

Submitted Electronically

November 3, 2022

John Hairston
Administrator, Bonneville Power Administration
Portland, OR 97232

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

Dear Administrator Hairston,

PPC appreciates the opportunity to comment on BPA's proposed participation in the Western Resource Adequacy Program (WRAP or the program). PPC members will interact with the program in several different ways:

- PPC members who are Slice and Block customers of Bonneville have the option of directly participating in the program and many have chosen to do so, either individually or as an aggregated group.
- PPC Load Following members are limited to participating through BPA, which has identified itself as their "Load Responsible Entity" and proposes to participate in the program on behalf of the load served by those utilities.
- BPA's decision to participate in WRAP could have significant impacts to all PPC members, who collectively fund 70% of BPA's total annual costs.
- Additionally, the agency's decision on participating in WRAP will have substantial impacts on the program itself given BPA's position as a significant marketer of generation, owner of transmission, and operator of the backbone of the NW grid – connecting many of the potential WRAP participants to each other, including providing service to the Mid-C hub which is a critical scheduling point in the operational program's current design.

PPC and our members have repeatedly indicated our significant commitment to making the WRAP a success. In our September 3, 2020 comments on BPA's proposed participation in Phase 3A of the WRAP program, PPC noted its cautious optimism about the WRAP stating, "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."¹ We further described the need to work together with BPA to answer outstanding questions during the Phase 3A engagement process, submitting several pages of outstanding questions and stating "[t]he concerns raised here are not intended to hinder the development of such a program; on the contrary, they

¹ PPC comments on Draft BPA Letter on Participation in Western Resource Adequacy Program Phase 3A, pg. 1

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.”²

Since BPA’s decision to participate in the non-binding phase of the WRAP, PPC has worked with BPA staff to explore the questions included in those comments and to understand the details of BPA’s potential participation. While great progress was made on those topics, and our interest in supporting the development and advancement of the WRAP remains, there are several outstanding issues which need to be addressed before BPA’s participation. Some of these issues can be resolved after BPA makes its decision about participation in the program. Other issues, specifically *how* BPA will implement its statutory obligations, must be addressed prior to BPA committing to the program. PPC can support BPA’s participation in the program if the agency works with PPC, preference customers, WPP and other WRAP participants to identify a clear solution to the statutory compliance issue by **December 5, 2022**.

As described in more detail below, BPA should commit to working with customers expeditiously to address all these outstanding issues so that it can begin its participation in the binding WRAP program. Ideally, BPA would be able to work with customers to resolve these issues in time to begin its binding participation early in the WRAP transition period.

We look forward to continued discussions with BPA, the Western Power Pool, and other potential WRAP participants to the extent that solutions to the issues identified by BPA require collaborative approaches among all participating entities.

In determining whether to support BPA’s binding participation in the WRAP, PPC considered the following issues:

- BPA’s ability to comply with its statutory obligations while participating in WRAP.
- The agency’s business case for WRAP participation.
- Impacts to New Large Single Load and Above High Water Mark load under the program.
- Other considerations for BPA’s entry into the binding program.
- BPA’s planned engagement with customers as part of its WRAP participation.

PPC would like to reiterate its support for advancing the program, which has been a success story in regional collaboration, and recognize that BPA’s participation is critical to program. We look forward to supporting BPA’s participation once it has been able to address outstanding questions. PPC is disappointed that the outstanding issues discussed in more below have not been more thoroughly vetted in advance of requiring customer comments and are hopeful that additional progress can be made quickly, with a solution to BPA’s need to meet its statutory requirements needed before BPA makes a commitment to participate in the WRAP on a binding basis.

BPA’s Compliance with its Statutory Obligations

PPC has consistently raised questions around how BPA would meet its statutory obligations in the program, particularly its statutory preference obligations to publicly-owned utilities in the Pacific Northwest. We raised this question early and often, even asking BPA to analyze and discuss specific

² *Id.*, page 4

“scenarios” to demonstrate how BPA would comply with statutory preference obligations in different aspects of the program. BPA staff worked from our initial scenario list to develop a very helpful analysis of how BPA would implement its participation on various program timelines: long-term planning, mid-term planning and short-term planning. In discussion of these scenarios, it became clear that in the long and mid-term time horizons BPA would be able to meet its statutory preference obligations through continuing to implement its planning and marketing practices as it does today. In the short-term, BPA staff had identified a scenario where potential changes would be needed to ensure that preference customers retained priority access for BPA’s capacity which is discussed in more detail below.

