



## Transmission Services

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### Preemption of Short-Term Requests and Reservations, Version 1

#### Response to Customer Comments

Posted: Month XX, 200X

This document contains the Transmission Customer comments and Transmission Services' response to those comments for the Preemption of Short-Term Requests and Reservations, Version 1, Business Practice posted for review from April 1, 2013 through May 13, 2013.

Thank you for your comments.

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## 1. Portland General Electric (PGE)

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### **PGE Comments to Bonneville Power Administration – Transmission Services’ (BPAT) proposed model for implementing automated Short-term Preemption and Competition Model (PCM)**

- A. Portland General Electric Company (PGE) appreciates the opportunity to comment on BPAT’s proposed model for implementing automated Short-Term Preemption and Competition (PCM). PGE commends BPAT and its transmission customers for working diligently together to help develop, guide and analyze the varying processes and issues that could arise during a short term competition. PGE applauds BPAT’s efforts taken to this point to minimize potential negative unintended consequences that may arise from the implementation of the PCM module. PGE also commends BPAT’s efforts to work with the NAESB WEQ OASIS subgroup to establish appropriate standards at the national level.

However, PGE has concern that the automated implementation of PCM is still premature given the number of questions surrounding its ability to be implemented equitably and the unknown impacts the PCM process could have on the region’s bilateral markets. PGE therefore still recommends that BPAT delay implementation of the PCM module until both the NAESB and BPAT processes for modifying the business rules and PCM software are complete, until the software vendor, OATi, has fully attended to the known issues with its version 3 PCM package, and until the region has been able to address the potential unintended consequences to load service brought about by the PCM. PGE appreciates BPAT’s removal of daily, weekly, and hourly transmission products from the current PCM proposal and urges heightened caution if BPAT pursues competition at service intervals less than monthly at some future date.

#### **Transmission Services’ Response**

BPA appreciates PGE’s concerns regarding PCM implementation and the potential for unintended market disruption. With the decision to move forward with PCM implementation at this time, BPA has responded to concerns of PGE and other customers by taking a measured and thoughtful approach. First, the version of PCM being implemented has been thoroughly tested over a period of 6 months. Next, BPA will implement PCM in a phased, iterative manner that allows ample time to evaluate PCM functionality and performance, as well as sufficient time for customers to respond to potential changes in market dynamics. PCM will be implemented for monthly firm and non-firm service first for original requests only. There will be at least a 60 day evaluation period with weekly customer meetings to observe, measure, and evaluate PCM performance before considering moving to implement PCM for weekly firm and non-firm. Likewise, there will be another at least 60 day evaluation period before considering implementing PCM for daily firm and non-firm service.

This planned approach appropriately balances the need for BPA to make tangible progress towards tariff compliance with the equally important need to allow customers time to adjust to the market changes and monitor impacts of PCM implementation.

B. PGE notes that BPAT has a number of software and business practice updates currently underway and cautions against undertaking multiple initiatives that each could negatively impact the bilateral markets and reliable load service if any one initiative stumbles. PGE urges BPA to assess which initiatives are most critical to reliable, efficient, cost-effective operations from both its perspective, and that of its customers, and to prioritize its initiatives accordingly. PGE believes the PCM initiative is not a critical path item for BPAT's customers and therefore would support suspending work on this initiative until other business practices and initiatives (such as the ATC and AFC methodology changes) are completed.

If BPAT nevertheless proceeds with implementation of the PCM in 2013, PGE requests that BPAT develop a way to notify customers with TSRs that have been impacted by competition in a transparent, orderly, non-discriminatory and efficient manner. PGE realizes the NAESB process for addressing these customer-interface issues is not settled, but suggests that if BPAT does not wait for NAESB to finish its work on PCM before implementing, then BPAT work with its customers to address these issues directly. The PCM process has the potential to significantly increase the demands on the region's scheduling desks (including BPAT's) and all efforts to create an efficient process should be taken to reduce the burden of this new business practice. PGE also requests that BPAT commit to developing an expedient exit ramp for the PCM program if unintended consequences arise in the region and for its customers such that further study of the program and its impacts can take place before re-implementation. PGE supports a low threshold for this exit ramp; if a number of transmission customers provide evidence of harm to the market or discriminatory treatment, or good-faith reasons in an open forum as to why PCM should be suspended for further study, BPAT should do so immediately. Finally, if BPAT implements the PCM in advance of NAESB finishing its standards review and development process, PGE encourages BPAT to stay engaged in that process and to continue to update its Business Practices going forward to keep pace with NAESB.

### Transmission Service's Response

BPA has recognized the potential disruption that multiple BPA initiatives can cause to the bilateral markets. Thus, BPA is committed to continued monitoring of market impacts during phased PCM implementation and weekly reporting to customers.

Regarding the concern about being notified of preemption/competition impact on reservations, BPA's implementation of PCM is compliant with current NAESB requirements for OASIS notifications. Yet, BPA recognizes that more needs to be done to notify customers who are impacted by competition and will be looking at ways to improve the process in future versions of PCM.

