

# Deferral Competitions

Customer Forum 34

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# Agenda

- Background
- Proposed Solutions – Discussion
- Next Steps

# Background

- In the 2008 Network Open Season (NOS) Precedent Transmission Service Agreement (PTSA), there were no special provisions concerning Extensions of Commencement of Service (deferrals) pursuant to Section 17.7 of the OATT. However, in the 2009 and 2010 NOS PTSAs, provisions were added to clarify PTSA holder treatment in deferral competitions.
- How should 2008 NOS PTSA holders be treated when they are potential Defenders in a Deferral competition? (per Section 17.7 of OATT)

# Alternative # 1

- Require 2008 NOS PTSA holders, when identified as defenders in a deferral competition, to match the start date of the challenger without future commencement of service extensions, as stated in the 09/10 NOS PTSA.
- This treats 2008 PTSA holders the same as 2009/2010 PTSA holders.
- It would protect revenues from 2008 NOS participants. It would also enhance deferral competitions as a tool for mitigating revenue losses from deferrals.
- No language in the 2008 NOS to support this alternative

# Alternative # 2

- Treat 2008 PTSA holders like non-NOS TSRs when identified as defenders in a deferral competition. Require them to choose between matching the start date of the challenger or releasing capacity needed to enable the challenger's TSR.
- Because this alternative potentially allows customers to walk away from their obligation to take and pay for service under the PTSA, it is inconsistent with the PTSA and NOS construct in general.
- This alternative could result in significant revenue loss, when the defender releases. It could put economic viability of the NOS builds at risk. There is a potential for revenue loss in 4 scenarios:
  - When the challenger is also a NOS participant (2008, 2009, or 2010)
  - When the challenger is a redirect request
  - When the MWs enabled for the challenger are less than the MWs released by the defender (because of differing PTDF(s)).
  - When the term of the challenger is less than the term of the defender. For the CIFA analysis rollover was assumed for all TSRs with a term of 5 years or more.
- This alternative is consistent with the *pro-forma* deferral competition construct set forth in section 17.7 of the OATT.

# Alternative # 3

- Do not run competitions with 2008 PTSA holders as the defender.
- This avoids the potential revenue loss in the 4 scenarios identified above.
- This eliminates deferral competitions as a tool for mitigating revenue loss from 2008 PTSA deferrals.
- Potential challengers in the queue are deprived of the ability to compete against deferring 2008 NOS PTSA holders.
- It may not be supported by PTSA holders that want to give up their PTSAs.
- This is potentially inconsistent with the OATT.

# Alternative # 4

- A hybrid approach. This alternative seeks to reconcile the take and pay requirements under the PTSA and the deferral competition requirements under *pro-forma* OATT section 17.7. Do not run a competition against the 2008 PTSA defender (As in Alt. #3):
  - When the challenger is also a NOS participant (2008, 2009, or 2010);
  - When the challenger is a redirect request;
  - When the MWs enabled for the challenger would be less than the MWs released by the defender (because of differing PTDF(s)); or
  - When the term of the challenger is less than 5 years and less than the term of the defender.
- If none of the above conditions are present, run the competition with the normal rules-defender must match or release (As in Alt. #2).
  - This alternative will mitigate potential revenue losses from 2008 PTSA deferrals.
  - This alternative has the potential to mitigate default risk profile.
  - This avoids the potential revenue loss of the 4 scenarios.
  - 2008 PTSA holders are allowed to release capacity encumbered by NOS 2008 TSRs to requesters in the queue using an existing tariff mechanism.

# BPA Recommendation

- Alternative #4 allows deferral competitions with 2008 PTSA defenders except for the scenarios where a competition could result in revenue loss that would be contrary to the CIFA analysis supporting build decisions in the 2008 NOS.