Based on the program design, entities with positive sharing calculations (meaning entities with surplus capacity in a given period who are then instructed to “holdback” capacity for other program participants) will be dispatched to meet the needs of entities with a negative sharing calculation (meaning those that may need access to program supply during that timeframe) on a pro-rata basis. Practically, this means that if BPA and another participant, Participant A, have a positive sharing calculation, and Participants B and C require deployments of that hold out, then BPA and Participant A will both deploy their capacity on a pro-rata basis to *both* Participant B and Participant C, regardless of whether B or C is a preference customer. Most of the time the practical result of this approach will have no impact on BPA’s ability to comply with statutory preference requirements – both Customer B and Customer C will have their needs met and will settle with BPA and Participant A at a price determined by the formula in the WRAP tariff. But in an edge case, where there is insufficient capacity to meet both Customer B’s and Customer C’s needs, and Customer B and Customer C are now “competing” for the same BPA capacity, the question of who will be given priority access to federal power in the allocation of BPA’s holdback comes into play. As BPA acknowledged in its October 19 draft letter, as preference customers, consumer-owned utilities have a right to purchase surplus power from BPA ahead of non-preference customers.³

To demonstrate this issue further, imagine a simplified example, where BPA is the only entity with holdout capacity available during the operational time period, and Participant B is a preference customer while Participant C is not. The collective need of Participant B and Participant C is greater than the BPA holdout. BPA does not have sufficient capacity to serve both Participant B’s and Participant C’s needs, and therefore, the capacity BPA does have available would be allocated pro rata between the two participants based on the program’s current rules – leaving the preference customer, Participant B, short while dispatching federal power to the competing non-preference customer, Participant C.

BPA acknowledged this potential outcome in the preference scenarios the agency analyzed and described working with WPP and other stakeholders to resolve this issue in accordance with the agency’s statutory obligations. In its April 13, 2022, presentation BPA unambiguously stated that a “BPA requirement for participation in WRAP” was for “WRAP to recognize Preference on any Holdback and/or Energy Deployment from BPA.” It further explained that “WPP is aware of Preference

³ BPA WRAP Draft Closeout Letter, page 24 (“As preference customers, the Slide and Block customers have a right to purchase surplus power from Bonneville ahead of non-preference customers whenever Bonneville indicates it is surplus. This is the case whether or not the Slice and Block customer has elected to join the WRAP.”).

requirement and requirement to be incorporated into the Operations Program” with additional detail on how that would be done as shown in the image below:⁴

Preschedule Day Hold Back Issued

- By becoming a WRAP participant, BPA obligates itself to requirements of the program
 - Meet and make available Forward Showing Capacity Requirement
 - Provide Holdback and Energy Deployment as assigned by Program Operator, due to Positive Sharing Calculation
- BPA requirement for participation in WRAP
 - WRAP to recognize Preference on any Holdback and/or Energy Deployment from BPA
- Recognition of Preference principle in WRAP
 - If ‘ALL’ Negative Sharing Calculation Holdback and/or Energy Deployments are met, Preference requirement does not need to be checked. All needs have been filled, and all settlements are the same regardless of who serves need
 - If any Negative Sharing Calculation Holdback and/or Energy Deployments is not being met, any Holdback or Energy Deployment from BPA must meet Preference requirement, Program Operator to assign all BPA Holdback and Energy Deployment to Preference entities first
- WPP is aware of Preference requirement and requirement to be incorporated into the Operations Program

Shortly after BPA’s last WRAP Phase 3A Engagement Workshop in September, PPC became aware that BPA’s stated solution, as envisioned and described at the April workshop, was deemed unworkable. PPC immediately voiced concerns to BPA and stressed the importance of finding a solution to this issue prior to customers being asked to comment on BPA’s binding participation in the WRAP. Based on discussions with BPA, PPC had understood the agency and WPP had identified an alternative approach to addressing this issue through WRAP business practices. This understanding seemed to be confirmed by BPA’s October 19 draft decision letter on WRAP participation which, once again, acknowledged the issue, and stated:

It is Bonneville’s understanding that the current design for the allocation of holdback in the Operations Program does not take into account a particular participant’s status as a preference customer. While Bonneville believes a preference customer’s needs for federal power can be met through bilateral arrangements, as described in the preceding paragraph, Bonneville will work with the WPP to ensure the Operations Program reflects statutory preference requirements with respect to holdback allocations. Under the current design, if a Slice/Block customer that participates in the program does not cure its deficit and instead relies on the Operations Program to serve its load, and if the program did not have enough holdback to serve all the deficit loads, the program does not currently ensure that Slice and Block customers would be given preference to federal power in the allocation of the holdback. Bonneville sees this as oversight design issue that can be corrected.