BPA has developed a deactivation process first presented to the customers at the May 14<sup>th</sup> customer workshop. That process has been refined and presented to the customers at subsequent workshops.

Finally, BPA will continue to stay involved with NAESB as the ongoing standards development process unfolds. BPA will modify its business practice when changes occur to the PCM functionality in its production environment.

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## 2. Snohomish County PUD #1

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### **Re: Preemption of Short-Term Requests and Reservations, Version 1**

Snohomish County Public Utility District #1 (“Snohomish”) would like to take this opportunity to comment on BPA’s Preemption of Short-Term Requests and Reservations, Version 1 Business Practice. These comments have been structured into two parts: the first dealing with the language and clarity of the Business Practice itself and the second regarding the actual implementation of the Business Practice and Preemption.

#### **I. Business Practice Language Comments**

When developing the procedures and concepts for Short Term Preemption and Competition (“Short Term Competition”), BPA and customers participated in workshops and discussions to develop a Training Manual using agreed upon definitions and terminology. This Training Manual can be found on BPA’s website<sup>1</sup> and is also referenced in the Business Practice itself. Snohomish believes that the language used in the Business Practice and the Training Manual should be consistent with each other as well as the Open Access Transmission Tariff (“OATT”) to eliminate confusion. Snohomish proposes the following two revisions as examples of how BPA can bring the Business Practice into closer alignment with the Training Manual.

##### A.

#### Eliminate the term “Bumping” from the Business Practice

The term bumping is found in neither the Training Manual nor BPA’s OATT; it seems to be used exclusively in the Business Practice. While this term has been used informally during discussions, Snohomish believes that the Business Practice should strike this term and use only “Preemption” to describe displacing existing reservations/requests to accommodate higher priority requests when there is no option for Right of First Refusal (ROFR). This helps eliminate potential confusion caused by introducing a term not defined in either training materials or the OATT.

#### **Transmission Services’ Response**

In an effort to better align with NAESB terminology, BPA has adopted the following language. There are two types of preemption, bumping and competition. Bumping is where the Defender does not have the Right of First Refusal. Competition is where a Defender does have the Right of First Refusal. BPA has modified its training manual to be consistent with the business practice definitions.

B.

### Differentiating between “Preemption” and “Competition”

In the Business Practice, Preemption is used almost exclusively as the definition of the overall process. This seems misleading. Preemption, as defined in both the training materials (explicitly) and the OATT (implicitly) is the *result* of a higher priority request challenging a lower priority reservation rather than the *process*. In cases where there is no ROFR, Preemption occurs automatically. In cases where there is a ROFR, Competition is initiated that may or may not result in Preemption. This is an important distinction to make, and seems to be missing from the Business Practice. Clarifying the overall structure of the process is essential to the successful implementation of Preemption and Competition, especially in operationally binding documents. Snohomish recommends structuring the Business Practice definitions of Preemption and Competition closer to those found in the Training Manual.

These two recommendations are not meant to be an exclusive list of potential changes to the Business Practice. Rather, they are specific examples of areas where inconsistencies have been noted that could be confusing for those who have become familiar with the Preemption and Competition Module (“PCM”) process through workshops and training materials. Because these are the individuals who will be operating the PCM and following the Business Practice, BPA should review and craft the Business Practice to follow the Training Manual as closely as possible.

### **Transmission Services’ Response**

See BPA’s response to part I.A above

## **II. Implementation of Preemption and Competition**

Snohomish has a number of concerns regarding the implementation of the PCM and the overall Short-Term Competition process. As stated in previously submitted comments dated March 30, 2012, Snohomish believes that Short-Term Competition should only move forward after any reliability risks or potential market impacts and distortions are reviewed and addressed. Currently, Snohomish feels strongly that Short-Term Competition is not ready for implementation.

C.

### Lack of a Recovery Plan

BPA stated at a recent workshop that there is currently no recovery plan in place should the PCM and Short-Term Competition fail or otherwise improperly disrupt transmission service. Until a fully developed recovery plan has been developed, BPA should not implement Short-Term Competition; if Short-Term Competition begins and causes undue disruption to load serving transmission without an effective recovery plan, there would be no mitigation for the negative impact and potential penalties on customers.

## Transmission Services' Response

BPA appreciates Snohomish's concerns about a recovery plan. BPA has developed a deactivation process and recovery plan first presented to the customers at the May 14<sup>th</sup> customer workshop. That plan has been refined and presented to the customers at subsequent workshops.

D.

### Implementation Schedule

Currently, BPA is planning to begin production implementation of the PCM and Short-Term Competition for Monthly products sometime in June. This is a very aggressive timeframe. While BPA has been preparing to go live with PCM, the North American Electric Standards Board ("NAESB") has been developing its own business practices and directives that dictate how Short-Term Competitions will be conducted. Both BPA and transmission customers have been deeply involved in this effort and many issues remain unresolved. Until these issues are addressed, BPA's developed Business Practice and PCM may require further significant changes and updates to remain consistent with the NAESB standards.

