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June 4, 2024

MEMORANDUM

TO: Council Members

FROM: Jennifer Light, Director of Power Planning

SUBJECT: Final Provider of Choice Policy and Other Post-2028 Updates

BACKGROUND:

Presenter: Kim Thompson, Vice President Requirements Marketing, Bonneville

Summary: Bonneville released the final Provider of Choice Policy and its associated Record of Decision in March 2024. Kim will walk through this final policy, highlighting important elements for the Council. Kim will also provide a brief overview of how this policy fits into the broader post-2028 conversation and the status of other related processes.

Relevance: The Provider of Choice process is working towards new long-term power sales contracts for the post-2028 period. Now final, the Provider of Choice Policy provides a framework for the details of contract negotiations. These contracts will ultimately dictate Bonneville's future obligations for serving load and related public power resource acquisition.

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 this initiative include the 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 2023, Bonneville released a draft policy for Provider of Choice. This draft policy was developed after many months of public workshops and other conversations. Bonneville solicited public comments on the draft policy. The Council [submitted comments](#) encouraging Bonneville to be proactive in facilitating and supporting the changes needed in the power system, send appropriate signals through its policies and contracts to encourage investment in new resources that most effectively and efficiently meet regional needs, and develop a robust solution that supports regional collaboration in the Western Resource Adequacy Program and future markets.

Bonneville released its final Provider of Choice Policy and related ROD on March 21, 2024. In this final policy, Bonneville made modifications and clarifications in response to comments received, while also affirming many other elements of the draft policy. Kim will provide an overview of the final policy elements for members.

Since releasing this final policy, Bonneville has hosted several public workshops delving into specific aspects of contract development. Bonneville is also engaging with the region on the rates design methodology for the post-2028 period, as well as other processes that will ultimately connect to and inform the post-2028 contracts (e.g. Resource Program development and day-ahead market participation exploration).

More Info: The Provider of Choice Policy and ROD are available on Bonneville's website: <https://www.bpa.gov/energy-and-services/power/provider-of-choice>.



