

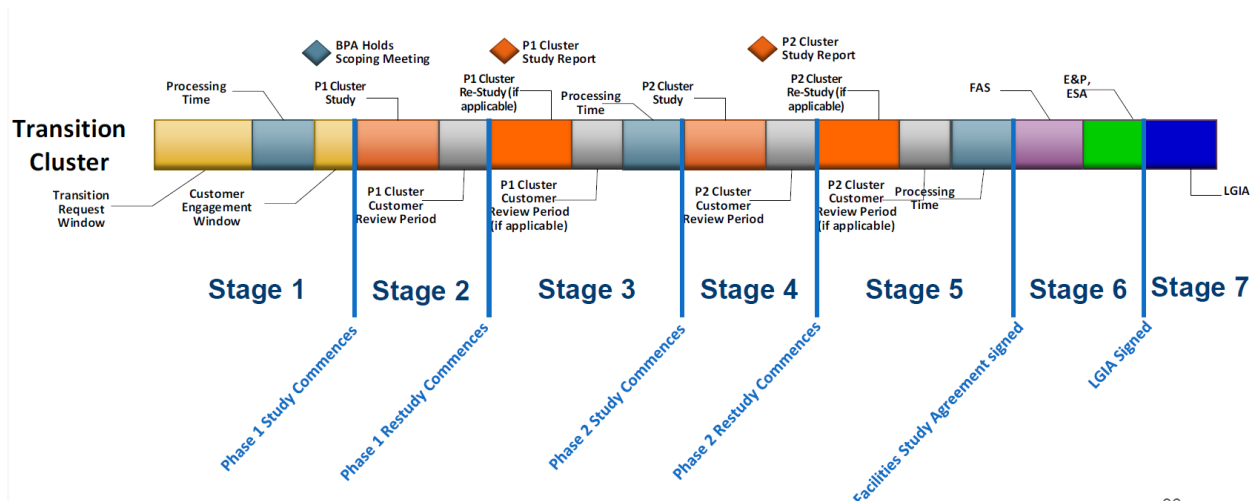
July 10, 2024

Bonneville Power Administration,

Savion would like to express our appreciation for BPA's engagement throughout BP/TC-26. As follow up to BPA's June 26th workshop, Savion offers the below feedback in response to BPA's presentation entitled "GI Reform – Withdrawal Penalties".

BPA's Multi-Stage Study Process:

BPA's proposed GI study framework consists of P1 and P2 Cluster Studies followed by individual Facility Studies for each GI request (see pg 28 of BPA's June 26th presentation). Though BPA refers to its proposed GI study process as a two-stage study, the process possesses at least three discrete studies. BPA has suggested splitting the overall study process into 7 stages as shown below.



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BPA's proposal, which specifies Phase 1 Study as "Stage 2" and Phase 1 Restudy as "Stage 3", is confusing. The same applies to Phase 2 Study as "Stage 4" and Phase 2 Restudy as "Stage 5". Savion believes the splitting of the Phase 1 and Phase 2 Studies into separate Stages is unnecessary, confusing and will ultimately lead to excessive administrative efforts for both BPA and Interconnection Customers. Since each of BPA's Penalty Calculation Alternatives require increased financial commitment at most every Stage, Interconnection Customers will be forced to constantly update their security documentation while BPA must administer this voluminous activity.

Savion recommends that BPA rename the current "Stage 1" to "Pre-Staging" or "Stage 0", then combine all Phase 1 Cluster Studies and Restudies into "Stage 1", all Phase 2 Cluster Studies and Restudies into "Stage 2", all Facility Studies into "Stage 3", and all post-GIA tender activities as "Stage 4". This naming convention aligns the Stage numbers with the corresponding study Phase and cuts administration efforts by approximately half. Savion also recommends that Interconnection

Customers who advance to a subsequent study Stage must update their security requirement within 10 Business Days following the current Stage's final Customer Review Period.

