



TC-22, BP-22 and EIM Phase III Comments
September 18, 2020

Renewable Northwest (RNW) appreciates the opportunity to provide comments following the BPA TC-22, BP-22 and EIM Phase III workshop series. Joining the EIM offers BPA and the region immense benefits. Through the course of these workshops it has become clear that the structure for EIM Implementation that BPA staff will recommend may result in the vast majority of these benefits primarily flowing to load customers. Given BPA's role in enabling significant transfers of energy beyond BPA's load customers, it is critical that BPA's implementation of the EIM not harm transmission customers. The changes to VER generator operations, and scheduling and imbalance rate structure that EIM implementation will necessarily have on VER resources is significant and introduces new monetary risks through new transmission charges that must be managed, with limited ability for VER generators to earn new revenues from EIM participation. For this reason, RNW believes that BPA should pursue a "no harm" policy—relative to EIM implementation—for all VER generators at least during its first years of EIM operations, so long as VER generators demonstrate a good faith attempt to adjust their operations to better integrate into the EIM. Given the rapid shift underway by Northwest states and their individual utilities to expand the use of clean low cost renewable generation in order to affect carbon reduction, it is in the regions' interest that BPA's EIM implementation improve the region's ability to balance the system with increasing levels of renewable generation and that the EIM not result in a negative financial impact on existing or future wind and solar resources.

It is our hope and expectation that BPA's EIM operations will realize economic benefits for both BPA load customers, as well as generators. The complexity of adjusting to the new operational environment however suggests that it may be less disruptive for BPA and its customers to focus on achieving the expected savings from the market in its first years of EIM operations, and sharing the benefits of the market across its customer base to at least ensure transmission customers are not financially harmed. The EIM requirement that generators schedule almost an hour before the delivery hour and BPA's removal of 30/60 and 30/15 committed scheduling for VERs is a step away from accurate real time scheduling for VERs, which has a great potential to increase imbalance charges for these resources. While we understand that at this point, it is not possible to change the EIM scheduling requirement, BPA's implementation of the EIM should maintain high level goals of improving the region's ability to integrate renewables and ensuring that new generators are not negatively impacted.

Balancing reserve requirements & rates:

Under the EIM, BPA proposes to have only one Balancing Reserve Rate each for wind and solar resources, when they currently have three rates, uncommitted, 30/60 committed scheduling, and 30/15 committed scheduling. Given the required EIM timeframe of scheduling at T-57, BPA's committed scheduling options will no longer be possible. We understand the reason for this and appreciate that the information BPA has provided so far on these rates indicates that they will be equal to or less than the current ACS rates for all but those wind and solar customers using 30/15 committed scheduling.

First, we would like to better understand the drivers for these rate reductions, especially what countervailing factors overwhelm the assumed negative effect that scheduling further ahead of delivery will have for VERs. Ideally, BPA will concisely provide a narrative and quantitative

explanation of these factors within the framework of the ACS rates in advance of the EIM final proposal as soon as the September 29th Customer workshop, if possible.

Second, we request BPA provide some kind of accommodation or uplift for customers currently using 30/15 committed scheduling, to make them whole under these new rates with the EIM. In general, there should be benefits to all customers under the EIM, or at least no harm in this transition. The fact that these customers, which we understand to be a small number, will face increased ACS rates under the EIM results in harm to them, as compared to their rate treatment today. We do not have a specific proposal for how to make this small number of customers whole, but we request BPA develop a method to ensure that these customers are not harmed by the new ACS rates that would otherwise result in higher charges to them.

Third, BPA should track how its held reserves compare to the CAISO supplied flex reserve requirement and actual EIM dispatch of resources, along with associated earned revenues. Ultimately, BPA should develop a seasonally dynamic reserve requirement. We understand BPA's response that its staff is fully focused on implementation of the EIM, however, the reality is that the requirement for reserves (especially for VERs) is dependent on the level at which they are generating. Thus it would be more cost effective for all parties if BPA could adjust the reserves it is holding to match the actual need. RNW requests that BPA undertake a stakeholder process to discuss development of a dynamic reserve requirement during the TC-22 rate period.

Imbalance, deviation bands & penalties:

We appreciate BPA's staff proposal that BPA will remove the deviation bands for generator imbalance charges when it transitions to the EIM. The locational prices in the EIM should be sufficient to provide generators the incentive to keep their actual generation as close to their schedule or forecast as possible. This should also simplify the imbalance charges under the EIM as there will now be three imbalance rates rather than one. Adding deviation bands on top of these would add unnecessary complication and could result in double charging VERs.