Bonneville will work with the WPP and the program operator to develop a business practice and/or protocol that identifies the Bonneville preference customer status of a participant. That status will be carried forward into the Operations Program so that, should the event described above occur, the program operator allocates the holdback consistent with statutory preference.⁵

PPC became aware three days before these comments were due, that this issue will not be addressed in WRAP business practices, and that discussion is ongoing on how to ensure that BPA can comply with

⁴ April 13 BPA WRAP Workshop, slide 70

⁵ BPA WRAP Draft Closeout Letter, page 25.

its statutory preference requirements with respect to BPA holdback allocations and energy dispatches. Unfortunately, as of the date of these comments, no sufficiently clear proposal has emerged.

PPC is optimistic there is a path forward which is workable for BPA, other WRAP participants, and BPA's preference customers; however, a better understanding of that solution is needed to support the agency's participation in Phase 3B of WRAP. PPC also understands that the scenario described above, where a preference customer would be denied access to needed supply under the program in favor of a non-preference customer, is rare. However, our concerns are as much foundational as they are practical because the manner in which BPA participates in WRAP will lay the basis for the agency's potential participation in other regional programs and markets. Ensuring that there is a way to work through issues regarding preference and BPA's other statutory obligations is of utmost importance to the success of the WRAP and all future market development endeavors.

In practice, this concern will most immediately impact current Slice and Block customers, which are responsible for their own load obligations under the program. This does not mean that other BPA preference customers are not concerned with this issue. We are at a critical time where BPA's customers are evaluating the products that they take from the agency and considering whether they may want to choose other potential service options in the future. Additionally, PPC and our members see BPA's participation in the WRAP as a meaningful foundation for how the agency might work with others in the region and participate in other future programs and markets. BPA's negotiated participation in the WRAP is also setting a precedent for how the agency will work together with its customers and other program participants to resolve potential challenges and ensure the BPA can participate, even if it means that BPA participates in a non-conforming manner.

Any disregard for ensuring that BPA can meet its preference obligations is concerning to all PPC members. If statutory preference is disregarded for customers taking Slice or Block product, it is unclear what reason Load Following customers would have for confidence in the integrity of their products. BPA has made the point that even today the agency could oversell the system in a way that violates preference or negatively impacts the Bonneville's ability to serve its load following customers. BPA has worked with customers to demonstrate that it undertakes prudent planning practices and acceptably balances risks associated with making surplus sales to ensure that it can continue to meet its statutory obligations to serve its preference customers. BPA disregarding statutory preference in the context of WRAP raises questions around BPA's commitment to continue to meet its statutory obligations to *all* preference customers as it explores future market and regional program opportunities. PPC understands that the agency is seeking additional opportunities to monetize its surplus for customer benefit, but if that surplus is not well defined or BPA is not adhering to its statutory obligations, any additional revenues will be little comfort to customers who are potentially exposed to reliability issues or exorbitant prices to replace oversold capacity.

While the scenario described above may potentially be a rare circumstance in WRAP operations, BPA cannot disregard the law and therefore, must plan for this and all other potential outcomes. Further, if as asserted, this situation would be rare, it is unclear why the WPP, other participants, or regulators would object to the narrow resolutions such as were previously committed to. PPC and our members are simply seeking a clearly defined mechanism for how BPA plans to implement or address its statutory obligations.

As part of resolving this issue with its customers, PPC expects that BPA will share its non-conforming participation agreement prior to filing that agreement with FERC. This will be a condition for PPC's support of BPA's participation in the binding phase of WRAP. PPC has been asking the agency to share that agreement since early on in this process and appreciates the agency's willingness to share that information with the customers whose interests it is representing in the program.

Additionally, PPC plans to work collaboratively and directly work with WPP and BPA to ensure that a potential solution that is acceptable for BPA, its preference customers, WPP and other WRAP participants is developed by December 5. A successful path forward will have to work for all those entities and PPC appreciates being directly involved in the conversation to avoid any potential future miscommunications.

BPA's Business Case for WRAP Participation

PPC agrees with BPA's assessment that there is the potential for significant qualitative benefits for both the agency and the region as a result of broad participation in WRAP. We understand that quantifying any other potential benefits, such as revenues resulting from sales made through the WRAP program, would be difficult and agree with BPA's conservative approach at this time to not unduly lean on those uncertain benefits to justify its potential participation in WRAP. Currently, the agency is relying on low anticipated costs of participation as a driver for proceeding with participation and seeking the qualitative benefits identified. While PPC does not oppose this evaluation, we encourage BPA to continue to analyze the impacts that WRAP participation may have on both BPA's costs and revenues, as well as operational and planning challenges and benefits. BPA should use this information to continue to assess its planned participation as entities gain experience with the program and as other related issues, such as a potential regional organized day-ahead market, continue to develop.

