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via email (techforum@bpa.gov)

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

Re: Comments of Avangrid Renewables, LLC on the BP-26 and TC-26 April Workshop

Avangrid Renewables, LLC (“Avangrid”) appreciates the opportunity to provide comments to the Bonneville Power Administration (“Bonneville”) regarding the issues discussed at the BP-26 and TC-26 informal workshop on April 24, 2024 (the “April Workshop”).¹ In particular, Avangrid urges Bonneville to hold off implementing a capacity charge for energy storage devices (“ESDs”) and move forward with implementing generator interconnection (“GI”) withdrawal penalties that are consistent with Federal Energy Regulatory Commission (“FERC”) rules unless there is a compelling reason to deviate based upon the unique aspects of Bonneville’s process. Avangrid agrees with the Northwest Requirements Utilities (“NRU”)² that Bonneville may need to depart from the FERC *pro forma* tariff to prevent significant harm or provide significant benefits to customers, and looks forward to discussions with Bonneville staff and stakeholders in future workshops weighing alternatives that may warrant any such divergence.

1. Bonneville Should Hold Off Implementing a New Capacity Charge for Batteries Until There is an Actual Problem, as Opposed to Implementing in BP-26 Based on a Theoretical Problem

At the April Workshop, Bonneville shared concerns over significant increases in interconnection requests with stand-alone batteries, which could potentially impact the level of Ancillary and Control Area Services the agency provides. As Bonneville explained, the agency uses generation inputs (“Gen Inputs”) to provide Ancillary Services and Control Area Services to maintain load-resources balance in the agency’s Balancing Authority Area (“BAA”), in accordance with applicable North American Electric Reliability Corporation (“NERC”) reliability standards.³ Although Bonneville must stand ready to balance energy storage devices, the agency does not have a capacity rate to charge storage devices for doing

¹ Additional details regarding the BP-26 and TC-26 proceeding, including the slide deck for April Workshop (“April Slide Deck”) and customer comments are available at <https://www.bpa.gov/energy-and-services/rate-and-tariff-proceedings/bp-26-rate-case>.

² Northwest Requirements Utilities, Comments in Response to March 19, 2024 BP/TC-26 Rate Case Pre-Proceeding Kickoff Workshop at 1 (March 29, 2024).

³ April Slide Deck at 29.

so.⁴ Bonneville worries that storage devices may begin coming online during the three-year BP-26 rate period and lean on the agency's balancing capacity paid for by other customers.⁵ On the other hand, if Bonneville decides to establish a new capacity rate in the BP-26 proceeding, the agency would be forced to do so without sufficient historic data to rely upon.⁶ Bonneville has asked for feedback on two alternatives: 1) maintaining the status quo and waiting to verify the need for a storage rate; and 2) developing a new use-based capacity charge for storage similar to the Dispatchable Energy Resource Balancing Service ("DERBS") rate.⁷

Avangrid applauds Bonneville's proactive thinking but is hesitant to spend time musing over hypothetical problems that may or may not come into fruition during this rate period (or ever) when setting a new rate based on actual numbers would be an exponentially better approach. As a threshold matter, Bonneville sells its power at cost-based rates and the agency has yet to incur any costs to base the new rate on. Moreover, Avangrid is struggling even conceptually to see these new interconnection requests for storage as a likely balancing problem for the agency. Although Avangrid acknowledges that Bonneville must stand ready to serve batteries that in theory could charge (or discharge) quickly at inopportune times, it is hard to imagine scenarios where a battery owner would choose to go against market signals to charge, discharge at inopportune times. Normally speaking, it seems like the vast amount of charging is going to happen when prices are low (and their capacity would be welcome) and the vast amount of discharging will happen when prices are high (and the capacity would be welcome). Because Bonneville does not have any recommendations to capture diversity benefits, e.g., crediting batteries that are helping the agency attain load-resource balance, Avangrid believes a storage capacity rate is not yet ripe for consideration.

If Bonneville decides to develop a new capacity rate for storage devices, which it should not, Avangrid asks that Bonneville review in detail the pilot program referenced at the April Workshop, which could potentially provide a path for avoiding the new capacity charge.

2. Bonneville Should Implement Withdrawal Penalties Consistent With FERC's Rules Unless There is a Compelling Reason to Deviate to Accommodate Bonneville's Unique Process

Avangrid continues to believe that withdrawal penalties are a critical component of the interconnection queue reform that ideally should have been implemented along with the TC-25 tariff changes. To that end, Avangrid recommends Bonneville add withdrawal penalties consistent with FERC's final rules. As a matter of policy, however, Bonneville should refrain from applying any TC-26 rule changes to the transition process, including withdrawal penalties, because any such changes were not

⁴ *Id.* at 32 ("Energy storage devices do not fit the definition of either VERS or DERS").

