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Comments of the Western Power Trading Forum (WPTF) on Bonneville Power Administration's (BPA's) January 29, 2020 TC-22, BP-22, Energy Imbalance Market (EIM) Phase 3 Workshop

Submitted February 11, 2020

WPTF appreciates the opportunity to comment on the BPA January 29, 2020 stakeholder meeting to discuss BPA's TC-22, BP-22, and EIM Phase 3 policy. WPTF is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets, while maintaining the current high level of system reliability. The membership of WPTF includes generators, power marketers, energy service providers, financial institutions, energy consultants, and utilities. WPTF's membership actively participates in electric power markets in the West and across the country.

WPTF supports competitive power markets and has long advocated for the development of new markets, such as the EIM in the West. WPTF appreciates that BPA is conducting various workshops and meetings to discuss various elements of BPA's anticipated EIM participation.

The January 29, 2020 workshop touched on a number of critical issues surrounding BPA's EIM participation, particularly around EIM transmission network usage. WPTF provides several comments on EIM transmission network usage, with an eye towards ensuring that BPA's EIM implementation does not create seams and inequities within the EIM market footprint. WPTF also highlights other transmission and business practice related modifications that BPA may need to consider in this process of EIM implementation.

EIM Transfers

WPTF understands and appreciates that, while EIM Transfers can be facilitated under two approaches with the EIM [the Interchange Rights Holder (IRH) methodology and the Available Transfer Capability (ATC) methodology], for the time being BPA has elected to **only** utilize the IRH, or customer donation methodology, for EIM Transfers between EIM Entity Balancing Authority Areas (BAAs).

In October 2018, in response to this proposal, WPTF advocated for BPA to:

1. Provide transparency by publishing granular data on the amount of transmission rights that are made available to the EIM through the customer donation approach; and
2. Develop criteria for assessing adverse impacts to its existing, and potential future, customers from use of this approach and determine a "threshold" level of impacts after which BPA would request that the California Independent System Operator (CAISO) modify the EIM's transmission use and compensation policies



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While WPTF still supports these approaches, given the potential for the Extended Day Ahead Market (EDAM) to develop, the rapid growth of the EIM, and the interest of EIM Entities (such as PacifiCorp and NV Energy) in exploring transmission compensation issues, WPTF is hopeful that these issues will be addressed as part of the ongoing EDAM stakeholder initiative.

WPTF encourages BPA to participate in those discussions and to seek to evaluate solutions that might allow BPA to transition to use of the ATC methodology for EIM Transfers in the future. The EDAM stakeholder initiative may also serve as an appropriate venue to discuss EIM-wide transmission network use issues, which are discussed more below.

EIM Transmission Network Usage

BPA has yet to make any decisions regarding potential EIM transmission network use and requirements as a result of EIM implementation. WPTF appreciates the discussion and the articulation of BPA's objective in assessing network transmission use by the EIM, which is:

Adopt transmission-related policies for EIM use of BPA's network that are nondiscriminatory and do not negatively impact reliability and efficient EIM market while mitigating the commercial impacts on BPA's transmission system and customers.

Of course, commercial impacts on BPA's system and customers should be mitigated to the extent possible. But additionally, BPA needs to ensure that its approach to EIM transmission network usage supports an efficient EIM and is in line with the requirements utilized by other EIM Entities. Thus, it is important to understand BPA's obligations to the EIM reciprocity transmission framework under the existing EIM and to evaluate where these EIM design elements might be modified, if so desired, in a way that ensures efficient EIM operation across the footprint.

Under the current, "reciprocity" transmission framework of the EIM, and consistent with FERC's approval of the EIM design, there is no charge for EIM dispatch and free use of transmission in the EIM is provided on a *reciprocal* basis. This concept is embodied in the CAISO's tariff, as well as the tariffs of participating EIM Entities. Under the existing framework, CAISO has explicitly waived the application of its Transmission Access Charge (TAC) export fee for EIM transactions and, in exchange, per FERC's Orders, EIM Entities do not charge EIM Dispatch any transmission charges beyond their pre-existing transmission reservation costs. Given this reciprocal obligation, the imposition of any incremental transmission charge for EIM Dispatch for resources within the BPA area would be problematic and would upset the reciprocity transmission framework on which the EIM currently exists. Therefore, if BPA desires to see a modification to this approach, the modification be explored in an EIM-wide venue, such as the CAISO's EDAM stakeholder initiative.



If, without addressing the issue on a consistent basis throughout the EIM footprint, BPA sought to unilaterally implement a requirement to pay for transmission use associated with EIM dispatch, it would create inequities for other loads within the EIM footprint. Notably, BPA would be charging transmission prices (to protect its own customers) at the expense of customers in other EIM Entity BAAs, such as PacifiCorp, Portland General Electric and the CAISO. This is because, if BPA implements a transmission charge for dispatch in the EIM that is incremental to a customer's existing transmission reservation, the customer would need to include those costs in their EIM bids. And, if a generator in BPA were dispatched to serve load in another EIM area, the load in that area would have to pay the BPA transmission cost via the LMP. In general, under this scenario, the load purchasing that incremental generation from BPA's area would pay the BPA transmission cost (via the LMP), plus the transmission cost of the "sink" EIM Entity.

