

PHASE III DECISION DOCUMENT

INTRODUCTION

Before Bonneville can make a decision whether to join the Western Energy Imbalance Market (EIM), Bonneville must make several threshold policy decisions regarding how it will participate in the EIM. The timing of these decisions was first addressed in the EIM Policy Record of Decision (ROD) where Bonneville described the scope of policy decisions that it intended to make in Phase III of its EIM stakeholder process. This document closes out some of those issues, but also explains the need to move other policy decisions out of Phase III and into the TC-22 and BP-22 proceedings to facilitate stakeholder review of the potential dependencies and connections of various decisions.

Within Phase III, Bonneville is proposing to make policy decisions regarding its initial approach to sub-allocation of resource sufficiency requirements, non-federal resource participation, metering requirements and EIM losses. All other policy issues will be decided in the TC-22 and BP-22 proceedings.

Bonneville will make the final decision whether to join the EIM after the conclusion of the TC-22 Terms and Conditions Tariff proceeding and BP-22 Rate Case proceeding. At that time Bonneville's stakeholders will have a complete picture of all of Bonneville's rationale and policy decisions that pertain to a decision about joining the EIM. Following the BP-22 and TC-22 proceedings, Bonneville will weigh the EIM policy decisions against the six principles described in the EIM Policy ROD¹ and consider comments from customers before making a final decision on whether to move forward with joining the EIM. This will include the decisions needed to start up EIM operations in the spring of 2022.

Making the necessary decisions concerning joining the market is a significant undertaking and many of the EIM policy decisions come down to deciding between various levels of complexity. Bonneville has had to weigh the level of complexity against the overall work load of implementing EIM participation across several parts of Bonneville's business. As a result, many of the decisions regarding how Bonneville will approach the EIM at startup will likely be compromises in order to simplify entry and get EIM operations implemented on time. These policy decisions are starting points that – if Bonneville decides to join the EIM – will evolve over time as Bonneville gains experience with the EIM and has more time to consider alternative approaches.

Bonneville ultimately wants its potential participation in the EIM to provide accurate price signals to customers, provide clear insight into resource and transmission decisions, and allocate costs and benefits based on cost causation principles. With these goals in mind, Bonneville will work with its customers to propose changes to these EIM policies in future proceedings.

¹ ROD section 3.1, pages 49-53.

Stakeholder Opportunity to Comment

Bonneville is seeking comments on the proposed decisions in this letter. Comments are due Sept. 18, 2020, and Bonneville will formally respond to comments in a decision document in October 2020.

Stakeholder Process and Phase III Scope

The ROD described a five-phase decision process, starting with the Phase I exploration process in 2018 and closing out Phase II in September 2019 by signing the EIM Implementation Agreement with the California Independent System Operator (CAISO). Phase III policy development followed the issuance of the ROD and will last until the BP-22 and TC-22 proceedings begin in late 2020. The ROD listed several EIM policy issues to be addressed in Phase III including transmission network usage, allocation of EIM charge codes, resource sufficiency at a sub-balancing authority area level, transmission losses, non-federal resource participation requirements, settlements/billing mechanics, and data submission and metering requirements.² It recognized that the Phase III process would be intertwined with the workshops for the BP-22 and TC-22 proceedings. Comments received regarding the Phase II letter to the region questioned the overlap between Phase III issues and decisions that must be made in the TC-22 and BP-22 proceedings.³ In the ROD, Bonneville generally agreed with the comments and explained that the lack of specificity for Phase III was intentional, allowing Bonneville to work with customers through the workshop process to evaluate policy issues as part of Phase III and determine which phase to make the various decisions in.⁴

Customer workshops for Phase III policy development started in October 2019, with at least one workshop held each month through August and the opportunity for an additional customer-led workshop each month to further flesh out issues. Bonneville staff developed a six-step process for evaluating these issues through the workshop process. The first two steps covered approach and development which introduced the issue, provided relevant background information or education on the issue, and described what the specific issue is for Bonneville and its customers. Steps three and four evaluated the issue, and staff provided an analysis of the issue and alternatives of how to address the issue. The final steps, five and six, concluded with proposal development and a final staff proposal on the issue. Customers submitted comments following each workshop for staff to consider in developing its proposals. In developing the policy decisions, Bonneville staff worked with the Bonneville EIM implementation team to ensure that the policy decisions are consistent with the mechanisms Bonneville will need to have in place for potential participation in the market.