In addition to evolving standards, the PCM module requires further testing before live implementation. Despite thorough testing, there are still bugs that must be resolved and even some features which have not been fully explored. Recently, it was discovered that the software measured days by *business* day rather than *calendar* day. This required a fundamental shift in timing windows for challengers. Until the software has been thoroughly tested and all critical issues resolved, BPA should not implement Short-Term Competition.

Finally, implementation in the month of June poses unique challenges due to seasonal operations in the Pacific Northwest. Due to runoff, river and weather conditions, a typical June sees a marked increase in tag volume and activity in the transmission market. In the past, BPA has been hesitant to implement any new operational or procedural policies during this period due to the uncertainty and potential for market disruption that may result. BPA should consider the impact of starting Short-Term Competition during the busiest period of the year.

## Transmission Services' Response

BPA's timeline has been planned with the intention to fulfill its OATT obligations. BPA believes it is important to start the process now in order to build a base level of bilateral competency in the product.

Thorough PCM testing was completed at the end of May 2013, and the product is ready for implementation in a phased manner. Concerning BPA's change to business days, further testing by BPA has shown that establishing lead times by counting back business days did not work as expected, so BPA has made the software fix to go back to the original design of establishing lead times based upon counting back calendar days. BPA also listened to customer concerns about having the lead time for a Challenger being the same as the lead time for a Defender and has set the lead time for the Challenger back to what it was at 72 hours prior to 1:00 AM PPT of the Challenger's pre-schedule day.

E.

#### eTag Notifications

Another software related concern involves eTags. Currently, if a submitted eTag loses transmission capacity due to Short-Term Competition, there is no indication that the transmission reservation on the tag is no longer valid. For customers, this could result in (a) penalties in the case that the tag is implemented and flows without transmission rights or (b) unnecessary pro rata curtailments to tags that are also flowing across the now overscheduled path. While some notification functionality has been built into OASIS, Snohomish believes that a notification linked to the eTag is vital to scheduling and reliability operations to alert customers when their submitted tags have lost capacity.

#### **Transmission Services' Response**

BPA has ensured that all preemption/competition activity will be complete by 1:00am of the WECC pre-schedule day. Customers will have the WECC pre-schedule day to perform eTagging functions using reservations that will be unconditional and therefore safe from preemption and competition. However, if a customer chooses to perform eTagging functions prior to the pre-schedule day using reservations that are still conditional, it is possible that the eTagging will need to be modified if the reservation is subsequently competed or preempted. Customers will be notified of the impact of preemption and competition using standard OASIS notification. BPA is working with NAESB on future standards that may include more specific notifications of eTagging impacts of preemption/competition.

F.

#### Market Impact and New Uncertainty

BPAT has previously conducted a review of historical data to form the conclusion that the implementation of PCM would have minimal impact on the market and reliability, showing that very few preemption and competition scenarios would have taken place. This conclusion, however, can only be made under the assumption that the transmission market will remain largely the same.

BPAT has since announced its interest in exploring PCM in hourly markets and also plans to begin limiting hourly sales and redirects as early as September 2013. With these two major changes, BPA Transmission customers will likely move toward a heavier reliance on monthly, weekly, and daily transmission markets rather than exposing themselves to higher risk in the hourly markets. This change in behavior will in turn increase the likelihood that more and more competitions will take place. Snohomish recommends that before Short-Term Competition is implemented, BPA should study the potential impact on the transmission market and reliability given the new conditions now facing BPA Transmission customers.

#### **Transmission Services' Response**

BPA appreciates Snohomish's concerns regarding the potential impact of implementing PCM along with introducing limits to the hourly firm network sales. BPA did show

historical data that suggests the impact of PCM in the monthly, weekly, and daily markets should be manageable. However, BPA also recognizes the potential for changes in market behavior to occur, particularly with the onset of the Managing Hourly Firm Sales effort. BPA has responded accordingly. The PCM solution being implemented does not rely on a “minimal” volume of preemption/competition activity to occur. The solution is robust enough to handle a higher volume of PCM activity than BPA currently anticipates. The phased implementation approach is also intended to allow BPA and customers to monitor, evaluate, and respond to potential changes in market dynamics. As mentioned, there will be at least 60 days between activation of PCM in the monthly, weekly, and daily markets. In addition, there will also be an assessment of market impacts before BPA decides whether to implement daily PCM before or after the hourly firm network sales begin to be actively managed. Customers will be consulted as part of that upcoming assessment.

### Hourly Competition

In the first paragraph of the Business Practice, BPA describes hourly market conditions that no longer apply. BPA has proposed limiting hourly sales and redirects and as such BPA has begun a more thorough investigation of hourly preemption and competitions. Snohomish understands the need for limiting hourly ATC however Snohomish is in strong opposition to implementation of preemption or competition within hourly markets. Short-Term Competition in the hourly market would be extremely burdensome and would cause severe market disruptions. At this time, it is not feasible to consider implementation in an hourly market.

