

Submitted Electronically

September 3, 2020

John Hairston
Administrator, Bonneville Power Administration
Portland, OR 97232

RE: Draft BPA Letter on Participation in Western Resource Adequacy Program Phase 3A

Dear Administrator Hairston,

PPC is optimistic about the potential for benefits both regionally and for BPA customers resulting from a regional resource adequacy program. Whether these benefits can be realized for PPC members will be contingent on both the design of the program and how BPA implements its participation and facilitation of the program. PPC has been actively participating in stakeholder discussions on the development of the Western Resource Adequacy Program (WRAP) and on BPA's potential participation. We appreciate the opportunity to comment on BPA's decision on participating in the next phase of the WRAP.

PPC members will have several different roles in the WRAP as currently designed and based on BPA's current interpretation of its power contracts: some members have been actively participating in program design, some are considering direct participation in the program but need more information from both BPA and the NWPP to inform their decision, and some may have their load participate in the program based on BPA's decisions and are waiting on more information from BPA on how they will be impacted.

We are anxious to explore questions around RA participation with BPA in part so that we and our members can be well-informed and constructive stakeholders in the WRAP discussions. The initial outreach from BPA is a start, but much more is needed in advance of the agency participating in a binding program. We know that agency staff is currently working on studies to inform both the business case around BPA's participation and implementation details on how the agency could participate. As information becomes available, it will be critical for the agency to share that information and vet potential positions with customers. We acknowledge this will be a cyclical process as the program is still being developed, but discussions on many issues can begin now.

The rushed process to make a decision on BPA's participation in Phase 3A is a great example of why it is so important for BPA and customers to work collaboratively and efficiently to address outstanding issues to allow the agency to make an adequately informed and timely decision on its participation in Phase 3B, when that time comes.

Regional Discussion Offer Opportunities to BPA, Preference Customers

As mentioned above, PPC understands the potential benefits of developing a regional resource adequacy program. There is the potential for this program to be designed in a way that is beneficial for BPA and its preference customers, but if not designed appropriately, there is the risk for harm as well. It is critical for BPA to have a seat at the table designing the program and for the agency to collaborate with its preference customers to both inform its advocacy in program design and to determine how program participation will be implemented if BPA does participate.

Assessment of the impacts to both power and transmission will be critical and both sides of the business should be actively engaged in these discussions. We look forward to additional analysis supporting the business case for Power Services *and* Transmission Services. In addition to preparing analysis which considers the rate impacts to BPA's power products, the agency must also demonstrate that there are no negative impacts to the quality of transmission service it provides its customers as a result of this program.

PPC understands there have been discussions about the potential for the WRAP to serve as a basis for an expanded regional market. To the extent that the WRAP program may be expanded into a larger market, it will be crucial that BPA be a leader in those discussions and actively advocate for a market design that will enhance the value of its power products and services *as well as* ensure grid reliability and continuity of transmission operations for its customers. We will be looking for BPA executives and staff to take a leadership role in those discussions if they do progress and will firmly support the agency in that leadership role and collaboration with its preference customers.

Consistent with our recommendation made in response to BPA's proposed EIM participation, PPC encourages BPA to take a strategic look at its engagement in regional markets and programs, including identifying desired objectives of regional markets and programs, and criteria it would use to assess those opportunities. Similarly, PPC has developed principles and philosophies for development of regional markets and programs. PPC members will use these principles and philosophies to evaluate any regional markets or programs that are proposed. The PPC market principles and philosophies are attached to these comments.

Initial Discussions to Date Are Helpful, but Very Preliminary

PPC appreciates the information that has been provided as BPA begins evaluating the RA program both in the formal workshops and in other conversations with customers. So far, the information is very preliminary and does not provide customers sufficient details to fully assess BPA's participation, and for many customers, their own participation in the WRAP. The initial findings shared in the two workshops to date should be seen as a starting point for discussions and are in no way sufficient to inform BPA's participation in a binding program nor to make firm decisions on how participation would be implemented. Likewise, customers do not have sufficient information to provide input on BPA's participation in a binding program at this time and there are significant gaps in the needed information to be able to make an educated decision.

Ongoing Coordination with Customers Will Be Critical During Phase 3A

Perhaps in recognition of the limited information available so far, BPA notes that participation in Phase 3A will provide more information. It is critical that this information is shared with customers in a timely manner. We understand that elements of the program may change and timing for scoping of some issues may need to be adjusted based on that timing. At the same time, there are some issues, such as rate treatment, that can be further vetted now based on current information.

