

**COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP
REGARDING BPA AND THE NWPP RESOURCE ADEQUACY PROGRAM**

A. Introduction.

The utilities comprising the Western Public Agencies Group (“WPAG”) appreciate the opportunity to provide the following comments in response to the Bonneville Power Administration’s (“BPA”) July 29, 2021 workshop concerning it potentially joining the non-binding phase of the Northwest Power Pool’s (“NWPP”) Resource Adequacy (“RA”) program.

To say that the timeline for BPA’s public process for evaluating whether to join the non-binding phase of the NWPP’s RA program is aggressive would be an understatement. The NWPP released its 253-page detailed design for the program a little over two weeks ago on July 28th. For many of BPA’s preference customers, this was the first chance to see the real details of the program outside of the various outreach workshops held by the NWPP over the last several months. BPA commenced its public process on whether to join the non-binding phase of the program the next day, July 29th, followed by a two-week comment period ending August 13th. BPA intends to release a draft letter to the region by August 20th on whether to join the non-binding phase, to be followed by another comment period and a meeting on August 25th, with a final decision to join by September 30th. All told, the BPA process for deciding to join the non-binding phase will be given 60 days, give or take, from start to finish. Compared to the three plus years BPA has taken to decide whether to join the Western Energy Imbalance Market (“EIM”), the timeline for this process appears recklessly truncated; particularly when one considers that, over the long run, the stakes of BPA participating in the RA program are likely much higher than in the EIM.

The saving grace, however, is that, at this point, BPA is only considering whether to join the *non-binding* phase of the RA program wherein BPA assures its customers there will be no financial or operational consequences of participation other than the participation fee. As represented by BPA, the non-binding phase is a “test-run” for the forward showing elements of the program and to help BPA and other potential participants evaluate whether to move forward with the subsequent binding phase of the program. Although we have many questions and concerns with BPA joining the binding phase of the program, some of which are discussed below, we do ultimately think that it would be beneficial for BPA to participate in the low-risk, non-binding phase to gain experience with the program and to better perform a robust and informed public process when deciding whether to join the program’s binding phase.

Our comments below include our preliminary thoughts and concerns regarding BPA’s participation in the program following our initial review of the NWPP’s detailed design document, our participation in BPA’s July 29th workshop, and our review of BPA’s July 29th workshop materials. We will likely have others and reserve the right to change our thinking as we learn more. Given the abbreviated timeline, there is not sufficient time to explore and address the concerns below in a meaningful way before BPA decides to join the non-binding phase. Instead, in the event BPA decides to join the non-binding phase, we recommend that it use the time during that phase to address these issues, and any other comments or concerns raised by BPA’s customers, with the exception of our concerns below regarding the participation fee, which should be addressed as soon as possible.

B. BPA's Principles for Participation for Binding Program.

In its July 29th presentation, BPA presented the following principles it will use to determine whether to join the binding phase of the RA program:

- BPA's participation is consistent with its statutory, regulatory and contractual obligations.
- BPA will maintain reliable delivery of power and transmission to its customers.
- BPA's participation is consistent with a sound business rationale.
- BPA's participation is consistent with the objectives of Bonneville's Strategic Plan.
- BPA's evaluation of NWPP RA participation includes transparent consideration of the commercial and operational impacts on its products and services.

We agree with BPA's proposed principles for evaluating whether to join the binding phase of the RA program. Some of the issues and concerns identified below are directly connected to one or more of the proposed principles. In the event BPA decides to join the non-binding phase, we recommend that it immediately engage with its customers to scope sub-issues under the principles that may be implicated by joining the binding phase of the RA program. For example, two sub-issues that WPAG is interested in under the first principle identified above are (i) how BPA will respect statutory preference rights in both the forward and operational timeframes while simultaneously meeting its commitments in the program and (ii) how BPA will preserve the rights and obligations of both BPA and its customers under the Regional Dialogue contracts when such rights and/or obligations may conflict with the requirements of the RA program.