We do not agree that it is necessary to maintain the Intentional Deviation penalties, as BPA staff has proposed. But we do appreciate that VERs can avoid these penalties if they use BPA's forecast for scheduling, or if their schedule/forecast is more accurate than BPAs. We would urge BPA instead to eliminate the ID penalties for VERs at EIM implementation, until and unless BPA identifies that there is a scheduling issue that is not fully addressed by the imbalance charges and variable locational prices.

We are particularly concerned that BPA stated at the Sept. 1, Customer Led workshop that generators would be charged for imbalance when they are following a curtailment instruction. When a generator is instructed to reduce its output, this should not be considered a deviation from its schedule, as the curtailment instruction is a modification to its schedule. It is unjust and unreasonable for generators to both experience loss of revenue when instructed to curtail their output, and then be forced to pay imbalance charges on top of this, when in fact they are following an instruction from the grid operator.

VER Forecasts charges:

RNW supports the ability of generation customers to retain a VER forecast of their choosing. However, we also recognize that BPA is seeking, for good reason, to guide VER generation

customers toward the BPA provided VER forecast. Offering the BPA VER forecast at no cost and exempting generation customers from Intentional Deviations penalties if they are using the BPA provided VER forecast are helpful incentives to drive customers to BPA's forecast. But as the forecast sets the base schedule which determines the imbalance charges for these resources, it is critical to VERs that BPA's forecast is as accurate as possible.

If BPA moves to a requirement that all VERs use the BPA forecast, it is incumbent on BPA to ensure that its forecast is as accurate and well-integrated as possible for BPA and VER generation customers. In order to support an accurate BPA forecast, RNW requests BPA implement an ongoing stakeholder process to focus on VER forecast improvements. RNW contemplates an advisory committee or open stakeholder forum that meets regularly over the TC-22 rate period and BPA EIM implementation, and then less frequently as stakeholders and BPA become increasingly certain that the BPA supplied forecast is the best product possible for VER customers.

An example of such a stakeholder process are the ongoing forecasting workshops that MISO has implemented following changes to its Uninstructed Deviation rules that removed the deviation bands for Intermittent Resources (or VERs) that use the MISO forecast. As almost all wind and solar generators in MISO switched to using the MISO forecast after this change, it became even more important that MISO's forecast was as accurate as possible, both for the system operators and for the generators. MISO's forecasting workshops have been a fruitful forum for stakeholders and MISO staff to review accuracy of the forecast and to develop improvements to MISO's forecasting methodology, as well as related issues such as data communications improvements.

EIM transmission donation & losses:

We appreciate BPA staff's responsiveness to concerns raised about charging transmission losses to parties that donate transmission for use in the EIM. Given that donating customers may not be the beneficiaries of the use of this transmission, it does not follow cost causation that they should be charged for losses when donated transmission is utilized by the EIM. Also, this additional cost does not incent parties to donate transmission for the EIM, and without sufficient donated transmission, the potential benefits of the EIM cannot be fully realized.

We are, however, still unclear on which parties will be charged for losses on EIM transmission. Specifically, which export and wheel-through customers will be charged for EIM transmission losses? EIM transmission losses should be allocated to those (load and generation) that are benefitting from the use of this transmission donated for EIM use. Traditional wheel through customers should not be charged for losses on EIM transmission. We request BPA provide more specifics on this aspect of its proposal at the September 29th workshop, including details on how its proposal meets cost causation principles with regard to charging exports and wheel-throughs. It would also be helpful for BPA to provide more clarity on any other EIM costs that will be charged to traditional wheeling and export customers.

Transmission Losses:

We appreciate BPA's proposal to maintain "in kind" return of transmission losses during the BP-22 rate period and we support movement towards concurrent delivery of losses in the future. We understand there are complexities to concurrent delivery of in kind losses, but we also believe the same is true for the capacity charge BPA is currently proposing for this rate period. RNW urges BPA to avoid adding a capacity charge during this rate period and to engage in a

robust stakeholder process in the near term to ensure development of concurrent losses and any capacity component to loss returns is informed by both understanding and input from customers.

Interconnection reform proposals:

RNW appreciates BPA's proposed interconnection reforms and supports its plan to adopt tariff changes to ensure close adherence to FERC order 845. In addition, BPA's proposed implementation of clear procedures for Repowering and Generator Replacement within the interconnection process are positive and we thank BPA for moving these proposals forward. All of these changes will be helpful at a time when a shift in the generation mix is resulting in significant new generation coming on line, in some cases in new ways such as hybrid and co-located resources, and also increased generator retirements where new generation resources may be located at the same Point of Interconnection to utilize the existing interconnection rights.

Renewable Northwest looks forward to participating in the TC-22, BP-22 rate proceedings and thanks BPA staff for the TC-22, BP-22 and EIM Phase III workshops.

Respectfully submitted on behalf of Renewable Northwest,

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