

March 9, 2023

Kim Thompson, VP of Requirements Marketing  
Bonneville Power Administration

**RE: PPC Comments on Provider of Choice Process**

*Introduction*

The Public Power Council (PPC) appreciates this opportunity to provide comments regarding the development of post-2028 contract and product options (i.e. BPA’s “Provider of Choice” process). PPC is the broadest trade association of Northwest public power, representing the full diversity of utilities with preference rights to purchase wholesale power and transmission services from BPA.

PPC members rely on these services to provide reliable, economic, and environmentally responsible power supply to the communities and businesses they serve at cost. PPC members provide the majority of the funding that supports BPA’s operations and obligations to repay the federal and private investments in the federal system. This includes final “take or pay” responsibility for costs of the power system under long-term contracts.

PPC recently submitted broader comments on a full range of Provider of Choice issues. These comments focus on issues addressed during February workshops – specifically products and peak net requirements.

Before offering comments on specific issues, PPC offers the following overall considerations:

- For all product types, PPC is interested in working collaboratively with BPA to ensure that there is the necessary flexibility to meet changing conditions, including potential market expansion or RTO development.
- Development of Tier 1, Tier 2, and non-federal resource options highlights the importance of revisiting BPA’s 5(b)/9(c) policy and considering flexibility for resource dedication.

- Appropriately incentivizing development of new, physical generating resources is an important goal whether for power marketed by BPA or non-federal options.

### *Tier 1 Options*

As a threshold issue, PPC continues to support equitable product offerings that meet the diverse needs of preference customers. This includes an array of situations such as varying load types, non-federal resources, balancing authorities, policy mandates, governance models, geographic locations, transmission access, and others. Inevitably this breadth of circumstances will require a variety of product options and implementation considerations.

Load following continues to remain an essential offering. In combination with an appropriate array of federal and non-federal options for above high water mark load service, PPC anticipates that the vast majority of BPA's preference customers by count will continue to rely on the Load Following product post-2028.

At the same time, "planned" products must remain a viable option. Currently the Slice/Block and Block products constitute a huge amount of preference load service. These products provide a different set of risks and benefits – both for customers and BPA.

"Planned" product offerings such Slice and Block are equally important options for requirements service along with Load Following. These products reduce BPA's financial and operational risk profiles while providing customers with flexibility to integrate existing and new non-federal resources.

PPC strongly believes that the current Tier 1 product offerings must represent a "floor" of service for post-2028. This is fundamental to success of the Provider of Choice process.

Customers need to attain adequate certainty on BPA's Slice/Block and Block offerings during the policy phase of the Provider of Choice to allow for resource planning decisions. PPC recognizes that there will be many details to work out in implementation and rate design phases of the process, which could include changes due to circumstances that are unforeseen at this time. However, this should not prevent BPA from providing customers with assurance that at least the current level of service will be available.

## *Tier 2 Options*

PPC greatly appreciates BPA's responsiveness in offering a greater array of Tier 2 service options. The combination of greater flexibility in a long-term / load growth Tier 2 option along with vintage and short-term products represents a good point for further discussion. PPC's analysis of BPA's offerings is ongoing and we look forward working collaboratively on any potential refinements.

As described previously, PPC supports the policy goal of encouraging the development of physical resources. Along with Tier 2 options, PPC notes that it is essential to address non-federal resource integration in more depth during the policy development process.

## *Peak Net Requirements*

PPC has heard BPA's interest in developing a durable Peak Net Requirements (PNR) definition and potential implementation for post-2028. PPC appreciates the effort by BPA and customers that was put into the PNR Task Force, and supports moving PNR discussions into the broader Provider of Choice policy forum. The PNR Task Force process made it clear that a PNR definition cannot be separated from product implications and implementation.

Although it is still under development, PPC is concerned that the currently proposed definition could negatively impact all BPA power customers and devastating outcomes for some consumer owned utilities.

Although BPA's proposed definition and potential implementation would most directly affect Slice and Block from an operational perspective, this issue is important to all customers as it impacts how BPA plans for and potentially charges for capacity needs, and also what WRAP QCC capacity might be considered "surplus" to preference customer needs.

Customers need a clear commitment to find workable solutions soon. PPC supports solutions that are workable for all customers, and will not result in cost shifts. PPC is encouraged by BPA's commitment in the workshop process to meet both peak and energy net requirements (i.e. not violate energy net requirements as a result of a PNR definition and implementation).

PPC staff has analyzed this issue extensively for well over six months, including participation in the PNR Task Force. It is still unclear from a practical perspective what problem a capacity recall or limitation of the Slice product would solve during the course

of the next contract. BPA and customers with hydro generation are not constrained by WRAP QCC, but rather by sustained generation under low water conditions and high demand. Therefore, curtailments of Slice capability would not address BPA's system limitations.

Additionally, it appears unlikely that there would be a situation where BPA would be short WRAP QCC *and* customers would be surplus to any significant degree. Key factors in this conclusion include the degree to which BPA is currently long in WRAP QCC as well as the fact that BPA has proposed that above high water mark service options will be fully WRAP compliant. Peak for Load Following service obligations would have to grow extremely disproportionately to average energy growth at the same time where this same circumstance did not occur for "planned" product customers.

In the real world, Slice customers with large hydro resources are not long capacity currently in planning metrics besides WRAP QCC. These customers are not using Slice capability to market significant sales of forward capacity, but rather make energy sales similar to those that BPA makes and credits to the non-Slice pool. To the extent that there is a perceived or real issue with the equity of the Slice product from a value perspective, that is most appropriately addressed through rate design and not a PNR definition.

WRAP definitions may be part of a workable solution on PNR. However, WRAP QCC and a peak obligation that includes the Planning Reserve Margin (PRM) are inherently part of a system. A durable and equitable PNR solution must fully account for PRM at some point in the definition and implementation system.

In February workshops BPA has made arguments that the design intent of the Slice product does not align with the provision of additional flexibility or capacity and that customers seeking federal power that matches their load shape more closely should look at other products (e.g. block with shaping or load following).

At the same time, Slice is unlikely to be commercially viable if a customer cannot have long term certainty that if they sign up for and commit to pay for a slice of they system that they may not receive that. If the design intent of the Slice product does not support provision of additional capacity or flexibility, it also does not support reductions.

Taken together, PPC believes that a "status quo" Slice Product offering without the uncertainty of capacity/flexibility limitations should be the minimum offering in the Provider of Choice policy framework. This, in combination with a fixed Tier 1 system size, would offer customers the certainty they need to conduct their planning processes

and make resource decisions. PPC has not seen any analysis to date to suggest that this approach would be unduly burdensome or risky for BPA or create issues across products. And again to the extent there is a value or equity considerations, those are more appropriately and productively addressed through rate design.

We look forward to working closely with BPA, our members, and other stakeholders to find solutions to PNR that are part of an overall package that is equitable, broadly acceptable, and will meet the needs of all customers in making BPA the “Provider of Choice” for post-2028 power supply.

Finally, we also note that the Slice customer group has developed a specific proposal on a system of PNR definition and implementation. We look forward to working with BPA to find an appropriate mechanism and time to include discussion of that proposal in Provider of Choice policy process.

Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in blue ink that reads "Michael Deen". The signature is written in a cursive style and is contained within a thin black rectangular border.

Michael Deen  
Policy Director, Public Power Council