



Bonneville  
POWER ADMINISTRATION



# INTEGRATED PROGRAM REVIEW

March 20, 2018

# Agenda

Time	Topic
9:00 – 9:05	Welcome and introductions
9:05 – 9:20	2018 IPR process
9:20 – 9:30	Tying to the strategic and financial plans
9:30 – 9:40	Cost management
9:40 – 9:55	Update on grid modernization
9:55 – 10:00	What's coming next and feedback

# 2016 IPR vs. 2018 IPR

2016	2018
Alignment focused on Key Strategic Initiatives	Alignment focused on the 2018 – 2023 Strategic Plan
Detailed bottom-up budgeting process	Executive-led planning process with an earlier start
Fluctuating constraints that were not established until late in the process	Firm constraints established early by executives
Lack of consistency and standardization	Greater consistency and standardization due to better cross agency decision-making and trade-off analysis

# 2016 IPR vs. 2018 IPR

2016	2018
IPR and Capital Investment Review conducted together but still two processes	IPR includes both capital and expense in one process
Capital and expense integration was minimal	Continue to improve integration of capital and expense
Three-year timeframe for expense (FY 17-19)	Two-year timeframe for expense focusing just on the next rate period (FY 20-21)

## 2018 IPR publication

- More streamlined initial publication highlighting spending tied to strategic plan.
- Publication will be available at least a week in advance of the kick-off meeting and workshops.
- Hard copies will not be provided in an effort to save costs.

# Cost management

- In strategic and financial plans, BPA committed to hold the sum of program costs, by business line, at or below the rate of inflation through 2028.
- Cost-management efforts are a cornerstone of the strategic and financial plans and will continue beyond the 2018 IPR process.
- BPA's new approach sets firm constraints which has led to hard cuts that will be incorporated in the initial IPR spending levels.
- Reprioritizing efforts to ensure we are meeting our highest priority key strategic objectives while aligning with our cost-management goals from the strategic plan.

# Cost management

- Identified potential cost savings and efficiencies across the agency to achieve our cost management goal outlined in the plans.
- The Corps, Reclamation, and Energy Northwest are also engaged in cost management discussions with BPA.
- Any additional savings found through August will be incorporated into the final IPR spending levels.

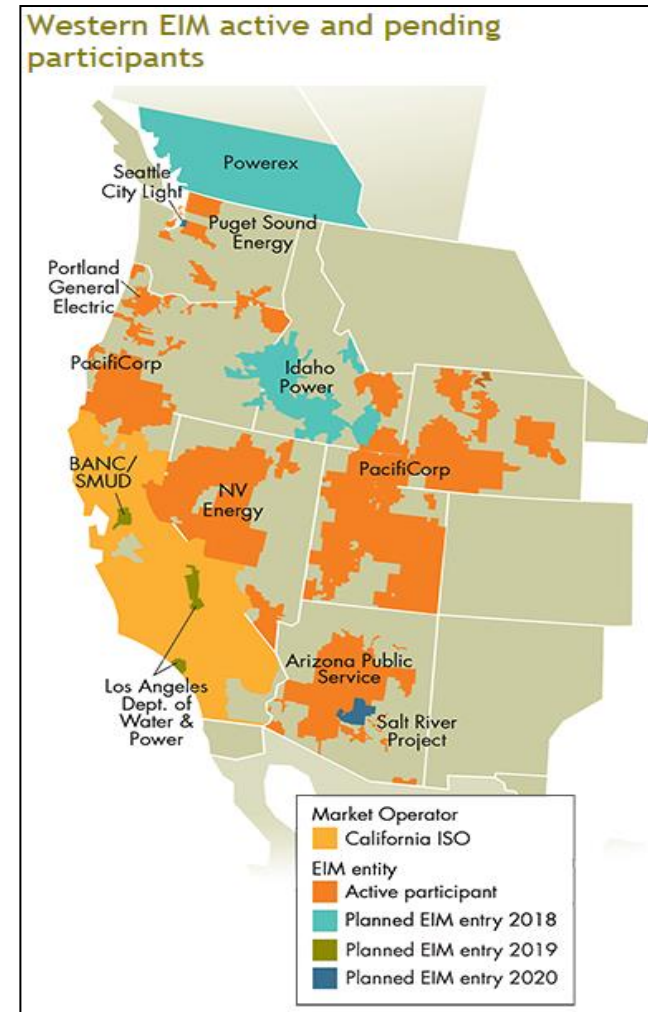
# Grid modernization overview

- Based on the Strategic Plan BPA has identified modernizing federal power and transmission system operations and supporting technology as a key agency strategic objective.
- BPA is mapping out the steps it needs to take to develop a grid modernization road map for the federal power and transmission system that will enhance system operations in three major ways:
  1. **Automating** processes will minimize the potential for human error and support a faster intra-hour system dispatch.
  2. Incorporating real-time data and analysis into power and transmission operations allows BPA to be able to more **accurately** determine system obligations and monitor operating conditions.
  3. Increasing the **visibility** of loads, resources and flows, including market flows, will help BPA to preserve reliability, optimize reserve levels and operate the transmission system closer to its physical limits.
- Investments in grid modernization will support a more reliable, flexible and efficient system, helping to reduce future costs and create new market opportunities for BPA and others.



# Opportunities from market engagement

- As California and other Western states increase the amount of variable energy resources on the grid, BPA will seek opportunities to market the valuable flexibility and capacity services that clean hydropower resources can provide.
- BPA has been talking with other Northwest utilities who also are evaluating wholesale market changes, modernizing their systems to be in the best position to take advantage of market opportunities, and that have or are planning on joining the Western EIM.
- BPA has begun to study and determine how and under what conditions it could join the Western EIM.



# Next steps for grid modernization

- The grid modernization objective outlined in the Strategic Plan positions BPA to take a more active role in these evolving energy and capacity markets, while preserving preference customers statutory rights to the system.
- Challenges do exist. For example:
  - Bonneville must decide how and under what conditions it could join the EIM, including how to bid in generation and how to use transmission in the market.
  - Bonneville's current Open Access Transmission Tariff would also need to be updated to accommodate any necessary changes.
- The grid modernization effort will enable BPA to better participate in markets, improve inventory management in power and transmission, and heighten our situational awareness.
- As Bonneville's grid modernization and market engagement efforts develop we will keep our stakeholders and customers informed, starting with IPR and an informational meeting this summer.

# Cost of grid modernization

- In the FY18-19 IPR funds were specifically allocated for Commercial Operations.
- BPA is currently mobilizing its workforce to advance multiple grid modernization projects and is using the Commercial Operations funds to support this effort.
- At the June IPR workshops, BPA will be sharing the details of how funds are to be used for grid modernization in the current rate period and what the plan is for advancing grid modernization in the next rate period.

# What's coming next?

- Send feedback on what IPR programs you would like to hear about in workshops.
  - Send feedback via email to [BPAFinance@bpa.gov](mailto:BPAFinance@bpa.gov) by March 27.
- Kick-off Meeting – Monday June 18 at 1 p.m.
- Workshops – June 19 to 22.