In contrast, if a generator in PacifiCorp, NV Energy, APS, Puget Sound, SMUD, Portland General Electric, Idaho Power, etc. is dispatched by the EIM above their existing transmission reservation, they are **not** required to pay a transmission charge. Thus, their bids into the EIM do not include these incremental transmission costs. Therefore, when load inside BPA receives power from generators in these BAAs through the EIM, BPA's load is not paying for transmission costs from those BAAs. The same is true for energy coming from California. CAISO has explicitly waived its TAC export fee for EIM transactions, such that when CAISO generation is exported to BPA (or others) in the EIM, there is no transmission charge for doing so. BPA's customers will benefit from this structure by procuring low cost generation in the EIM, including excess California solar generation, that is not subject to California's (or another entities') transmission costs. The "price" for this benefit is that BPA must offer the same benefit to other EIM Entities.

This structure is part and parcel of the current "reciprocity" transmission framework of the EIM and must be maintained on a consistent basis to ensure the efficient operation of the EIM, reduce seams within the EIM, and ensure equitable treatment of all loads in the EIM. When FERC approved PacifiCorp's tariff changes to enter the EIM, it expressly disapproved of PacifiCorp's proposal to charge an incremental transmission rate for EIM Dispatch because of the inequity it would create, primarily for load in CAISO. In the Order approving PacifiCorp's tariff changes to implement the EIM FERC rejected PacifiCorp's proposal to require that participating resources in the EIM pay for transmission service in addition of any transmission rates that they would otherwise regularly incur. FERC required PacifiCorp to eliminate a transmission charge for EIM transactions for participating resources.¹

¹ See FERC Order Conditionally Accepting in Part and Rejecting in Part PacifiCorp's Proposed Tariff Revision to Implement the Energy Imbalance Market; Docket No. ER14-1578; Issued June 14, 2014; P.144 - 149.



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Given this, any attempt by BPA to charge for EIM dispatch that is above a customer's pre-EIM transmission reservation would be at odds with FERC's rulings, in contrast to the other EIM Entities, would create unique rules for EIM participation within the BPA area, and may expressly disadvantage loads in CAISO and other EIM Entities. While WPTF recognizes the need to mitigate commercial impacts (including transmission revenue and rates), if an incremental transmission charge is to be considered in the EIM, it should be done in a manner that doesn't impact the efficiency of the market.

Thus, if there is a desire to implement network transmission requirements or transmission compensation within the EIM, that issue should be addressed across the entire EIM footprint. That will likely require addressing the issue through a CAISO stakeholder process; the EDAM stakeholder initiative may offer an opportunity to explore transmission requirements not only in EDAM but also within the EIM. Until such a time that this issue is addressed across the EIM footprint, BPA must maintain the reciprocity transmission framework, which precludes BPA from charging a transmission cost for EIM Dispatch for Participating Resources within its footprint.

Other Transmission/Imbalance Related Issues Requiring Consideration

In addition to the items that BPA has identified to address in this process, there are a number of items related to BPA's imbalance schedules and various other BPA policies that should be addressed as part of EIM implementation. These include:

- Implications of the EIM for Variable Energy Resource Balancing Service (VERBS)
 - The EIM will likely require the elimination of the 30/15 VERBS option, since the EIM Base Schedules will need to be submitted before, and become financially binding at T-57.
 - BPA should address whether any other changes to VERBS are needed due to the EIM.
- Penalty Tiers and Negative Prices
 - The currently applicable "penalty tiers" (or "deviation bands") in BPA's ACS Rate Schedule, Energy Imbalance Service, and Generator Imbalance Service business practice should be eliminated as BPA transitions to the LMP-based EIM for imbalance pricing.
 - Notably, other EIM Entities do not have penalty tiers in their imbalance schedules. FERC found that an APS proposal to retain such tiers within the EIM was problematic and denied a request to implement penalty tiers for imbalance with the EIM.²
 - BPA should consider how provisions in ACS Rate Schedule, Energy Imbalance Service, and Generator Imbalance Service business practice,

² See FERC Order on Arizona Public Service Company's Proposed Tariff Revision to Participate in the Energy Imbalance Market; Docket No. ER16-938; Issued April 29, 2016; P.97-99.



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and elsewhere, may need to be modified to account for negative LMPs within the EIM.

- Modifications to Deviation Penalties to Account for EIM Dispatch Instructions to Participating Resources
 - BPA should evaluate whether modification is required to Persistent Deviation and Intentional Deviation Penalties to account for EIM Dispatch Instructions to Participating Resources
 - These types of penalties should not apply to deviations that are the result of EIM Dispatch Instructions
 - There may also be other forecasting/scheduling modifications that require adjustment and should be considered through this process.

Conclusion

WPTF appreciates the opportunity to provide BPA with comments on EIM transmission network use and to provide suggestions for additional areas for review during EIM implementation. We look forward to working with BPA and other stakeholders as EIM implementation and policy development continues.