



Provider of Choice

Path to Draft Policy

April 2023

PROVIDER OF CHOICE

POST
2028



Today's conversation

- Introductions and safety moment
- Opening remarks
 - Suzanne Cooper, Senior Vice President of Power Services
- Discussion to answer questions and promote understanding



Today's conversation (cont'd)



- We want to hear from all customers.
- Respect one another and assume good intentions.
- Continue constructive discussions.



Opening Remarks

Suzanne Cooper, Senior Vice President of Power Services



An ever-changing energy landscape



- Economic conditions inherently impact communities unevenly.
- Changing resource mix.
- Focus on clean, carbon-free power.
- Increased electrification.
- Markets and programs may provide opportunities to integrate renewables and improve transmission access.

Provider of Choice timeline

Policy development workshops

- April 2022 to May 2023

Draft policy release

- Late July 2023
- Accompanied with public meetings to clarify draft policy intent

Public comment period

- 60 days, August to October 2023

Final policy and record of decision

- January 2024

Contract development

- January 2024 to Summer 2025
- Goal to sign contracts by late 2025

Process deliverables

Policy Phase

(July 2022 – Early 2024)

- Draft Policy
- Final Policy and Record of Decision (ROD)

Contracts and Rates Phase

(2024 – 2025)

- Standardized contract offers
- Develop Post-2028 rate methodology
- Contract Policy ROD, if needed

Implementation Readiness Phase

(2026 – 2028)

- Product guidebook
- Systems readiness
- Conduct first rate case proceeding of new contracts

Other Post-2028 Processes

(Now – 2028)

- Residential Exchange Program
- Energy Conservation Agreement

Provider of Choice Principles

***Necessary elements** weighed when developing
Provider of Choice policy and contracts.*

1. Tier 1 firm power rates are set at the **lowest possible** rates consistent with sound business principles.
2. Provider of Choice policy and contracts are **consistent** with Bonneville's statutes.
3. Contracts provide long-term supply of electric power through **standardized** products and services and **transparent** processes.
4. Provider of Choice policy and contracts provide **financial stability** for Bonneville and support Bonneville's regional obligations and commitments.

Provider of Choice Goals

Aspirations for the Provider of Choice policy and contracts.

1. **Regionally supported** Provider of Choice policy and contracts.
2. The Federal Base System is **fully subscribed** to supply customers' net requirements.
3. Product and service offerings **are equitable**.
4. Contracts offer customers **flexibility** to invest in and integrate non-federal resources.
5. Contracts **support** customers meeting national and regional objectives.
6. Administratively **straightforward and implementable** contracts.
7. Provider of Choice policy and contracts **build on a long history** of stewardship and regional relationship.

Path to draft policy

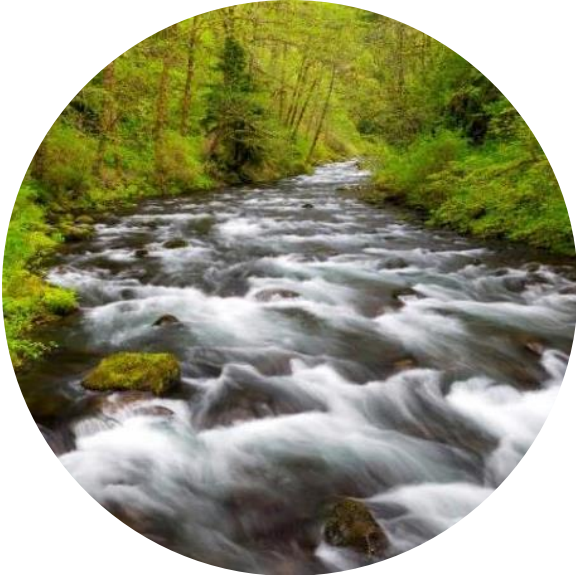
Bonneville initiated listening sessions with customers in 2016.

The **Provider of Choice Concept Paper**, released **July 2022**, provided a high-level framework for proposed post-2028 contract policies, products, and services.

Policy development workshops have since resulted in updates to some initial concepts – all building off the existing Regional Dialogue policy and contracts.



