



August 12, 2020

Re: NIPPC comments on BPA Workshops on July 27, 28 and 29

### **General Comments**

NIPPC members are concerned about the remaining areas of uncertainty related to the tariff and rates changes BPA must implement in order to participate in the EIM. NIPPC members recognized that changes to the status quo would be required for BPA to join the EIM. At this point in BPA's public process, however, it is only clear that customers will be facing new charges, new costs, and new risks but without any understanding of the magnitude or volatility of those charges, costs and risks and without any clear understanding of what tools customers will have to mitigate those charges, costs and risks.

### **Generator Imbalance Service:**

NIPPC is concerned that abandoning the status quo pricing for Generator Imbalance Service will lead to rate shock for renewable energy resources and their customers. BPA currently sets its price for energy under Generator Imbalance Service on a Mid-C index (with deviation bands depending on the magnitude of the imbalance). BPA is considering basing the energy component of imbalance on Locational Marginal Prices from the Energy Imbalance Market (EIM) even when a resource is not participating in the EIM. Please provide an analysis that compares energy imbalance prices using the status quo methodology to what the prices would have been if the EIM LMPs were used instead.

NIPPC is also concerned that the EIM LMPs will not represent the prices of a liquid market. BPA has indicated that for at least six months after joining the EIM, only BPA resources will be allowed to be Participating Resources with the ability to bid into the EIM and set LMPs. Please explain how BPA will mitigate its bids during this period to ensure that Generator Imbalance charges are reasonable when there is effectively no competition for energy imbalance service within BPA's balancing area.

### **Interim EIM Cost Recovery**

It appears that BPA intends to recover all EIM charge codes either directly from customers or through transmission rates. NIPPC continues to urge BPA to explore mech-

anisms to ensure that the costs of EIM implementation are covered by EIM revenues. Such a mechanism is clearly appropriate in the early stages of BPA's EIM experience. For the first six months after joining EIM, only BPA resources will be eligible to be Participating Resources. During this period:

- BPA should cover all transmission losses for EIM purposes from any EIM revenues;
- BPA should cover all unallocated charge codes from EIM revenues;
- BPA should retain the status quo pricing (based on the Mid-C Powerdex Hourly Index) for Generator Imbalance Service and Energy Imbalance Service;
- BPA should recover any other costs of EIM implementation from EIM revenues.

BPA should also consider extending this interim period until BPA and its customers can make more informed decisions regarding rates in an EIM paradigm. At this point, neither BPA nor its customers can fully understand the potential rate shock that will accompany a decision to shift rate components from prices based on an index to prices based on LMPs. Once BPA and its customers have a better understanding of how prices for various services will change in an EIM, BPA and its customers can then layer in reforms and gradually move BPA to set rates based on LMPs.

NIPPC is concerned that changing too many elements at once will lead to extreme uncertainty and volatility in BPA's ancillary services rates. For example, renewable energy projects are already facing higher generator imbalance charges because of the need to change the scheduling timelines. While BPA appears to have mitigated increases in the capacity charge associated with the quantity of reserves held, renewable energy generators will still likely face larger magnitudes of energy imbalance with limited mechanisms available to them to self-mitigate this exposure. BPA should not compound customers' exposure to a larger number of Megawatt Hours of energy imbalance by also increasing the volatility of the prices for that energy.

NIPPC again reiterates its position that it is inappropriate to require transmission customers to bear all the costs and risks associated with the EIM. Moving to the EIM requires BPA to adjust the scheduling deadlines in a way that will not only disrupt the existing bilateral market, but also eliminates a key mechanism that variable energy generators had to mitigate their energy imbalance obligation (and reduce the related capacity obligation).