Should BPA decide to move forward with hourly preemptions and competitions, Snohomish recommends they observe the language in the Business Practice to not finalize any rules or procedures until the successful implementation of monthly, weekly and daily Short-Term Competition. In Snohomish’s view, successful implementation will not occur until *at least* one full year of active preemption and competition data has been collected. Operational data must be examined for all periods during a year to fully analyze the impact of Short-Term Competition on the market and system, including any changes in scheduling behavior. Only then will BPA and customers have the information needed to determine whether the process has been a success.

### **Transmission Services’ Response**

BPA will engage customers in future meetings on the question of whether or not to subject the hourly market to competition and preemption. BPA anticipates addressing this question in 2014, after implementation of the Managing Hourly Firm Sales project.

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## **3. Seattle City Light**

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**Seattle City Light (“Seattle”) appreciates the opportunity to provide comments to the Bonneville Power Administration Transmission Business Line (“BPAT”) on its proposed Preemption of Short-Term Requests and Reservations Business Practice, Version 1.**

Introduction:

Seattle continues to believe that implementation of Short Term Preemption and Competition (“Short-Term Competition”) for transmission service is premature. Seattle’s comments submitted jointly and separately on March 30, 2012 and separately on November 29, 2012 note that Short-Term Competition is a fundamental change in the way BPAT makes short-term transmission available on its system. Accompanying this change is the potential to put load service at risk particularly if Short-Term Competition is implemented with known flaws. As such, Seattle continues to request that BPA delay its implementation of Short-Term Competition until all such flaws can be corrected and the new practices being developed by the NAESB OASIS Subcommittee can be incorporated.

A.

BPAT’s schedule for implementation of Short-Term Competition has been extended to June 2013 to accommodate unexpected delays in project progress. In a recent project update, BPAT staff members indicated that its classification of software “variances” depend upon the continued assumption that market behavior will remain unaltered and therefore very few reservations will be subject to Short-Term Competition. Consequently, such variances or software flaws which have been classified as lower priority will remain uncorrected prior to implementation.

At its April 2013 Customer Forum, BPA announced that they now intend to limit sales of hourly firm transmission service as early as September 2013 which now calls into question their assumption about the applicability and limited consequences of Short-Term Competition. If BPA limits the availability of hourly firm transmission, Seattle believes it and other similarly situated customers will need to increase the use of daily and possibly weekly firm service - shifting away from the general longstanding practice of relying primarily on hourly firm service in order to ensure reliable and efficient economic dispatch of resources to serve native load and market surplus power.

**Transmission Services’ Response**

BPA appreciates Seattle’s concerns regarding the PCM implementation timeline. PCM has been fully tested and all identified issues have been resolved. The solution being implemented is robust enough to handle a higher volume of preemption/competition activity than originally planned in recognition of a possible change in market dynamics. BPA believes the solution is ready for implementation in a phased manner at this time. BPA also recognizes the potential shift from hourly firm to daily firm once AFC is actively managed in the hourly firm market. For this reason, BPA intends to engage the region in an assessment of these projects before deciding on the final schedule of daily PCM and Managing Hourly Firm Sales efforts.

B.

2. Other Transmission Changes. BPAT has recently implemented two new transmission initiatives that impact Seattle. These are (a) a practical doubling of the number of flowgates and (b) the replacement of the Puget Sound Area Northern Intertie (PSANI) curtailment method with BPAT's integrated Curtailment and Redispatch System (iCRS) curtailment tool. In addition, in early May BPAT, in an effort to manage its *new* NOEL flowgate, employed a relatively new and infrequently used tool "Stop Hourly Sales". This unexpectedly limited Seattle's ability to rely upon hourly firm transmission service to implement a historically normal management plan for meeting its loads and marketing power.

These changes and the employment of the "Stop Hourly Sales" tool create new uncertainties for Seattle and other similarly situated Load Serving Entities (LSEs) with respect to available transmission capacity and feasible generation patterns. Seattle's experience with these changes leads us to conclude that customers will reduce reliance on hourly firm transmission service and shift toward daily and possibly weekly firm service. As such, Short-Term Competition may result in unintended consequences.

#### Transmission Services' Response

In response to customer concerns, BPA will be implementing PCM in phases, commencing with monthly firm and non-firm. BPA is committed to monitoring market impacts and PCM implementation through the phases, engaging customers on a weekly basis prior to moving onto the next phase.

C.

Conclusion. With the identification of new uncertainties, Seattle reiterates its concerns and requests that BPAT delay its implementation of Short-Term Competition until (a) Seattle and other customers can prepare and more effectively respond to BPAT's new initiatives, interim measures and existing tools for limiting sales of hourly service, (b) BPAT reviews, reconsiders and corrects software flaws in light of potentially altered transmission reservation patterns and (c) new practices under development by the NAESB OASIS Subcommittee can be completed and incorporated.

