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# EIM Charge Code Allocation

## BPA Customer-Led Workshop

Supply. Flexibility. Commitment.

# Disclaimer

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# EIM Charges Include Offsetting Charges and Credits

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- Congestion pricing generally results in the market operator collecting surplus revenue (congestion rents)
  - Generators generally receive a **lower** price
  - Load generally pays a **higher** price
- Congestion rents collected by market operator often exceed actual congestion costs
  - Prices reflect **marginal** cost of congestion
  - Congestion price is applied to **all** imbalances (not just limited to quantity of congestion itself)
  - Similar over-collection occurs with marginal transmission losses
- Who receives the surplus congestion rents collected by the market operator?
  - In a full DA organized market, revenue returned to CRR holders
  - In EIM, CAISO uses “neutrality” charge codes to return congestion and losses to each EIM Entity

# EIM Charges Include Offsetting Charges and Credits



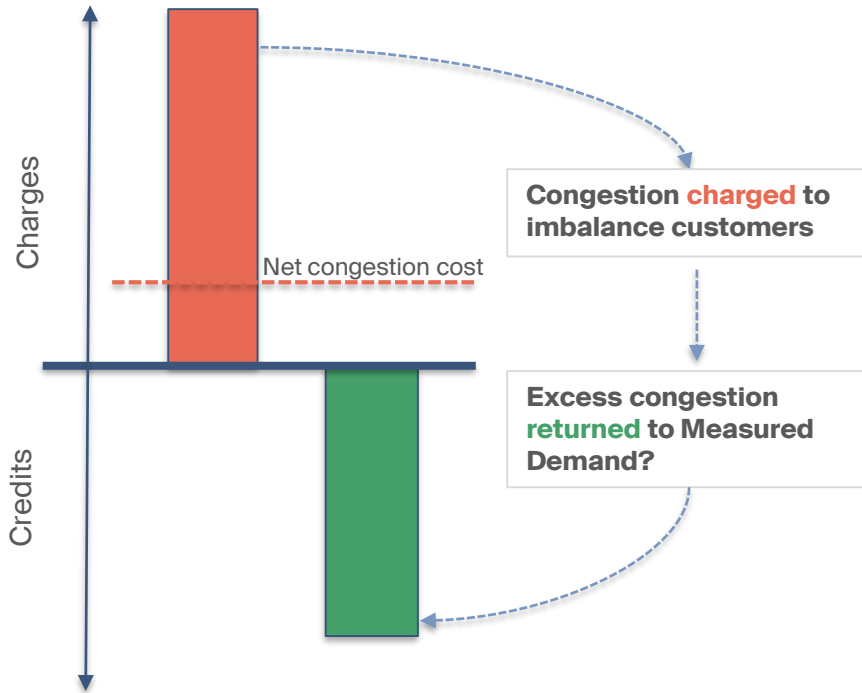
**Offsetting charges and credits of \$495 far greater than \$5 of net congestion costs**

# EIM Optimization Can Result in New Congestion



- Assume a flowgate with 150 MW ATC
- OATT customer schedules 100 MW (after T-57)
  - No congestion or redispatch required
- EIM optimization finds opportunity for incremental EIM transfer, utilizing remaining 50 MW ATC
- But now that the flowgate is fully utilized, EIM prices reflect “congestion”
- Congestion pricing is not only applied to the EIM transaction itself
- Congestion is also charged to the OATT customer for simply using rights after T-57 (without causing any congestion at all)