⁵ *Id.* at 36.

⁶ *Id.* at 34. ("Bonneville does not have sufficient historical data on how storage devices will operate in the BPA BAA to fully determine the impact on the amount of Balancing Capacity need on a planning basis.").

⁷ *Id.* at 37-43.

transparently discussed during the TC-25 proceeding and will not be established with any level of certainty before the transition cluster request window opens next month. Avangrid has structured its comments below based upon the questions as presented by Bonneville staff during the April Workshop.⁸

Q1. How to Calculate a Withdrawal Penalty?

FERC's rules for calculating withdrawal (e.g., two times the study costs to 5 and then 10 percent of network upgrade costs) appear appropriate for Bonneville. Avangrid would support a penalty fee that escalates throughout the GI process and looks forward to discussing the merits of any proposed details, deviations with stakeholders in future workshops.

Q2. When Should a Withdrawal Penalty Apply?

Acknowledging that Bonneville declined to implement the portions of FERC Order No. 2023 that provided public access to interconnection information, Avangrid recommends exploring with stakeholders whether there should be a penalty-free withdrawal when the first study results are provided. Without increased public access to interconnection information, submitting an interconnection request is still the only means to determine whether a proposed project can be commercially viable. If Bonneville is able to provide more information publicly later, it may be appropriate to consider removing this initial penalty free withdrawal at that time.

Q2(a). Should There be Exceptions to When A Penalty is Applied?

As Bonneville explained in the April Workshop, FERC's GI rules permit penalty-free withdrawal where there is either no material impact on other requests in the queue or where there has been a significant increase in the network upgrade cost estimates. Avangrid recommends following FERC's rules (e.g., a 25% increase from the prior cluster study or a 100% increase in a facilities study report) unless Bonneville's unique process provides a compelling reason to deviate, in which case Avangrid welcomes additional discussion.

Q2(b). Should a Penalty Apply During the Transition Process?

Although Bonneville has asked whether penalties should be applied to the transition cluster, Avangrid sees this issue as potentially more insidious and strongly recommends that any mid-stream rule changes should not apply until the beginning of the next cluster study process. If Bonneville does ultimately apply withdrawal penalties to the transition cluster, Avangrid asks that the agency clarify whether there was sufficient notice of any such application during the TC-25 process (or otherwise) so that parties can understand whether Bonneville might make other "midstream" changes to its GI rules during its cluster study process.

⁸ *Id.* at 55-60.

As a threshold matter, applying withdrawal penalties to the transition process should have been discussed transparently during the TC-25 process if Bonneville intended to apply them to the transition cluster after they were adopted in the BP-26 and TC-26 proceeding. Avangrid understands that Bonneville believed the penalties needed to be implemented during a subsequent rate case (as opposed to the TC-25 tariff proceeding) but the intended acreage amounts were included in the TC-25 settlement even though Bonneville believed they needed to be implemented during a subsequent business practice process (as opposed to the TC-25 tariff proceeding). Moreover, the cluster-study process outlined by FERC is intended to be an annual process, which places Bonneville’s withdrawals in a different context. Bonneville’s cluster study is unlikely to achieve that cadence, but also has unique aspects that equally impact the context for its withdrawals.

Rather than argue in the abstract, Avangrid recommends that Bonneville provide a straw proposal as soon as possible that includes clarity as to where the agency expects the transition process to be when the new tariff becomes effective to anchor this discussion. It is imperative that Bonneville set a reasonable expectation for how long the phase-one restudies will take with the agency’s unique scalable-block concept, which allocates network upgrades based on capacity rather than FERC’s impact-based allocation. During the TC-25 proceeding, Bonneville argued that a capacity-based allocation would allow the agency to make changes more quickly when there is a withdrawal—and to mitigate impacts to others in the queue. Avangrid would like to better understand Bonneville’s expectations for process timing, withdrawal impacts and exceptions before weighing in. Absent any such direction, however, Avangrid simply reiterates that Bonneville should follow FERC’s rules and generally avoid mid-stream rule changes.

Q3. How Should Withdrawal Penalty Funds be Allocated?

FERC’s GI rules direct that any withdrawal penalties be allocated first to cover study costs, then to offset increased network upgrades caused by the withdrawal with any remaining amounts returned to the withdrawing customer. This policy, which was fully vetted during the FERC rulemaking appears reasonable, but Avangrid would like Bonneville to explore in greater detail in future workshops how these determinations would be made by the agency, whether there would be any transparency or ability to challenge the allocations, etc. Avangrid looks forward to hearing from Bonneville and stakeholders familiar with other cluster-study implementations.

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Avangrid appreciates Bonneville’s consideration of these comments and the recommendations contained herein. Nothing contained in these comments constitutes a waiver or relinquishment of any rights or remedies provided by applicable law or under Bonneville’s tariff or otherwise under contract.