

September 18, 2020

RE: Comments on Bonneville's August 25- 26, 2020 BP-22/TC-22/EIM Phase III Workshops

Powerex appreciates Bonneville staff's continued efforts to engage its stakeholders in the workshop process. Powerex provides the following comments below, broken out by issue.

Southern Intertie Studies

During the August 25 workshop, BPA announced that it is leaning towards Alternative 3,¹ which would modify the tariff so that BPA only would conduct Southern Intertie studies in response to a transmission service request (TSR) when a customer executes a study agreement offered by Bonneville either at the customer's request or Bonneville's discretion; otherwise the TSR would remain in the queue. However, if Bonneville offers a study, it would also be offered to higher-queued customers, and if a customer refuses to fund a study, they would presumably lose their queue position.

Powerex has concerns with this proposal. Alternative 3 has implementation challenges and raises an additional question: if a funded study results in no additional capacity, does the customer initiating the study still move up in queue position at the expense of other customers who did not partake in the study? A customer could initiate a study knowing that the study may not result in any capacity being created but nonetheless creating a mechanism for a customer to circumvent the queue. Please address how Bonneville would manage this process to work efficiently and to avoid any type of intentional queue jumping or queue clearing scenarios.

EIM Tariff Language

Powerex appreciates Bonneville regularly providing updated clean and redlined versions of proposed revisions to Bonneville's tariff. Powerex understands the proposed revisions to still be preliminary, and Powerex will continue to review updates to the proposed tariff language and provide comment as the workshop process progresses. In particular, Powerex notes that should Bonneville adopt Powerex's proposals pertaining to preserving long-term firm customer's T-57 scheduling rights without financial penalty, further revisions to the tariff may be necessary.

Powerex also notes that Attachment A to Bonneville's tariff (the service agreement template for PTP transmission service) states at the top of the page that it is a "Service Agreement for Firm Point-To-Point Transmission Service." To avoid confusion, Powerex suggests that Bonneville strike "Firm" from this template cover page as Powerex understands that the template applies to both firm and non-firm PTP service.²

Real Power Losses on EIM Transfers

In previous workshops, Bonneville explained that transmission donated for EIM transfers will incur losses, and in the June workshop, Bonneville announced its intention to charge losses on transmission donated to the EIM. Bonneville explained that it would bear a financial obligation for any incremental losses created by

¹ Bonneville Power Admin., TC-22, BP-22 and EIM Phase III Customer Workshop at Slide 4 (Aug. 25, 2020).

² Attachment B to the tariff (the service agreement template for non-firm PTP service) has been intentionally omitted.

and supplied by market energy, so it proposed to retain its existing practice of assessing loss returns on donated transmission for EIM transfers to minimize financial risk.³

In response to customer feedback, and given that charging losses on transmission donated for EIM transfers would create a disincentive for such donations, Bonneville Staff announced in the August 25 workshop that Bonneville instead proposes to exempt transmission donations for EIM transfers from loss return obligations.

Powerex appreciates Bonneville's thoughtful consideration of this topic, and generally supports Bonneville's revised approach to avoid allocating loss returns to the customer that donated the transmission to the EIM, and instead allocating the cost (or credits) associated with incremental EIM losses to all users of the Bonneville transmission system (through an allocation to Measured Demand, defined as metered demand and exports). Powerex believes this is an appropriate approach for assigning these costs and recognizes that a more specific cost allocation approach is likely to be inaccurate. For example, the magnitude of incremental transmission losses served by EIM participating resources in the BPA BAA will depend on how all resources and loads are optimized (both within the BPA BAA and between EIM Entity BAAs) and thus may not have any direct relationship to the quantity of EIM transfers that are scheduled. Furthermore, EIM Transfers are the result of the aggregate dispatch of all resources and loads across the EIM footprint and are thus not directly caused by any particular EIM transaction or any particular transmission customer within the BPA BAA.

As Bonneville noted in its presentation, this approach will also avoid the application of incremental costs that would likely discourage customers from making their transmission available for broader EIM market use. While Powerex is supportive of taking measures to avoid discouraging donation, Powerex believes that it should be a critical priority for Bonneville to actively *encourage* making transmission available to the EIM by ensuring that transmission customers receive a fair allocation of the congestion rents that are recovered through the market's use of their donated rights. Powerex has addressed this topic as part of its EIM charge code sub-allocation proposal⁴ and looks forward to further dialogue with Bonneville and stakeholders on this topic.

While Powerex appreciates Bonneville's analysis of EIM losses and supports Bonneville's proposal, Powerex has reservations with Bonneville's assumption that this proposal would be best achieved by allocating the Real Time Imbalance Energy Offset (RTIEO) charge code to Measured Demand (metered demand and exports). The RTIEO offset charge code is composed of multiple elements including adjustments for GHG, UFE, losses, congestion payments, and EIM transfers. Powerex supports working with Bonneville and stakeholders to evaluate each component of RTIEO separately to develop specific solutions for each element of this complex charge code.

EIM Charge Code Sub-Allocation

Powerex appreciates Bonneville posting Powerex's proposal on EIM charge code sub-allocation and appreciates the opportunity to present at the September 29th workshop. Powerex believes the proposal establishes a workable framework for Bonneville to adopt a "direct allocation" approach for EIM charge codes while allowing Bonneville to continue to respect and uphold the valuable benefits its customers derive from making long-term investments in Bonneville Firm transmission service. This, in turn, will preserve Bonneville's existing transmission business model for recovery of its transmission costs through rates.

Powerex looks forward to further collaboration to develop a detailed methodology to implement the approach in a manner that is fully compatible with the CAISO's settlement structure for EIM.

³ Bonneville Power Admin., *TC-22, BP-22 and EIM Phase III Workshop at Slide 64* (June 23, 2020).

⁴ Powerex Corp., *Powerex Urges Bonneville to Protect its Firm NT and PTP Transmission Customers from Inaccurate and Inappropriate EIM Cost Allocations* (Sept. 14, 2020), <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/09.04.20-Powerex-Draft-Proposal-for-BPA-EIM-Charge-Code-Allocation.pdf>.



Functionalization of Grid Modernization Costs

Bonneville is proposing to spend approximately \$25 million in the BP-22 rate period on various projects, including those for Bonneville's EIM implementation, to support its grid modernization efforts. Bonneville states that it did not functionalize individual projects to specific business lines, but instead proposes to allocate the costs in the BP-22 rate period 65% to Transmission and 35% to Power. Bonneville states this functionalization is reasonable based on which organization would be performing the work.

Powerex believes Bonneville should provide further justification and explanation for how cost causation principles apply to the allocation of the forecasted grid mod costs, rather than simply assuming that the entity performing the work benefitted from the project and therefore should bear all related costs. Further, for the EIM-related projects, Bonneville also should explain how this functionalization ratio aligns with Bonneville's prior assessment of EIM benefits, which showed \$36-40 million in gross dispatch benefits flowing to Bonneville Power from EIM participation and various qualitative benefits flowing to Bonneville Transmission in the form of congestion management benefits.⁵

Again, Powerex appreciates Bonneville engaging customers on these important topics.

Sincerely,

Raj Hundal
Market Policy & Practices Manager

⁵ Bonneville Power Admin., *Administrator's Record of Decision – Energy Imbalance Market Policy* at 100-114 (2019).