



Your Community Energy Partner

October 25, 2018

Submitted via email to: techforum@bpa.gov

**Subject: Comments of Public Utility District No. 1 of Snohomish County on
BPA's EIM Stakeholder Meeting**

The Public Utility District No. 1 of Snohomish County (Snohomish) appreciates that BPA is seeking input on the materials covered at its October 11, 2018 Energy Imbalance Market (EIM) Stakeholder Meeting. Snohomish thanks the agency for its workshops, outreach and efforts to date to keep customers informed as the business case analysis evolves as to whether BPA should join the CAISO's Western EIM in the future.

Principles and Primary Issues List

Snohomish supports the four principles BPA has established for the conducts of its business case determination. Based on the October 11 presentation, we understand these to be:

1. Statutory and regulatory obligations are honored.
2. Maintain reliable delivery of power and transmission to our customers.
3. Resource participation in the EIM is and always will be voluntary.
4. BPA's decision to participate in the EIM will be based on a sound business rationale.

The eight primary issues¹ the agency has identified as "must be addressed" before it would join the EIM, Snohomish supports as fundamental to BPA's analysis. To the extent BPA staff could provide the basis for how it arrived at the issue determinations, Snohomish staff would find this information helpful as it communicates updates with its Board and executive leadership.

Snohomish encourages BPA to consider expanding its issues list to include how participation by BPA as an EIM Entity will interact with the agency's delivery of power under the existing Regional Dialogue power contracts. This is an important topic for preference customers like

¹ Eight issues: Treatment of Transmission, Generation Participation Model (FCRPS, IPP), Governance, Relationship of EIM to Other Emerging Markets, BA Resource Sufficiency, Market Power (the price formation of hydro resources in the EIM), EIM financial settlements, and carbon obligation in the EIM.

Snohomish. We understand for BPA to join the EIM will require many of its systems, processes and procedures to be modernized or modified. To the extent customers could be informed about the systems, processes and operational and procedural changes BPA expects will create a range of impacts for customers, this information alone could help the utility identify needed individual investments or systems it may need to consider to mitigate or obviate such impacts.

By way of example, the agency's Pro Forma Gap Analysis identified desired changes to how firm transmission would be scheduled in the future, in order to one day support EIM participation. Changes envisioned by BPA through its tariff or business practices could potentially create new obligations for a utility. This could be the case if a utility is in a position to have to redirect its firm transmission within the day in order to schedule energy to meet its load obligation. Under new practices being discussed, if the redirected transmission becomes non-firm in nature, there could be ramifications for the utility in how it goes about satisfying an hourly resource sufficiency determination and the associated costs to do so.

Fundamental systems and process changes can be expensive and typically require long lead times to successfully implement. BPA adding how EIM intersects with long term power contracts to the existing issues list would help BPA and customers work together to identify - sooner rather than later - potential impacts or unintended consequences so adjustments can be made, and utilities will have the information they need to make a plan and create any needed mitigation strategies.

[Treatment of Transmission and Generation Participation Model](#)

Like others in the region, Snohomish agrees that BPA would be a net wheeler, and therefore supports the determination that customers would donate firm transmission to participate in the EIM rather than BPA creating a no-charge transmission product. As stated in the October 11 meeting, this approach limits cost shifts and addresses free-ridership concerns.

Snohomish also supports BPA's generation aggregation approach with the Federal hydro resources. That said, we would caution BPA to limit its initial entry into the EIM with *one* of the three aggregates should it choose to join the EIM; phasing BPA's entry with its flexible hydro resources into the EIM could mitigate learning curve experiences. Also, it cannot be emphasized enough that proper price formation – or how flexible, large hydro resources are valued within the EIM construct – must be resolved before BPA elects to join the EIM.

Cost/Benefit Analysis

BPA staff mentioned it expects to update the cost/benefit analysis of EIM participation. Snohomish looks forward to this next update and the revised assumptions as part of the public process, and to how costs and benefits may be changing.

Governance

Snohomish understands from the October 11 stakeholder meeting that BPA has determined there are no legal barriers for the agency to join the EIM with its current EIM Governance Structure. While reassuring, Snohomish urges BPA to monitor and/or participate in the CAISO's EIM Governance Review slated for 2019 to secure any needed enhancements to ensure: 1) governance represents all affected parties; and 2) provides the EIM Governing Body input to the ISO Board of Governors' decision making authority, so a strong governance foundation is established for any future market expansion.

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Snohomish generally supports BPA's joining the EIM, and believes there are some issues for which BPA is uniquely positioned to resolve now. Our staff and executive leadership look forward to continuing to engage with BPA staff as it conducts its assessment and works through its public process.

Sincerely,



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