

March 10, 2020

**Via email:**

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

**Re: Comments of Avangrid Renewables, LLC, Avista Corporation, Idaho Power Company, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc., Regarding BPA EIM Charge Code Allocation**

Avangrid Renewables, LLC, Avista Corporation, Idaho Power Company, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc., (“Commenting Parties”) submit the following comments on BPA EIM charge code allocation, in response to the BPA presentation at the February 25, 2020 TC-22, BP-22 and EIM Phase III Customer Workshop.”<sup>1</sup>

BPA’s February 25 Presentation indicated that BPA is seeking feedback on the EIM charge code allocation alternatives discussed in the presentation and workshop.<sup>2</sup> The Commenting Parties provide the comments below on BPA’s EIM charge code allocation alternatives.

BPA should recover the charges (or distribute credits) that it will receive as an EIM Entity from the CAISO through the (i) direct allocation of all EIM charge codes directly assigned by other EIM Entities and (ii) allocation of all other charge codes that the other EIM Entities allocate using measured demand, metered demand, or, other allocation methods (because the customer causing the credit or charge cannot be identified) according to the Federal Energy Regulatory Commission (FERC)-approved precedent set by other EIM Entities. This approach as described in these comments appears to align most closely with the “Existing FERC Approved Sub-Allocation Model” (27 Codes) or the “Sub-Allocation Past Existing Models” (Greater than 27 Codes) referenced on page 32 of the February 25 Presentation. (As discussed below, for example, the UFE charge code should be allocated by BPA even though most EIM Entities’ tariffs currently do not allocate out UFE.)

Such allocations are consistent with the FERC’s principles of cost causation and provide a level of transparency to the BPA customers who incur these charges (or credits) that is both critical to ensuring that charges can be independently validated and that errors can be identified. Moreover, the direct allocation of EIM charge codes is consistent with the billing information that other EIM entities provide to their imbalance customers and does not pose an unscalable level of complexity or burden to BPA, BPA customers, or vendors who have already demonstrated the technical support and tools needed to implement these additional settlement

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<sup>1</sup> Available at: <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/25Feb20%20-%20Main%20Tariff-Rates-EIM%20Workshop.pdf> (“February 25 Presentation”)

<sup>2</sup> February 25 Presentation at page 5

processes. The sections below provide additional detail.

**I. Failure to directly allocate all EIM charge codes will result in reduced transparency to customers, create additional billing complexities, and increase the likelihood of distorting cost causation.**

In the workshop, BPA attempted to distinguish between base load charge codes, neutrality codes, and all other codes that could be used as potential adders for sub-allocation. The Commenting Parties maintain that generator, load, and inertia imbalance charge codes (64600, 64700, 64750) and all other charge codes that the other EIM Entities allocate using measured demand, metered demand, or, other allocation methods (because the customer causing the charge or credit cannot be identified) should be allocated according to the FERC-approved precedent set by other EIM Entities. EIM imbalance charge codes should be directly assigned from the CAISO to the owner of the generator-load or import/export E-tag. BPA should not charge its customers any more (or less) for the imbalance incurred by their transmission customers than what the CAISO has charged the EIM Entity. The prices for these imbalances should be the same as what the CAISO has charged. Anything but a direct pass-through of these imbalance charge codes would escalate the risk of BPA or its other customers improperly benefiting or losing as a result of transmission customer activity.

Additionally, insulation from EIM charge codes would only create additional complexity to transmission wheel-through customers as it introduces a scenario where one side of the transaction (the EIM Entity) would be directly settled or included in an offset charge code while the other side of the wheel (settled by BPA under some other rate mechanism) would lack the visibility required to determine the appropriate level of charge or payment to the wheel-through customer. Moreover, it seems infeasible that BPA would be able to design a rate mechanism that could accurately capture the same granularity in pricing. The tags that are settled for customers each have a direct LMP at a particular node on the transmission system that accounts for the congestion/losses at that location. LMPs differ generally among locations because transmission and reserve constraints prevent the next-cheapest MW of electric energy from reaching all locations of the grid, further supporting the need for the direct allocation of charge codes that can account for these intricacies in pricing.

