



August 9th, 2018

RE: PNGC Power Comments on BP-20 Power Rates Workshop Topics

PNGC first wants to thank the BPA staff for considering two power rates topics that we have been discussing and working on since BP-18, we are very appreciative of BPA staff's responsiveness to our concerns and needs.

BPA Transmission Scheduling Service

We are very supportive of the TSS-Lite rate design proposal presented by BPA staff in the July 25th workshop. PNGC has been thinking about a development of this type of rate design for some time and are encouraged to see this proposal come to fruition.

One item that PNGC has discussed previously with BPA, and we did not see included in this workshop slide deck, is the option or potential to move the TSS election back to BPA within a Rate Period. As we look out for potential third-party entities to perform scheduling services for PNGC, we see a scenario where a third-party may have an unforeseen event causing them to not be able to perform those scheduling duties. If, in that instance, BPA is unwilling to allow a customer back on the current standard TSS product and schedule through the current ISAAC portal, customers may face long-term penalty charges due to uncontrollable circumstances. We ask that BPA consider this potential risk as they continue to craft the TSS-Lite rate design proposal, and are happy to have further discussions around that topic.

BPA Short-Term Tier 2 Rate Proposal

As with the TSS-Lite proposal, we are very supportive of BPA's Short-Term Tier 2 (STT2) Rate Proposal from the July 25th workshop. We are happy to see BPA look into pricing a STT2 Rate in a firm surplus environment at a market price as opposed to a price with unnecessary risk premiums causing a material difference in price compared to similar market products. We have a few comments on the proposal and would like to have further discussion with BPA staff on these topics as well:

1. BPA noted in its presentation that historically BPA has paid an approximate \$0.50/MWh price premium to the ICE settlement for physical delivered power. This price premium is likely explained by the credit requirements BPA imposes on suppliers, specifically the cost attributed to letters of credit. In situations where BPA is not making a market purchase to supply the STT2 product, but is instead supplying power from BPA's inventory, the credit requirements would not be applicable. Based on that, BPA should consider not including the \$0.50/MWh premium on the STT2 product over ICE when BPA is supplying power from its own inventory.
2. For the methodology used to price the product we would encourage BPA to use a slightly larger window of days when using the ICE settlement prices, perhaps 5 business days as opposed to three.

3. We would like to further discuss the issue of timing for picking the ICE settlement days, more specifically we are wanting to discuss whether it's beneficial for customers to have BPA announce the dates in advance, or provide the price and data to validate the price historically after the dates have passed. While market manipulation in order to alter a BPA STT2 Rate would be a remote risk and very unlikely, we'd like to ensure we share our thoughts with BPA rate staff prior to a decision on whether to publicize the dates in advance or not.

Again we appreciate the work BPA staff has put into these two proposals and look forward to working further to successfully bring them into the Initial Proposal.

Sincerely,

A handwritten signature in black ink, appearing to read 'Greg Mendonca', with a long horizontal flourish extending to the right.

Greg Mendonca
VP of Power Supply