NIPPC members also remain concerned about the continued absence of any mechanisms to fairly allocate the costs of capacity that BPA will rely on to participate in the EIM. Currently, BPA calculates the quantity of generation capacity needed to meet its various reliability requirements through the rate period (via the "generation inputs" process). The cost of this capacity is then allocated among generators on BPA's system and BPA's loads. BPA intends to rely on this "reliability capacity" which is paid for by one subset of BPA customers to enable BPA's participation in the EIM. BPA's participation in the EIM is expected to generate incremental revenues that will not be directly

shared with all of the customers who have been allocated the cost of that capacity. Effectively, BPA will be leaning on transmission customers (both Federal and non-Federal users of the BPA transmission system) to pay the costs of capacity for reserves which will then be used to generate incremental benefits exclusively for BPA's power customers. NIPPC believes that a mechanism which results in transmission customers paying costs while power customers receive benefits is inconsistent with BPA's statutory obligations.

### **Generator Imbalance**

As noted above, NIPPC recommends that BPA retain the status quo for pricing of generator imbalance. BPA's generation customers are already faced with changes to the scheduling timelines that will reduce the accuracy of their scheduling likely resulting in higher quantities of energy imbalance. BPA should not at the same time impose a new pricing structure that may significantly increase the prices those customers must pay for energy imbalance.

In the event that BPA adopts an energy imbalance price based on EIM LMPs, BPA should no longer apply the deviation bands on top of those prices. NIPPC suggests that the potential exposure to unpredictable (and unmitigated) energy imbalance prices is sufficient incentive for generators to schedule accurately.

NIPPC also encourages BPA to eliminate the Intentional Deviation Penalty. At this time it is not clear that customers need an additional "incentive" to schedule accurately in the EIM. To the contrary, the magnitude of potential exposure to EIM pricing (and the absence of any other tools to mitigate that exposure) is likely sufficient incentive for generators to schedule as accurately as possible. In the absence of evidence to the contrary, no additional penalty should be imposed. One of BPA's justifications for maintaining the Persistent and Intentional Deviation Penalties is that poor scheduling behavior "could make it more difficult for [BPA] to pass the [Resource Sufficiency] tests." As BPA has noted, the quantity of reserve capacity set aside to meet anticipated imbalances is based on BPA's reliability obligations, not a target to pass the resource sufficiency tests. Why do non-Federal generators in BPA's balancing area have an obligation to help BPA pass the resource sufficiency tests — especially when it will be some time before those generators have the option of becoming participating generators themselves. BPA's customers who own generation derive minimal benefit from BPA passing the resource sufficiency test. By imposing penalties on competing generation in its balancing area to ensure that BPA's generation can bid into the EIM, BPA is imposing additional costs on its competition to ensure that BPA has access to a new market that those other generators are barred from bidding into.

If BPA wishes to incent generation customers to schedule as accurately as possible, it should consider a mechanism to share EIM revenues with those customers who schedule accurately (as opposed to attempting to penalize customers who do not schedule accurately). Such a mechanism could include a discount on the underlying capacity costs when customers schedule within a specific (and reasonably obtainable) target.

## **Seller's Choice**

NIPPC notes that it has not yet taken a formal position on whether BPA should continue to allow Seller's Choice contracts. NIPPC has had concerns that BPA may be over encumbering transmission in the short term in order to meet the optionality inherent in Seller's Choice contracts, but those questions have not been definitively answered. Instead of providing the requested information related to ATC impacts of Seller's Choice contracts, BPA has simply proposed ending the program. In the event, BPA reconsiders its proposal to terminate support for Seller's Choice contracts, NIPPC hopes BPA will provide an analysis of the impacts to short term ATC.

NIPPC suggests that the core difficulty faced by BPA's Network Customers in designating new Network Resources is BPA's persistent refusal to adopt one of the core principles of Network Service under the OATT — the ability (and obligation) to redispatch Designated Network Resources. While paying lip service throughout the TC-20 (and now TC-22) process to limit deviations from the OATT, BPA consistently refuses to even begin the process of implementing redispatch of Designated Network Resources. In response to this comment, BPA simply repeats that the topic will be implemented at some time in the unknown future. Until then, Network Customers seeking to add new Designated Resources must enter those resources into the long term planning process. In the short term, however, those customers are dependent on BPA resources to meet their load. The redispatch provision of Network Service under the OATT would allow BPA's network service customers to designate non-Federal resources to serve their loads subject to redispatch when required for reliability. By refusing to implement redispatch of non-Federal resources, BPA is effectively shutting out other generation resources from competing to serve BPA's load customers.