BPA's apparent proposal to combine EIM charge codes and allocate them out as a single charge introduces the following issues:

- 1) A fundamental oversight in BPA's proposal to insulate customers from charges through a rate mechanism that only gets updated every two years is that this proposal would also insulate customers from immediately benefitting from the cost savings of participating in the EIM (which was the primary purpose of BPA joining the EIM in the first place). Additionally, insulating customers from the direct allocation of EIM charge codes because it poses an administrative burden is both unjustified and unreasonable. Every other EIM Entity has passed through charges with full transparency to transmission customers because there is a general acknowledgement that it is unreasonable to prevent them from disputing the charges they incur and there is a broader benefit to the region if more eyes are evaluating the charges. Finally,

BPA should consider how not using the direct allocation of EIM charge codes might incentivize suboptimal behavior by customers insulated from the charges they have incurred and could ultimately erode the benefits in BPA's joining the EIM.

- 2) Transmission customers would have no transparency into the specific charges they are being allocated. For example, if CAISO made an error on their congestion offset charge and allocated those charges to BPA the transmission customer would have no ability to identify this error. The onus would be on BPA to identify those errors for the customer even though the incentive to do so fundamentally lies with the transmission customer who incurred those charges. Increased visibility does not harm the customer, nor is it prudent for BPA to be the single guardian against errors in the CAISO statements. Moreover, Commenting Parties have had customers who have identified broader market design and technical problems related to Fifteen Minute Market (FMM) ramping issues, Base ETSR settlement concerns, and allocation principles related to Unaccounted For Energy (UFE). Some of these issues may not have been identified until much later (or not at all) had the transmission customers not had visibility into their charges.
- 3) Transmission customer would lack the ability to dispute the charges they receive in a timely manner. For example, if the CAISO made an error on the congestion offset charge code there is a narrow window through which to dispute. Transmission customers need information of the specific charges being allocated to them in order to be able to dispute the charges. For other EIM Entities, FERC has approved that the transmission customer of the EIM Entity has the right to identify and dispute CAISO charges. It is not appropriate to take this right away from BPA customers.
- 4) Because these charges are generally passed-through from CAISO through BPA to customers, it is the transmission customer who is ultimately entitled to those charges. BPA does not have as much incentive to shadow settle, validate, and dispute those charges as the transmission customer. Under a rate mechanism where BPA has effectively rolled up all charges, customers lack the transparency needed to effectively review and dispute any errors since BPA is the only party who retains the necessary visibility.

Finally, the Commenting Parties agree that the UFE charge code should be allocated by BPA even though most EIM Entities currently do not allocate it. Several EIM Entities are currently considering adding that charge code to what is sub-allocated to customers.

## **II. CAISO's upcoming changes to the settlement timelines will reduce administrative burden related to charge code sub-allocation.**

The current settlement cycles were referenced by BPA during the workshop as contributing to the administrative burden to both BPA and customers. However, upcoming changes to the EIM market settlement timelines will reduce the settlement administrative burden on EIM Entities and their customers. The CAISO Board of Governors recently approved the "Market Settlement

Timeline Draft Final Proposal” which will go into effect on January 1, 2021. The purpose of this initiative is to reduce market participant financial exposure by producing initial statements that will more closely approximate the final settlement. It will also provide sufficient time for the CAISO and market participants (including EIM Entities) to resolve disputes in an overall shorter time horizon. Today, many of those disputes go beyond the T+55 business day (“B”) deadline thus requiring many more optional statements (T+9 month (“M”), T+18M, etc.).

However, effective January 1, 2021, CAISO will publish two required settlement statements (T+9B and T+70B) instead of three and reduce the normal settlement life cycle for optional statements from 36 months down to 24 months. CAISO will publish the initial statement at T+9B (rather than the current T+3B), which will provide market participants a more accurate initial statement that will include price corrections as well as available meter data. This will also provide customers the ability to dispute the initial statement and give CAISO additional time to process those disputes so that they can be included as part of the T+70B statement.

The additional time to process disputes before they are included in a statement and make changes that might be necessary, is anticipated to reduce the number of “optional” re-settlements that occur today. Optional resettlements occur because a dispute was not processed in time for the T+55B statement, or because there needs to be a system change to fix the settlement, or a policy/tariff change needs to be made to the design or calculation of the charge code. These changes can be brought to light by an EIM Entity’s customer after a review of its sub-allocated charges and subsequently disputed with the EIM Entity. If charges are not directly assigned or sub-allocated, customers have no visibility or opportunity to dispute those charges and potentially initiate corrections or market policy changes with the CAISO.

