ISSUE #16: SELLER'S CHOICE

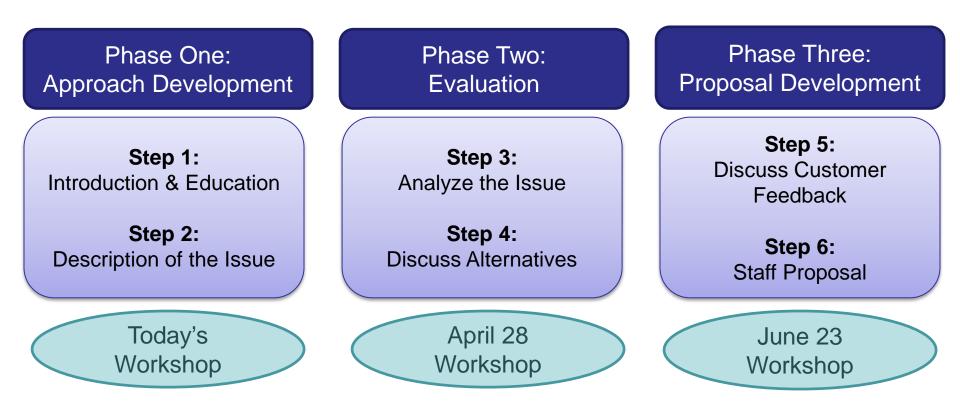
Step 1: Introduction and Education Step 2: Description of the Issue

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March 17, 2020

Pre-decisional. For Discussion Purposes Only.

SELLER'S CHOICE EVALUATION APPROACH



Pre-decisional. For Discussion Purposes Only.

What is Seller's Choice (SC)?

- A type of Power Purchase Agreement (PPA) in which the seller agrees to deliver energy without identifying the resource at the time the agreement is made.
 - Seller can choose to source energy from a number of generators.
 - Seller does not generally indicate a specific generator until the Preschedule day.
- SC also refers to implementation of an exception to BPA's NT designation/scheduling requirements, as requested by BPA customers using SC contracts and agreed upon in TC-20.
 - Allows customer to designate a SC PPA as a network resource.
 - SC contract delivered at the Mid-C market (NWH or Mid-C BA participant).
 - Seller responsible for transmission to deliver generation to the Mid-C.

BPA's Commitment

- In accordance with the provisions of the TC-20 Settlement (2.g.iii);
 - Monitor and evaluate the implementation of Seller's Choice.
 - Share the results of its evaluation with customers at least once before July 2020.
 - Consider including Network Resource designation at Mid-Columbia Points of Receipt in TC-22.

Objective

To collaborate with customers on BPA's Seller's Choice implementation in order to determine how best to meet customers' and BPA's needs after October 1, 2021.

BPA's Seller's Choice Background

- Prior to the TC-20 Settlement, BPA required the NT customer to specify the Balancing Authority Area (BAA) when the customer requested to designate an off-system resource as a Network Resource, consistent with *pro forma* tariff requirements.
- NT customers requested an exception allowing designation of Seller's Choice purchases as Network Resources, to access lower cost generation.
 - Initial proposal included Northwest Market Hub (NWH) only.
 - Customer request for additional resource options to include Mid-C Remote, Chelan, Grant, and Douglas.

BPA's Seller's Choice Background

- BPA agreed to implement and evaluate the exception to the pro forma tariff requirement from October 1, 2019 through September 30, 2021, as part of the evaluation of hourly firm service.
- Version 9 of the NT Business Practice incorporated Seller's Choice on July 9, 2019 ahead of the October 1, 2019 implementation date.

What is "Sleeving?"

- Seller's Choice purchases using "sleeving" agreements with third-party utilities:
 - Allows NT customer to attest to a single Mid-C BA.
 - Seller delivers generation hour-by-hour to the Mid-C.
 - Customers may incur an additional cost.
 - Impairs BPA's visibility for planning.

Before TC-20

- NT customers required to submit an attestation that they owned or had purchased the output of a specific generator or BA when requesting firm transmission service.
- With a SC PPA, required resource information was generally not provided until Pre-schedule day (e.g., BAA for the resource, POR for the BPA transmission leg).
 - Customers requested hourly firm transmission and supplied attestation at this time.
 - Some customers reserved long-term transmission for SC PPAs using "sleeving" agreements with third-party utilities.

NT Customers' Perspectives

- Looking for a way to adapt to limited hourly firm environment.
- Want assurance to get market purchases to load, ability to reserve LTF.
- Prefer 7F to 6NN for transmission.
- Seller's Choice arrangement with BPA is more cost-effective than using "sleeving" agreements.
- Current implementation requires multiple legs of TSRs, incurring additional Transmission charges.

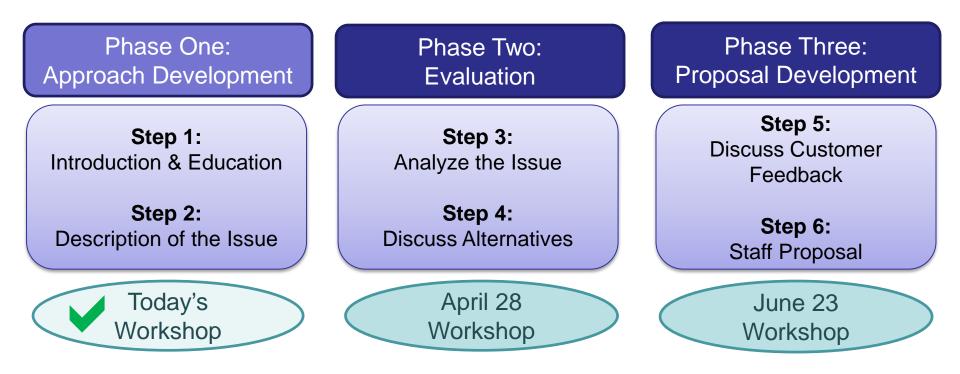
BPA's Perspectives

 Agency Strategic Goal 4: Meet transmission customer needs efficiently and responsively.

> 4c: Meet current and future needs of Network Integration Transmission Service customers through clear business practices and streamlined processes.

- Seeking to balance customer flexibility to acquire low-cost resources with BPA's need to plan for load service.
- Seller's Choice implementation is challenging currently requires up to five TSRs in order to enable maximum flexibility.
- Implications for **potential** future implementation of NT redispatch, in support of moving toward *pro forma*. BPA would need to know resources in advance to ensure required controls and communications are in place. BPA is not actively working on NT redispatch at this time.

Next Steps



March 31 – Feedback due on Seller's Choice

Please submit to techforum@bpa.gov (with copy to your Account Executive)