New Large Single Load and Above Rate Period High Water Mark Load in WRAP

Throughout the Phase 3A Engagement process, BPA fielded many questions regarding how New Large Single Loads (NLSLs) and Above High Water Mark Loads (AHWMLs) would be impacted by BPA's participation in WRAP. While BPA answered many of these questions, PPC members that serve these loads continue to be uncertain about costs and operational impacts that could result from BPA's participation. In the BP-24 settlement, a rate was adopted to incentivize load following customers using unspecified resources to serve their NLSL and AHWML to specify those resources seven months in advance so that BPA could be credited for those resources in its forward showing workbook. While PPC understands BPA's desire to incent this behavior and minimize the potential costs to its other customers, it is not clear to PPC that this settled-on rate accurately reflects the opportunity cost borne by BPA if entities do not identify specified resources. We request additional discussion on this prior to the next rate case.

Additionally, Bonneville clarified that NLSL customers have three options regarding their loads in the context of the program: 1) demonstrate sufficient specified resources by the seven-month showing deadline to cover the load, 2) pay BPA the rate associated with providing capacity to cover the load in the program, or 3) exclude the load from the program. NLSL entities still have questions about how options 1 and 3 would work (as well as the rate associated with option 2 as discussed above). For instance, what level of demonstrated capacity is sufficient to avoid charges from BPA? The load's P-50

forecast? Or P-50 plus the Planning Reserve Margin? If NLSL load is excluded from the program what does that mean operationally? Are there reliability impacts to the customer? We ask that BPA provide more specific details on how and when these questions will be answered.

Other Considerations for BPA's Entry into the Binding Program

In BPA's presentation on November 1, the agency shared its proposal to begin binding participation in the program in either 2027 or 2028. BPA identified several reasons for proposing to delay its binding participation, including:

- Availability of transmission between loads in SWEDE region and the FCRPS create risks BPA may incur costs in Forward Showing
- Uncertainty in details and requirements for Operations Program
- Identifying and implementing internal BPA system updates and/or business processes necessary to support participation in the binding program
- Alignment with timing for joining emerging regional markets⁶

PPC appreciates this information, but unfortunately, the level of detail provided did not make clear what specific issues needed to be addressed in each of these areas. PPC requests that in its final decision letter BPA clearly state the outstanding issues related to each of these bullets, including the planned process for customer outreach to determine how each consideration should impact the timing of BPA's potential participation as these issues develop.

BPA's Planned Engagement with Customers Leading Up to Its Binding Participation

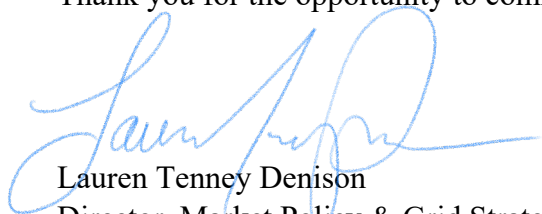
In BPA's draft decision letter, the agency is proposing meeting twice a year with its customers. PPC appreciates Bonneville's commitment to meeting with its customers and recommends that more frequent touchpoints with customers would be beneficial. Specifically, we would recommend that BPA meet with customers both in advance of and soon after each binding season in the next several years. That would mean a minimum of four customer meetings per a year. On some of the major outstanding issues identified above, BPA should continue to work with impacted customers to ensure that they are kept apprised of developments and are able to provide feedback into BPA's planned participation approach. We look forward to additional discussions with BPA on how to balance staff workload with the need to keep customers adequately apprised of developments.

Conclusion

PPC appreciates BPA staff's efforts over the past year and recognizes significant progress in many areas. We look forward to working with agency staff, the WPP, and other WRAP participants as appropriate on outstanding issues so that BPA may be able to participate in the WRAP and meet its decision criteria as identified as part of this progress. In particular we expect to develop a planned solution for BPA's need to meet its statutory preference obligations while participating in the program by December 5 so that PPC members can confidently support BPA's decision to participate in the program.

⁶ BPA WRAP Workshop, November 1, 2022, slide 54

Thank you for the opportunity to comment,

A handwritten signature in blue ink, appearing to read 'Lauren Tenney Denison', with a large, stylized initial 'L' and 'D'.

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