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September 6, 2023

MEMORANDUM

TO: Council Members

FROM: Jennifer Light, Director of Power Planning

SUBJECT: Bonneville's Draft Policy for Provider of Choice (Post-2028) Contracts

BACKGROUND:

Presenter: Kim Thompson, VP NW Requirements Marketing, and Sarah Burczak, Policy Lead, Bonneville Power Administration

Summary: Kim and Sarah will present on the Draft Provider of Choice Policy, which is out for public comment until October 13. They will highlight the proposed contract term, net requirements definitions, allocation of power at the Tier 1 rate and options for meeting future load growth, approach to non-federal resources, and more. This is an opportunity for members to ask questions about the proposed policy to ensure a robust understanding in advance of submitting comments to Bonneville.

Relevance: The Provider of Choice process is working towards new long-term power contracts. Once final, the Provider of Choice policy will provide shape to the details of the contract negotiation and other elements of the post-2028 initiative. These decisions will ultimately dictate the direction of public power resource acquisition in the future.

Workplan: Coordinate with regional utilities on integrated resource planning and other activities relevant to the Council's planning efforts.

Background: [Provider of Choice](#) is Bonneville's name for the post-2028 contract negotiations and is part of Bonneville's broader Post-2028 Initiative. (Other processes under the Post-2028 Initiative include development of a rates methodology, residential exchange discussions, and conservation program design.) The current contracts, called Regional Dialogue contracts, began in 2008 and expire in 2028. In July of 2022, Bonneville released a Provider of Choice Concept Paper that launched the policy development to inform future product offerings.

Since then, Bonneville has worked with the region to refine its thinking, leading to the draft policy that was released in July 2023. This draft policy has evolved from the original concept paper to account for input shared throughout the workshop process. Bonneville currently has an open public comment period for the draft policy, which ends on October 13, 2023. Bonneville will finalize the policy by early 2024. This will then lead to contract development, with a goal of signed contracts by the end of 2025, well ahead of the start of power delivery in 2028.

The draft policy largely builds upon the current Regional Dialogue template. Bonneville is proposing to offer 19-year contracts to serve customers' net requirements and continue the tiered rate approach to pricing that power. Throughout the development of the draft policy, the region has engaged on several issues, including:

- **Net Requirements:** Bonneville is proposing to include a definition for both energy net requirements (consistent with the Regional Dialogue contracts) and peak net requirements. What is the most appropriate definition for this new element of peak net requirements?
- **Amount of Power Available at Tier 1 and Allocation of that Power:** Bonneville's existing system of hydropower and the Columbia Generating Station is not large enough to meet all current loads or future load growth. Should Bonneville acquire additional resources to increase the amount of power available at the Tier 1 rate? What is the most equitable approach for allocating this power to customers?
- **Non-Federal Resources:** Should Bonneville provide incentives for the development of non-federal resources (including those developed during the Regional Dialogue period)? If so, what is the best approach?
- **Carbon:** How can Bonneville support those utilities with carbon free mandates starting in 2045? (The proposed 19-year contract term is specifically intended to allow Bonneville and the region time to figure this out.)

Kim and Sarah will walk through several elements of the draft policy, touching on these topics and more.

More Info: The Provider of Choice draft policy, along with workshop materials and comments, are all available on Bonneville's website:
<https://www.bpa.gov/energy-and-services/power/provider-of-choice>



Provider of Choice Update to Northwest Power and Conservation Council

September 13, 2023

Kim Thompson, Vice President
Northwest Requirements Marketing

PROVIDER OF CHOICE

**POST
2028**



Provider of Choice At a Glance

Provider of Choice is Bonneville's process to design and offer replacement long-term power sales agreements, ahead of when the current long term "Regional Dialogue" contracts expire in 2028.

The draft **Provider of Choice Policy** was released in **July 2023**. The public comment period is open through October 13.

Provider of Choice Timeline

Public comment period on draft Policy

- Through October 13, 2023

Final Policy and record of decision

- Est'd February 2024

Policy implementation & contract development

- 2024 to Summer 2025
- Goal to execute contracts by late 2025

System readiness processes

- 2026 through 2028

Power deliveries start

- October 1, 2028

Public Engagements

Between April 2022 and April 2023, BPA held numerous public workshops to help inform development of a draft Provider of Choice Draft Policy.

Topics explored in depth included:

- Rate construct
- Acquisition of resources
- Net requirements
- Carbon



Draft Policy Overview

Long Term Contracts:

BPA will offer 19 year contracts; signed 2025, power delivery from FY2029 through FY2044.

Net Requirements:

Customer's net requirements are eligible for long-term BPA service. BPA will continue calculating annual energy net requirements and will calculate a peak net requirement.

Rate Methodology:

BPA will continue to tier its PF power rates. BPA will develop a rate methodology via a Public Rate Design Methodology (PRDM) process.

Overview (Cont'd)

Contract High Water Mark:

BPA will re-establish each customer's access to power at Tier 1 rates "CHWM"). BPA will adjust CHWM and sales available at Tier 1 for new small utilities, new public utilities, tribal annexation, DOE vitrification.

Sales Available at Tier 1 Rate:

BPA will offer a fixed amount of Tier 1 priced power up to 7,250 aMW. This will be from aggregating CHWM and, if needed to reach 7,250 aMW, with augmentation of up to 200 aMW.

Augmentation:

If Bonneville's firm load obligations exceed its firm resource capability, then Bonneville will acquire additional resources to meet that obligation. Bonneville will develop a resource acquisition strategy that leverages Bonneville's Resource Program

Overview (Cont'd)

Above Contract High Water Mark Service:

BPA will offer new options for serving AHWM loads: long-term Tier 2 and flexible options.

Non-federal Resources:

Customers may add non-federal generation to serve load:

- a) Generation <1MW
- b) Larger generation, aggregating to $\leq 5\text{MW}$ or 50% of CHWM
- c) AHWM load service

Overview (Cont'd)

Transfer Service:

BPA will retain Regional Dialogue contract approach for transfer service deliveries for PF-eligible loads.

Carbon:

Environmental attributes will be conveyed commensurate with customer's firm power purchases and rate elections. BPA cannot commit to 100% carbon free product at this time.

Rate Discounts:

BPA will continue the low-density discount and the irrigation rate discount. Details to be determined via PRDM.



Discussion

Formal Comment Period

- Please direct all formal comments to the BPA public comment page: [Public Comments \(bpa.gov\)](https://www.bpa.gov).
- Comments received via the public open comment process will be considered as part of the record of decision.
 - The open comment period will remain open through the end of the day on October 13, 2023.

Provider of Choice Contacts



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