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PUGET SOUND ENERGY

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November 15, 2004

Sent Via E-Mail to tblfeedback @bpa.gov

Department of Energy
Bonneville Power Administration
P.O. Box 61409 TM-OPP-2
Vancouver, WA 98666
Attn: Brian L. Silverstein
Vice President for Planning and Chief Engineer

Re: Transmission Adequacy Draft Discussion Paper
Comments by Puget Sound Energy, Inc.

Dear Mr. Silverstein:

This letter provides initial comments from Puget Sound Energy, Inc. ("PSE") in response to a request from the Bonneville Power Administration ("BPA") for comments on BPA's Draft Discussion Paper titled, "Transmission Adequacy Standards – Planning for the Future."

As transmission provider for most of the Pacific Northwest, BPA's decisions on business practices, facility additions and rates greatly affect the viability of long-term generation resources, economic energy purchases and load service reliability. A regionally supported adequacy standard would greatly enhance consistent system planning by all transmission providers.

Attached as a separate Word document are PSE's initial comments on questions raised in the paper. Each of the questions merits further discussion. In addition to providing comments, PSE looks forward to working with BPA on issues raised in the paper and to participating in related forums.

Sincerely,

Puget Sound Energy, Inc.

By________________________________
George E. Marshall
Its: Manager Transmission Contracts
And OASIS Trading

Attachment

BPA Transmission Adequacy Questionnaire

ISSUE NO.	Key Transmission Adequacy Issues (from BPA White Paper) :	PSE Comments
1	What are the standards by which adequacy should be determined? Is it physical adequacy (keeping the lights on) or economic adequacy (minimizing power cost and reducing price volatility caused by congestion)? Or, is it a combination of both?	❑ Adequacy is a combination of both. Physical adequacy is important. Focusing only on minimum reliability standards can result in a constrained and congested system that would experience a growing number of curtailment incidences. Transmission facility costs tend to make up a small part of the delivered resource cost mix. ❑ NERC and WECC have a long history of developing and publishing reliability criteria. However, the additional transmission capability that makes a serviceable and operable system has been left up to individual transmission providers resulting in uneven development of the integrated transmission system.
2	Are the current planning criteria and assumptions appropriate or should they be strengthened in the aftermath of the 2003 East Coast blackout? How robust should the system be? Should the region plan deeper for reliability than it does today, for example, planning for maintenance outages?	❑ A balanced approach needs to be taken. Standards should allow for reasonable solutions for operational constraints (N-1, N-2, etc.) as well as non-wires solutions to defer high cost solutions. For example, operational constraints are common in Puget Sound region: for the month of November, at least one significant 230kv or 500kV facility will be out of service every working day.
3	What metrics should be used to measure actual transmission performance so that we know if the grid is working as desired and when fixes are needed?	❑ A minimal metric would be that the system should have enough capacity and reliability to successfully serve both the existing and anticipated future loads and generation resources in the PNW. ❑ Another possible metric would be that the system should have sufficient excess capacity so that loss of a single major transmission corridor does not result in market price volatility. ❑ Metrics might include a combination of load at risk or congestion, frequency, and measure of societal costs

4	Should controlled load shedding be used to meet transmission adequacy standards? If so, what should be the acceptable loss of load for deeper contingencies?	❑ In general, load shedding should only be used as a temporary last choice measure until a T&D construction project is completed. ❑ Load shedding measures are acceptable when used as a safety nets in the event that a large part of the WECC system is at risk of cascading out of service. ❑ One concern is that NERC/WECC criteria does not set a specific level for unacceptable loss of load for NERC Level C events. It's up to individual transmission providers to determine an acceptable level which may based on probability of outage, hours at risk, and load at risk. One transmission provider may think 300 MW load risk is unacceptable while another may think 1000 MW is just fine.
5	What measures are considered in finding least-cost solutions to transmission limitations and who bears the responsibility for implementing non-wires approaches when these approaches are chosen?	❑ The goal should be cost-effective solutions. Non-wires should be a part of the transmission provider's investment strategy. A portfolio of non-wires solutions should provide the same level of performance as the transmission additions being deferred. The decisions to use such portfolio should be consistently applied, not unduly discriminatory, and not lead to market instability.
6	Who is responsible for ensuring an adequate system and who bears the cost? Should planning be done to meet load forecasts or only contractual obligations or should it be a combination of both?	❑ The transmission system for the Northwest should be planned for forecasted load, which should include contractual obligations. Planning needs to be coordinated among the regions' consumers, BPA and local transmission providers. For example, if LSE's are expected to participate in system upgrades or have in the past, then their contributions should be acknowledged by BPA. ❑ All contractual obligations are important. For example, BPA and PSE have a joint obligation to maintain the Rated Transfer Capability ("RTC") of the Northern Intertie, currently a minimum of 2850 MW. Both parties jointly determine RTC. Both parties may agree to a lesser value.
7	How should transmission adequacy be linked to resource adequacy? Since resource location is fundamental to meeting transmission needs, how should this be addressed?	❑ Transmission availability is a key factor in determining resource location. Resource adequacy issues are being addressed in WECC's Resource Adequacy Group. Both the transmission system performance and resource availability are used when determining resource adequacy.

8	How should market mechanisms be incorporated to address congestion and guide future resource siting and transmission investment decisions?	❑ An example of a market mechanism to relieve congestion would be some form of an Inc/Dec bulletin board. For resource siting, the traditional cost recovery mechanisms that have been used for resource additions are adequate: the lower of “rolled in” cost versus “incremental” costs.
9	Is the lack of symmetry in transmission financing policies, such as generators funding network upgrades and BPA funding construction for load service, a problem? If transmission providers finance transmission, who should assume the risk of generator shutdown and the lack of wheeling payments to cover costs?	❑ Load increases should cause increases in contract demands and higher revenue paid by transmission customers. In most cases a generator is not going to connect without a buyer for its output. However, if a generator is speculating on the market without a committed buyer then the generator should bare the cost risk. Lack of symmetry on who bares the cost risk is not the primary concern. But someone should underwrite the cost risk and if it is not a buyer then the only one left is the generator.