Tiered rates



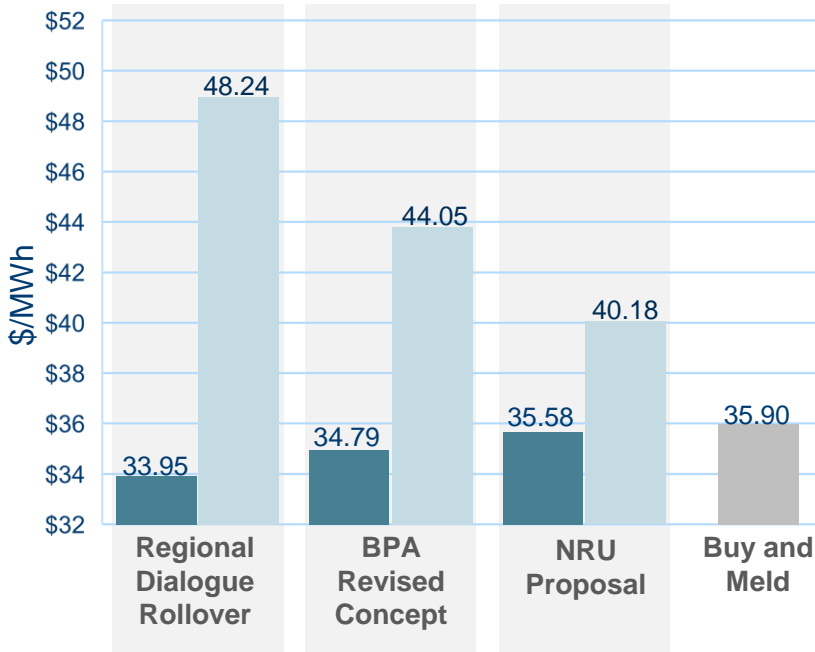
3 foundational tenets of tiered rates:

1. Protect the value of the federal system.
2. Insulate customers from costs associated with others' load changes and resource decisions.
 - *Take-or-pay mitigates inter-customer cost shifts.*
3. Enable customer choice for growing load service.
 - *Preserve the value of Tier 1 from Above-High Water Mark (Above-HWM) load service costs (whether services from BPA or customer).*