In addition, EIM settlement/billing systems can automate the billing process, including sub-allocating charges or payments to customers. As revised settlement statements come in, the settlement systems can adjust the statements and invoices sent to the customers automatically and provide all applicable back-up level detail to the customer if desired. This reduces the burden on the EIM Entity to produce manual invoices utilizing manual calculations and processes, which also has a greater potential for error. In addition, many EIM vendors provide automated customer statements, invoices, and reports that can be sent to the customer in any number of ways. While initially there may be an upfront administrative burden as customers seek to understand how the charges are settled, over time this burden is greatly lessened as customers become more familiar with the data they are provided.

### **III. BPA’s proposed partial sub-allocation model would be the same level of administrative burden as the sub-allocation method used by EIM Entities today.**

When an EIM Entity selects and implements an EIM settlement/billing system, the system will include allocation logic that is based on the criteria set forth by the EIM Entity and its Open Access Tariff (OATT). Whether the EIM Entity chooses to allocate 10 charge codes or 30 charge codes, the allocation logic is automated within the billing system with most charges and payments being directly assigned or allocated based on measured demand. There are three main types of allocation methodologies utilized today:

1. Direct Allocation – Charge/Payment directly assigned/allocated to the customer.
2. Measured Demand – Allocated based on the customers’ metered load as a percentage of the total BA metered load plus export tags.
3. Metered Demand – Allocated based on the deviation between the customers’ metered load and their scheduled load.

If the sub-allocation logic has been properly tested by the EIM Entity prior to implementation, the administrative burden is the same for the customer and the EIM Entity under a partial sub-allocation model, or the current sub-allocation model approved by FERC and used by existing EIM Entities. For example, any charges that are based on measured demand will utilize the same measured demand ratio for each interval and can be used to validate all charges that are allocated based on measured demand.

**IV. An EIM Entity may select a different settlement billing cycle than the current weekly settlement billing cycle set by CAISO to reduce administrative burden.**

EIM Entities may choose the frequency with which they invoice their customers. Even though CAISO’s current invoicing process is weekly, market participants, including EIM Entities, may choose to sub-allocate those charges/payments to their customers on a different basis, such as monthly. EIM settlement/billing systems can take all market data, sub-allocate the invoice in accordance with the EIM Entity’s OATT, include all applicable billing periods, and provide that data based on the billing cycle selected by the EIM Entity.

**V. The benefits of transparency into the CAISO charges far outweigh any administrative burden of sub-allocating all EIM charge codes.**

The Commenting Parties (all but two of which are existing EIM Entities that have been actively participating in the EIM) acknowledge that there is a higher level of complexity in the EIM billing process as compared to prior to joining the EIM. That said, most of the administrative burden comes during the implementation of the EIM and in the beginning phases after the Entity has joined. If a robust vendor has been selected, proper testing has been performed, and education has been provided on charge codes, many of the concerns BPA presented regarding an administrative burden will be minimized. In addition, as the EIM Entity and its customers gain an understanding of how the market operates and of the settlements and billing processes, the customers can begin to participate in a review of their charges and can provide feedback to the EIM Entity and CAISO about errors or necessary changes.

**VI. BPA’s proposal not to allocate EIM charge codes and explore an alternative rate mechanism raises broader policy concerns.**

BPA’s proposal to undertake a rate mechanism that has not yet been designed raises a number of questions about how BPA plans to ensure that the charges incurred by BPA’s imbalance

customers will not shift to other BPA customers who are not responsible for any charges (or payments) associated with imbalance services. As previously noted, the direct allocation of EIM charge codes affords a level of transparency that ensures the appropriate charges and payments are made to the customers who utilize these services. Should BPA choose to fully (or partially) insulate these customers from those charges, the Commenting Parties strongly urge BPA to treat any proposed rate mechanism for imbalance service as a separate ancillary service rate rather than rolling these charges into a transmission rate that all other BPA transmission customers would be subject to.