



Transmission Services

Customer Comments on Short-Term Competition for Transmission Rights

**Comment Received from
Snohomish County PUD**

March 30, 2012

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Providing quality water, power and service at a competitive price that our customers value.

March 30, 2012

Bonneville Power Administration Transmission Services (BPAT)
TechForum@BPA.gov

Re: Response to Short-Term Competitions Workshop

To Whom It May Concern:

Snohomish County Public Utility District No. 1 (Snohomish) submits the following comments in response to BPAT's Customer Workshop on Short Term Preemption & Competition for Transmission Rights on March 1, 2012.

Snohomish is extremely concerned over the proposed changes to short-term transmission reservation protocols and fears that, if implemented, the protocols will create serious power and transmission market disruptions and jeopardize Snohomish's ability to reliably and economically serve its retail native load customers.

Snohomish is highly dependent on BPA's transmission system. During winter peaks, the amount of generation within Snohomish's service territory accounts for less than five percent of the amount needed to meet customer demands. Snohomish's resource portfolio includes 786 aMW of power purchases from BPA Power Services, 217 MW (nameplate capacity) of wind contracts, 2 aMW from Klickitat Landfill gas project, and 2 aMW from the Packwood hydro project. All of these resources rely on BPA transmission to deliver generation output to Snohomish retail customers.

Snohomish purchases significant amounts of long-term PTP capacity to ensure it can serve customer loads in all weather conditions. Snohomish's peak demand in 2011 was 1375 MW. Snohomish's record peak of 1602 MW occurred in 1990 at a time when Snohomish had a third fewer customers than it has today.

Snohomish currently purchases 1916 MW of transmission capacity from BPAT, from multiple Points of Receipt (POR) to multiple points of delivery (POD). 1308 MW of this capacity identify Snohomish as the POD. The remaining 608 MW have PODs at other substations within BPAT's network. We rely on the ability to redirect our long-term PTP contract reservations to ensure loads and resources are in balance both in the longer term planning horizon as well as in hourly pre-schedule and real time markets. We also depend on transmission flexibility to enable us to react to contingencies such as generation changes, market conditions and curtailments. As currently proposed, BPAT's preemption and competition protocols will turn Snohomish's operating environment upside down.

- Power Scheduling and Reliability: Currently, there is a substantial volume of tags that are planned for and created on a pre-schedule basis. For Snohomish, like many customers, this involves a meticulous process of working with counterparties to match generation to load and secure each piece of transmission required to complete a path. There are often multiple counterparties involved in a transaction. The proposed changes would mean pre-schedulers would be subject to cancelled tags that have already been approved and be forced to scramble to re-path in order to meet the 3:00 checkout deadline. On high volume days this may prove impossible and opens up a multitude of potential problems and reliability risks.

Real-time schedulers could also have tags scheduled on non-firm transmission placed into competition up to one hour before the start of service. This will create much uncertainty for real time schedulers who are simultaneously trying to manage complex portfolios and ensure loads are served. It is unreasonable to implement a practice that would subject customers with *confirmed* transmission reservations, with which they plan generation and delivery to customer load, to later be “challenged” and lose their rights to other competitors so close to the scheduled flow of energy. These situations present the unnecessary risk of Unauthorized Increase Charges, reliability issues, failure to meet contract obligations, and ultimately, conditions for litigation.

- Transmission Market: Snohomish manages large transmission portfolios and relies on high volumes of redirects and re-sales in the short-term and hourly markets. Parent transmission reservations that have already been redirected and/or resold to another customer should not be subject to “bumping” or competition.

Transmission that is resold is usually redirected by the assignee, sometimes numerous times, in varying POR-POD combinations divided across varying hours. It is then scheduled on multiple tags. The alleged benefit of awarding the capacity to a challenging customer because their request is perceived as a higher “value” does not outweigh the painful cost to the many affected customers that would lose confirmed transmission rights and be required to back out of all of the legs of transactions and schedules.

Another consequence of bumping will be to reduce the value of PTP transmission products in the re-sale market, as customers will be hesitant to buy transmission from counterparties without first knowing the conditional window status of the parent.

It would also likely shift the volume of sales in the transmission market from resellers such as Snohomish to BPAT. This is because customers could logically decide that purchasing short-term transmission from BPAT is a better bet and/or easier operationally than risking a “challenge” by purchasing from a reseller like Snohomish.

- Market Abuse: It does not appear that BPAT has taken into account the possibility of parties abusing the preemption protocols by knowingly submitting requests for longer durations in order to bump others. Snohomish is gravely concerned that marketers will have the ability to game the system to their advantage or use it to retaliate against competitors. Snohomish knows firsthand that finding and revealing market manipulation can be time-consuming and difficult to do. And the longer market manipulation goes unexposed, the more ratepayers are

harmed. We urge BPAT to put a monitoring and prevention program in place before implementing any form of preemption or short-term competition structure.

- NAESB Rules: We understand BPAT may be looking to NAESB business standards for structuring preemption protocols. Snohomish is not a member of NAESB, nor are many other of BPAT's transmission customers. Without having the benefit of seeing the NAESB rules, we do not know and can only question if the protocols are appropriate for a transmission system and product portfolio as complex as that of BPAT.
- Implementation Practicality: We are also concerned about implementation details. Both BPA and Snohomish will need to change existing software applications to accommodate the protocols. We do not know how difficult this effort might be, but we do not expect it will be easy.

We would like to understand how the interests of multiple parties involved in a transaction will be represented in disputes. We would also like to understand if BPA will provide appropriate relief to remedy the harm caused by a misprocessed service request.

From information provided on Slide 9 of BPAT's March 1st presentation, it appears that service for native load cannot be preempted by a subsequent request and that native load will have precedence over pending conditional short-term firm requests. (See Rows 1 and 2 of Table 4-3). Since Snohomish (and others) rely on PTP transmission to serve native load, how will BPAT differentiate requests that can be preempted from those that cannot because they are associated with serving native load? How will it determine which requests have a right of first refusal? Will there be some sort of designation on tags that will ensure priority for native loads?

- FERC Flexibility: We understand that due to the number and complexity of transactions that occur on BPAT's system, BPAT will be asking FERC to exempt it from the pro forma OATT requirement to be the financial middleman for transmission transactions. We see the short-term competition and preemption protocols as equally complex and equally deserving of an exemption.

Snohomish believes the market implications and reliability risks of short-term competition and preemption need to be more thoroughly examined before BPAT moves forward. We ask that BPAT re-evaluate its proposal and we are willing to participate in discussions with BPAT on alternative approaches.

We hope you find these comments helpful. If you have any questions, please do not hesitate to contact us.

Sincerely,

Dana Toulson
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