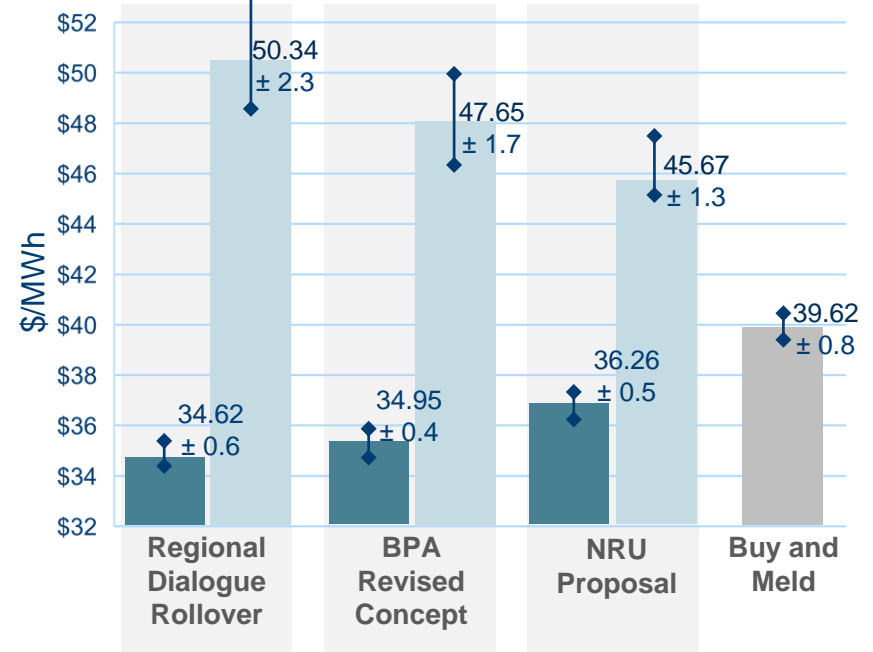
Rate scenarios

across the Provider of Choice contract period by system size

Start of Contract



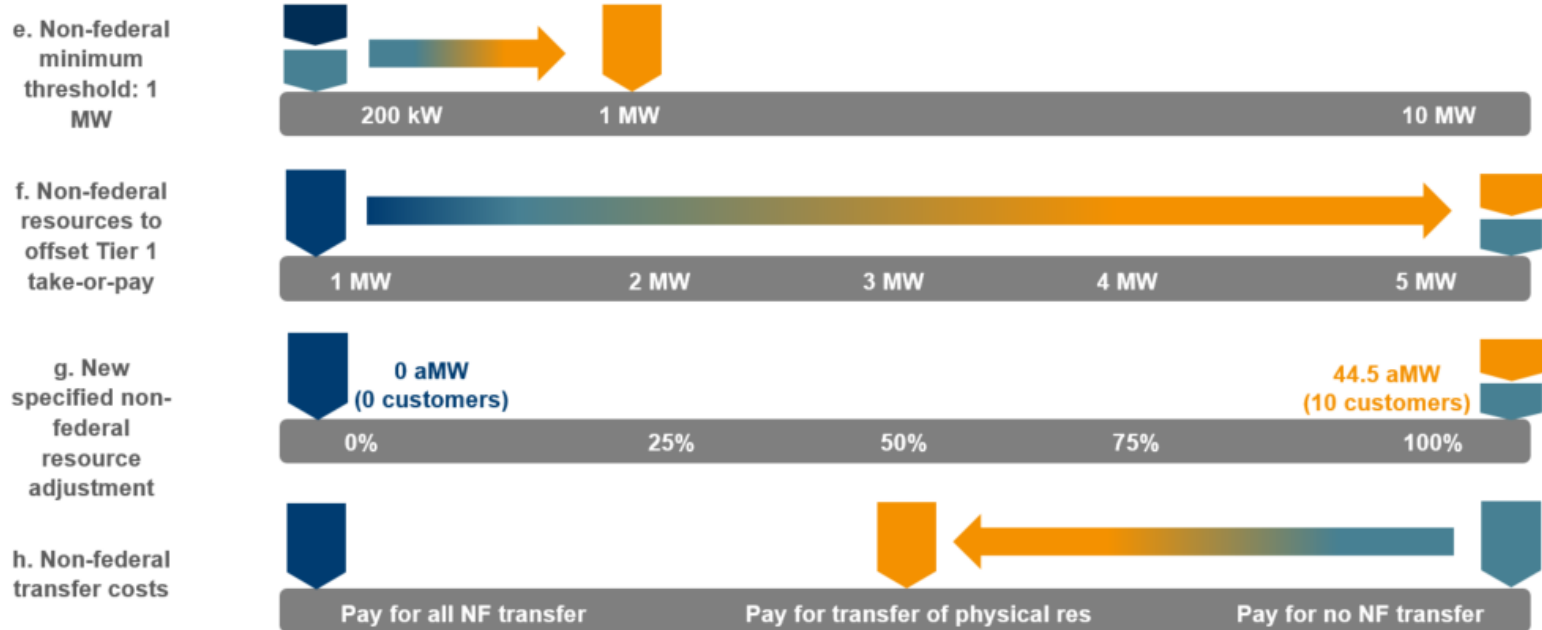
End of Contract



Rate takeaways

1. The tiered rate proposals (Regional Dialogue Rollover, BPA Updated Concept and NRU Proposal) all take different approaches in how CHWMs are set and vary in the Tier 1 system size created as an output of that CHWM methodology. The final proposal, Buy and Meld, does not have a system size as it does not assume tiered rates.
2. The rates tool (published in December 2022 with an update in March 2023) produces scenarios under different load growth assumptions to compare the start of contract to the end of contract. The Tier 1 rate varies across scenarios as it is possible for customers with headroom to never grow into their whole high water mark. The maximum effective rate varies depending on where load growth occurs, for example it could be higher if more load is Above-HWM load compared to below HWM load.
3. Any Tier 1 system size larger than BPA's expected firm output of the federal system would result in a higher Tier 1 rate due to melding acquisition costs to the cost of the federal system.
4. A larger Tier 1 system size may limit the maximum effective rate for load growth utilities at the start of the contract, but the exposure to higher rates persists in even high system size models. An outcome of tiered rates is potential exposure to higher maximum effective rates compared to buy and meld.
5. A larger Tier 1 system socializes the costs for serving load growth amongst all customers rather than isolating the additional costs required to serve load growth to the customers that grew.

