



VIA EMAIL

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**PPC Comments regarding BPA's Facilitation of
Participation in the California ISO's EIM**

Public Power Council (PPC) submits these comments in response to BPA's Tech Forum notice of April 4, 2016. PPC participated in BPA's process regarding Puget Sound Energy's (PSE's) request to use BPA Point-To-Point (PTP) service and Dynamic Transfer Capability (DTC) to participate in the California Independent System Operator's (CAISO) Energy Imbalance Market (EIM). We appreciate an opportunity to comment on the process.

BPA staff set out the principles for use of BPA transmission services to facilitate EIM participation in September 2015. These included what we regarded to be baseline requirements that BPA's ability to maintain reliability is not diminished, that BPA continues to provide transmission service consistent with the quality and reliability required by its OATT and any other agreements and obligations, and that BPA manages impacts on its own customers in EIM Balancing Authorities.¹ It is important for BPA to fully meet all facets of these general principles. BPA's Administrator committed, with regard to this process, to "develop a timeline for a public forum that allows ample time to analyze the issues, . . . so that [BPA] can make informed and well-founded decisions. I believe that we must develop a coherent set of policies on the use of federal transmission for intra-hour operations, considering the issues on an integrated basis rather than deal with these issues as they arise case-by-case."²

To that end, we feel strongly that a number of things must occur before BPA has a sound basis for making decisions. Before proceeding with testing and implementation of Puget Sound Energy's requests to use BPA transmission services and DTC to participate in the EIM, BPA must provide:

- a decision document that accurately captures BPA's decisions in this process as well as customers' specific issues and BPA's responses;
- a commitment to provide thorough and documented analysis of current and on-going DTC use and impacts on the system as set forth in more detail in these comments; and

¹ BPA, *CAISO EIM Update*, slide 22, Sept. 30, 2015.

² E Mainzer, Letter S. Corwin, June 26, 2015.

- a timeline for a public process that provides for the timely production of that analysis;

BPA's Development of a General Policy for Use of BPA Transmission Services and Facilities to Participate in the EIM

BPA laid out a process to evaluate PSE's request and to develop a policy on how to handle these requests pursuant to a generally applicable policy and not on a case-by-case basis. We support this approach. It is important to consider at all aspects of how the service is provided on a forward-looking basis to ensure that other customers do not suffer degradation of their services or discriminatory treatment. BPA's path to meet this goal has only been partially successful.

BPA recognized at the start of the process that it must construct a policy that would be scalable to future EIM participants and that would ensure that other customers were not negatively impacted. That policy must deal with the availability and use of PTP transmission service to interconnect the participant to the CAISO and other EIM entities. The second key question, however, is the availability and use of dynamic transfer capability (DTC) to enable 5-minute energy dispatches. The availability of DTC, terms of its use, BPA's ability to maintain reliable operations and the impact of DTC use on the federal system and operations are core issues in the development of a policy to replace case-by-case evaluations.

It is evident that much work needs to be done in these areas, particularly in regard to DTC. As that is the case, the process with regard to DTC use for EIM participation is not complete.

Status of Particular Questions in the Issues Log

Our review of the "issues log" indicates that several major issues are not fully resolved, including issues that may be resolved only for PSE but are not resolved for any future entrant.

- Issues 1 and 4: We conclude from the responses that short-term Available Transfer Capability (ATC) is impacted by use of DTC. The fact that these impacts are not unique is immaterial. More importantly, it raises questions of what are the impacts and how is BPA tracking the impacts to see if DTC use is restricting access to short-term DTC by other customers.
- Issue 3: BPA has made a decision and interpreted its tariff, which applies to all customers, but has failed to state the precise interpretation or the reasoning or other basis for its decision. Adherence to the legal requirements for agency decision-making cannot be reasonably assessed under the circumstances.
- Issue 6: The concern regarding the impact of EIM entrants on BPA's existing transfer service loads encompasses both the costs and quality of service. PPC

remains interested in BPA's continued ability to serve transfer loads that reside within the EIM Entities' service areas. All customers have an interest in the cost of this service because these costs are included in the BPA Power composite cost pool and paid by all BPA power customers. PPC is seeking additional clarification and detail in BPA's responses in its issues log for questions posed regarding transfer service.