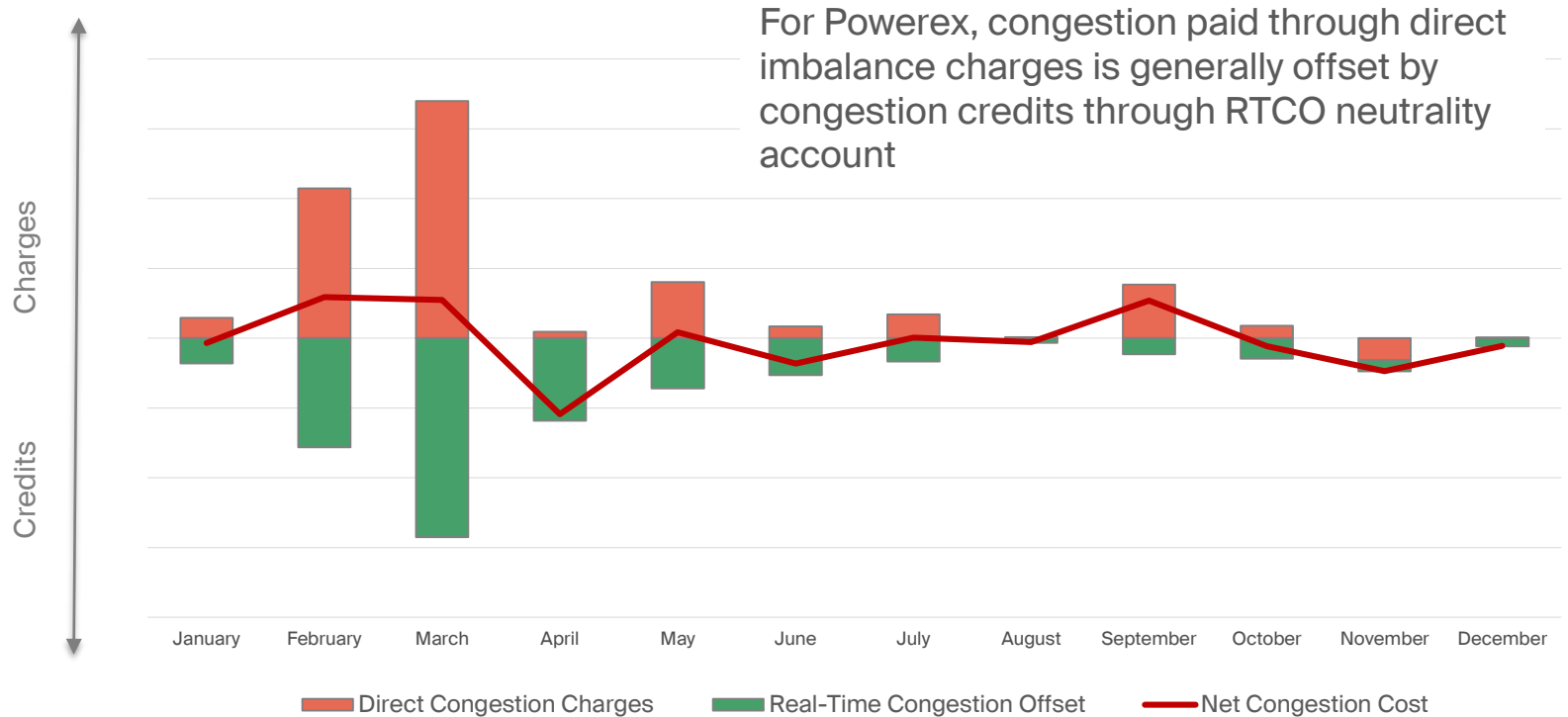
# Risks of Mismatching Allocation of Charges and Credits



- Allocating some charge codes and not others will be inaccurate
- Allocating related charges/credits to **different** customers will be inaccurate
- Could result in a very significant transfer of dollars **between Bonneville customers**
  - The magnitude of unintended consequences can greatly exceed any actual EIM “costs”

