

Submitted via email to techforum@bpa.gov on May 29, 2019

RE: Comments in Response to May 15 BPA EIM Stakeholder Meeting

The Public Power Council (PPC) appreciates the opportunity to comment on BPA's Energy Imbalance Market (EIM) stakeholder process and the agency's efforts to inform its customers on the analysis it is conducting to determine whether it should participate in the EIM. At the May 15 EIM stakeholder meeting BPA presented an updated version of its cost benefit analysis. This analysis is an important component of BPA's business case for participating in the EIM and PPC appreciates BPA's staff's efforts to work with customers to identify additional scenarios that would supplement the existing analysis.

Current Cost Benefit Analysis

We agree that there are potential benefits from BPA's EIM participation for both BPA Power and BPA Transmission. The analysis shared on May 15 identifies a number of qualitative benefits BPA anticipates related to its transmission services. While BPA, like many other potential EIM Entities, has not been able to quantify these benefits, we acknowledge that they are likely to result in improvements to BPA's transmission service and are important considerations in the business case for BPA's EIM participation. We look forward to continuing to work with BPA to better understand the magnitude of these anticipated benefits and to learn more about how EIM participation can reduce costs and enhance service for BPA's transmission customers.

In addition to these qualitative transmission benefits, BPA shared an analysis prepared by E3 that indicated the agency could achieve \$48.9M in gross dispatch benefits associated with its participation. PPC appreciates E3 and BPA staff's presentation and description of the assumptions behind the analysis. We would find some additional context for the analysis helpful. For instance, BPA used three similar water years as a basis for this analysis, we would like to better understand how different water conditions are expected to impact this analysis. We would also like to know if BPA has benchmarked any of the existing EIM Entities' to determine if realized benefits from EIM participation have been consistent with expectations and whether these benefits have led to rate reductions for their customers. Lastly, we would like some additional information on the assumptions behind the estimated \$35.1M upfront costs and \$6.2M ongoing annual costs included in the presentation.

Additional Scenarios

We appreciate BPA's request for additional scenarios to supplement the existing analysis. PPC requests the following scenarios: 1) a scenario where BPA's dispatches and purchases are limited to ~500MW, 2) a scenario where sales and purchases are modeled at an average of the price hubs for the active Northwest EIM participants (PGE, PSE, Pac West and Powerex), and 3) a scenario with both of these assumptions combined.

The cost benefit analysis produced by E3 shows very high levels of dispatches and purchases in certain hours, above 1,000 MW in some cases. This level of dispatch may be difficult to achieve due to possible constraints not included in E3's modeling. First, it is unclear whether there would be sufficient market depth available for this large amount of participation. Second, at this high level of participation in any given hour, BPA may set the marginal price for sales or purchases, effectively eliminating the benefits associated with participation in that hour. Lastly, while a comparison was done between the amount of EIM dispatches and available transmission, this simplified assumption may not adequately reflect transmission constraints that may limit participation in specific hours. Capping BPA's participation at a lower amount would allow for a conservative benefit estimate which accounts for these additional constraints. A scenario where BPA's participation (buying and selling) is capped at 500 MW is a reasonable way to consider the effects of these types of potential constraints.

We also have concerns that the historical DGAP node prices used in the E3 analysis may not realistically reflect what LMP prices would be within BPA's BA if the agency were to participate in the EIM. It is our understanding that the DGAP pricing node, and all non-EIM pricing nodes, do not fully account for both contractual and scheduling congestion. A scenario using the average of the active Northwest EIM pricing nodes could serve as a good approximation for prices in BPA's BA if the agency were to join the EIM. At the very least, it could provide some additional insight as to how different inter-hour volatility may impact the benefits anticipated by BPA.

Continued Assessment of EIM Costs and Benefits

BPA should continue to update its cost benefit analysis of EIM participation to reflect any large changes in market design or participation that are likely to significantly impact that analysis. For instance, BPA should revise this analysis prior to making its final determination on participation in the EIM in 2021. If EDAM moves forward, BPA should also revise its EIM cost benefit analysis to reflect anticipated impacts to the EIM.

BPA should also make an effort to track the benefits associated with its EIM participation on an ongoing basis. Given the extensive assumptions needed to quantify the benefits that are attributed to BPA's EIM participation, we would like to better understand how BPA plans to estimate actual benefits of participation after it joins the EIM. We would also like to understand how this estimate, and forecast benefits, will be accounted for in future rate cases.

Conclusion

We would like to emphasize that we see strong potential for benefits associated with BPA's participation in the EIM. We think the additional scenarios we have suggested will help BPA and its customers understand the potential benefits of EIM participation and contribute to a robust and productive dialogue. This analysis, along with some additional context on how BPA plans to track and assess these benefits, will help set the stage for future EIM and rate case discussions. PPC appreciates the collaborative approach BPA has taken in further developing and supplementing its cost benefit analysis and we look forward to more discussion on this issue.