

October 13, 2020

RE: Comments on the Bonneville Power Administration's September 29, 2020 BP-22/TC-22/EIM Phase III Workshop - Losses

Powerex appreciates Bonneville staff's continued efforts to engage its stakeholders in the workshop process, and Powerex provides the following comments on the real power losses issues and the EIM charge code allocation raised during the September 29 workshop.

Losses (Issue #9)

Bonneville has proposed updating its losses factor on a monthly basis. Many customers, including Powerex, have questioned whether the administrative burden associated with a losses factor changing repeatedly is sufficiently offset by improved accuracy in loss returns. During the Sept 29th workshop, several customers elaborated on the impacts and administrative burdens that customers would likely experience as a result of Bonneville moving to a monthly loss factor. Powerex reiterates its initial comments on this matter and supports the comments made during the workshop. Given the initial comments on the administrative burden and follow-on concerns voiced at the workshop, Powerex believes that customers have sufficiently established and documented the concerns arising from a shift to monthly loss factors. Powerex suggests that additional information from customers is not needed or required, and Powerex suggests that Bonneville should address and justify why a *de minimis* difference in accuracy, that provides minimal benefit to Bonneville, outweighs the burden on customers. As compared to the seasonal loss factor option, Powerex continues to see only very minor accuracy benefits with adopting monthly loss factors, and Powerex urges Bonneville to maintain an annual or seasonally-adjusted loss factor.¹

In addition, as stated in its prior comments, Powerex believes that any imposition of capacity charges for losses must be accompanied by allowing concurrent in-kind loss returns. Bonneville is proposing to move forward with a capacity charge without providing customers the option to self-provide capacity through concurrent delivery of losses. This is causing customers that already have capacity to be forced to purchase and use the federal system capacity for no additional benefit. Powerex continues to urge Bonneville to accelerate allowing concurrent in-kind loss returns and to delay adopting capacity charges for losses until such time as concurrent in-kind loss returns are available.

¹ Bonneville's data indicates that shifting from an annual loss return factor to monthly loss return factors results in a net change of approximately 0.5% in loss returns. Similarly, shifting from a monthly loss return factor to seasonal loss return factors results in a net change of approximately 0.3% in loss returns.

EIM Charge Code Sub-Allocation

Powerex appreciates Bonneville staff's review, input, and questions on the sub-allocation of EIM charge codes as well as on Powerex's proposal.

During BPA's BP-22/TC-22 workshops, Powerex identified and described significant impacts to long-term firm customers' existing transmission rights that will arise from inaccurate EIM charge code allocation. Powerex has provided detailed written comments describing its concerns, with examples and explanations, and Powerex has also presented its concerns in Bonneville's workshops and customer-led workshops throughout the process this year. Powerex has also submitted for Bonneville's consideration a detailed, 14-page written proposal on September 4, 2020. Powerex has stated, and provided detailed evidence to demonstrate that its proposal eliminates specific harms related to Bonneville's original proposal, and provides a workable framework for a direct allocation approach for a key subset of EIM charge codes. Powerex appreciated the recent opportunity for Bonneville and customers to discuss and question Powerex's concerns and alternative proposal during BPA's BP-22/TC-22 workshop on September, 29, 2020.²

In sum, Powerex has identified and presented its concerns with inaccurate sub-allocation of EIM charge codes and has provided a detailed proposal to mitigate significant harms to long-term firm customers from inaccurate sub-allocation. Powerex believes that its proposal is well-reasoned, provides the right incentives for long-term transmission investment, and would better ensure that EIM charge codes are accurately apportioned based on cost causation and principles while still respecting the provisions of Bonneville's OATT. Accordingly, Powerex believes that Bonneville should include Powerex's solution in the Initial Proposal for the BP-22 and TC-22 proceedings.

While Powerex urges Bonneville to adopt its solution in full, Powerex believes that at an absolute minimum, Bonneville should commit to continue to rely exclusively on schedule curtailments, in order of OATT priority, to manage congestion on the Southern Intertie. There are minimal benefits that can be achieved through EIM congestion management on the Southern Intertie, and those benefits do not outweigh the significant potential for harm to Firm customers. The application of EIM congestion charges would completely nullify the economic value of Firm transmission to support CAISO intertie bids in the HASP or FMM and would also nullify any economic value of Firm transmission made available for EIM transfers. This is because, in contrast to Bonneville's primary network, the main benefit of Southern Intertie transmission in real-time is to capture the economic value between regions, which would be completely unwound through Bonneville's initial proposed approach. Furthermore, by managing these specific transmission paths through EIM redispatch, instead of Bonneville's current congestion management procedures, existing seams issues on the Southern Intertie could be exacerbated. Powerex believes the solution to these challenges is straightforward as Bonneville (like all EIM Entities) can use its discretion to choose which transmission paths will rely on redispatch to resolve congestion (via EIM) and which paths will use existing curtailment procedures.

² All of Powerex's comments, its proposal, and its presentations are available on BPA's website: <https://www.bpa.gov/Finance/RateCases/BP-22-Rate-Case/Pages/Meetings-and-Workshops.aspx>.



Powerex's proposal on the Southern Intertie would be a continuation of the status quo by relying exclusively on curtailments according to OATT priority to resolve congestion on the Southern Intertie.

Recognizing that the BP-22 and TC-22 proceedings are expected to begin in early December 2020, and given the significant customer interest towards Powerex's proposal and Bonneville's response, Powerex respectfully asks that Bonneville provide customers with a response to the proposal as well as Powerex's request to include its solution in the Initial Proposal. Powerex requests that Bonneville respond within a reasonable time and sufficiently in advance of the start of the BP-22 and TC-22 proceedings. Powerex believes that the issues involved in accurate sub-allocation of EIM charge codes are important to all customers and that Bonneville's response and underlying rationale should be understood prior to the start of the rate and tariff proceedings.

Again, Powerex appreciates Bonneville's efforts on these complicated issues.

Sincerely,

Raj Hundal

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