

Renewable Northwest Comments on BPA Transmission Business Model/Pro Forma Gap Analysis

Submitted via email to techforum@bpa.gov on December 8, 2017.

Renewable Northwest appreciates the opportunity to comment on BPA's Transmission Business Model and *Pro Forma* Gap Analysis. Renewable Northwest offers the following comments in an effort to improve BPA's evolving proposals moving forward. Renewable Northwest supports a new transmission business model that is more consistent with the *pro forma* OATT, more flexible to changing market conditions, utilizes modern transmission operational tools, and is more responsive to customer needs. For Renewable Northwest's interests, we support moving in this direction because we believe such reforms will enable a cleaner, more reliable, and more cost-effective energy future for the region. We also recognize that capturing these values is in BPA's long-term strategic business interest: providing more transmission products, attracting more customers, and using the existing infrastructure more efficiently. BPA Transmission has an opportunity to be a leader in moving the region in this direction and the region cannot achieve these goals without a modernized BPA transmission system.

Renewable Northwest reserves final judgment on many of the questions BPA is asking customers in this comment period because the issues and potential solutions are evolving along with BPA's transmission modernization effort. In an ideal world, BPA would first enable the new operational tools like the short-term ATC calculator and economic redispatch, analyze the data that comes along with those tools, and then engage customers in a grounded conversation about the policies and products that are both feasible for BPA to implement and desired by BPA's transmission customers. We support this approach and urge BPA to remain flexible as new tools and information become available. At the same time, we recognize that time is limited and many of the process and policy discussions must begin now. Renewable Northwest's members are also actively seeking transmission service today. Critical milestones for renewable energy incentives and mandates, and also coal plant retirements, are occurring nationally and within the region within the next two years. This is why it is also critical that BPA Transmission Services advance any near-term opportunities to increase the timely availability of new transmission service. We consider Conditional Firm, improved long-term and short-term ATC calculators and queue management reforms to be important places to focus in the near-term.

General Process Comments

RNW appreciates a mix of regularly scheduled higher-level monthly in person meetings and more focused periodic meetings on specific topics on an as needed basis. Monthly seems like a reasonable cadence for the larger in person meetings, but meetings could be canceled in advance if the need doesn't materialize that month. The Rates Hearing Room is appropriate for these larger meetings. The more focused topical meetings could be conducted through Webex and/or at smaller venues outside of BPA. RNW would be happy to host smaller group meetings on our core areas of interest, including but not limited to ancillary services, conditional firm, BPA's study process and queue management.

Ancillary Services Comments

At this time, Renewable Northwest cannot support moving the terms and conditions of ancillary services out of the rates process. This position is primarily based on the fact that BPA has not yet held sufficient discussions with customers on either the details of the new terms and conditions of ancillary services or how the rate case and OATT 212 processes will work together. We require more information on these topics in order for us to be able to fully weigh the pros and cons of separating the terms and conditions from the rates.

Assuming that BPA can reach agreement with customers on ancillary services terms and conditions that are consistent with or superior to *pro forma*, Renewable Northwest recognizes the benefits of solidly establishing the higher level terms and conditions in the OATT and leaving the biennial cost adjustments to the rate case process. That being said, BPA's ancillary services policies have historically established very strong connections between ancillary services rates and the terms and conditions (such as quality of service) associated with those services. Until more information is available about the new terms and conditions to be solidified in the OATT, Renewable Northwest is uncomfortable with divorcing them from the rate case process.

Renewable Northwest would be more comfortable with separating the terms and conditions from the rates in the future if BPA provided customers the option to trigger a 212 process simultaneously with the rate case. This option would protect customers against a situation where terms and conditions (including quality of service) are locked in though the 212 process, but rates are changing in a manner that is either not consistent with the established terms and conditions or makes customers reconsider their perspective on the terms and conditions. Renewable Northwest does not expect that this would require the 212 process to run through its full course every cycle. Parties can settle the 212 process at any stage, but giving customers the option to reconsider any connections between the rates and the terms and conditions would provide meaningful protections, especially as the region transitions into this new OATT paradigm.

Renewable Northwest also offers two high level comments that we believe are important to the ancillary services discussion. One, we view the symmetry between the Generator Imbalance service and the Energy Imbalance service embedded in the *pro forma* OATT as a critical component of both schedules. As such, we believe BPA should approach discussions about these two services in tandem. Second, the provision of ancillary services in the NW is currently undergoing a rapid pace of change with the expansion of the EIM and other factors. As such, we are very cautious about cementing ancillary services policies into BPA's new OATT without a robust discussion about what the future of BPA's ancillary services could and should look like.

