NorthWestern Energy comments on BPA Transmission Adequacy Standards Draft Discussion Paper.

NorthWestern Energy (NWE) appreciates the opportunity to comment on your Draft discussion Paper: "Transmission Adequacy Standards." The questions raised in this paper deserve to be addressed in a regional forum. NWE supports the formation of a small task force to investigate the issues raised. The scope of work outlined in the draft discussion paper is appropriate for the region's consideration. In fact, NWE's John Leland has volunteered through the Northwest Transmission Planning Committee to participate on such a task force and we look forward to his participation.

As noted in the paper, standards are more effective if they cover a footprint larger than a single transmission entity. We agree with this statement and offer further that if standards were set across an entire interconnection such as the WECC area, they would be even more effective. But the Northwest Region is a good starting point. It is important to recognize that this effort would gain greater acceptance if representation from States within the footprint were represented (i.e., PUCs, etc.). The question that usually comes to mind when discussing transmission adequacy is "Adequate to do what?"

The NERC and WECC definition of Adequacy should be the starting point for any discussion in this area. The NERC definition points one towards looking at adequacy as the ability to serve the transmission system electrical demand without regard to cost of the resources serving that demand. Tying adequacy to an efficient, low cost wholesale market puts the transmission provider on a slippery slope. It places a very high degree of risk on the transmission provider and makes it difficult to assess who should be paying the rates to recover the transmission investment. In today's world, there is not a mechanism to allow one to impose rates on beneficiaries that reside outside the transmission provider's network. NWE is of the opinion that those who cause the requirement for system expansion should have to pay for that expansion. Market participants should be willing to step up and fund transmission expansion to meet their needs through either direct funding or long-term contracts. However, existing FERC queuing allows new generation to be added without transmission additions, which can create congestion where no congestion or limited congestion exists today. Clearly, this illustrates that there are differing definitions for the term "adequacy". Is it "adequacy" to assure that one can deliver all the generation capacity that is connected, is it "adequacy" to assure that one can deliver all firm contracts, or is it "adequacy" to serve all the connected load?

Is the adequacy standard to be applied as a historical measure of transmission adequacy or as a future measure or both? NWE believes the correct answer is both. A historical view will likely be a deterministic assessment and a future view would/should employ probabilistic techniques. The adequacy standard should include drivers that will allow a way to measure transmission adequacy through time – from historical performance using

point estimates to a forecast of these same performance drivers expressed probabilistically.

It is presumed that the intent of BPA's process is to move from reactive transmission development to a more proactive development. If this is true, then you should also consider parameters that can be reported in a timely manner and are "guide posts" or indicators as to whether your course of action remains valid.

An essential product of this proposed work effort is a set of metrics that define transmission adequacy in a way that is clear and quantifiable. These metrics could form the basis for standard development if required. One of the biggest problems we have today is identifying the system requirements and how well the system meets those needs. These metrics may also help define the planning assumptions one should use when considering transmission system expansion. As a minimum, the planning assumptions should consider both the local area loads and firm transmission service requirements through and out of the system.

Developing a transmission adequacy standard requires an artful approach. One has to walk a very fine line between having a robust system with a significant amount of unused transmission capacity and having a minimal system that does not provide for carrying the system load under reasonable outage conditions. Either of these extreme positions is unacceptable. The benefits of expanding the transmission system have to outweigh the risks that are being mitigated by that expansion. Your process should also include the education of principle decision makers on the application of probabilistic methods. Attempting to use probabilistic methods without this will have limited chance of success.