Furthermore, Seattle feels that its previously submitted comments from March 30, 2012 and November 29, 2012 continue to be relevant. Seattle wishes to re-emphasize its concerns that policy related to ensuring equal access to transmission for LSEs relying upon different forms of transmission service is unresolved and the practice of lowering the service Tier priority for short-term redirects enabled by flowgate rights that originate from long-term firm PTP transmission service is flawed.

If BPAT decides to implement Short-Term Competition by June 2013, to the extent there is harm to the market functionality or to individual customers, Seattle urges BPAT to cease its Short-Term Competition implementation.

#### Transmission Services' Response

In response to customer concerns, BPA will be implementing PCM in phases, commencing with monthly firm and non-firm. BPA is committed to monitoring market impacts and PCM implementation through the phases, engaging customers on a weekly basis prior to moving onto the next phase.

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#### 4. Wasco County PUD

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Northern Wasco County People's Utility District (NWCPUD) provides these comments on the proposed Business Practice for Preemption of Short-Term Requests and Reservations, Version 1 that is out for comment through May 13, 2013.

NWCPUD is both a Network Integration and Point-to-Point transmission customer of Bonneville Power Administration (BPA). It is affected by BPA's implementation of transmission reservation and scheduling business practices.

NWCPUD appreciates BPA's challenge to develop business practices that conform to the FERC pro forma OATT and associated NAESB standards. In this case, however, the NAESB OASIS Subcommittee has embarked on a process that may have grave unintended consequences for transmission customers in the Northwest if it is not carefully implemented and all unintended consequences considered. There is potential that implementation of Preemption of Short-Term Requests and Reservations, or "bumping", may result in market dysfunction, reliability standard violations, commercial damages, and possibly litigation. These risks are explained below.

NWCPUD appreciates that BPA has adopted certain practices that will diminish some of the risks to customers associated with preemption. These include:

- Excluding requests and conditional reservations for firm and non-firm hourly transmission service from preemption.
- Only preempting when it is possible to make a full offer of service to the competitor [E.1.].
- Crediting assignees of redirect and resale transactions with the value of the capacity recalled, although NWCPUD takes exception to inclusion of these TSR types in preemption.

Specific concerns are as follows:

A.

- Complexity. Given the complexity of the flowgate-based approach to transmission reservation and the substantial volumes of transmission requests that BPA processes *daily*, the vendor will face a big challenge faithfully implementing the Short Term Preemption & Competition rules that are envisioned by BPA. Simple examples offered in the NAESB process fail to recognize the multi-dimensional nature of flowgate analysis used by BPA – most reservations impact many flowgates and the time dimension of the problem increases complexity exponentially. Furthermore, implementation of competition and pre-emption will require non-linear criteria to be overlaid on top of the linear algebraic expressions used to resolve flowgate constraints in time and flowgate dimensions found in the current transmission reservation and scheduling system. At this point, it is not clear that sufficient validation of PCM results have been performed in the context of actual flowgate-based OASIS traffic to ensure reliable outcomes and prevent adverse unintended consequences. BPA's simplification of the process to only consider those challenging requests that can be fully offered service, may help decrease implementation complexity.

### Transmission Services' Response

BPA has employed a rigorous process to test PCM over a 6 month period. PCM is positioned to operate accurately and effectively, even in a complex flow-based environment.

B.

Adverse effects on efficient use of available capacity. BPA has already implemented a system that goes to great lengths in achieving the goal of efficient use of available capacity – 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 in short-term increments to the purchaser's POR and POD *if* capacity exists in the multi-dimensional time and flowgate space. It is unlikely that the Preemption business practice would provide a more efficient allocation of transmission to customers that seek these short-term rights.

### Transmission Services' Response

Thank you for your comments.

C.

Reliability risks. Allowing customers without confirmed reservations to preempt customers with confirmed reservations opens up a raft of problems – especially if bumping can happen to hourly reservations already committed in preschedule. Hundreds of e-Tags (which are used for Interchange accounting) using hourly firm and non-firm transmission could be placed into competition *after* they have already been approved and after preschedulers have already finished their work for the day. Should a significant number of e-Tags be invalidated, scheduling managers would face chaos in the operating horizon as real-time schedulers struggle to rebalance their interchange schedules to maintain compliance with BAL and INT standards. Therefore, any reservation that has been placed in the Transmission Allocation of an e-Tag should not be threatened by preemption. NWCPUD believes that BPA's exclusion of hourly TSRs will address part of this concern, but remains concerned that e-Tags submitted and confirmed for periods greater than just preschedule should not be affected by preemption.

