

February 08, 2022

COMMENTS OF NIPPC – Concurrent Loss Returns

Thank you for the opportunity to provide comments to the proposals and concepts discussed during the January 26 workshop on concurrent loss returns.

Managing kW Remainders

NIPPC has reviewed the three options BPA presented to customers for management of kW remainders and recommends that BPA and its customers consider a fourth option. NIPPC proposes a fourth option – that BPA work to develop the ability to continue to allow its current practice of the carrying forward of kW remainders for implementation by the BP-26 rate period. In the meantime – and in BP-24, BPA would absorb the costs associated with kW remainders into BPA’s Power and Transmission revenue requirements until such time as it can track the carry forward of kW remainders.

For decades, BPA did not seek to recover any capacity charge associated with in-kind loss returns. In BP-22 for the very first time, BPA proposed to develop a charge associated with capacity needed to manage in-kind loss returns. The Settlement Agreement between BPA and its customers resolved this issue as follows:

1. Transmission Losses

- a) **Capacity Charge for Delayed Loss Returns.** Bonneville will not adopt a capacity charge for the delayed return of transmission losses.
- b) **Financial Loss Returns.** Bonneville will adopt charges for financial returns of transmission losses consistent with Staff’s Initial Proposal.
- c) **Financial for Inaccuracy Penalty Charge.** Bonneville will adopt a Financial for Inaccuracy Penalty Charge consistent with Staff’s Initial Proposal, as modified in Staff’s Rebuttal Testimony.
- d) **Public Process.** Bonneville will work toward implementing a concurrent loss-return service by the start of the BP-24 rate period or sooner, including development of an implementation plan. The implementation plan will include a timeline for engaging customers through workshops as well as opportunities for customers to provide feedback. The plan will also account for the potential need to make business practice changes according to Bonneville’s Business Practice Process. Bonneville will share the implementation plan with customers no later than the end of the first quarter of FY 2022.

During the BP-22 rate case, transmission customers were clear in their desire for a loss return mechanism that avoided implementation of a capacity charge for loss returns; and this goal was reflected in the Settlement Agreement. NIPPC believes that BPA's obligation under the Settlement Agreement (Principal One of this public process) can be achieved only by development of a concurrent loss return mechanism that does not include any capacity charge associated with the service.

BPA's business practices currently require the kilowatt remainders to be carried forward to the next hour.

When calculating the hourly Real Power Losses, any kilowatt remainder above a whole MW is carried forward to the next hour and added to that next hour's calculated hourly Real Power Loss obligation. BPA Transmission Business Practice "Real Power Loss Return" Version 16, October 1, 2021; Sec.15(a).

Furthermore, BPA's industry scan also indicates that Duke Energy and BC Hydro – both operators of large transmission systems – also apply an hourly carry forward of kW remainders.

BPA, however, has indicated that "development complexities" preclude BPA from implementing carry forward of kW remainders on a timeline to meet the BP-24 rate period. BPA also cites to its Principal 5 – that losses should be returned in the same hour they are incurred. In proposing to abandon its current practice of carrying kW remainders forward, however, BPA has neglected Principal 1 – its obligation to meet its commitment under the Settlement Agreement to develop a concurrent loss return mechanism that does not incorporate a capacity charge associated with the return of losses. The fact that BPA failed to fully appreciate the challenges with implementing a concurrent loss return mechanism does not relieve BPA from its obligation under the Settlement Agreement. NIPPC also suggests that the likely de minimis levels of kW remainders – and the likelihood that those kW remainders will balance out over time – will have a negligible impact on BPA's Principal 5.

BPA must consider that just because it may take longer than BPA anticipated to meet its obligation under the Settlement Agreement, BPA is not relieved of its obligation. Based on BPA's representations of the complexity and time BPA needs to develop the systems and processes necessary to enable carry forward of kW remainders, NIPPC suggests that BPA develop a timeline and workplan that will allow BPA to implement kW remainders by BP-26. In the interim, BPA should re-commit to its Principal 1 and its obligation under the BP-22 Settlement Agreement and commit to recover any costs associated with capacity for kW remainders into its other power rates for BP-24.

If BPA persists in continuing to pursue development of the three options for kW remainders which it presented on January 26, then BPA must provide additional information. Specifically, if BPA seeks to impose any charge on transmission customers for generation capacity needed to enable in-kind loss returns, then BPA must provide customers with an estimate of the quantity of capacity that would be associated with each option. NIPPC suspects that the quantity of

capacity may be so small that the costs of that capacity could be absorbed into BPA's Power and Transmission revenue requirements; especially if the cost of staff time to track the quantity and develop the rate exceeds the costs that would otherwise be charged to transmission customers.

Real Time Curtailments

BPA proposes financial settlement of imbalances that result from reliability curtailments of schedules. NIPPC understands the purpose of this proposal is to compensate customers when they provide concurrent losses and BPA – or another transmission provider -- cuts the underlying schedule for a reliability purpose. NIPPC agrees that BPA should compensate customers in this instance. NIPPC encourages BPA to provide a proposed methodology for calculation of the financial settlement as soon as possible

Dynamic and Pseudo-Ties

NIPPC continues to consider the proposed options for losses associated with dynamic and pseudo-tie schedules.

Loss Return Scheduling and Timing

NIPPC urges BPA to consider developing multiple processes for calculating and scheduling loss returns depending on when the customer submits the schedule. For schedules submitted in the pre-schedule window, BPA would calculate the customers' overall lost return obligations and notify customers by a specific time sufficient to allow customers to know their concurrent loss return obligations. For real-time transactions, BPA would provide a formula which customers would use to calculate their own loss return obligations, which they would schedule in the same hour. This bifurcation would allow BPA to calculate and post customer's loss return schedules for pre-scheduled transactions, thereby preserving the benefits of increased accuracy and reduced customer burden as noted in the presentation. Customers participating in the real-time market, however, would be forced to take on the burden of applying the formula to their schedules, summing the total for the hour, procuring the power, and submitting a separate loss return schedule in time to meet WECC's standard tagging deadline (xx:40). NIPPC believes this will be necessary because BPA cannot calculate, sum, and publish loss return obligations fast enough in real-time.

NIPPC has suggested pre-schedule as the dividing line between the two processes, but recognizes that BPA could propose an alternative dividing line. For example, BPA could take on the obligation of calculating a loss return obligation for pre-schedule transactions and real-time transactions up to some number of hours prior to the close of the real-time scheduling window and still allow customers to calculate their own loss returns for any schedules they submit after

that cut-off. NIPPC encourages BPA to consider this proposal and seek comment from other stakeholders.

Further, there may often be extenuating circumstances, like procuring power to cover large contingencies or responding to exceptional dispatches, when there will not be sufficient time to procure and schedule loss returns in the same hour. BPA must make allowances for these circumstances via policy or by waiving the Financial for Inaccuracy penalty.