- Issues 7, 9, 13 and 14: According to the responses in the issues log, these issues are expressly works in progress. As such, they cannot be considered resolved. We understand that BPA has examined the impact of PSE's federal transmission use and its impacts for EIM participation. We request that BPA detail those findings in its decision document along with its decision to move forward.

Additionally, the log includes instances in which we believe questions have been misconstrued or the responses in the issues log do not address the original questions.

- Issue 13: PPC expressly asked BPA to perform studies that would (a) establish a baseline of the impacts of current DTC use on FCRTS and FCRPS equipment, operations, and costs and (b) to continue to study and monitor the impacts of incremental DTC use for EIM participation. The question was not whether a study was viable. This is a request to study the use of equipment and effects on equipment and facilities caused by DTC use so that the effects of incremental use of federal equipment and resources can be tracked and understood. It is expressly also not a study of "reliability events." BPA staff has used reliability events regarding DTC use as a marker, the non-occurrence of which is implied to mean success. Reliability events can mean anything, however, from a rolling blackout to a violation of a NERC standard; these events are not a helpful indicator of whether the power or transmission system is stressed or being deployed in a way that could endanger the system or cause undue wear and tear on equipment or systems.
- Issue 14: In addition to the two studies referred to immediately above, PPC also requested an analysis of the current, short-term future, and long-term future needs for DTC to make deliveries of federal power to preference and other loads and to deliver reserves sold as ancillary and control area services. The purpose over time of this "inventory," or definition of the requirements of the federal marketing program, is to ensure that BPA can hold out network, and if needed California-Oregon Intertie (COI), DTC to meet those obligations; BPA should discuss with customers how it will make that assessment and holdout required DTC.

Next Steps

Integration of DTC Work into the Phase 2 Process – PPC is not asking BPA to delay PSE's initiation of EIM participation using BPA transmission services in order to complete the studies requested above. However, these studies are important to understand the impact of using DTC for EIM participation and if appropriate, to adjust

the rules or allocate costs to treat all customers equitably and ensure reliable and high-quality transmission services. BPA should acknowledge in writing that it must be able to address the effects of the expected incremental and current uses of DTC for EIM participation to ensure that other customers' transmission service is in no way degraded or impacted.

We understand that some of these questions will be addressed through Transmission Innovations Projects. These projects, however, are progressing on some timetable and in some process that is not integrated into the process to develop a durable and general policy for use of transmission and DTC for EIM participation. We strongly recommend that BPA draw together the various technical and system questions involved and bring them under a single authority for purposes of producing answers and solutions prior to the next application to use BPA transmission services for EIM participation.

Phase 2 Process – With regard to the timing and frequency of meetings in this second phase of the process, BPA staff is in the best position to assess how quickly work can be completed and discussed with customers. BPA should include in that process sufficient time to discuss and answer the remaining questions and provide the requested data. We would like a detailed description of the content of the phase 2 process and how the work on the analysis of DTC use and the development of tools will proceed on a timeline to be of use on future requests for DTC for EIM participation, and are happy to work with staff to develop a timeline and sequencing of analysis and issue resolution. The process should also discuss the new tools and/or methodologies for dynamic transfer limits, including tools or techniques that permit BPA to determine when it is getting close to the limits of the dynamic capability of the system. It is very important that decisions contemplated by the agency are being discussed and resolved in a public process and not a series of private conversations.

Decision Document for PSE's Use – As noted in the introduction to these comments, BPA first and foremost needs to produce a decision document that provides the basis for permitting PSE's use, and the nature of its use, of PTP transmission service and DTC to participate in the EIM. This task should be completed before PSE begins its participation in the EIM. A record is needed to guide future decisions and ensure non-discriminatory treatment and continued high-quality service to other customers. A highly generalized issues log is not a stand-in for a thoughtful statement of the issues, decisions and rationales. As part of public process it is important that BPA clearly communicate this information to its customers so that they can be assured that rules are being set and applied consistently.

Quarterly Assessments – PPC requests that BPA conduct a quarterly assessment after PSE begins its participation the EIM to report to its customers what's working well, what areas need improvement, and any unintended consequences or lessons learned. This is similar to the periodic updates by the CAISO, PacifiCorp and NV Energy after their go-live dates. We request that this cover operations and issues on BPA's system and as regards its service of transfer loads in any of the EIM Entities' service areas.

Thank you very much for the opportunity to comment on this process and the upcoming work on DTC availability, use and impacts. These matters are important to our members and we looking forward to working with you on these issues in the future.