### Transmission Services' Response

BPA recognizes the impact introduced by allowing new customer requests to compete or preempt existing confirmed reservations. Yet this is an intended impact expressly contemplated by both FERC and NAESB requirements. BPA has recognized the significantly higher risk of preemption and competition in the hourly market, and has therefore delayed such an implementation until PCM has been proven in the monthly, weekly, and daily markets. Regarding the potential impact on eTagging, BPA has designed the PCM implementation using timing windows that protect the WECC pre-schedule day. All PCM activity will be completed by the start of the WECC pre-schedule day, so eTagging that occurs on the pre-schedule day will be using reservations that are safe from preemption and competition.

D.

Potential for market abuse. Consider the scenario where a person challenges and preempts an existing confirmed conditional reservation. That person will know the

identity of the defender and could then approach the defender with an offer to sell the capacity back at a higher price. A defender with a legitimate business need, such as seasonal sales of energy, could face monopoly rents driven by a challenger that is simply speculating on transmission capacity.

#### Transmission Services' Response

This issue can be avoided by matching the term of the challenger.

E.

Preemption should not be permitted to affect Redirects and Resales. Given the substantial volumes of Resales and Redirects that will be affected, much of the efficiency gained from a vibrant resale market may be lost if a business practice is adopted that undermines Resales and Redirects.

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 preempted 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 subject to the same constraints as other reservation requests. If that expectation is undermined by preemption, the Resale market will cease to provide value and this will adversely affect efficient use of transmission capacity.

NWCPUD appreciates that BPA will credit the holders of these recalled rights, but such credits are unlikely to fully compensate these parties for the damages that they may be exposed to.

#### Transmission Services' Response

The process that allows redirects to be preempted is a FERC and NAESB requirement. However, given the recent FERC order in its *Entergy* ruling, FERC has introduced a new requirement regarding redirects. Redirects should be subject to preemption and competition like any new request for service. However, a customer should not lose rights

to their original path until the redirect request reaches the unconditional window. This ruling is inconsistent with current NAESB standards and a rehearing by FERC has been requested. The version of PCM being implemented cannot satisfy both requirements. After extensive outreach with customers, BPA is moving forward with a PCM implementation for monthly and weekly service that excludes redirects from PCM scope. Only original requests will be subject to preemption and competition at this time. Once FERC provides a final ruling in the *Entergy* case, BPA will then engage the region with respect to how to implement PCM for redirects.

BPA should carefully consider the approach that it takes regarding this aspect of OATT business practice implementation. Once implemented, it may need to take mitigating actions to counteract losses in efficient, reliable operations.

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## 5. Powerex

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Powerex has the following concern regarding this business practice.

The automatically generated matching request removes flexibility from the Defender to select how they want to meet or exceed the duration requirements from the competitor. A customer may prefer to modify the start date to begin service earlier, or further extend the stop date to exceed the duration of the competitor. Exceeding duration of a competitor may also be desired to preemptively protect against future competitions. Defenders should have the ability to disable the automatically generated matching request and submit their own matching request that meets or exceeds the duration and capacity requirements.

Powerex urges BPA to develop the capability to allow this alternative option as soon as possible. Please review the sample scenario below that shows an undesirable outcome that could occur with the current BPA automated matching rule which only extends the stop date for competition. For this example, please assume the challenger has submitted their request on March 10<sup>th</sup>.

	April	May	June	July	Aug
Defender's Reservation		50 MW	50 MW	50 MW	
Remaining ATC after Confirmation	50 MW	0 MW	0 MW	0 MW	100 MW
New Challenger's Request	50 MW	50 MW	50 MW	50 MW	
Automated Match for Defender		50 MW	50 MW	50 MW	50 MW
Current Market Value of the Tx	Medium	High	High	Medium	Low

In this example, the Defender would want to take the April transmission and not the August transmission, but the automated matching request forces them to take the August transmission or lose the May through July transmission.

Thank you for the opportunity to provide comments.

### Transmission Services' Response

For the current PCM model, the customers as a group were asked to choose between either creating their own matching request or to let the system do an auto-match. BPA

polled the customers and the majority of customers chose to auto-match. The ability to create a customer's own matching request will be included in a future update to PCM.

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## 6. Tacoma Power

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Re: Tacoma Power's comments regarding Preemption of Short-Term Requests and Reservations, Version 1

Tacoma Power appreciates the opportunity to submit comments to the Bonneville Power Administration ("BPA") regarding its proposed business practices addressing preemption and short-term competition. Tacoma Power has participated in many related discussions at both regional workshops with BPA and meetings with the OASIS subcommittee of the North American Energy Standards Board. At this time, Tacoma Power remains very concerned about BPA's proposed implementation of these business practices on its transmission system. In discussing these proposed business practices with similarly situated transmission customers of BPA, Tacoma Power has found that Seattle City Light shares our concerns. Accordingly, Tacoma Power strongly endorses the well considered and highly relevant comments Seattle City Light will provide to BPA regarding its draft business practices related to preemption and short-term competition.