In its final Phase 3A decision letter, BPA must specifically commit to working with its preference customers to develop a *comprehensive* engagement plan during Phase 3A that will inform its Phase 3B decision. Developing a more specific engagement plan would allow the agency and the preference customers to work together to refine and identify additional outstanding issues. An important part of creating a consistent understanding between BPA and its preference customers will be developing a method for clearly communicating which issues have been resolved and the resulting outcomes. The “Customer Impact Summary” was helpful for this in the EIM context. A modified version of that summary could be helpful for this purpose. For each question/issue raised during Phase 3A, it would be helpful for the impact summary to include: a response to each question, a resolution to each outstanding issue - including specific impacts to customers, or, in the case of unanswered questions and outstanding issues, the timing and venue there that issue will be resolved.

PPC Conditional Support for BPA’s Participation in Phase 3A

Given the potential benefits of the WRAP, PPC wants to support BPA’s participation in the program to help maintain current momentum in program development. However, offering unconditional support at this time is not possible given the limited information on customer impacts that could result from BPA’s participation. Additionally, many PPC members are not able to participate in the program directly, either because of lack of choice or barriers to participation – which create further challenges for unconditional support. At the same time, PPC and our members understand the potential regional benefits from the proposed WRAP and the importance of BPA’s participation to gain more information and to influence program design in advance of a regional program with binding obligations. PPC has worked hard with our members and strategic partners to develop a path forward in this valuable effort.

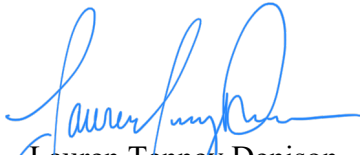
PPC offers conditional support for BPA’s participation in the non-binding program strictly as a means for BPA to gain more information about the design and implementation of the program, the potential impacts of the program to BPA customers, contracts, products, and rates. We offer this support despite outstanding questions and subject to the following conditions being included in BPA’s decision letter for Phase 3A. The agency must clearly and specifically:

- Agree that the questions developed by PPC, included as Appendix A of these comments, are material to BPA’s decision to participate in the RA program on a binding basis;
- Acknowledge that the agency has not yet addressed these questions and/or initial conclusions have not yet been fully vetted; and
- Commit to working with customers to resolve these questions in advance of taking on any binding obligations related to the program.

Conclusion

PPC shares the interest of BPA and others in the region in successfully developing a regional resource adequacy program that creates benefits for those impacted by the program. The concerns raised here are not intended to hinder the development of such a program; on the contrary, they are offered in the interest of preparing the agency and customers to provide helpful input during Phase 3A and to ready BPA and customers to make a timely decision on participation in a binding program in advance of the next phase. BPA's participation in Phase 3A must result in additional information that will be used to evaluate the potential participation in the binding phase of the program for BPA and its customers. We are committed to working with BPA to ensure this happens.

Thank you for the opportunity to comment,



Lauren Tenney Denison
Director, Market Policy & Grid Strategy
Public Power Council

Appendix A:

Questions That Must Be Addressed by BPA Prior to Participation in a Binding RA Program

Please note that these questions are not intended to be an exhaustive list of all issues that must be vetted by BPA and customers, but instead are indicative of the range and type of questions that must be addressed.

Topic	Questions
Statutory/ Preference	<ul style="list-style-type: none">• Are there any circumstances, either in the planning or operational stages, where, by virtue of participating in the RA program, a non-preference customer would have access to the Federal system capacity before a preference customer, or would be allocated a share of that capacity pro rata? Why or why not?<ul style="list-style-type: none">○ We would like to explore with BPA what would happen today vs. in the RA program under various scenarios.• Where would BPA capture its commitment to participation and associated responsibilities?• Does BPA have the legal authority to pay penalties or fines associated with its participation in WRAP and would it require any waiver of sovereign immunity?
Business Case/ Competitiveness	<ul style="list-style-type: none">• What is the problem statement for the WRAP?• What is the value proposition for BPA in the formation of a WRAP compared to other alternatives that would aim to address the agency's resource adequacy concerns?• Does BPA believe that participation will improve the competitiveness of its products and services? If so, how?• What are the risks (operational, cost exposure, regulatory, legal) of BPA's participation and how will BPA mitigate them? What are the risks of not participating?• What is the business case for 1) the binding forward showing aspect of the program and 2) the operational aspect of the program?<ul style="list-style-type: none">○ How does the business case change under different assumptions of BPA load obligations?• How will BPA keep members apprised of costs/benefits of the RA program on an ongoing basis?