Provider of Choice Final Policy & Record of Decision: Highlights

Kim Thompson, Vice President, Northwest Requirements Marketing

June 12, 2024

PROVIDER OF CHOICE POST **2028**

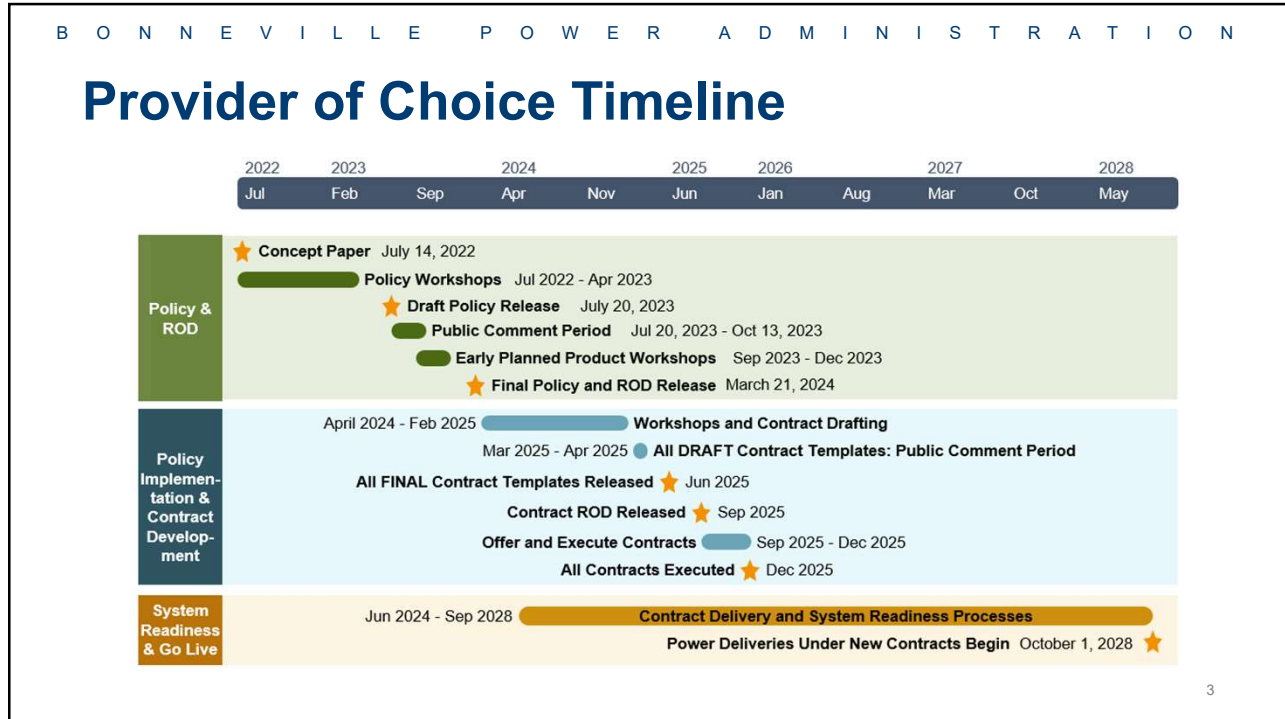


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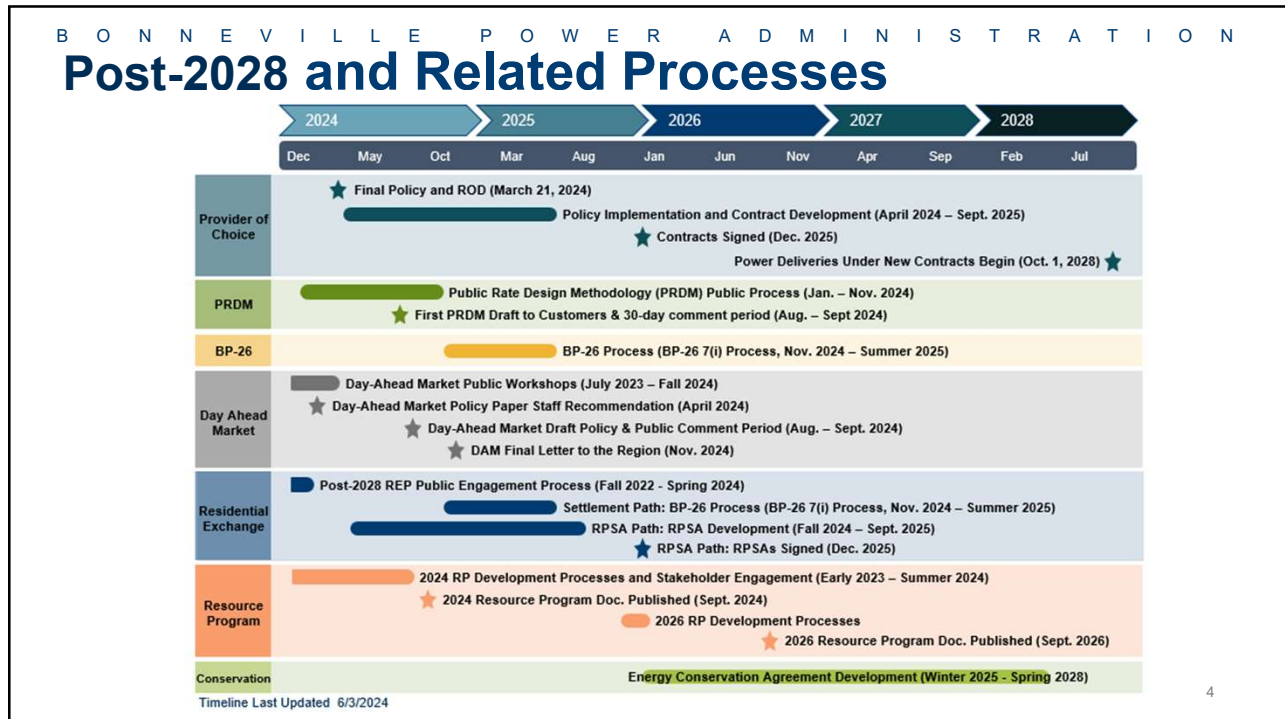


Timelines

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Provider of Choice Policy

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B O N N E V I L L E P O W E R A D M I N I S T R A T I O N

Provider of Choice Policy and ROD

The final Provider of Choice Policy and ROD is the culmination of a years-long regional engagement designed to shape Bonneville's long-term power sales policies and contracts following the **expiration of Regional Dialogue contracts in September 2028**.

During the **July 20 - October 13, 2023**, open public comment period on the draft policy, Bonneville received over 16,800 comments reflecting hundreds of unique issues. The ROD addresses these comments.

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Backdrop

Known changes coming to the post-2028 energy landscape include:

- Western Resource Adequacy Program
- Day-ahead Markets
- Regional Transmission Organization
- Decarbonization
- Load Growth



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Long Term Contracts

Long Term Contracts:

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

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Net Requirements

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.

Note: the PNR calculation was simplified as part of the final policy.

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PRDM

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.

The PRDM process is currently in flight.

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Contract High Water Marks

Contract High Water Marks:

BPA will re-establish each customer's access to power at Tier 1 rates ("CHWM").

CHWM calculation includes self-funded conservation*, new non-federal resources, load-growth and an economic adjustment ; includes a proportional share adjustment if initial aggregate CHWMs are less than 7,250 aMW.

Subsequent CHWM adjustments for CF/CT* load rebound, small utility or tribal* utility growth, new public utility formation, and DOE vitrification* load growth.

* Adjusted from draft policy

PROVIDER of CHOICE ^{POST} 2028

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Above CHWM Service

Above Contract High Water Mark Service:

Bonneville will offer customers the choice to serve Above-CHWM loads with Bonneville provided firm power, non-federal resources or a combination of the two.

PROVIDER of CHOICE ^{POST} 2028

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Resource Acquisition

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 consistent with the Council's plan, leveraging Bonneville's Resource Program.

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Non-Federal Resources

Non-federal Resources:

Customers may add non-federal generation to serve load:

- a) AHWM load service, consistent with elections
- b) Offsetting Tier 1 purchases when
 - a) Generation <1MW
 - b) Larger generation, aggregating to <= 5MW or 50% of CHWM

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Products

Bonneville's intent is to provide a suite of products and services that include Load Following, Block, and Slice/Block.

Bonneville refers to Block and Slice/Block as planned products.

Under the Load Following product, Bonneville will meet a customer's energy and peak net requirements.

In contrast, under planned products, Bonneville will meet a customer's energy and peak net requirements based on an annually forecast amount; the customer is responsible for meeting its actual hourly loads.

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Transfer Service

Transfer Service:

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

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Carbon

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.

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Rate Discounts

Rate Discounts:

BPA will continue the low-density discount and the irrigation rate discount. Details currently under discussion via PRDM.

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Resources

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- [April 9, 2024 Final Provider of Choice Policy presentation](#)
- [Provider of Choice Policy, March 2024](#)
- [Provider of Choice Policy Record of Decision, March 2024](#)

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Thank you.

Find Us:

Email: post2028@bpa.gov

Web: [Provider of Choice - Bonneville Power Administration \(bpa.gov\)](https://www.providerofchoice-bpa.gov)