

December 8, 2017

Via Email (techforum@bpa.gov)

U.S. Department of Energy
Bonneville Power Administration
Transmission Services

Re: Comments of Avangrid Renewables, LLC, Avista Corporation, Idaho Power Company, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc. on BPA Real Power Losses

Avangrid Renewables, LLC, Avista Corporation, Idaho Power Company, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc. (“Commenting Parties”) hereby comment on BPA real power losses in the BPA Transmission Business Model (“TBM”) and Pro Forma/Industry Standard Gap Analysis (“PFGA”) process.¹

1. Summary Response to BPA Questions

BPA has posted Questions For Transmission Business Model/Pro Forma Gap Analysis Comment Period Updated November 1, 2017 (“BPA November 1 Questions”), which include the following with respect to real power losses:

1. From a customer perspective, what are the barriers to making the election to pay back transmission losses financially rather than in-kind?
2. What are the perceived barriers to using concurrent losses?

A summary response to questions posed is as follows:

- (i) Barriers to electing financial settlement of losses include (i) the current BPA rate for financially settled losses, which is unreasonably high, and (ii) the absence of assurances that the BPA rate for financially settled losses will be set (and maintained) in a transparent manner at a cost-based level that is no higher than the cost of physical returns. In the absence of such assurances, physical returns must continue to be a customer option.

¹ See also the October 4, 2017 Comments of Avangrid Renewables, LLC, Avista Corporation, Idaho Power Company, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc. on BPA Real Power Losses (“October 4 Losses Comments”), which appear at the following link: <https://www.bpa.gov/transmission/CustomerInvolvement/TransmissionBusinessModel/Documents/avangrid-avista-idaho-pge-pse-100417-comments-losses.pdf>. These December 8, 2017 comments are in addition to--and do not replace or supersede--the October 4 Losses Comments.

- (ii) Barriers to using concurrent losses include the fact that BPA has not yet developed or discussed the operational details of concurrent losses. Accordingly, the benefits and detriments to BPA and BPA's customers from concurrent loss returns cannot be assessed at this time.

See also the comments below.

2. BPA Should Provide Customers with Options for Loss Returns

a. BPA Should Not Limit Loss Return Settlement Methods to Financial Settlement Only

BPA's September 20 presentation on Real Power Losses at page 4 indicates that BPA is going to explore limiting loss return settlement methods to financial only settled losses. Commenting Parties do not support this limited approach, and instead encourage BPA to continue to provide transmission customers with the options to financially settle losses or to make in-kind return of losses. By continuing to allow customers to make in-kind returns, BPA transmission customers can mitigate any negative impacts from unreasonably high financial settlement rates established by BPA.

b. BPA Should Consider Providing Customers the Option of Concurrent Loss Returns

BPA's September 20 presentation on Real Power Losses at page 5 indicates that BPA is going to explore concurrent loss return. It may well be that concurrent loss returns should be a customer option, in addition to the financial settlement and in-kind return options. At this point, however, Commenting Parties are unable to provide feedback on the benefits and costs of moving to concurrent loss return, because BPA has not yet developed or discussed the operational details of this approach. For example, Commenting Parties would like to know (i) whether concurrent loss returns reduce BPA's administrative costs and power costs with respect to losses, and (ii) the benefits and detriments to BPA's customers from concurrent loss returns. For example, if BPA were to expect each customer to apply the loss factor when it submits its schedules, this would likely create additional operational burdens on BPA transmission customers and third-party loss return providers, as well as an opportunity for human error.

3. The Current BPA Rate for Financially Settled Losses Is Unreasonably High and Should Be Revised

The current BPA financial loss settlement rate is the simple monthly average of Intercontinental Exchange (ICE) Mid-Columbia Electricity Price Index, Firm On Peak (excludes Sundays and NERC holidays) plus 15%.² This rate is unreasonably high and should be revised. The current rate unnecessarily acts as a disincentive for customers to elect financial returns. At the September 20 workshop, BPA indicated that staff working on this issue did not know the

² August 22 workshop BPA presentation at page 17. The presentation appears at <https://www.bpa.gov/Projects/Initiatives/Oversupply/Workshops/082217-Loss-Waiver-Workshop.pdf>

origination of the rate or the 15% adder, and that the current charge was developed over a decade ago and had not been revisited since then.

4. The Methodology for Establishing the BPA Rate for Settling Financial Losses Should Be Clarified

The methodology for establishing the BPA rate for financial settlements should be clarified. In particular, this rate should be cost based, and it appears that this rate may be appropriate for inclusion in BPA's section 7(i) rate processes. Further, BPA should explore contractual assurances regarding the rates to be charged for financial settlements. Such an approach could not only provide assurances to BPA's customers, but also provide stability in the form of loss returns elected by customers.

5. The Implications of a More Granular Loss Calculation Methodology Should Be Explored Before Increased Granularity Is Adopted

BPA's September 20 presentation on Real Power Losses at page 3 raises the question of whether BPA's losses should be calculated on a more granular basis (for instance, on a seasonal or daily basis). In order to provide feedback on these issues, Commenting Parties need to know (i) what the benefits and costs of increased granularity would be for BPA and its customers, (ii) how BPA would calculate the seasonal or daily loss factor, and (iii) what the assumptions would be behind a more granular methodology.

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Commenting Parties appreciate BPA's review of these comments and consideration of the recommendations contained herein. By return e-mail, please confirm BPA's receipt of these comments.