Non-federal resources: flexibility and optionality



Above-HWM: navigating a balancing act



i. Above-HWM load service: two paths with three federal options



a. Above-HWM load



b. Small utility adjustment



c. Firm existing inventory



d. Above-HWM calculation



Headroom and Above-HWM load: re-balancing the value of the system

Key:

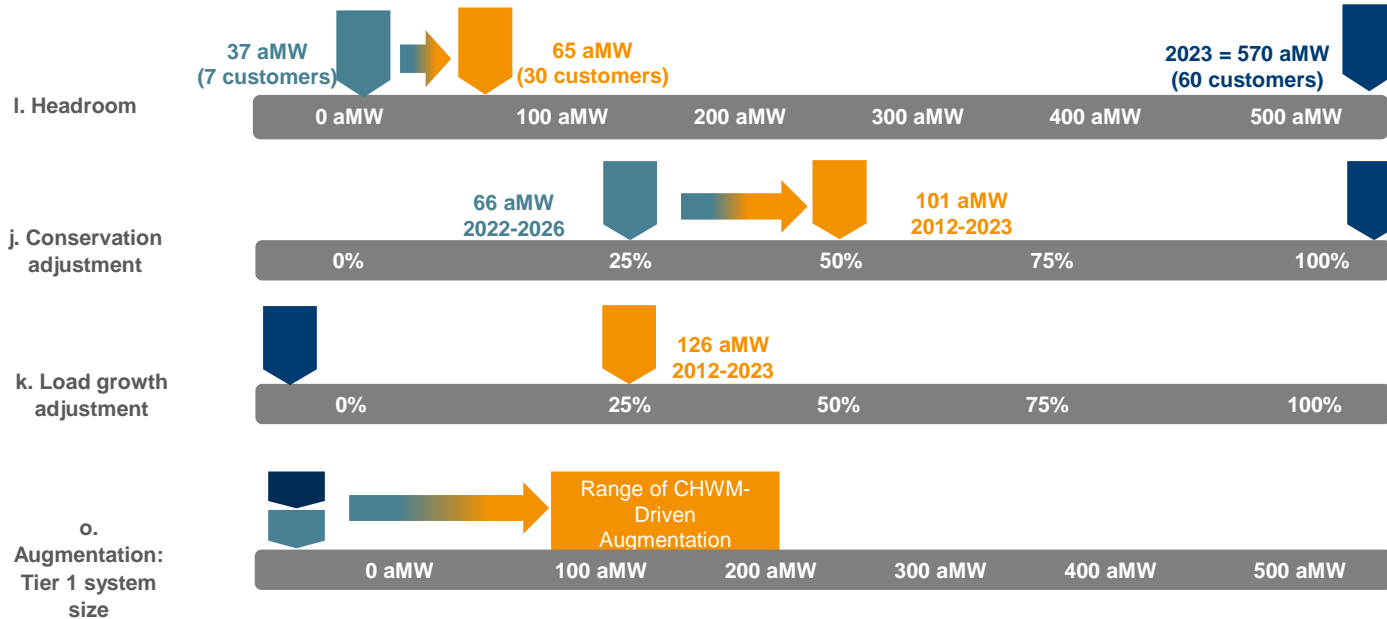
- Regional Dialogue
- Concept Paper Position
- Updated Concept



System size & augmentation: range of HWM-driven augmentation

Key:

- Regional Dialogue
- Concept Paper Position
- Updated Concept



Other regional interests

Key:

- Regional Dialogue
- Concept Paper Position
- Updated Concept

h. Non-federal transfer costs



n. Rate discounts: LDD/IRD



















Net Requirements



- **Total Retail Load – Dedicated Resources = Net Requirements.**
- BPA plans to propose a peak net requirements methodology in its draft policy.
- Customers requested additional time to discuss implementation specifics. BPA plans to further discuss April 20.