Security and Study Deposits:

Both Study Deposits and separate Security Postings should be required for a GI request to advance through the Transitional and Durable Study processes:

Study Deposits: Savion recommends BPA utilize a separate Study Deposit to fund GI study activity. The Study Deposit should be used to fund the IC's (Interconnection Customer's) portion of the Cluster Study cost. Upon withdrawal of an IC's GI request, and provided such withdrawal contributes to the triggering of a restudy, the excess portion of the withdrawing IC's Study Deposit should then be used to offset the restudy costs of the remaining ICs. Any residual Study Deposit amounts should be refunded to the IC.

Security Postings: Savion's May 9th presentation provided recommendations pertaining to Withdrawal Penalties, Penalty Free Withdrawal Provisions, and the development of a volumetrically priced gating mechanism. The entirety of Savion's presentation was built around the premise that ICs must post appropriate security amounts as they advance through the GI study process, with the security being used to offset financial harm incurred by other ICs due to withdrawal of GI request(s) after the start of the P2 Cluster Study. We recommend that following the start of the P2 Cluster Study, any GI request withdrawals that do not qualify for Penalty Free Withdrawal should incur a harm assessment to determine if such withdrawal increases the Network Upgrade cost allocation for any equally queued ICs who remain in the Cluster Study. If financial harm exists, the withdrawing IC's security should be used to offset the increased Network Upgrade cost allocated to the remaining ICs. If no other equally queued IC is financially harmed, the security posted by the withdrawing IC should be released back to that IC.

Phase 1 Restudies:

In BPA's Alternatives 1 & 2, BPA assumes a Phase 1 Restudy will be required. We question why BPA has made this assumption. If BPA produces an accurate Phase 1 Study result, ICs must decide to advance or withdraw prior to the conclusion of the Customer Review Period. Regardless of how many GI requests are withdrawn, BPA should advance to the Phase 2 Cluster Study. The only reason a Phase 1 Restudy should occur is if a significant error is found in the Phase 1 Study that impacts cost allocation, at which point BPA must perform the restudy. SPP has largely mitigated this issue by posting *draft* Cluster Study results approximately two weeks prior to their intended final result posting. This two-week period gives ICs the opportunity to dig into the draft study results, review the study model, and identify potential errors. If SPP agrees that errors occurred, they can normally make the corrections and produce the final Phase 1 Cluster Study result in a few weeks.

Since the Phase 2 Cluster Study is the final cluster study phase before Facilities Study entry, Savion agrees that the withdrawal of GI requests can trigger the need for one or more Phase 2 Restudies.

Model Review:

Savion recommends that prior to P1 and P2 Cluster Study start that BPA allow for a 10 Business Day period for ICs to review Cluster Study models for accuracy. It has been Savion's experience with other Transmission Providers (e.g., SPP, MISO) that the IC model review period almost always provides valuable feedback to the TP that results in multiple corrections to the models, which in turn lessens restudies due to model build error.

Penalty Free Withdrawal:

In its Proposed Alternatives, BPA proposed "Exceptions" to the Withdrawal Penalties (i.e., Penalty Free Withdrawal) that are triggered if:

- Withdrawal does not have a material impact on the cost or timing of any interconnection requests,
- Substantial increase in costs:
 - Network upgrade costs assigned have increased more than 50% compared to costs from the previous cluster study/restudy
 - The Facilities Study Report and the network upgrade costs have increased by more than 100% compared to costs from the last cluster study

Savion believes the 50% and 100% thresholds to qualify for the Penalty Free Withdrawal are too high. We recommend BPA to incorporate smaller thresholds while also adopting an additional \$/MW threshold and inclusion of Affected System Study impacts (as stated in Order 2023). Specifically, we recommend the following:

- Network upgrade costs assigned in the most recent study report have increased more than 35% and \$10,000 per MW compared to costs from the prior Cluster Study/Restudy or Facilities Study/Restudy, whichever is applicable.
 - Such evaluation should include the impact of Affected System study results.

