

Comments on BPA's Proposed Hourly Firm Monitoring and Evaluation Plan

May 14, 2019

Avangrid, Portland General Electric, Powerex, Seattle City Light, Snohomish County Public Utility District, Tacoma Power, and TransAlta (the Large PTP Customers) submit these comments in response to BPA staff's draft Hourly Firm Monitoring and Evaluation Plan ("M&E Plan" or "Plan") presented on May 6, 2019.

We appreciate BPA staff's efforts in developing the M&E Plan and believe it is a good starting point. We believe this is an opportune time to examine the draft M&E Plan in light of what is mandated in the TC-20 Settlement Agreement ("Settlement") to ensure it is consistent with the agreed-upon process.

It is our goal to ensure that the M&E Plan aligns with the requirements agreed upon by all customers as part of the Settlement. We believe that the required elements are present in the M&E Plan, but that there could be improvements made to the structure and organization of the document. The following comments are intended to:

- Provide background on the Settlement and context regarding hourly firm and its evaluation;
- Compare the elements of the M&E Plan to those required by the TC-20 Settlement Agreement;
- Propose revisions to the M&E Plan that will strengthen its connection to the requirements under section 2.d.ii and iii of Attachment 1; and
- Recommend areas for further clarification and other improvements to the M&E Plan.

I. Background

Section 2 of Attachment 1 to the TC-20 Settlement Agreement includes several roadmaps for different phases of the hourly firm product review, including: (i) development of the M&E Plan, (ii) the neutral evaluation of the hourly firm product, (iii) changes to the hourly firm product status quo during the TC-22 proceeding, and (iv) treatment of the hourly firm product post-TC-22 period. The sections below describe a rough chronological order for those required components of the Settlement.

A. Development of the M&E Plan

The beginning paragraph of section 2.d provides the following steps that Bonneville must follow to develop a monitoring and evaluation plan:

1. Hold workshops and collaborate with customers to develop the M&E Plan starting in mid-January 2019;
2. Post a draft of the M&E Plan; and
3. Consider comments from customers before finalizing the Plan.

B. Neutral Evaluation of the Hourly Firm Product

The beginning paragraph of section 2.d, and subsections 2.d.i, ii, and iii, provide the following steps Bonneville must follow starting in mid-January 2019 to neutrally evaluate the hourly firm product:

1. Provide responses to customer queries and provide transparent data in support of its actions, as appropriate and available.
2. Provide the following information:
 - a. Product usage;
 - b. Transaction type;
 - c. Curtailment events initiated by Bonneville on the network;
 - d. Identify the amounts of short-term ATC during certain events;
 - e. Designation of Network Resources;
 - f. Preemption/Competition data; and
 - g. System data during congestion and curtailment events
3. Conduct the following analysis:
 - a. Firm v. non-firm total usage;
 - b. Change in customer use of products;
 - c. Make up of various curtailments;
 - d. Redispatch; and
 - e. Any additional analysis necessary to evaluate hourly firm service.
4. Conduct a neutral evaluation of the hourly firm product that will include:
 - a. Updates on any operational experience relating to the hourly firm product's impact on reliability, curtailments or other system operations;
 - b. Evaluations of hourly ATC that was available at the time of firm curtailments;
 - c. Any identifiable impacts of hourly firm curtailment priorities to customers that hold long-term firm transmission service agreements, including network integration transmission service ("NT") and long-term firm point-to-point transmission service ("PTP"); and
 - d. Customer experience with the hourly firm product regarding usage and marketing and load service impacts. This evaluation will be based on information provided to Bonneville from customers that use the hourly firm product during the monitoring period.
5. Share the results of the neutral hourly firm evaluation with customers at least twice before July 1, 2020.

Finally, section 2.b requires Bonneville to perform the analysis/evaluation of the hourly firm product “starting from a neutral position (i.e., no certainty as to the end state for the hourly firm product).”