² See section 5 of the ROD.

³ ROD at 34-35.

⁴ ROD at 35.

This process has clarified that some aspects of almost every policy decision must go through the BP-22 or TC-22 proceedings. EIM charge code allocation decisions, for example, must be made through the rate process, and trying to set overarching policy outside of the rate process may blur the line between the scope of rate and non-rate issues. Similarly, several Phase III issues must go through the tariff proceeding, and the same scope concerns equally apply. In addition, there is significant interrelationship between the various EIM policy decisions. It is important that customers see the whole picture of market participation and the impact these policy decisions will have on rates and tariff terms and conditions. Bonneville will bring all the proposed decisions for issues in Phase III, BP-22 and TC-22 to the August workshop in order to give customers a full view of Bonneville's planned initial proposal for the BP-22 and TC-22 proceedings.

Bonneville proposes to decide four policy issues in this Phase III Closeout Letter outside of the BP-22 and TC-22 proceedings:

- Sub-allocation of Balancing Authority Area Resource Sufficiency Requirements;
- Timing of Non-Federal Resource Participation;
- Metering Requirements; and
- EIM Losses.

PHASE III POLICY DECISIONS

Issue I: Sub-allocation of Balancing Authority Area Resource Sufficiency Requirements

In order to fully participate in the EIM, the Bonneville balancing authority area as a whole needs to pass the EIM Resource Sufficiency (RS) tests ahead of each operating hour. While Bonneville schedules Federal generation and has an obligation to serve a significant portion of the load in the balancing authority area, other load serving entities and independent generators can significantly contribute to the outcome of the RS tests. The RS tests include the transmission feasibility test, the balancing test, the bid range capacity test, and the flexible ramp sufficiency test. Bonneville already has the framework to cover the majority of requirements associated with each test, except for the Balancing Test. There is currently no requirement that the sum of individual load serving entity obligations balance to a balancing authority area load forecast. As such, Bonneville has evaluated the need to adopt sub-balancing authority area RS requirements to meet the Balancing Test.

The Balancing Test requires Bonneville to show that the balancing authority area has enough energy scheduled to meet forecasted loads in the balancing authority area, or be subject to financial penalty. If the sum of generation and interchange base schedules in the balancing authority area are not within one percent of the CAISO's area load forecast and not within five percent of the actual load, then the Bonneville balancing authority area would incur an over- or under-scheduling penalty.

Bonneville considered the possibility of sub-allocating the CAISO's area load forecast to load serving entities and itself, and require scheduling to that value. Such a policy would require unique tariff language and the exploration of consequences (most likely a penalty rate) for load serving entities that do not schedule to the required load forecast. However, Bonneville is unaware of any other EIM Entity that sub-allocates the CAISO's area load forecast, so there is no model or industry standard to look to for guidance.

Draft Decisions

Bonneville proposes not to adopt any sub-balancing authority area RS scheduling policies for the start of EIM participation. This is consistent with the practice of other EIM Entities. However, other EIM Entities do not have the magnitude of load serving entities or independent generation that the Bonneville balancing authority area does. More data, experience, and visibility in the EIM will help Bonneville evaluate how to address sub-balancing authority area objectives. As a result, once EIM operations start after a final decision is made whether to join the EIM, Bonneville would assess sub-balancing authority area performance to determine policy direction for future rate and tariff proceedings.

