

## **Comments of Invenergy LLC and Grays Harbor Energy Center Regarding Bonneville Power Administration's Dispatchable Energy Resources Balancing Service Rate**

Invenergy LLC ("Invenergy") and Grays Harbor Energy Center ("Grays Harbor" or "GH") appreciate the opportunity to provide comments to the Bonneville Power Administration ("BPA") regarding its proposed re-design of rates for Dispatchable Energy Resources Balancing Services ("DERBS"). The Grays Harbor Energy Center is located in Elma, Washington and is able to produce 620 megawatts ("MW") of power. The project is owned by Invenergy, an independent power producer ("IPP") that develops, owns, and operates power generation and energy storage facilities in North America and Europe. As an IPP, Invenergy, and GH by extension, do not operate under the regulated and vertically integrated utility business model, meaning that costs cannot be recovered from captive ratepayers. Instead, both entities rely on the market and contractual agreements to cover all expenses, including the DERBS rates at issue.

Invenergy and GH understand that BPA has experienced an under recovery of DERBS costs compared to its forecast over the past 4 years and that BPA is exploring revisions to the DERBS rate design to address this under recovery. We agree that in order for BPA to adequately recover DERBS costs a change is needed but that change should be consistent with long-held rate making principles. Not only must BPA be able to recover its prudently incurred costs, but these costs must be recovered in a way that provides efficient price signals to the cost causer. In addition, BPA's rate design should be done in such a way as to avoid rate shock.

Invenergy and GH were gratified to see that BPA continues to discuss additional rate design proposals as well as a possible settlement regarding DERBS charges but believes that BPA should (1) keep alternative #3 on the table; and (2) eliminate any rate redesign that relies on a generator's nameplate (alternatives #4 and #5). In addition, Invenergy and GH support maintaining the status quo rate design but slightly raising the total amount to be recovered such that BPA can adequately recover costs.

Alternative #3, which bills customers for DERBS based on the max hourly generation imbalance during the month would, according to BPA, more closely reflect cost causation given that large deviations are what drive the amount of reserves needed. It also provides generators with an incentive to match the schedule, which should drive a reduction of total deviations, a reduction in the amount of reserves needed by BPA and a reduction in the overall cost for DERBS when compared to other Alternatives. It is unclear to Invenergy and GH why this seemingly reasonable alternative was taken off the table in favor of rate design proposals based on generator nameplate. As BPA acknowledged at the August 30<sup>th</sup> DERBS Subcommittee meeting, a generator's nameplate does not correlate with the amount of reserves BPA is required to maintain in order to provide DERBS. Moreover, cost certainty benefits that could be gained from generator nameplate proposals can be provided by fixing, in advance for one full year, monthly amounts to be paid based on projected performance under the current rate design. Any under or over collection could be accounted for in the fixed monthly amounts to be charged in the following year. Invenergy and GH do not support, either through the BPA rate case or settlement negotiations, any rate design proposal that fails to reflect cost causation principles and fails to properly incent proper generator behavior (following BPA's signal as closely as possible). Alternatives #4 and #5 should be eliminated from consideration.

Invenergy and GH also support keeping the status quo rate design in place as it already aligns with long-held rate making principles. Based on our understanding from the August 30<sup>th</sup> DERBS subcommittee

meeting, all that is needed to improve cost recovery is to raise the total amount to be recovered from DERBS customers and for a few customers to upgrade or switch meters. Raising the amount to be recovered and fixing meter issues is a much more reasonable course of action than Alternatives #4 and #5 and is more likely to lead to settlement.

Thank you for your consideration of these comments.

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