### [Transmission Services' Response](#)

[Thank you for your comments.](#)

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## 7. Puget Sound Energy (PSE)

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**Re: Comments of Puget Sound Energy, Inc. on Short-Term Competition Business Practice**

Puget Sound Energy, Inc ("PSE") would like to thank The Bonneville Power Administration ("BPA") for the opportunity to comment on BPA's Business Practice Posting Version 1 of Preemption of Short-Term Requests and Reservations. In November 2012 PSE commented that we did not believe it was in the best interest of BPA and the Regions to implement Competition in spring of 2013 due to possibly of introducing unintended and unnecessary risk to a relatively well-functioning transmission system and resale market. PSE still stands by those comments and still believes that it is not in the best interest of the Region to introduce competition to the market until all known and identified issues have been solved or NAESB has provided new Competition and Preemption Standards.

With regards to the currently posted Preemption Business Practice In reading and reviewing the new Business Practice ("BP"), PSE discovered some missing information that we believe is necessary to fully understand and adhere to Preemption. In addition PSE has identified larger, possibly overlooked issues that could cause unfair Defender selection, or lead to unnecessary market disruption if not addressed and corrected.

A.

**Small Issues:**

On Page 5 of the posted BP in “Table B” there are times referenced in the “Must be Queued By” column that do not include a time zone. For the purposes of clarity as BPAT has customers in each Time Zone in North America the “PPT” time zone should be included following each time

referenced. Similarly, if there are any other times referenced in the BP the accompanying time zone should be referenced.

**Transmission Services’ Response**

Thank you for your comment. BPA has made the change in the business practice.

B.

On Page 14 the fourth bullet point sentence underneath “Defender priority is established as follows:” is not finished, it currently reads “If the above parameters are equal, later queue time is”. Please complete and finish this sentence.

**Transmission Services’ Response**

Thank you for your comment. BPA has made the change in the business practice.

C.

On Page 16 the BP states that “Matching requests....are given a new queue time of just prior to the Challenger”. On Page 11 in bullet point “h.” the business practices states “The matching request....with a new....Queue Time equal to that of the Challenger’s request.” Bullet point “h.” should match what is stated on Page 16 and read “a new Queue Time just prior to the Challenger”.

**Transmission Services’ Response**

Thank you for your comment. BPA has made the change in the business practice.

D.

**Larger Issues:**

BPA recently updated the Timeframes for Firm PTP Challengers to be 2 Business Days prior to 1:00AM of the Challenger’s Preschedule Day. This change makes the Timeframe for a Firm Daily Challenger and a Firm Daily Defender the same. Because of this, and the latency that inherently exists in all software, in the case where a Request is Queued prior to 1:00am, but a Defender is not identified until after 1:00am, can BPA please explain if a Challenge will take place and which time will be used to identify when a Challenge will occur?

**Transmission Services’ Response**

No preemptions start after 1:00 AM PPT of the Defender’s pre-schedule day, so if a reservation has not been identified as a Defender by that time, it will not be involved in a

competition. A reservation's conditionality to be a Defender is determined at the time it is evaluated. It is not based upon the Challenger's queue time.

Apart from that, further testing by BPA has shown that establishing lead times by counting back business days did not work as expected, so BPA has made the software fix to go back to the original design of establishing lead times based upon counting back calendar days. We have also listened to customer concerns about having the lead time for a Challenger being the same as the lead time for a Defender and have set the lead time for the Challenger back to 72 hours prior to 1:00 AM PPT of the Challenger's pre-schedule day.

E.

On Page 14 In "Flow Diagram No.1" It states "If the above parameters are equal, later queue time is subject to Preemption before earlier queue time". This process will prove to be sufficient if queue times are unique; however with the implementation of Simultaneous Submission Windows (SSW) by BPAT all Transmission Service Requests (TSR's) submitted within the SSW will receive the same queue time. Please explain how BPAT will determine the order of Defenders if multiple similar eligible reservations have the same queue time? What criteria will be used to break the tie? This has been determined to be a problem during NAESB discussions, but has not ever been discussed or explained during BPA customer meetings, nor in the out for comment BP. This appears to be a large issue that has up till this point been overlooked and could cause an incorrect Defender selection.

#### Transmission Services' Response

Although it is true that requests submitted within the Simultaneous Submission Window will be given the same "Effective Time Queued", such requests will retain their original queue time for the purpose of preemption and competition. PCM uses the original queue time rather than the effective queue time in the ranking of Defenders.

F.

Additionally, on Page 14 In "Flow Diagram No.1" It states the "Defender must provide capacity to at least one constrained flowgate of path needed by the Challenger". However, there is no mention of what level of capacity must be provided by the Challenger. During regional meetings with BPA, there was discussion of using a de minimus value for determining when a competition would be warranted. The BP appears silent on this matter. BPA should include information regarding at what level of capacity will a competition begin. It is PSE's recommendation to use

the standard de minimus standard for awarding capacity during a normal Transmission Service Request, and be sure to include this new language in a revised Business Practice.