C. Circumstances Under Which Bonneville May Propose a Change to the Hourly Firm Product Status Quo During the TC-22 Proceeding

Section 2.c provides the following steps that Bonneville must follow before proposing a change from the hourly firm product status quo during the TC-22 proceeding:

1. Identify hourly firm service as:
 - a. A demonstrable adverse reliability risk,
 - b. A more than de minimis adverse impact to firm transmission service, or
 - c. In conflict with the then applicable market rules.
2. If risks or impacts are identified, engage in best efforts to come to a collaborative solution that mitigates the identified risks/impacts of hourly firm service with customers.

D. Post-TC-22 Treatment of Hourly Firm

Section 2.c addresses the post-TC-22 treatment of the hourly firm product by stating:

After the TC-22 proceeding, Bonneville and customers will evaluate options for the post-TC-22 period for the hourly firm product based on the results of the neutral evaluation described in section 2.d.

II. Aligning the Framework of M&E Plan to the Settlement

A. Timeline

As laid out in the previous section, the Settlement has many elements that have been organized into a relative chronological order. Most of these elements are present in the M&E Plan – however, the organization of the document is confusing regarding the sequence of data provision, evaluation, and decision-making.

To remove this source of confusion, we propose BPA staff sequence the M&E Plan consistent with the evaluation steps laid out in section 2.d. For instance, the M&E Plan should make clear that BPA will provide the information required under section 2.d.ii and iii prior to providing the evaluation of the hourly firm product and when such information will be provided to customers.

We also recommend that BPA include a general timeline in the M&E Plan that works backwards from July 1, 2020, which is the deadline for providing evaluation results. A timeline would help align the M&E Plan with the expected progression outlined in the Settlement, to which all customers agreed. The description of the Settlement in Section I of these comments provides a general outline, and the Large PTP Customers are willing to work with BPA to further refine the M&E Plan to achieve this recommendation.

B. Substantive Standard Clarifications

Comparing the M&E Plan to the requirements of the Settlement, we have several suggestions to clarify the M&E Plan and distinguish the different metrics and standards the M&E Plan proposes to use.

Section 2.b requires that Bonneville conduct a neutral evaluation of the hourly firm product. The Large PTP Customers believe that BPA is committed to a neutral evaluation, and appreciate the efforts made during workshops to approach this evaluation from a neutral starting point. However, we also believe that the M&E Plan should reference this standard and describe how a neutral evaluation will be achieved.

Currently, the M&E Plan does not contain any metrics for whether its results would trigger a change in the hourly firm status quo during the TC-22 proceeding as defined in section 2.c of the Settlement. The M&E Plan should distinguish between the neutral evaluation of the hourly firm product (section 2.d.i) and whether the results of that evaluation may trigger a change in the hourly firm status quo during the TC-22 proceeding (section 2.c).

Finally, as BPA and customers have worked through the various customer workshops, many data points and substantive information have been added to the scope of the evaluation, while other information has been considered not necessary. The Large PTP Customers believe that the M&E Plan should: 1) identify the metrics required by the Settlement; 2) methodically describe how each required metric is being used in the M&E Plan; and 3) provide justification for any metric required by Settlement but *not included* in the M&E Plan. This crosswalk will help all customers ensure that the M&E Plan captures all agreed-upon information and upholds the terms of the Settlement.

III. M&E Plan Recommendations

As customers have worked with BPA through the workshops to help develop the M&E Plan, there have been two major areas of discussion:

1. What data should BPA collect to help perform the evaluation?
2. Once the data is collected, how should BPA analyze the data?

A third question has also been implicit during discussions: once the data is collected and evaluated, what are the thresholds for making a change to the status quo in TC-22? Section 2.c.i describes the conditions under which BPA could propose a change, but there are several definitional uncertainties within these conditions. For example, what threshold is BPA considering for an “adverse reliability risk,” or what does BPA consider to be “de minimis”?

While the Large PTP Customers are not asking BPA to develop or include these specific definitions in the M&E Plan at this point, they are important concepts to keep in mind as BPA considers the evaluation. Customers expect that BPA will engage and work with customers to develop these thresholds ahead of the TC-22 process.

A. The Definition of “Risk”

One of the key concepts described in the M&E Plan is that of evaluating when the system faces greater “risk,” and the source of that risk. The first step in the M&E Plan’s evaluation process is to “operationalize the risk concepts into numeric measures.” The Large PTP Customers would like to see more detail published in the M&E Plan about this process.

