

Submitted via email to techforum@bpa.gov on September 14, 2020

RE: Comments on BPA Staff's Leanings for TC/BP-22 Regarding Transmission Losses

PPC appreciates the opportunity to comment on BPA staff's leanings on transmission loss issues. Conversations about making changes to BPA transmission loss policies began prior to the TC/BP-20 cases and continued to develop through the last pre-proceeding workshop in advance of the TC/BP-22 cases. PPC offers the following comments based on our latest understanding of the transmission loss issues being considered by BPA. We anticipate more details and analysis supporting the agency's proposal will become available as part of the upcoming formal rate case and tariff terms and conditions case which may further inform our positions. On the six issues related to transmission losses identified by BPA staff we offer the following comments.

Issue 1: Should BPA allow customers to choose to supply in-kind losses in BP-22?

BPA should Allow in-kind returns in BP-22. The agency has not provided a compelling case for why these should be suspended. Stakeholders have unanimously opposed elimination of in-kind returns in this case without additional analysis or justification. Many, including PPC, have repeatedly described the value customers see in retaining the option to provide in-kind losses to BPA. We and others have also raised questions about moving to financial only returns including: the amount of capacity that would need to be committed by the FCRPS to support financial only returns, whether there is sufficient excess capacity after serving preference customers needs to support financial only returns in the long-run, and whether providing financial only returns would be the highest value use of FCRPS capacity. No analysis has been provided on these last points. It is critical that BPA perform and share such analysis with preference customers in advance of proposing a move to financial only returns.

Issue 2: Should BPA update its network loss factor?

BPA should update the loss factor. BPA has not updated the Network loss factor in many years, and it is appropriate to update this number to more closely reflect what is occurring on the system. BPA should also establish a regular schedule for reviewing and updating its loss factor.

Issue 3: Should BPA adopt a seasonal and/or diurnal loss factor?

BPA should adopt a shaped loss factor. A shaped loss factor that accounts for significant changes in losses incurred on the system in different times of the year would better account for higher and lower losses on the system. On the other hand, there may be diminishing returns and increased administrative complexity as shaping granularity gets finer. The agency must balance these two drivers to determine the optimal granularity of a shaped loss factor. Based on the information currently provided by BPA, it appears that seasonal (either two or four seasons) may be the appropriate shaping level. It does not appear that updating the loss factor monthly would create enough additional benefit compared to a seasonal loss factor to justify the increased administrative complexity; however, PPC would appreciate additional data to inform this

decision. BPA should provide analysis on the incremental benefit of each reasonable alternative (flat, two seasons, four seasons, monthly) so that BPA and customers can assess this tradeoff.

Issue 4: How should BPA calculate the cost of providing loss services and how will that cost be allocated to customers that use those services?

PPC supports in principle BPA’s efforts to recover the cost of the capacity it supplies to provide various services, including in-kind losses. The analysis put forth in the rate case will help develop the appropriate methodology for quantifying and pricing the capacity provided. Generally, PPC supports ensuring that Power Services is fully compensated for any use of the FCRPS. The compensation to Power Services for supporting physical loss returns should be commensurate with the expected costs and preference customers should be credited for the additional revenues associated with this service. Details of the proposed methodology for identifying the amount and cost of capacity used to support this service should be further explored during the rate case to ensure an equitable assignment of costs and benefits.

Issue 5: Should BPA adopt a Financial for Inaccuracy (FFI) rate to encourage customers to meet their loss obligations?

BPA should develop a Financial for Inaccuracy (FFI) charge. A charge should be in place to ensure Power Services is kept whole for any losses not returned. This is perhaps one of the simplest solutions for BPA to ensure that Power Services is being kept whole for the services it provides related to transmission losses. The proposal to include a “penalty factor” in the calculation of the FFI is entirely appropriate to deter customers from leaning on losses returned by Power Services without selecting the financial return option.

Issue 6: Should BPA move to concurrent losses and if so, how quickly could such a move be made?

BPA should not move to concurrent losses in BP-22 and should work with customers to explore the option in BP-24. BPA has not sufficiently vetted the requirements for concurrent loss returns to propose this change in BP-22. To make this change BPA would need to fully vet the modifications needed to its system, and work with customers to help them identify what alterations may be needed for customers to accommodate this change. It is only after both of these reviews are completed that the final determination on whether a move to concurrent losses can be made. PPC agrees that concurrent returns are a potential solution to address several of the concerns raised by BPA but changing BPA’s practices based on current information could result in unintended consequences. Making this switch in BP-22 would be particularly risky given required EIM system changes that will be made during that time.

Based on the current information available, the agency has also not established that delayed in-kind returns should be discontinued in BP-24. Instead of prematurely declaring that this option will be discontinued, BPA should commit to working with customers to pursue a change to concurrent losses in BP-24 and develop a transition plan to minimize customer impact. BPA should continue to offer delayed in-kind return of losses until the option for concurrent losses is available to customers.

Without additional analysis or justification for moving to financial only losses, BPA should not pursue that option in BP-24. As stated above there has not been sufficient support for this change to date, particularly given the value that an in-kind loss return option provides to customers. Customers have explicitly considered the additional administrative costs for maintaining in-kind returns and found that the benefits substantially outweigh those costs. Furthermore, before Power Services can commit to supporting financial only losses additional analysis is needed to ensure that there is sufficient FCRPS capacity to support financial returns for all customers and that supplying these returns would be a high-value use of FCRPS capacity.

PPC appreciates the opportunity to comment on these issues and looks forward to additional development of these topics during the rate and tariff cases.