C. RA Cost Impacts.

There are some potentially costly uncertainties related to the RA program that BPA and its customers simply do not have a handle on at this time, e.g., BPA does not know its own Planning Reserve Margin – if it is not carrying enough, the cost of that could be significant for power customers served with Federal Resources and non-Federal resources; the need to carry additional reserves for loads in Load and Resource Zones that have transmission congestion; the load forecasting requirements to derive the standard metric proposed could be a heavy lift (10 years of hourly loads and temperatures; 1-in-10 year loss of load expectation; P50 metric, etc.); the distribution of revenue, if BPA's "holdback capacity" is released during the Operational Program and sold into the market; etc. This type of information will be critical for BPA and customers to know before BPA makes a decision to join the binding phase of the program. We again recommend that BPA transparently work with customers to gather and develop this information during the nonbinding phase.

D. Transmission Issues.

All WPAG's members use transmission service under BPA's Open Access Transmission Tariff ("OATT") to serve their loads, with most members using BPA's Network Integration Transmission Service ("NT" or "NT service"). For this reason, we appreciate that the key principles of the RA program design include relying on existing OATT frameworks to meet the transmission related elements of the program and respecting the OATT rights of program participants. We also welcome the representation made by BPA in its July 29th workshop that "the current NWPP RA design would not change existing transmission contracts and obligations between BPA and its customers."

That being said, our understanding is that the RA program will initially include one or two centroids for the delivery of energy deployed in the operational timeframe from surplus RA participants to meet the needs of deficient participants. Our further understanding is that one of the centroids, or perhaps the only centroid, will likely include use of the Mid-C Trading Hub. This will make BPA's transmission system a central and critical component of the program and gives rise to many questions as to what the RA program will mean for BPA's existing transmission customers by way of transmission reliability and implementation. Such questions include, for example:

- Will BPA's existing transmission customers see increased congestion, curtailment, and NT Redispatch risk and/or costs arising from the location of the RA centroid at Mid-C?
- What impact will the location of the RA centroid at Mid-C have on BPA's implementation of limited hourly firm under the TC-20 Settlement Agreement?
- Does BPA anticipate that it will need to expand the capacity of its transmission system, or relax the current operating limits placed on the existing system, to ensure the success of the RA program and/or meet increased demand placed on the system due to the program?
- Will BPA's NT customers be allowed to identify the centroid point of receipt as a Designated Network Resource for purposes of receiving RA program provided energy when they are deficient? What if, as is likely, an NT customer cannot identify the control area(s) from which such power will originate at the time of the attempted designation (which was the downfall of BPA's short-lived seller's choice option for NT customers)? Does the answer to this question depend on whether the transmission customer is also a BPA power customer and/or, specifically, a load following or slice/block customer of BPA?
- Will BPA's NT customers participating in the RA program be able to identify the centroid point of delivery as a Designated Network Load for purposes of meeting its energy delivery obligations under the program when it is surplus and another program participant is deficient? Or, will such a customer be required to use point-to-point transmission for such purposes?

- Does BPA expect to have short-term preemption and competition fully implemented (including in the hourly and daily timeframes) prior to the first operational season under the program? Will BPA respect and continue to implement such preemption rights during RA sharing events once the program goes live?
- What impact will the seven month forward showing have on the reservation and scheduling deadlines that the region currently relies upon?

The increased reliability benefits to the region through the RA program must not come at the expense of BPA's existing transmission customers in the form of a less reliable and/or more constrained BPA transmission system. Accordingly, in the event BPA decides to participate in the non-binding phase of the program, it should immediately engage its existing transmission customers regarding the above questions and any other questions they may have regarding the impacts the RA program may have on BPA's transmission system and its existing firm users. This should be followed by a program, like the one BPA is currently undertaking for the hourly firm product, that monitors and evaluates such impacts during implementation of the non-binding phase and, subsequently, during the binding phase. The information garnered during the program should be reported to transmission customers prior to any decision by BPA to join the binding program.

