Scheduling Penalties attributable to serving BPA load following customers are not borne by other BPA customers.⁶

3. BPA Should Explore Reduction of Balancing Reserve Requirements for VERBs Customers under the EIM

The April 28 Presentation indicates at page 52 that, under the EIM,

- (i) current BPA-offered scheduling elections of 30/60 Committed and 30/15 Committed are no longer feasible;

⁵ Section 7(a)(2)(C) of the Northwest Power Act requires that the costs of Bonneville’s transmission system be equitably allocated between Federal users of the system (Bonneville’s power customers) and non-Federal users (transmission customers). *See, e.g.*, FERC Order Confirming and Approving Rates on a Final Basis, Docket No. EF19-5-000 (April 17, 2020) at page 4.

⁶ BPA’s transmission rates must equitably allocate the costs of the Federal transmission system between Federal and non-Federal power utilizing such system. *See, e.g.*, Northwest Power Act section 7(a)(2)(C).

- (ii) “hourly base schedules are finalized by T-55, with allowance for the BA to modify until T-40”;
- (iii) “the interchange schedules are not adjusted with-in hour to reflect schedule changes that may be made after T-40”; and
- (iv) the with-in hour variability is not moved out of BPA BA.

In short, as BPA pointed out at the April 28 workshop, implementation of the EIM in the BPA BAA may increase balancing reserve requirements for BPA’s VERBs customers, particularly those that have been using 30/60 or 30/15 scheduling.

BPA expressed openness at the April 28 workshop to exploring opportunities to reduce the balancing reserve requirements for its VERBs customers (which would benefit both BPA and those customers). BPA’s openness is appreciated; BPA should work with interested VERBs customers and other stakeholders in exploring ways to reduce the balancing reserve requirements for its VERBs customers, which can be significant.

4. Possible Clarification of PTP Service Agreement Effective Date Language

The April 28 Presentation at page 94 describes an alternative to revise the language of the PTP Service Agreement as follows: “Revise the Agreement to include a Service Commencement Date for entities who become customers solely to participate in the EIM and do not take transmission service.” The sentence with the proposed revised language⁷ reads as follows:

Service under this Service Agreement for a transaction shall commence on (1) the date on which the Transmission Customer receives notice its Energy Imbalance Marketing (EIM) Participating Resource is certified and therefore eligible to participate in the EIM; or (2) the later of (a) the Service Commencement Date as specified by the Transmission Customer in a subsequent request for transmission service; or (b) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed.

However, this language may arguably be ambiguous in situations in which both condition (1) and condition (2) become applicable. BPA should consider whether the following edit provides clarity:

Service under this Service Agreement for a transaction shall commence on the first to occur of (1) the date on which the Transmission Customer receives notice its Energy Imbalance Marketing (EIM) Participating Resource is certified and therefore eligible to participate in the EIM; or (2) the later of (a) the Service Commencement Date as specified by the Transmission Customer in a subsequent request for transmission service; or (b) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed.

⁷ The proposed revised language appears at https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/Attachment-A_PTP-Service-Template_Redline.pdf.

5. Undesignation of DNRs and Over Encumbrance of BPA ATC

The April 28 Presentation indicates at page 7 that “Required Undesignation” is not slated to be addressed in BP/TC-22, but may be addressed in subsequent BP/TC proceedings. BPA should address this issue in the BP/TC-22, as discussed below.

In particular, BPA should require the undesignation of designated network resources (“DNRs”) being used to make firm market sales,⁸ which should free up short-term ATC that should be available for uses such as hourly firm. In that regard, the *pro forma* OATT requires such undesignation; the BPA settlement Tariff in section 30.1 includes the following:

Network Resources may not include resources, or any portion thereof, that are committed for a sale of one year or more to non-designated third party load or otherwise cannot be called upon to meet the Network Customer’s Network Load on a non-interruptible basis, except for purposes of fulfilling obligations under a reserve sharing program.

(Emphasis added.) DNRs that are committed for firm sales to non-designated third party load--regardless of whether or not committed for one year or more--are not available to meet the Network Customer’s Network Load and should not be permitted to encumber BPA ATC.

For reasons discussed above, BPA should address this issue in TC-22 proceedings and should require undesignation of DNRs that are used for any firm sales to third parties--regardless of the duration of such sales.⁹

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Nothing contained in these Comments constitutes a waiver or relinquishment of any rights or remedies provided by applicable law or provided under BPA’s Tariff or otherwise under contract. Commenting Parties appreciate BPA’s review of these comments and consideration of the recommendations contained herein. By return e-mail, please confirm BPA’s receipt of these comments.

⁸ “Off-system sales” in this discussion of undesignation of DNRs do not include EIM transfers, which are beyond the scope of such discussion.

⁹ Also, the effect of BPA’s Memorandum of Agreement For The Management of Network Integration Transmission Service for Delivery of Federal Power To Network Customer Loads (“NT MOA” available at: https://www.bpa.gov/transmission/CustomerInvolvement/NTService/Documents/nt_moa_agreement.pdf) on BPA’s ATC is unclear and should be reviewed in TC-22 proceedings to provide transparency and help ensure that it is not resulting in over encumbrance of ATC on BPA’s transmission system. The NT MOA should be reviewed along with review of the encumbrance of BPA ATC by designated network resources that are committed to firm off-system sales.