
Submitted via email to techforum@bpa.gov on March 30, 2021

RE: Comments in Response to March 16 BPA EIM Stakeholder Meeting

PPC appreciates the opportunity to comment on BPA’s Energy Imbalance Market (EIM) stakeholder process. These “implementation” workshops are an important part of BPA’s five-phase process in place to guide the agency’s decision on EIM participation. This process was designed largely through BPA’s response to customers’ requests for transparent engagement on the agency’s potential participation in the EIM. We understand conducting these workshops requires additional staff time to capture and communicate ongoing work and appreciate the dedication to continuing these engagements in the coming months. It will be critical that BPA continues to hold to its commitment for a comprehensive, thorough, and thoughtful assessment of participation – particularly as we near Phase V of this process.

All PPC members are statutory preference customers of BPA and represent over 90 percent of BPA’s Tier 1 sales. Overall, Northwest public power is the largest purchaser of BPA’s power products and services and is among the largest purchasers of BPA’s transmission products and services, funding nearly 70 percent of the agency’s total power and transmission costs. As BPA is a self-funding agency and covers its costs by selling its products and services, this means that PPC members will bear the majority of the impacts from participation in the EIM. As a representative for those that will bear the majority of the risk associated with EIM participation, we repeat our request that BPA perform a careful and thorough analysis of participation in making this decision.

In that spirit, PPC offers the initial comments on BPA’s March 16 BPA EIM stakeholder meeting.

Customer Impacts

PPC appreciates the summaries on customer impacts presented by BPA staff as part of the implementation meeting series. These summaries are helpful to confirm customers’ understanding of issues discussed to date and to pull together outcomes from multiple processes providing a more holistic overview of anticipated impacts.

Regarding EIM Settlements and Settlements Training, our members are concerned with BPA’s proposal to delay additional engagement until the June Workshop, especially given the planned November parallel operations. Given the likelihood of significant impacts to customers’ existing Settlement systems, processes, and staff, we would encourage BPA to engage with customers as soon as is practicable.

GHG Accounting in EIM

PPC appreciates the thorough overview of the GHG accounting issue provided at the March 16 workshop. The impact of EIM participation generally, and specifically the impact of choosing to

“opt in” to dispatches to serve California load through the EIM, continues to be of significant interest to PPC members. BPA notes in its presentation that many of its customers will need to comply with Washington’s Clean Energy Transformation Act (CETA) in 2030, which gives the agency some time to explore these issues. PPC also has members who are working to achieve their own “green” goals on a much earlier timeframe, and changes to BPA’s system mix have meaningful impacts to those utilities’ ability to meet their own goals. Thus, BPA should not treat this as an issue than can wait to be resolved, and we appreciate the discussion of these impacts during the implementation process.

First and foremost, we urge BPA to continue its advocacy to the CAISO to improve this flawed accounting mechanism which has the potential to negatively impact the assumed carbon content for Asset Controlling Suppliers (ACS) outside of California, including BPA, through their EIM participation. We understand that this issue is intended to be addressed as part of the development of the proposed Extended Day-Ahead Market (EDAM). If the timeline for that initiative continues to slip, BPA should advocate for separately pursuing a fix for EIM GHG accounting.

Second, PPC appreciated the analysis presented at the March 16 workshop, but continues to have some questions around this analysis and the potential impacts to BPA’s system mix. BPA described the analysis shared on March 16 as a “worst case scenario” for increasing the carbon content of the system because the level of dispatches modeled would be difficult to achieve. It was not clear to PPC if this is actually a “worst case” scenario or whether the dispatches observed were just higher than the agency would expect on a typical year of participation. We would appreciate some additional clarification on the analysis including:

- Did this analysis include the potential for additional “deeming” of resources as dispatched to serve California load when they were already included in BPA’s base schedules to meet load served by BPA?
- If this analysis is a “worst case” for impacts to BPA’s single system mix, does that mean it is also a “best case” from a perspective of the anticipated revenues (due to the high level of dispatches assumed)?
- How would changes in the premium received through the GHG adder impact this analysis? Does BPA anticipate any changes in this premium as participation in the EIM expands?
- What is the confidence level of the results of this study? Does this analysis adequately cover the range of risk for impacts to BPA’s system mix?
- If this analysis does not cover the full range or risk, which risks are not being modeled and how might those be mitigated by BPA?

Given that BPA’s participation in the EIM will have a direct impact on the carbon emissions assigned to its preference customers’ power supply, the agency should agree to some ongoing engagement with customers on these impacts, including the impacts of “opting in” to direct sales to California through the EIM. This ongoing discussion should include commitments to:

- Work with customers to identify an acceptable threshold for increases to the carbon content of BPA’s system.
- Conduct regular analysis and report-outs on the impact of EIM participation and direct sales into California through participation on BPA’s system mix.
- Work with customers during the rate period (not just in advance of BP-24) to determine if a change in approach is necessary.

Regular Monitoring and Reporting on EIM Performance

During the TC/BP/EIM process, PPC repeatedly advocated for regular monitoring and reporting if BPA were to join the EIM. We reiterate our request that BPA make a commitment to regularly monitor and report to customers on aspects of its EIM participation for the first two years after it goes live. BPA should work with customers to develop a regular reporting structure on the impacts of the agency’s participation in the EIM on power and transmission rates and services. PPC’s request has focused on a quarterly review of specific aspects of BPA participation, but we believe that this request can be improved and refined through a joint customer and BPA effort to develop an assessment and reporting structure going forward. We ask that development of this process be included on an upcoming EIM implementation workshop agenda.