More specifically, how will the numeric measures be evaluated against the data gathered? How will individual risks be weighted and prioritized, and will those numeric measures be functionally different from each other? These questions are not exhaustive, and we recommend that BPA provide further detail and explanation in the M&E Plan.

Additionally, we would like BPA to better define what it considers to be a “risky system state” for the transmission system in the M&E Plan. For example, acceptable risk might be planning for an N-1 event, while an N-2 event might require different risk assessment. In order to produce the best evaluation possible, BPA should clearly define what it believes to be perceived risks and potential impact on system state and long-term transmission operations.

B. Correlation and Causation

One of the key components of the evaluation process is the development of a statistical model to establish correlations between the independent variables (transmission products, for example) and increased risk on the system. BPA has this process defined in the third evaluation step, “associate the practical risk measures with external drivers.”

It is our understanding that if BPA makes a recommendation regarding hourly firm that falls outside the status quo in a future Terms and Conditions case, there must be evidence that the hourly firm product causes an adverse impact to reliability or firm transmission service. While the M&E Plan establishes a methodology for determining correlation, a methodology for determining causation is not included.

BPA does assert that, while correlation does not equal causation, it does “imply a probability of a riskier system state.” We would like BPA to clarify this statement, as it seems to conflate correlation and causation, and could be interpreted to assign risk to a correlated variable that does not cause that risk.

Ultimately, customers are interested in what causes or creates undue risk on the transmission system. The M&E Plan must establish a methodology for determining causation behind the risk factors. Without a determination of risk causation, there would be no evidence to support any policy decisions regarding hourly firm. The Large PTP Customers do not currently have suggestions on how BPA should establish this causation methodology, but are open to working with BPA staff on crafting such an evaluation

C. Neutral Evaluation and the Benefits of Hourly Firm

As agreed upon in the Settlement, BPA has resolved to approach hourly firm from a neutral perspective, without a preconceived position as to the final disposition of hourly firm. This would imply that BPA must treat the evaluation similarly, and examine both the benefits and risks of the product. However, the M&E Plan seems to focus only the risk side of the equation associated with the hourly firm product – it does not discuss any opportunity to examine the possible benefits and relief hourly firm redirects can provide in managing congested paths, for example.

To achieve a truly neutral evaluation, BPA must take into account the potentially positive aspects of hourly firm along with the potential risks. Only with a full picture of the product can proper policy be developed and enacted.

D. System-wide Impacts vs. Specific Problem Areas

In previous presentations regarding gathered data, many of the metrics identified referred to system-wide data on the utilization of transmission products, including hourly firm. The Large PTP Customers recommend that BPA also provide data on the specific problem areas that are being examined. Having granular data and a summary of the key problem areas presented to customers will give a better picture of what is actually contributing to congestion or reliability impacts, as well as help to identify the system impacts of each transmission product.

E. Level of Specificity in the M&E Plan

While the M&E Plan provides an adequate high-level overview of the process BPA plans to implement, the Large PTP Customers suggest that BPA flesh out the bullet points within the M&E Plan. Specific steps in the methodology and examples will be necessary for customers to give informed feedback and decide whether the M&E Plan meets the need as outlined in the Settlement. For example, our request in subsection A for a definition of risk parameters would be a step toward achieving further specificity and granularity in the Plan.

To accomplish this request, we recommend BPA apply the proposed M&E Plan methodology to a recent event (one possibility could be a recent NOEL congestion event). This will help BPA to solidify their statistical modeling and give customers a tangible illustration of how the methodology works in practice. We believe such an example is necessary prior to the finalization of the M&E Plan. The actual evaluation could be included in the Plan itself as an appendix.

IV. Conclusion

The Large PTP Customers appreciate all the work that BPA staff has put toward creating the M&E Plan and the evaluation of the hourly firm product. We believe that there has been significant progress in the effort, and that the process has been open and collaborative. We further appreciate BPA's willingness to respond to customer feedback and hope to continue the dialogue with these comments as we work toward finalizing the M&E Plan.