BPA's Proposed Alternatives 1, 2 and 3:

During the June 26th meeting, BPA introduced Alternatives 1, 2 and 3 (pg 37-40 of BPA's presentation). We address each Alternative below individually. Regardless of the Alternative that is eventually adopted, we believe BPA should adopt two core policies: 1) Regardless of when an IC withdraws from the GI queue, if no equally or lower queued IC is harmed financially by such withdrawal then no Withdrawal Penalty should apply, and 2) A gating mechanism, much like Savion proposed during the May 9th Customer-Led Workshop, should be employed at the GI

application stage to lower the likelihood of an IC submitting large MW volumes of GI requests to artificially inflate Penalty Free Withdrawal opportunities (a.k.a. “queue crashing”). Savion looks forward to discussing the merits of different security positing requirements with the broader stakeholder group in future workshops.

Alternative 1: Savion agrees with BPA’s decision to apply no Withdrawal Penalty prior to the start of Phase 2 Study. We believe this is fair and allows all ICs regardless of size and financial strength to receive at least one study result without financial risk. As discussed above, we believe BPA should restructure the Stage numbers and eliminate the assumption of a Phase 1 Restudy. Additionally, we strongly urge BPA to collect security during the Phase 1 Customer Review Period as a requirement for ICs to advance to the Phase 2 Study. The security should be posted in an amount sufficient to fund the next Withdrawal Penalty amount. Lastly, Savion is very concerned that Alternative 1 employs a fixed \$/MW Withdrawal Penalty. This design undercuts basic cost-causation principles that FERC has encouraged Transmission Providers to adopt. As presently designed, an IC that advances to the Phase 2 Study with only \$50k/MW in Network Upgrades pays the same Withdrawal Penalty amount as an IC that advances with \$300k/MW in Network Upgrades. In our opinion, this is not just or reasonable.

Alternative 2: Savion is agreeable with BPA’s decision to apply a minimal Withdrawal Penalty (2X study cost) at the Phase 1 Study. As discussed above, we believe BPA should restructure the Stage numbers and eliminate the assumption of a Phase 1 Restudy. As mentioned in our Alternative 1 response, we strongly urge BPA to collect security during the Phase 1 Customer Review Period, as a requirement for ICs to advance to the Phase 2 Study, and in an amount sufficient to fund the Phase 2 Withdrawal Penalty amount. Savion is pleased with Alternative 2’s framework that follows cost-causation principles. However, we believe the administrative burden of collecting appropriate security and adjusting Withdrawal Penalty amounts six different times will be overwhelming for BPA and ICs. We recommend BPA simplify this structure by applying the 2x study cost penalty at Phase 1 Study start, 10% of Allocated Costs prior to Phase 2 Study start, 20% of Allocated Costs prior to Facility Study start, and 30% of Allocated Cost at GIA execution.

Alternative 3: BPA stated during the June 26th meeting that Alternative 3 is a variant of Savion’s Volumetric Price Escalation proposal presented on May 9th. Upon inspection, Savion finds the variation to be unacceptably different. First, the volumetric pricing escalation depicted in Alternative 3 is not acting as an up-front gating mechanism as proposed by Savion. Second, the Withdrawal Penalty amounts are based on a \$/kW charge which, like Alternative 1, does not employ cost-causation principles. While Savion could be supportive of separate Withdrawal Penalty structures like that which BPA proposes in Alternative 3, the structures should be based upon a % of allocated Network Upgrade costs instead of a flat \$/KW charge.

In closing, Savion prefers BPA's Alternative 2 due to its cost-causation principles found in the "% of Allocated Costs" criteria. If Alternative 2 were also paired with an up-front gating mechanism comparable to the Volumetric Price Escalator proposed in Savion's May 9th presentation, we believe BPA would have a very strong GI study framework that will thwart the vast majority of unproven GI study requests while standing up to the scrutiny of GI customers seeking just and reasonable treatment.