NIPPC again urges BPA to prioritize implementation of redispatch for Designated Network Resources.

## **Leverage Policy**

NIPPC has consistently opposed the Leverage Policy for a variety of reasons. While NIPPC still believes that the Leverage Policy is inappropriate, NIPPC would welcome a public stakeholder policy dedicated to clarifying the terms of the Leverage Policy. While the high level topics identified in the presentation would be appropriate topics, NIPPC believes that the Leverage Policy should be re-evaluated in its entirety. As BPA notes, the leverage policy is based on forecast investment and actual investment frequently lags the forecast. Accordingly, NIPPC agrees that BPA should evaluate all the assumptions and other elements of the Leverage Policy in a separate stakeholder process that begins upon the conclusion of the BP-22 rate case. In the meantime, BPA should suspend the Leverage Policy until that review is complete; as BPA notes it is unlikely that the Leverage Policy would trigger in the upcoming rate case. Suspending the Leverage Policy would also provide some limited equity to transmission customers following the rate relief afforded to BPA's power customers resulting from BPA's suspension of the Power Rate Surcharge in BP-20E, especially since Power's debt to asset ratio remains worse than Transmission's.

## Large Generator Interconnection Agreement

In March 2020, BPA suspended field work on interconnection projects due to COVID-19. While work has resumed, the risk of future disruptions to timely execution of field work and other BPA commitments to interconnection customers remains high. Accordingly, NIPPC encourages BPA to add language to the tariff and applicable agreements to the effect that if a Force Majeure event or other delay delays either a customer's interconnection or a customer's transmission service, an equivalent delay will be applied to any other related transmission agreements between BPA and that customer, or to at a minimum give the customer an option to elect a deferral of other related transmission agreements. For example, if BPA invokes Force Majeure to justify a delay in completing interconnection work, then Force Majeure would also apply to the customer's transmission service arrangements allowing a customer to temporarily defer the commencement of its transmission service (i.e., request a late deferral) until such time as the interconnection work is successfully completed. By ensuring that all transmission-related agreements proceed on the same timeline, this change protects BPA by ensuring that, for example, a transmission service agreement does not go into effect if the interconnection has been delayed and the customer therefore has no revenue to pay transmission costs to BPA. Specifically, we propose the following:

a) Transmission Service: For all Transmission and Interconnection Customers (i) developing new generation for which a SGIA or LGIA or E&P agreement has been executed with Bonneville (or, for LTF PTP service Transmission Customers, another utility), AND (ii) where Bonneville [(or interconnecting utility)] delays a scheduled interconnection energization date for which construction of the new interconnection or generation facilities had begun prior to the energization delay, whether such interconnecting utility energization delay is due to force majeure or otherwise, AND (iii) for which transmission service associated with such facilities and their development has (a) begun or (b) the LTF PTP deferral date deadline has passed: Bonneville shall allow such customers (and the associated affiliates and transmission rights providers related to facility project development)) to take the following actions upon delivering a request for relief to Bonneville:

1) Interim and Late Deferrals of Transmission Service: Defer transmission service through one or more deferrals, each being up to one year in length, effective on the first of the month in which [transmission service began][or the Gen Delay Emergency Event]. BPA shall refund payments received for any unused transmission associated with these TSRs and permit such deferrals to be initiated until 6 months following BPA's resumption of normal business activities following COVID-19 events. These deferrals shall be in addition to, and not count against, the maximum deferrals permitted under the OATT. - AND/OR -

2) Splitting of TSRs to Partially Continue Service: BPA shall permit a customer to split its TSRs such that it may continue receiving service, in part, and defer the remainder of the reserved capacity for an impacted facility as provided above in (1). To the extent a multi-phase or multi-unit generator needs to continue transmission service for a portion of such TSRs (i.e. some MW capacity came on-line) but a portion of the related facilities were affected by Gen Delay Emergency Event, to split applicable TSRs, which relief may be combined with relief in (1).