

January 8, 2019

RE: December 12th, 2019 BPA TC-22, BP-22 and EIM Phase III Customer Workshop

Powerex submits the following comments with respect to items discussed at Bonneville's December 12th, 2019 TC-22, BP-22 and EIM Phase III Customer Workshop: i) Transmission Losses; ii) EIM Losses; and iii) EIM Charge Code Allocation.

i) Transmission Losses

Powerex appreciates the analysis undertaken and the information provided on in-kind return of Transmission Losses during the meeting. Powerex notes however that Bonneville's presentation focused exclusively on the challenges associated with in-kind return of losses, and did not address maintaining the in-kind option for customers and the benefits Bonneville may receive from in-kind return. The analysis also excluded a respective deep-dive into the pros and cons of financial losses. For example, Bonneville notes that the administrative burden of 1.4 FTE to administer in-kind return of losses, but the analysis does not compare this to the potential administrative burden of managing financial losses and the number of FTEs that would be required. The small cost of administrating the in-kind losses (including FTE and software) is relatively negligible in the context of Bonneville's total transmission revenue requirement.

Additionally, Bonneville's concerns regarding the under-collection of loss obligations could be mitigated through policy change, rather than elimination of the option. Bonneville's concern could be mitigated by introducing an appropriate financial framework that would charge a customer for the under delivery and may include an appropriate penalty for the under delivery.

Powerex reiterates its previous position that customers value the option of in-kind returns and customers should be able to choose between in-kind and financial loss returns. Bonneville should consider designing a financial loss return framework that could provide customers a reasonable alternative to in-kind return, as the existing financial loss return framework is financially punitive for customers. Powerex believes that customers should continue to have the ability to return losses in-kind, and that Bonneville should work with customers to design an alternative financial loss return option.

ii) EIM Losses

Powerex appreciates Bonneville's thorough review of EIM Losses and the key topics that must be considered. As Bonneville has identified, accounting for losses in the EIM is a complex topic that can impact the dispatch, pricing and settlement of Bonneville's EIM participation, and inaccuracies can lead to negative consequences for both Bonneville and its customers. For instance, inaccurate losses in the EIM can lead to erroneous market dispatches and additional energy imbalance charges for EIM participating resources that are deployed in response to those inaccurate losses. Furthermore, as Bonneville notes, loss assumptions impact multiple settlement charges codes such as UIE, UFE and RTIEO. Discrepancies in loss assumptions can lead to large uplift charges, reduced transparency, additional complexity in customer allocations, and an increased risk of settlement errors. For these reasons, Powerex supports Bonneville's continued careful approach in evaluating the most appropriate approach for EIM Losses.



While EIM Losses are an important subject that must be considered to enable Bonneville's EIM participation, Powerex does not believe that the EIM must fundamentally alter Bonneville's approach for calculating Transmission Losses associated with its OATT transmission service. As Bonneville noted in its presentation, the majority of transmission losses are accounted for prior to the EIM (and are thus reflected in EIM base schedules). Powerex believes that Bonneville continues to be best positioned to determine appropriate transmission loss percentages for OATT service, and should work with customers in determining and returning losses, as discussed above. This will allow Bonneville to reduce the risk of unintended consequences or undesirable cost shifts to transmission customers. Furthermore, Bonneville should carefully consider any future changes in loss assumptions that rely on EIM power flow modelling to avoid the negative consequences associated with inaccurate loss assumptions.

iii) EIM Charge Code Allocation

With respect to Bonneville rates, Powerex supports the principles of cost causation. That said, due to the complexity of EIM charge codes and settlements, Powerex generally agrees with the need for Bonneville to balance cost-causation and transparency with simplicity and administrative burden. Powerex encourages Bonneville to continue to carefully evaluate EIM cost allocation and work with customers to develop a fair and transparent process. It may be best to initially "take it slow," including potentially pursuing an interim approach of insulating customers from direct charges while experience is gained with the EIM and EIM charge codes.

Another critical consideration, that was not discussed in detail at the workshop, is ensuring that customers' existing OATT rights are fully respected and that customers maintain the ability to use their rights without facing new costs. This consideration is particularly important for Bonneville due to the number of third-party transmission customers that wheel through Bonneville's system. Powerex encourages Bonneville to continue to work with customers throughout the EIM evaluation process to identify how the EIM may impact customers' OATT rights and how Bonneville will ensure those rights are respected.

Sincerely,

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