

October 4, 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, following up on the September 20, 2017, BPA Pro Forma Gap Analysis workshop discussions.¹

1. 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)

¹ It should also be noted that the comments below are intended to supplement the discussions at the September 20 workshop and do not substitute for the comments that are due to be submitted at the end of the workshops. This is particularly true in light of the limited information available on various BPA proposals and on how various proposals interact with and affect each other.

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. In addition, if BPA were to expect each customer to apply the loss factor when it submits its schedules, this might create additional operational burdens for customers, as well as an opportunity for human error.

2. 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 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.

3. The Methodology for Establishing the BPA Rate for Financial Settlements Should Be Clarified

The methodology for establishing the BPA rate for financial settlements should be clarified. In particular, 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.

4. 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 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.

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>