E. Slice-Block Issues.

BPA has determined that, because it is responsible by both contract and statute to meet the RA needs of its load following customers, it qualifies as a Load Responsible Entity ("LRE") under the RA program, and for this reason, it has the authority to participate in the RA program on their behalf. This is in contrast to BPA's Slice-Block customers, who according to BPA have, by contract, relieved BPA of its statutory obligation to meet their resource adequacy needs and instead contractually assumed such responsibility for themselves.

While we do not disagree with BPA's characterization of the Slice-Block contract, we do believe that it is imperative that BPA work with those Slice-Block customers who want to participate in the RA program to ensure that they are able to do so. The design of the current Slice-Block product and contract predates the NWPP's RA program by more than a decade and was formulated at a time when the market was considered a reasonable option for meeting RA needs. *See* Regional Dialogue Contract Policy Administrator's Record of Decision at 13-19 (Oct. 2008). For these reasons, the current product lacks the tools that many of BPA Slice-Block customers will need to meet the forward showing elements of the new RA program. This is particularly true for Slice-Block customers that do not own their own non-federal resource(s), which includes some of BPA's smallest Slice-Block customers.

While the current Slice-Block contract may give BPA the ability to say that such customers are on their own when it comes to the RA program, at least until 2028, we recommend that the better approach from both an RA and business partner perspective is for BPA to lean into the issue by working with Slice-Block customers to find solutions that help make the RA program a success for all of BPA's customers who wish to participate. This could include, for example, a new RA capacity product for Slice-Block customers and/or mechanisms for BPA to make capacity that

BPA determines to be in excess of what it needs to meet the forward showing requirements of the RA program available for sale to Slice-Block customers so they too can meet the forward showing under the program. We understand that these discussions are already underway and appreciate BPA's proactive approach to this issue.

F. Load-Following Unspecified Resources and NLSLs Issues.

The cost allocation portion of BPA's July 29th presentation included discussion on the possibility that BPA would need to develop new resource support service(s) and charges to ensure that the forward showing obligations under the RA program are met when a BPA load following customer uses "unspecified" resources to serve either above-RHWM load and/or a New Large Single Load ("NLSL"). This might be necessary, according to BPA, because, when unspecified resource amounts are not specified seven months in advance, BPA would not receive credit for the capacity from such resources in the forward showing period of the RA program, which could create new costs for BPA to ensure that it meets the forward showing requirement.

BPA's current thinking on this issue would effectively modify the provisions of the Regional Dialogue's Load Following Contract that authorize load following customers to use unspecified resources to serve their load by requiring additional services/charges to accommodate the seven month forward showing deadline. This is a significant change from BPA's long-standing treatment and policies related to unspecified resources. *See, e.g.*, 5(b)/9(c) Policy ROD at 38-39 (May 2000); Regional Dialogue Contract Policy Administrator's Record of Decision at 13-19 (Oct. 2008); Revised Policy on Determining Net Requirements of Pacific Northwest Utility Customers Under Sections 5(b)(1) and 9(c) of the Northwest Power Act at 7 (Issued March 2009).

For example, BPA's 2003 Clarifications of its 5(b)/9(c) Policy includes a provision that specifically states:

2. A customer can use all or a portion of a resource as an unspecified resource (***no identification beyond amount***) to serve the customer's load under section 2(b) of Exhibit C of the customer's BPA Power Sales Agreement, and such does not constitute a declaration of a specific resource under section 2(a) of Exhibit C of such BPA Power Sales Agreement or under section 5(b) of the Northwest Power Act.

A customer may use all or a portion of a resource as an unspecified resource, stated in whole megawatt and megawatt- hour numbers. However, the portion of the resource used as an unspecified resource cannot be otherwise dedicated or declared under section 2(a) of the customer's Power Sales Agreement to serve a portion of its consumer load.

