

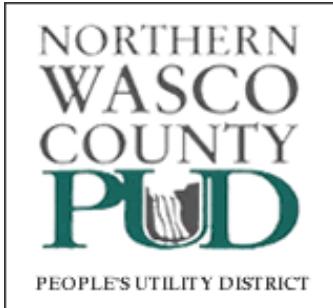


Transmission Services

Customer Comments on Short-Term Competition for Transmission Rights

Comment Received from
N. Wasco Co. PUD
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Bonneville Power Administration – Transmission Services (BPAT)
TechForum@BPA.gov

Subject: Short Term Preemption & Competition for Transmission Rights

Northern Wasco County People's Utility District (NWCPUD) provides these comments in response to the materials and discussion presented at the March 1, 2012, customer workshop on Short Term Preemption & Competition for Transmission Rights associated with implementation of Section 13.2, Reservation Priority, in its Open Access Transmission Tariff (OATT). NWCPUD appreciates BPAT's challenge to provide reliable transmission service to customers while trying to conform its OATT to FERC and industry standard business practices (in this case NAESB). In this case, however, BPAT has embarked on a process that may have grave unintended consequences for transmission customers in the region. As presented, the proposed implementation of Short Term Preemption & Competition, or "bumping" may result in market dysfunction, reliability standard violations, commercial damages, and probably litigation.

In the discussion on March 1, BPAT staff were asked whether the costs and risks of implementing pro forma tariff and NAESB compliant Short Term Preemption & Competition had been weighed against any alleged benefits. Apparently no such analysis has been performed, but BPAT staff stated that they needed to comply with FERC for reciprocity reasons and NAESB industry standards. Compliance is understandable, but it can be achieved through the FERC policy of having a tariff that is "consistent with or superior to" the FERC pro forma tariff. NWCPUD submits that a tariff which creates the potential risks described below, while perceived to be consistent with, is actually inferior to the existing BPAT tariff and business practices which support the over-arching goal of open access transmission – providing reliable transmission service to customers and maximizing its efficient use. NWCPUD submits that the current approach employed by BPAT is superior to a proposed industry standard that holds great potential for abuse and may compromise the ability of market participants and balancing authorities to meet their reliability obligations. The NAESB approach must evolve further into a workable mechanism for resolving competing requests prior to adoption by BPAT.

Specific concerns are as follows:

- Costs v. Benefits. BPAT will incur costs implementing the automated systems necessary to carry out the proposed business practices. Does BPAT know the estimated cost? Customers will also need to design systems for alerting and defending transmission rights that are thrust into competition. These costs cannot be estimated until customers can provide clear specifications to their IT vendors who will need to design the customer interface to this vexing challenge.
- Complexity. Given the complexity of the flowgate-based approach to transmission reservation and the substantial volumes of transmission requests that BPAT processes *daily*, the vendor will face a serious challenge implementing the rules that were described in the March 1 presentation. The simple examples fail to recognize the multi-dimensional nature of flowgate analysis – most reservations impact many flowgates so it is insufficient to provide examples that fail to recognize that current reality. The Tech Forum should review the linear algebraic expressions that will be used to resolve the proposed criteria in the time and flowgate dimensions inherent in the current transmission reservation and scheduling system. Simply validating the inputs and outputs from the system will take resources that BPAT, nor the region, should expend without demonstrable benefits and a clear assessment of the risks.
- Efficient use of available capacity. If the goal is to “award capacity to the parties that value it the most,” BPAT has already implemented a system that goes to great lengths in achieving this goal – the Resale (or TransAssign) business practice and supporting OASIS infrastructure. Many millions of MWh of transmission capacity are currently resold on the BPA system. Most of these resale transactions are also Redirected to the purchaser’s POR and POD *if* capacity exists in the multi-dimensional time and flowgate space. The Tech Forum should provide a clear example showing how the Short Term Preemption & Competition business practice would provide a more efficient allocation of transmission to customers that seek rights, but are unable to acquire them.
- Reliability risks. Allowing customers without confirmed reservations to bump customers with confirmed reservations opens up a hornet’s nest of problems – especially if bumping can occur to hourly reservations already committed in preschedule. Hundreds of e-Tags (which are used for Interchange accounting) could be placed into competition *after* they have already been approved and after preschedulers have already finished their work for the day. The statement on slide 15 that the “customer is responsible for managing their portfolio” offers little comfort to scheduling managers faced with the chaos that will ensue in the operating horizon as real-time schedulers struggle to rebalance their interchange schedules to maintain compliance with BAL and INT standards. Daily and Hourly increment reservations should not be included in the OATT or this practice and any reservation that has been placed in the Transmission Allocation of an e-Tag should not be threatened by competition. While this is not consistent with OATT 13.2 (iii), 2 p.m. of the preschedule

day is simply too late to begin the process of unwinding interchange schedules.

- Potential for market abuse. Consider the scenario where a person purchases a transmission reservation as a Resale TSR, Redirects it to its desired path and makes a physical commitment to deliver energy to another person using that path. Is it true that this business practice could force that person to defend that acquisition? Could the person who was not sold the transmission reservation retaliate against the winner by making a challenging request, possibly with another Resale TSR that it seeks to Redirect for a slightly longer duration? The ability of the industry to make firm commitments will be undermined, and there will be entities that find ways to abuse this system in anticompetitive ways.
- Complex Issues. BPAT should not apply Short Term Preemption & Competition to Redirects and Resales. Just look at the volumes of Resales and Redirects that will be affected.
 - Redirects are essential to holders of long-term firm transmission capacity in a hydro dominant region. During runoff, surplus energy must be pathed to other PODs and during other periods when flows are light, other PORs must be acquired through the Redirect process to ensure reliable load service and firm delivery obligations. The sequence of events that may occur if once confirmed, but then pre-empted Redirects cause schedulers to lose paths on soon-to-be implemented e-Tags is a distressing scenario.
 - Resales help promote efficiency by increasing utilization of otherwise unused transmission capacity. Counterparties to Resale reservations expect to be able to effectively Redirect the parent to a commercially valuable child reservation. If that expectation is undermined by Short Term Preemption & Competition, the Resale market will cease to provide value.

Competition is an appropriate mechanism for allocation of resources in structurally competitive markets with systems in place to prevent abuse and adverse impacts on consumers. But NWCPUD does not endorse competition when it may adversely affect system reliability or undermine efforts to ensure the welfare of consumers. Reliable delivery of electric power is recognized as a public good that should not be opened up to speculation and mischief. Transmission reservations, once confirmed, should not be subject to bumping, and utilities endeavoring to serve customers should not face the dislocations that may be caused by these potential dislocations in their resources. Any party that exposes the public to such risks should go on the record and be held accountable for any and all adverse harm caused by implementing such policies and practices.

BPAT should reconsider the approach that it decides to take regarding this aspect of meeting its OATT obligations. To NWCPUD, an OATT that is "superior to" the pro forma would eliminate the substantial risk inherent in this proposal.

Please let me know if you have any questions concerning these comments.

Sincerely,

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