In short, Renewable Northwest would appreciate seeing the proposed terms and conditions before we support a clean separation of the rates and the ancillary services terms and conditions. As a starting point, RNW suggests that BPA begin with the *pro forma* OATT approach to ancillary services, including Schedule 9 and Schedule 4 and FERC-approved examples of Schedule 3A/10, and work with customers to establish the best terms and conditions for the evolving market conditions in the Northwest.

Available Transmission Capability Comments

Renewable Northwest supports providing customers with information about the frequency and duration of congestion risk associated with their TSR. This information should be based on more realistic assumptions, including projections based off of observed flows. We also support the development of an automated power-flow tool.

Hourly-Firm Comments

Looking into the future, Renewable Northwest sees a trend toward an increasingly dynamic grid that will value short-term flexible transmission products that are dependable and marketable, not only within BPA's network but also over BPA's interties that connect to highly flexible resources to the north and low cost variable resources to the south. Renewable Northwest recommends that BPA consider this broader context and what it means for customer demands and BPA's own strategic interests before making wholesale changes to the hourly-firm product.

Renewable Northwest does support a reexamination of the current design of the hourly-firm product and encourages BPA to continue to work with customers to make improvements to that product and/or develop new products that can provide reliable and flexible short-term transmission service. Renewable Northwest does not at this time support eliminating the hourly firm product outright because this could have a significant and abrupt impact on the market. We do appreciate BPA's need to rationalize the use of the hourly-firm product in order to be able to plan and operate the system efficiently and to be able to maximize longer-term transmission offers. That being said, the problems BPA has identified related to hourly-firm are also influenced by other factors: the

accuracy of BPA's methodology for calculating hourly-firm ATC; the "unlimited" offers of hourly-firm; the curtailment priority of hourly-firm; and, BPA's redirect policy. RNW supports working with customers to first address these related aspects of the larger problem, and other options, instead of eliminating hourly-firm entirely.

One specific possible impact of eliminating hourly-firm that Renewable Northwest is concerned about is customers having no other option but to rely more on non-firm transmission service. Power sales using non-firm transmission require the receiving Balancing Area to hold additional reserves, which—especially for variable renewable energy—are partially duplicative of the balancing reserves held for integrating the renewable resource by the host Balancing Area.

Renewable Northwest does support BPA working with customers to explore the design of a shaped daily-firm transmission product that includes redirect capability. We are also interested in how this product, or a similar diurnal transmission product, could be designed to support the transmission of solar energy resources, both long-term firm and short-term. Such a product could provide BPA with much more commercial certainty about the utilization of transmission associated with solar resources and could allow BPA to sell more firm off-peak transmission.

The attributes of any new short-term product that our members are interested in are an inventory that is as accurate and reliable as possible and a product that provides as much hourly granularity as possible. Sub-hourly transmission products should also be considered, especially over the interties that connect to sub-hourly markets.

Lastly, at the same time that we are considering the design of new short-term products, Renewable Northwest encourages BPA to also begin discussions with customers about how the inventory of any new products will be marketed to customers.

Network Integration Transmission Service Comments

Renewable Northwest takes no position on how BPA chooses to manage NT customer resource forecasts, but we do feel strongly that if BPA is encumbering ATC for future NT resources it should be treated consistently and transparently in BPA's rate making process. If BPA is holding out transmission for prospective NT resources, those transmission costs should be allocated to NT service. Similarly, BPA is considering requiring PTP transmission customers to submit source and sink information when they submit their TSR (see comments below), but would allow NT customers to encumber transmission for multiple resource options (multiple PORs). If this is correct, Renewable Northwest is concerned about the comparability of these two policies.

Study Process and Queue Management Comments

Renewable Northwest encourages BPA to broaden the conversation about regional transmission planning and to better coordinated with regional resource planners to develop high-level transmission scenario assessments. These higher-level transmission assessments should be informed by the Power Council, regional IRPs and RFPs, transmission queues from Northwest and neighboring transmission providers, economic development offices and BPA's TSEP process. These assessments would provide invaluable information about the transmission impacts/needs associated with potential future load and resource decisions and would inform the transmission asset investment decisions (TSEP, etc.) and the IRP and RFP processes occurring within the region. One specific suggestion is for BPA to have dedicated staff follow the utility IRP and RFPs.

Renewable Northwest supports BPA efforts to create a "repeatable and consistent study process" that provides customers with timely answers to their transmission service requests. We also support the development of more tools than "build." In our view, advancing both of these goals will make many of the other queue management challenges BPA transmission is facing much easier to address.