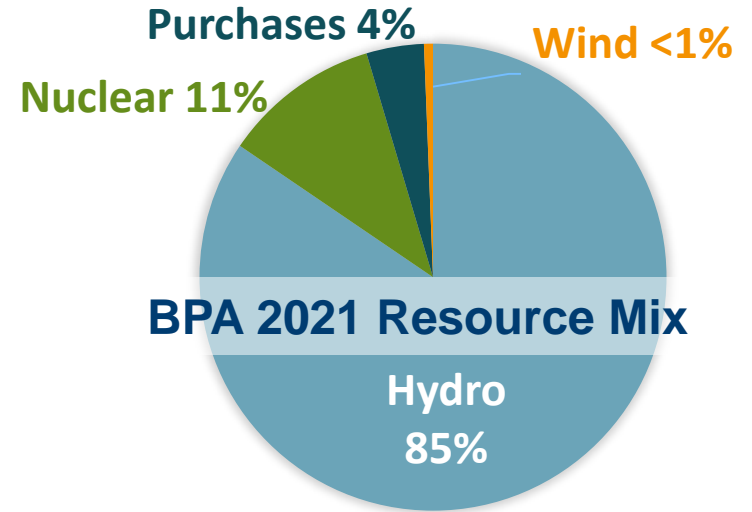
Product design features

Key:  Least Fit  Best Fit

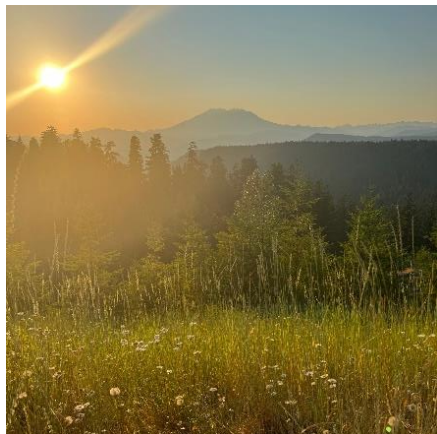
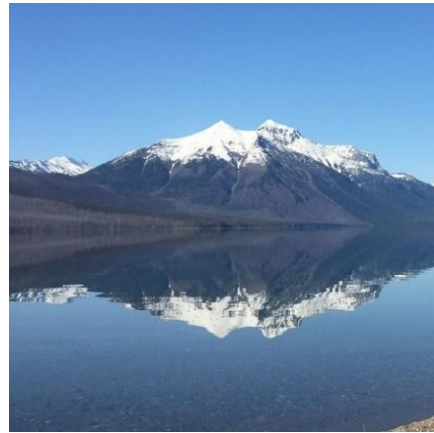
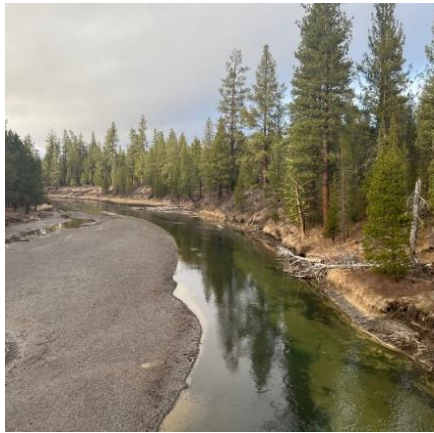
	Load-Following	Block w/Shaping	Slice/Block	Block
Planning Horizon	Hourly	Annual	Annual	Annual
Matches Load Shape				
Real-time Operating Flexibility of Non-Federal Dedicated Resources				
Ability to Use a “Resource Not Dedicated to Load” to Serve Load				
BPA Takes on Planning Obligation to Serve Customer Load				

Carbon

- BPA's upcoming Strategic Plan Update will frame carbon among its strategic priorities, outlining goals and objectives for BPA to tackle in the coming years.
- BPA cannot commit to a 100% carbon-free product at this point in time – but it will support customers in meeting their state greenhouse gas emission reduction and clean energy standards in a variety of other important ways.
- As requested, BPA is proposing changes to how Renewable Energy Certificates (RECs) are conveyed. BPA will convey:
 - RECs commensurate with the actual megawatt hours purchased from BPA.
 - RECs and emission attributes conveyed to customers electing power sold at the Tier 2 rate and the New Resource rate.



A diverse – and unified – region



Provider of Choice Contacts



Provider of Choice Sponsor:

Kim Thompson, Vice President,
Northwest Requirements Marketing, ktthompson@bpa.gov

Provider of Choice Leads:

Sarah Burczak, Policy Lead, seburczak@bpa.gov
Kelly Olive, Contract Lead, kjmason@bpa.gov
Michelle Lichtenfels, Program Manager, melichtenfels@bpa.gov

Find Us:

Email: post2028@bpa.gov

Web: [Provider of Choice - Bonneville Power Administration \(bpa.gov\)](http://Provider of Choice - Bonneville Power Administration (bpa.gov))