Phase V Decision Process

The five-phase decision process was designed based on extensive collaboration between BPA and customers to best position the region to assess whether BPA’s participation in the EIM would be beneficial for the agency and its customers. Our understanding was that Phase V was intended to be a thoughtful assessment of BPA’s planned participation. The timing of this decision was intended to allow the agency and customers to contemplate whether the planned participation will be consistent with the principles established by BPA with updated information compared to the September 2019 Record of Decision on EIM Policy.

We understand there are time constraints to achieve BPA’s planned March 2022 go-live, but as currently proposed it is hard to anticipate that the Phase V process will be anything more than a “check the box” exercise. The CAISO implementation requirements have reduced the anticipated time for customers to comment on BPA’s proposal significantly compared to what was proposed in the September 2019 ROD. Even if all of BPA’s positions were known in advance of the issuance of the draft Phase V Close Out letter, nineteen days is a quick turnaround for stakeholders to respond to what has been a lengthy process. In order to make this process meaningful it is critical that BPA be extremely transparent as it can during the planned spring and summer workshops.

Business Case Update

One area of particular concern for PPC is BPA’s business case for participation. BPA testimony in the BP-22 rate case significantly recharacterized the results of the E3 study benefits which were used to support the September 2019 Record of Decision on the EIM. The testimony calls into question the confidence that the agency has in the business case produced to support its

September 2019 Record of Decision. While the lack of anticipated benefits during the BP-22 rate period due to “immature” participation is troubling, perhaps more disconcerting is the absence of any information on when BPA would expect to achieve the type of “mature” participation that is modeled in the E3 cost-benefit study. An assessment of this business case and an understanding of the level of benefits that BPA actually expects to realize through participation in the EIM is a critical component of Phase V.

PPC believes an update is likely needed based on BPA’s confidence in the existing cost-benefit estimates. There are several indications that BPA does not have high confidence in the previously shared results. As stated above, the agency did not utilize this analysis in BP-22 either in full or at a significant discount to account for “immature” participation. Additionally, in the GHG discussions on March 16, BPA referred to the analysis as “worst case” scenario and provided reasons that this level of dispatches modeled in the E3 study would not be achieved.

BPA is clearly reluctant to update its business case for its EIM participation stating that it will only update the business case if changes are “reasonably expected to change the business decision.” This is problematic, as the outcome of studying certain changes cannot be known in advance of studying them. It is also problematic as BPA should be making its decision on participation based on the best information available – by not updating the business case, the agency does not allow itself to do so. Additionally, not updating the cost-benefit analysis gives customers no meaningful understanding of the level of benefits that might realistically be achieved through EIM participation and likely sets the agency up for disappointing future performance compared to previously shared assessments.

PPC appreciates BPA’s prudence in attempting to save rate payers that cost of updating the study, however making a decision based on flawed analysis is much more costly. PPC suggests that BPA consider whether an alternate approach to the analysis may be more cost effective to perform. We also recommend that BPA begin scoping such an analysis soon. We understand there are potential *ex parte* issues, but suggest that those be addressed through publicly noticed meetings. If the agency delays its decision about updating its business case until July as currently proposed, it will give customers very little time to respond and BPA very little time to conduct updated analysis. The timeline as currently proposed indicates that no meaningful update of the analysis will be conducted.

Recommended Changes to Phase V Process

PPC recommends several additions to the scope of the proposed ROD for Phase V. First, we request that BPA address whether the events of last summer, subsequent root cause analysis, or any of the proposed changes as part of the CAISO’s summer readiness initiative are expected to impact BPA’s business case or its evaluation of the governance and oversight in the EIM market. Additionally, we ask that BPA address whether any concerns about the current implementation of the Resource Sufficiency tests would cause the agency to reassess its participation. The agency has strongly advocated for changes to the RS test and we support staff’s efforts in this area. We would like to understand if this advocacy is ineffective or if the process is not

concluded at the time of BPA's decision, how that would impact the agency's assessment on EIM participation.

We also request that BPA review active CAISO initiatives and identify any "must have" policy changes in order for BPA to join the EIM and any areas of "key risk" where potential policy changes being discussed would cause the agency not to join. There are many CAISO initiatives in motion that would impact BPA's participation in the EIM and sales into the CAISO BAA more generally. The status of these discussions has changed significantly since the agency's September 2019 Record of Decision and we would like to understand if that has any impacts on BPA's assessment of EIM participation.

PPC also requests that potential reliability risks be specifically addressed in BPA's final Record of Decision as part of its evaluation of EIM participation, particularly in light of energy emergency alert events that occurs last summer. Reliability is, of course, of primary concern for PPC's members.

Conclusion

PPC would like to acknowledge the hard work of BPA staff preparing for the planned March 2022 go-live and on the customer engagement process. Agency staff has continued outreach to customers despite the challenges of working from home and remote meetings. This is much appreciated. We look forward to continued discussions with BPA on how to prepare the region for the agency's assessment on EIM participation to come later this year.