Issue II: Timing of Non-federal Generation Participation

EIM Entities allow generators within their balancing authority areas to participate in the EIM as participating resources upon completion of an application process. Non-federal generators located in the Bonneville balancing authority area will have the ability to participate in the EIM. Bonneville believes this will ultimately be a significant benefit for some of its customers that own flexible resources. However, participation requires certain operational and technical modifications and generator owners must sign agreements with the CAISO in order to submit bids and receive settlements.

Currently, Bonneville is working with the CAISO on multiple system implementation issues that are required to start up EIM participation for the balancing authority area. Resolving the system implementation issues related to allowing non-federal generators to participate, in addition to the work required to go-live, would add a significant layer of complexity. Bonneville consulted with the CAISO on the implementation requirements for non-federal participation, and the CAISO suggested that Bonneville delay allowing non-federal participation for some period of time after the EIM go-live date. The CAISO noted that implementing the EIM requires a very large amount of configuration, data preparation, registrations, business process changes, system development, integration and testing that must be carried out in a tightly coordinated fashion. Bonneville is unaware of any other EIM entity that enabled third-party participating resources at the outset.

Bonneville is in favor of non-federal generators participating in the EIM. However, the complexity and technical challenges—resulting from Bonneville's size, number of adjacent EIM entities, number of interchanges, and other factors—will be complex enough without enabling

non-federal generator participation. Bonneville does not believe it is feasible to tackle the issue at this time.

Draft Decision

Bonneville proposes to delay non-federal resource participation for six months after the EIM go-live date if Bonneville decides to join the EIM, in order to give Bonneville and the CAISO adequate time and resources to address operational complications.

Issue III: Metering Requirements

Bonneville metering specifications should be equivalent to the CAISO's requirements in order to enable accurate settlements. After further examination of Bonneville's metering specifications and the CAISO's requirements, Bonneville does not believe any further action is necessary for either generators or load in the balancing authority area.

Generators and load in Bonneville's balancing authority area should already meet Bonneville's current metering technical standards, as documented in STD-000001 "Technical Requirements for Interconnection" and STD-DC-000005 "Meter Application Guide." These requirements are sufficient for EIM use. Therefore, as long as generators and load have met Bonneville's metering technical standards, no further action is required.

Draft Decision

Bonneville does not propose any new metering requirements to participate in the EIM.

Issue IV: EIM Losses

The EIM does not provide system or balancing authority area losses, but considers losses when ensuring each balancing authority area is balanced prior to the hour as part of the base scheduling and Resource Sufficiency (RS) processes. The EIM also takes into consideration marginal, or incremental/decremental, losses that result from market awards and dispatches in the process of ensuring each EIM balancing authority area is balanced. In order to ensure proper settlement, Bonneville must provide an EIM loss factor to CAISO in order for the CAISO to establish a Load Base Schedule (LBS). The LBS is used as a reference for the determination of load Uninstructed Imbalance Energy (UIE), as well as the Unaccounted for Energy (UFE) charge code and the Real Time Imbalance Energy Offset (RTIEO) neutrality charge code.

While the settlement of UIE, UFE and RTIEO will be discussed as part of the TC-22 and BP-22 proceedings, the net settlement of UIE, UFE, and RTIEO does not materially change based on losses. Therefore, Bonneville will calculate the loss factor to provide to the CAISO, but there is no cost allocation decision to make regarding losses.

EIM losses are separate and distinct from transmission losses. Issues related to transmission losses will be decided in the BP-22 and TC-22 proceedings.

Draft Decision

Bonneville will determine the loss percentage used by the EIM as an internal implementation issue if Bonneville decides to join the EIM.

CONCLUSION

Bonneville appreciates the participation and effort of stakeholders in the Phase III process and recognizes the time spent in workshops listening to questions and concerns will lead to a good foundation for the upcoming rate and tariff proceedings, and better overall decisions. As discussed above, please provide comments on issues described in this Phase III proposal.