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Bonneville Power Administration Comments on WSC Authority Discussion Paper

Additional submitted attachment is included below.



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Bonneville Power Administration Comments
Regional Grid Operator and Governance
Docket No.: 16-RGO-01
October 31, 2016

The Bonneville Power Administration (Bonneville) appreciates the opportunity to submit these comments on the October 7, 2016, “Potential Topics within the Primary Authority of the Western States Committee, Discussion Paper and Draft Proposal” (Discussion Paper) in the California Energy Commission’s (CEC) “Regional Grid Operator and Governance” proceeding.

Background

Bonneville is a federal power marketing administration within the United States of America, Department of Energy, and markets electric power from 31 federal hydroelectric projects and some non-federal projects in the Pacific Northwest. Whenever requested, Bonneville is statutorily obligated to sell at wholesale firm power to meet the net load requirements of certain utility customers in the Pacific Northwest. 16 U.S.C. § 832c; 16 U.S.C. § 839c(b). Bonneville serves the wholesale power requirements of many publicly-owned utilities located in PacifiCorp’s East and West Balancing Authority Areas (BAAs). Bonneville’s customer loads in the PacifiCorp East and West BAAs amount to about 650 megawatts (MW) of annual average load. Bonneville holds various transmission contracts to serve these customers over the PacifiCorp transmission system. In addition, Bonneville operates over 15,000 miles of high-voltage transmission lines in the Pacific Northwest and is a co-owner of, and path operator for, the PacifiCorp Northwest AC Intertie. Bonneville’s transmission system connects with every major utility in the Pacific Northwest, including Canada, as well as with California. As such, the outcome of this proceeding is of direct importance to Bonneville, its public utility customers, and transmission customers. Because a regional ISO will have significant interaction with Bonneville on many levels, Bonneville has participated in the development of the regional ISO governance proposal and Bonneville appreciates the fact that the principles recognize a role for the power marketing administrations as the development of the governance proposal moves forward.

Comments

Bonneville appreciates the opportunity to comment on the Discussion Paper. Bonneville is supportive of the Western States Committee (WSC) concept described in the Principles for Governance of a Regional ISO and believes that it is appropriate for the WSC to have primary approval authority over certain areas of the regional ISO policy. As contemplated in the governance principles, the WSC will be uniquely situated to hear and balance the various interests of the many states and other regional interests. Establishing primary approval authority for the WSC in certain areas of ISO policy should lead to collaboration, which results in policies that are potentially more acceptable to the broader region.

While Bonneville is supportive of the concept described in the Discussion Paper, Bonneville believes that the specific proposals for WSC primary approval authority are too narrow. For example, the discussion paper suggests that the WSC should have primary approval authority over only system-wide Planning Reserve Margin (PRM) used to establish system resource adequacy. Resource adequacy is an important element of the regional ISO design, and currently in one form or another, the states have primary jurisdiction over resource adequacy requirements. Bonneville agrees that resource

adequacy is an appropriate area for WSC primary approval authority. However, rather than limiting this authority to one specific aspect, PRM determination, the discussion of WSC primary approval authority should start by including all aspects of resource adequacy. From that vantage point, the discussion should proceed to determine whether there are certain aspects of resource adequacy policy that should be excluded from the WSC's authority. This broader initial approach aligns with the idea that the regional ISO governance proposal should recognize current state jurisdiction and not undermine state authority.

Similarly, the Discussion Paper provides a narrowly-focused role for the WSC over cost allocation decisions for policy-driven transmission projects. Bonneville agrees with the Discussion Paper's description of the WSC's role regarding policy-driven input during the study phase of the transmission planning process. However, Bonneville is concerned that limiting the WSC's primary authority to a particular subset of "policy-driven" transmission projects will exclude the WSC's involvement on important regional allocation questions. The WSC will bring a unique regional viewpoint to the cost allocation issues of transmission projects that span multiple sub-regions. Most importantly, the WSC can provide a forum for regional parties to discuss and resolve transmission cost allocation issues between regional entities before they become formal disputes. This perspective, however, will largely be lost if the WSC is artificially limited to a subset of projects that are deemed to be "policy driven" projects – a phrase that is undefined and unclear as to its meaning. Bonneville appreciates the objective the ISO is attempting to meet through its proposal. Classifying reliability and economic projects into neat, pre-determined categories with preassigned cost allocation methodologies should, in theory, help limit disputes over regional cost allocation questions. The reality, however, will likely be much more complicated, with almost all major new transmission projects involving reliability, policy and economic interests. Bonneville is concerned that definitional problems over the type of transmission projects subject to the WSC's authority will unnecessarily limit the effectiveness of the WSC, resulting in unneeded and avoidable disputes over cost allocation issues.

The better approach is to give the WSC primary approval authority over all cost allocation issues for projects that benefit more than one sub-region, regardless of whether these projects are driven by public-policy consideration. As the Discussion Paper recognizes, "the WSC may be the most effective vehicle for determining an appropriate and fair allocation of costs to the states within the regional system operator region." As with resource adequacy, providing the WSC with primary approval authority over the whole area of cost allocation, rather than a specifically defined item, should result in collaborative-based solutions that are more acceptable to the overall region.

As to consideration of other areas for WSC primary approval authority, it is instructive to see how other organized markets have approached similar issues. In the Southwest Power Pool, the Regional State Committee has responsibility for not only cost allocation issues, but is also responsible for approving Financial Transmission Right (FTRs) allocation policies and transition mechanisms for moving existing firm customers to equivalent FTRs.

Section 4.1.1 of the Discussion Paper requests stakeholder input on whether the WSC's advisory role should be broadly defined and whether there are specific areas where the WSC should be encouraged to provide advisory input. Bonneville believes the advisory role for the WSC should be defined broadly, as this will lead to more collaboration between the Regional ISO Board and the WSC. Regarding specific areas where the WSC should be encouraged to provide advisory input, Bonneville believes it is too early in the process to scope out specific areas in which the WSC should focus its advisory role. Bonneville is concerned that a list of focus areas developed at this time may be used to limit the WSC's advisory role in the future.

Section 4.1.2 seeks stakeholder comments on the need to expressly adopt the idea that participation in the WSC should not prevent the state from advocating for specific positions in stakeholder or FERC proceedings. Bonneville supports expressly calling this out in the principles and including this provision in the bylaws. Explicit recognition of this principle will help create an atmosphere in the WSC that supports candid and open discussion on the issues, rather than a venue to engage in positional negotiations. The spirit of collaboration is best served if it is understood up front that no

member will be bound by the WSC's findings and that the states retain their ability to pursue their own interests. This principle should apply to all members of the WSC.

Bonneville appreciates the opportunity to comment on the Discussion Paper.