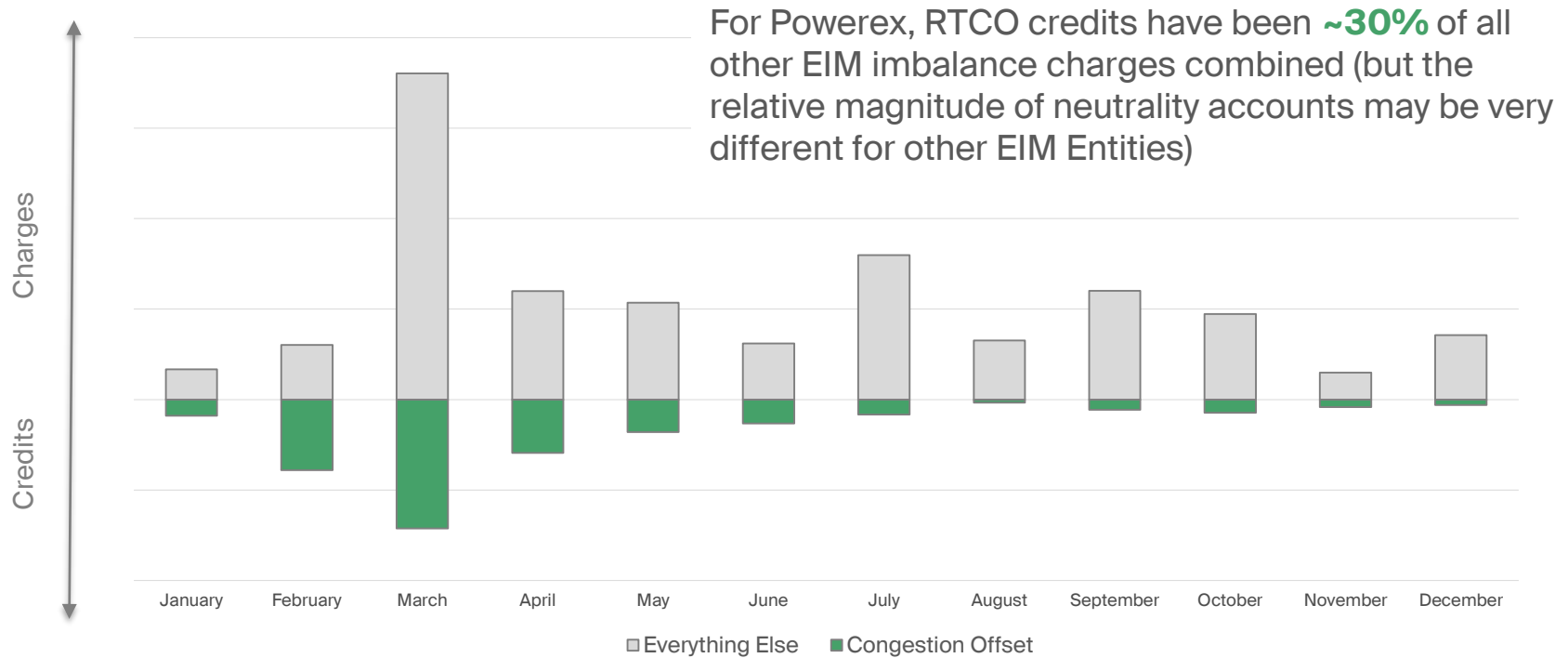
# Powerex Example

## Offsetting Congestion Charges and Credits



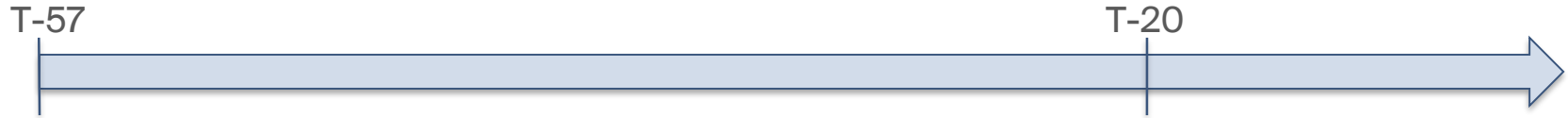
# Powerex Example

## Magnitude of Neutrality Accounts





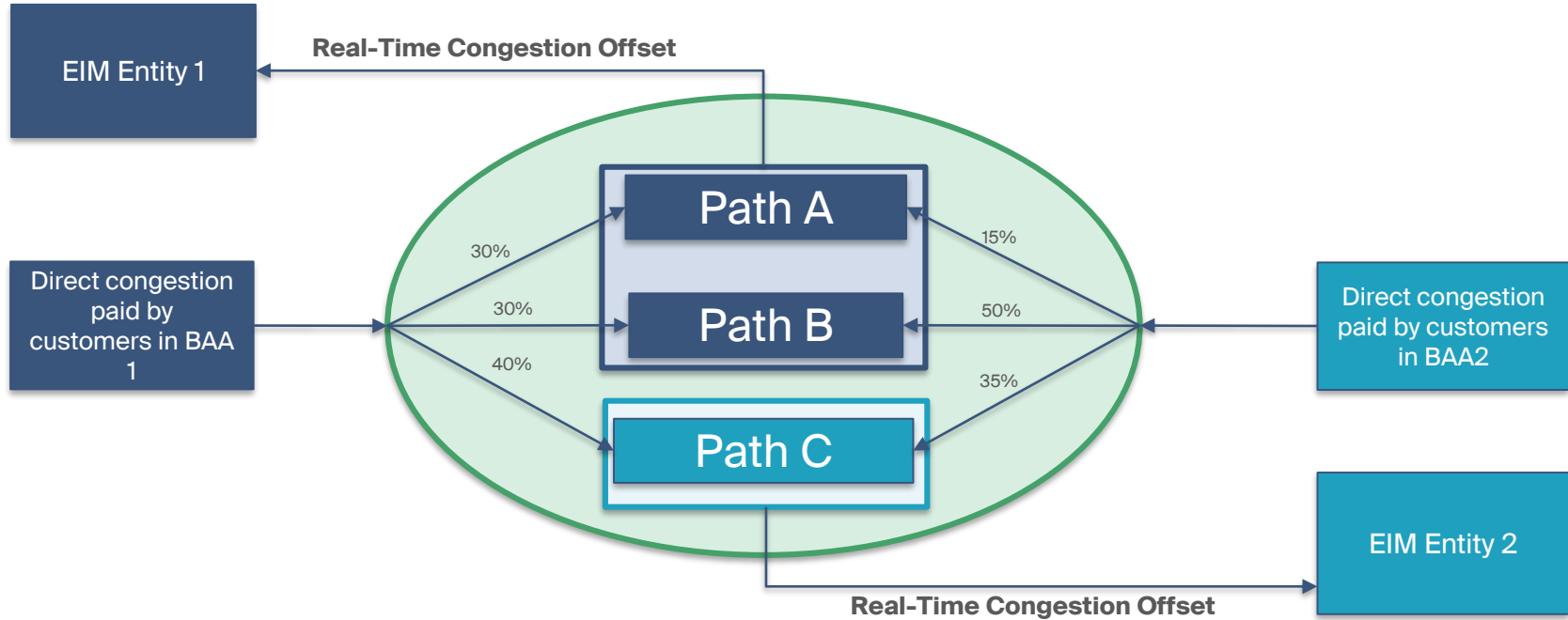
# BPA is Uniquely Situated



- Many uses of transmission system inside EIM operating timeline can attract EIM charges
  - Hourly and sub-hourly bilateral transactions
  - Participation in CAISO's hourly HASP market
  - 15-minute scheduling in CAISO FMM
  - Scheduling variable resources
  - Dynamic scheduling
  - Enabling EIM Transfers between other EIM BAAs
- All else equal, more activity after T-57 will result in more offsetting charges and credits and greater risk of unintended consequences
- Will these new EIM charges materially increase the financial risk and/or the cost of Bonneville transmission service?

# Charge Codes are Complex

## Is It Feasible To Accurately Allocate Neutrality Accounts?



# Summary of Powerex Perspective

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- **EIM charge codes are largely offsetting at the BAA level**
  - Individual market charges and credits are highly likely to exceed net costs to BPA
- **BPA is uniquely situated with extensive use of the federal transmission system**
  - EIM charges would potentially apply to many schedules, increasing risk of unintended consequences
  - Large, volatile and unpredictable charges can make transmission service less attractive
- **Accurate direct allocation will be challenging**
  - Neutrality accounts are major components of settlements but lack transparency
- **Direct allocation is not necessary from day one**
  - Deferring sub-allocation can protect customers from unintended consequences while experience is gained
  - If pursuing direct allocation, a clear roadmap should be determined before moving forward



# Thank You

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