Until BPA can provide customers with a repeatable and timely study process that recognizes the resource procurement process and timeline in some manner (as described further below), Renewable Northwest cannot support requiring source and sink information at the time a customer submits a TSR.

BPA's planning process and queue management must work for all of its Transmission Customers, including IPPs. The BPA TSEP is a sound model for pooling and confirming the necessary customer commitments to decrease the risk associated with new transmission investments. However, the implementation of the TSEP needs to be more dependable and timely. BPA's planning processes should be designed to help address the chicken-and-egg problem that occurs when a prospective generation resource is required to simultaneously obtain both a transmission service agreement and a financeable off-take agreement: BPA wants transmission customers to show a long-term contract with a load serving entity; utilities and state regulators require generator bids to show how their project will be transmitted to the load center before a long-term contract can be awarded. Requiring sink information at the earliest stage of an IPP's efforts to obtain transmission service without any consideration for where that IPP's project may be with respect to securing an off-take agreement will only serve to exacerbate the chicken-and-egg transmission issues in the Northwest.

Finding alternative policies that work for both BPA and IPPs will help with the marketing and greater utilization of BPA's transmission system and will bring in new revenues to the transmission business line.

One option to consider is allowing generators to submit TSRs with a market hub as a sink and off-takers to submit TSRs with a market hub as the source. BPA

could then run the cluster study on the aggregated TSRs to assess the collective system impacts and needs.

Another option is to allow transmission customers to submit TSRs and participate in the initial stages of the TSEP process with a market hub delivery point or multiple PODs. Once BPA's TSEP provides the customer some high-level plan of service options, the customer will be better positioned to secure off-take agreements and identify a specific and final POD. It is more reasonable for BPA to require transmission customers establish these details by the end of the TSEP, rather than the beginning.

Real Power Losses Comments

BPA's rate for settling losses financially (Mid-C peak plus 15%) is too high and should be revised. Renewable Northwest suggests BPA use the Powerdex hourly index for Mid-C. BPA should also consider suspending its negative pricing policy (refusal to pay negative prices) when that index is negative.

Renewable Northwest requests more information on how the concurrent physical loss return policy would work in practice. We are not aware of any other bi-lateral market where a concurrent losses policy is utilized and would appreciate more information about the details of this option and how it works in practice. Concurrent losses may well be an appropriate option for customers to consider along with the financial option, but more information is needed about how concurrent losses would work in practice. For example, are customers required to secure transmission service for returning real power losses under this approach? If the concurrent losses approach is advanced, Renewable Northwest encourages BPA to consider some flexibility for existing contracts, as it is likely that concurrent losses will not work for many of the power contracts that are already in place today.

Tariff Engagement Design Comments

Renewable Northwest is supportive of the 212 option but also believes it is important for BPA to at least give customers the option to trigger a 212 process when making any changes to its OATT and also during every rate case cycle (as discussed in the ancillary services comments above). If all parties agree the circumstances at that time do not warrant a full 212 process, then parties can settle the case. Renewable Northwest does not support the proposal to use a public notice and comment process to make tariff changes because it does not provide customers sufficient opportunity to comment and influence the establishment of an official administrative record.

Additional Comments:

Renewable Northwest would also like to comment in support of maintaining a Conditional Firm transmission product and establishing and marketing that inventory as soon as practicable. We encourage BPA to work with customers further to define the most useful terms and conditions for this product. At this time, our customers are most interested in this product as a “bridge” to firm service. We are interested to learn more about BPA’s vision of the Reassessment System Conditions Conditional Firm option. We are also interested in working with BPA to explain conditional firm transmission service to the Northwest public utility commissions that are evaluating transmission service options for utility procurement.

Finally, it is Renewable Northwest’s understanding that there was a large and a small generator interconnection procedural reform package that was developed and approved by BPA in 2012, but was never implemented because a tariff filing was needed to implement the reforms.¹ At the time, and subject to review, Renewable Northwest was supportive of many of the stated goals of these reforms, including: promoting flexibility, transparency and efficiency in interconnection; providing greater certainty to interconnection plans of service for both BPA and customers; achieving greater equity in the funding of shared facilities; promoting certainty in the schedules for the construction of interconnection and network facilities; and supporting the continued participation of small generating facilities in the interconnection process. Renewable Northwest requests that these reforms be included in the *pro forma* gap analysis discussion.

Thank you for the opportunity to comment.

Sincerely,

/S/

Cameron Yourkowski

Renewable Northwest

¹ <https://www.bpa.gov/transmission/Customervolvement/GIRI/Pages/default.aspx>