

August 14, 2020

RE: Comments on Bonneville's July 28-30, 2020 BP-22/TC-22/EIM Phase III Workshops – EIM Charge Code Sub-Allocation (Issue #1)

Powerex appreciates Bonneville staff's continued efforts to engage its stakeholders in the workshop process, and seeks to collaborate with Bonneville on solutions that will result in an EIM charge code allocation approach that is accurate, transparent, and consistent with the cost (and credit) allocations generally intended under Bonneville's current OATT. At the same time, Powerex believes it is critically important that Bonneville *prioritize* its existing Transmission Business Model while preserving key benefits associated with Bonneville firm transmission rights, including most notably Bonneville transmission customers' ability to derive value from the use of their transmission rights in hourly and sub-hourly markets in the west.

During the July 29 workshop, Bonneville reviewed for customers the partial sub-allocation methodology for EIM charge codes that Bonneville Staff proposes to implement for the BP-22 rate period.¹ Bonneville also reviewed those charge codes that it proposes will not be sub-allocated to customers and which will be recovered from the segmented transmission rates.

Powerex has raised significant concerns and provided detailed examples of how direct cost allocation of EIM charge codes poses considerable risks and would impose new, unpredictable, and sizable charges on firm transmission customers for simply using their rights, resulting in adverse impacts on their ability to schedule on their existing firm transmission rights on an hourly and/or sub-hourly basis.² Specifically, Powerex is concerned that:

1. Applying EIM imbalance charges to new schedules (or schedule changes) submitted after T-57 results in firm transmission customers facing EIM-based congestion costs for simply using existing transmission rights they already paid for, contrary to the intended value of investing in firm transmission service and receiving priority scheduling rights.
2. The magnitude of such EIM charges is likely to greatly exceed any actual net EIM redispatch costs incurred by BPA because EIM imbalance charges would be applied to **all** new schedules (or schedule changes) after T-57, and thus is not limited to the quantity of any EIM re-dispatch actually needed to accommodate those schedules. In the vast majority of cases, no EIM re-dispatch will actually be required at all to accommodate firm transmission use, but rather will primarily be utilized to respond to EIM and/or non-EIM *non-firm* transmission use.

¹ See BPA, July 29, 2020 Presentation at Slides 39-56.

² See Powerex Corp., EIM Charge Code Allocation (June 10, 2020), <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Documents/06.10.20%20Powerex%20EIM%20Charge%20Code%20Allocation%20Presentation.pdf>

And Powerex Corp., Comments on Bonneville's April 28, 2020 BP-22/TC-22/EIM Phase III Workshop (May 12, 2020), <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Pages/Customer-Comments.aspx>

3. The application of EIM charges after T-57 can completely undermine the priority of firm service under Bonneville's OATT by allowing non-firm schedules (including EIM dispatches themselves on non-firm transmission) to create congestion costs that will be borne, in part, by firm transmission customers. For example, a non-firm schedule submitted prior to T-57 can increase congestion on the BPA network and cause congestion-related price differences between PORs and PODs that would be applied to all firm customers that attempt to use their priority rights after T-57. In other words, firm customers would bear some congestion costs created by non-firm customers.

Many customers, including Powerex, utilize Bonneville's transmission system for a variety of purposes other than EIM transactions, including to support hourly and sub-hourly schedules to balance resources and loads, and to participate in bilateral markets and other organized markets (such as participation in the CAISO markets through the intertie bidding framework). Powerex urges Bonneville to consider, consistent with its strategic goals, the importance of protecting the priority and value of long-term transmission rights, including existing scheduling flexibilities, that transmission customers have under existing firm transmission contracts. Specifically, firm transmission customers must maintain the ability to schedule on an hourly and sub-hourly basis after T-57 without being subject to new and unpredictable (and possibly large) EIM charges for simply using those rights.

While Powerex previously proposed that Bonneville avoid sub-allocating EIM charges until experience is gained, Powerex recognizes that Bonneville wishes to proceed with sub-allocation and supports Bonneville's objective of ensuring it is able to fully and accurately recover its costs under this approach. Powerex appreciates Bonneville's efforts to clarify further how the sub-allocation of charge codes will be implemented, but Powerex believes more work is needed to address its concerns regarding the potential for significant negative impacts to long-term firm customers.

Powerex looks forward to working with Bonneville and stakeholders on targeted solutions that can allow Bonneville to successfully implement a direct sub-allocation approach, while ensuring the value of firm OATT service is fully preserved for its customers.

Again, Powerex appreciates Bonneville engaging customers on these important topics.

Sincerely,

Raj Hundal

Market Policy and Practices Manager