Topic	Questions
BPA Products and Services	<ul style="list-style-type: none"> • Will BPA be providing new products to help facilitate the program? • How do the reserves that BPA is currently holding out for its products compare to the Planning Reserve Margin that is required under the RA program? <ul style="list-style-type: none"> ○ Will this difference result in any changes to the amount of capacity that BPA holds as reserves? • What specific contract language provides BPA the authority to participate in the RA program?
Rate Impacts	<ul style="list-style-type: none"> • Is BPA expected to need to make additional capacity purchases to be compliant with the program? <ul style="list-style-type: none"> ○ How does this expectation change over time? ○ How could this expectation be impacted by customers' decisions on post-2028 contracts? • How will the requirement to “hold out” capacity for others in the program impact BPA’s ability to make secondary sales? How is this mitigated through payments from the WRAP? • What additional costs/benefits does BPA anticipate for its customers if the agency participates? <ul style="list-style-type: none"> ○ How does this differ by product? ○ What is the anticipated rate treatment? ○ Does this change if BPA’s anticipated position (long vs. short) changes in the program? • How will BPA recover the costs associated with capacity held out to cover NLSLs?
Transmission	<ul style="list-style-type: none"> • How will use of transmission in the program impact existing BPA transmission contracts? • How will use of transmission in the program impact BPA’s transmission planning and operations - particularly if a trading hub or node is used to schedule capacity available to the program? <ul style="list-style-type: none"> ○ Does this differ on a day-ahead and real-time basis from impacts on a long-term basis? • Is the use of transmission to facilitate the program expected to trigger new transmission builds? How will costs be allocated if this occurs? • What type of reporting will be made available on the use of BPA’s transmission related to the WRAP?

Topic	Questions
Representation/ Governance	<ul style="list-style-type: none"> • How does BPA see its role as a member of the RA Participants Committee (RAPC) and what constituencies is BPA representing in this role? <ul style="list-style-type: none"> ○ What process will BPA have for representing these constituencies on the RAPC? • Would participation in a FERC jurisdictional program expand FERC's jurisdiction over any existing BPA rates or products? What are some of the key considerations for BPA in determining whether a FERC jurisdictional program would work for the agency?
Post 2028 Considerations	<ul style="list-style-type: none"> • Has BPA studied the impacts of participating in the program post 2028? Would BPA have sufficient capacity to cover its obligations under the program if all customers change to the load-following product? • How does the development of post-2028 product options impact BPA's participation in the RA program?

PPC Principles and Philosophies for Organized Markets

Purpose: PPC members are interested in expanding and emerging western markets as a tool to help serve their customers with the lowest cost, highest quality service possible. These philosophies and principles will be used to help PPC members assess a variety of market options including but not limited to: real-time energy imbalance markets, day-ahead markets, and resource adequacy programs.

PPC Organized Market Philosophies

What should organized markets do?

Well-functioning markets should emphasize:

- Efficiency
- Fairness
- Transparency
- Creating appropriate incentives

Organized markets should take resource agnostic approach:

- Markets that focus on the attributes of supply (instead of the specific resources) are better prepared to adapt to new technologies.
- Markets should send appropriate signals to incent optimum long-term investment.

Market design should start with clear market objectives:

- A clear definition of what the market trying to achieve as a whole, and the market should not focus on specific outcomes for specific participants
- Should avoid a patch work approach to meeting objectives (where adopting inefficient solutions are adopted to avoid larger market changes)

PPC Organized Market Principles

How should organized markets work?

1) Sends appropriate and transparent price signals

Transparent price signals incent desired behavior in market participants. Any interventions that distort transparent and accurate pricing are minimized.

2) Appropriately allocates & prices risk

Market design allocates risk, costs and accountability to those positioned to best manage those risks and provide efficient outcomes and sends appropriate price signals to inform risk management.

3) Cross-market integration/Co-optimization

To the greatest extent possible multiple products including energy, ancillary services, capacity, and emissions, should be co-optimized to increase efficiency. The design in different market timelines (real-time, day-ahead, longer-term) should work together to produce efficient outcomes.

4) Market modeling and financial accounting should closely resemble physical realities

System modeling that ignores locational differences or disconnects actual dispatches from market settlements creates inefficiencies, gives poor pricing signals, and causes cross subsidies.

5) Resources should be compensated for attributes that create value to the market on a technology neutral basis

If market optimization dispatches certain resources over others because of specific attributes that more efficiently meet market needs, the resource should be compensated for those attributes. These specific attributes must be clearly defined to allow the market to stay technology neutral.

6) Rules should be clear, durable and provide all participants timely information

Market participants must have a clear understanding and expectation of market rules to make decisions. Information must be made available to all participants equally to ensure an even playing field.

7) Equitably allocates benefits

Benefits should be allocated equitably among market participants.