[emphasis added]

The above policy clarification was accepted and agreed to by the Administrator and BPA's customers as part of the settlement of all claims under the *Goldendale Aluminum* case challenging BPA's 5(b)/9(c) Policy. That settlement is still binding on BPA and its terms were incorporated

into the Regional Dialogue Contracts and the Revised 5(b)/9(c) Policy. *See* Regional Dialogue Contract Policy Administrator’s Record of Decision at 13-19 (Oct. 2008); and Revised Policy on Determining Net Requirements of Pacific Northwest Utility Customers Under Sections 5(b)(1) and 9(c) of the Northwest Power Act at 3, 10, footnote 6, and Appendix A (Issued March 2009). Notably, the clarification expressly states that the only identification a customer needs to provide regarding an unspecified resource is the amount. Accordingly, BPA’s proposal to impose a new requirement that a customer identify the actual underlying resource to meet the RA program’s seven month forward showing requirement or be subject to new charges appears to be in direct conflict with what was agreed to as part of the *Goldendale Aluminum* settlement and BPA’s existing policies.

Based on the above, we recommend that, during the non-binding phase, BPA engage with load following customers that use unspecified resources to serve above-RHWM load and/or NLSLs and, potentially, the NWPP’s RA Program regarding the best way to handle unspecified resources in a manner that does not violate BPA’s existing policies and legal commitments. We believe this would be much more mutually productive than pursuing the alternatives for the treatment of unspecified resources identified in the July 29th workshop.

G. RA Program Participation Fee.

Many of BPA’s Slice-Block customers who are interested in participating in the non-binding phase of the RA program may find the participation fee to be an obstacle to their ability to do so. While the \$185,000 to \$257,000 range the RA program estimates it will charge smaller participants (approximately 100 MW)¹ may be within the rounding for an entity like BPA, it would have a substantial budget impact on smaller LREs like some of BPA’s smaller Slice-Block customers. Furthermore, the program’s proposed fee structure is regressive in that it appears that a 10,000 MW utility will pay only four times as much as a 100 MW utility even though its P50 load is 100 times larger. This effectively freezes out smaller LREs from participating in the non-binding phase, which means that the program will lose valuable insight during the learning, non-binding phase on how the program can be improved to bring the anticipated benefits of the program to smaller LREs and the entire region.

Given its participation in developing the RA program and the central role it will have in ensuring its success, BPA should work with the NWPP to identify ways to facilitate participation by BPA’s Slice-Block customers in the non-binding phase for the mutual benefit of both the program and such BPA customers. One way to do this, for example, would be to include the P50 load of BPA’s Slice-Block customers in the calculation of BPA’s participation fee for the non-binding phase in lieu of charging individual fees to each Slice-Block customer that desires to participate. Not only is this likely to increase participation by BPA’s Slice-Block customers in the non-binding phase, but it would also likely decrease the overall cost for their participation under the program’s fee formula without unduly increasing BPA’s own cost of participation. In addition, the other participants in the program should be no worse off under this option if the alternative is that no or few BPA Slice-Block customers would participate without it.

¹ NWPP Resource Adequacy Program, Load Service Information Forum (LIF) Meeting #4 at 14 (August 12, 2021) *available at* [LIF Slides Meeting 4.pdf \(nwpp.org\)](#).

Finally, there are likely load following customers of BPA who are considering the Slice-Block product for the post-2028 period and will want to consider participation in the RA program on an individual basis at that time. BPA should work with the NWPP to ensure that there is a reasonable cost avenue for such utilities to join the RA Participant Committee so they can participate in the ongoing development of the program, notwithstanding that they will not be eligible to participate on their own until 2028.

H. Conclusion.

Joining the non-binding phase of the RA program would be an important step for BPA and its customers, but it is only one step toward the even bigger and more consequential question of whether to join the subsequent binding phase. At this time, BPA should make no commitments to join the binding phase and make explicit to both the NWPP and its customers that it fully reserves the right to not join the binding phase in the event it determines doing so will not meet the five principles identified above. BPA should use the time during the non-binding phase to gather the necessary information and conduct the required evaluations so it and its customers can make a fully informed decision on whether to join the binding phase at that time.

Thank you for the opportunity to comment.