#### Transmission Services' Response

Thank you for your comment. As discussed in the regional meetings, a reservation or request must provide non-*de minimis* capacity to a Challenger to even be considered a valid Defender for preemption or competition. The business practice has been updated to make this clear.

G.

Finally, on Page 16 the BP states that “Matching requests...are given a new queue time of just prior to the Challenger”. This is cause for concern, because if you successfully defend and are given a new queue time prior to the Challenge, it is possible that this will make your reservation more susceptible to Challengers in the future. While it is true that the increase in duration should reduce the chances of being identified as a defender, losing a potentially much earlier queue time could create just as much of an increase in being identified. BPA should take action to allow all successful Defenders to retain their original queue time.

#### Transmission Services' Response

The business practice has been changed to clarify that the matching request for the Defender is created using the same queue time as the Challenger. This is not considered a variance, but a design of the standard PCM solution. However, BPA recognizes the potential negative implications of this design. This concern will be addressed through the NAESB process.

H.

#### **Conclusion:**

PSE would like to again thank BPA for the opportunity to comment on the proposed Business Practice, and we hope that BPA will review our suggestions and concerns and implement changes in both the pending Business Practice and Competition process.

PSE remains concerned that implementation of Competition could produce unintended consequences and market disruption due to premature implementation. PSE stands behind previous comments on Competition that the policy and technical issues associated with such a complicated market change require resolutions that are intentional and deliberate, and BPA should allow itself, the region, and OATi (the software vendor) the time to ensure that all of the details are right prior to implementation. PSE recommends that BPA continue to work with the region, at NAESB, and with OATi to develop solutions to the issues identified above and any other issues identified prior to the implementation of the PCM Implementation Protocol.

PSE appreciates BPA's consideration of the recommendations contained herein. If BPA is interested in discussing any of these suggestions further, please do not hesitate to contact me or my staff. By return e-mail, please confirm BPA's receipt of these comments.

#### Transmission Services' Response

As stated in other comments, PCM has been tested extensively and is ready for implementation on the BPA OASIS node. BPA will remain strongly engaged in the NAESB process to influence development of standards that reflect the needs of the Pacific Northwest.

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## 8. BPA Power Services

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Thank you for your staff's efforts in keeping transmission customers informed and included in the this topic. I have inadvertently missed the comment period deadline. Here are BPA Power Services' comments to "Preemption of St Requests and Reservations" business practice. Thank you for considering them.

Implementation of the short-term competition and preemption features into BPA's OASIS has been an lengthy, involved, and complicated process. We appreciate the involvement that BPAT has with its transmission customers, as well as in the NAESB national standard development forum, in its effort to ensure that implementation parameters are appropriate.

Below are some issues that were raised at BPAT's STCP customer workshop on Apr. 25, 2013 and another call on May 8, 2013. BPAP would like to reiterate that these are valid concerns that should be addressed prior to BPAT implementation of the first phases of STCP:

A. Queue Time of Matching Request: BPAT's current process would identify the Challenger and the Matching Request as having identical queue times, except for the earlier AREF of the Matching Request. BPAP's comment is not questioning BPAT's decision to currently go live with this bug unresolved, but to encourage BPAT to remedy this in the near future (correctly identify the latter-queued Challenger as a valid defender before the earlier-queued matching Defender).

### Transmission Services' Response

The business practice has been changed to clarify that the matching request for the Defender is created using the same queue time as the Challenger. This is not considered a variance, but a design of the standard PCM solution. However, BPA recognizes the possible negative implications of this design. This concern will be addressed through the NAESB process.

B. Limit Hourly Firm Sales: BPAT shared that it is exploring "limiting hourly firm sales" on the Network in September 2013. BPAP proposes that if "limit hourly firm sales" is implemented, it should not require BPAT to implement competition for that product until other known issues are resolved (such as notification of preemptions of hourly within the scheduling window).

### Transmission Services' Response

BPA intends to engage the region when considering whether to implement PCM for the hourly market. Such a discussion is anticipated after PCM is successfully implemented in the monthly, weekly, and daily markets, as well as after the Managing Hourly Firm Sales effort is completed.

C. E-Tag Notifications: Please clarify with FERC that it intended Hourly competition to continue after the schedules are confirmed, which would require updates to existing scheduling systems. Such updates are necessary as any reductions in transmission associated with e-tags would not be updated once they are accepted in the scheduling system. With that current process, actions, such as curtailments, would be using information that is not correct.

### Transmission Services' Response

BPA is not currently addressing the question of preemption and competition in the hourly market. This issue will be considered when BPA engages the customers on a regional discussion on implementation of PCM in the hourly market.

D. Resales of short-term reservations that are in the Conditional Window: A principle of STCP is that resales of short-term transmission that are still in the conditional window, are eligible to be displaced or face competition. However, BPAT's proposed STCP procedures for 2013 omits resales of conditional reservations as being eligible for STCP. This means that if the original reservation is in the conditional window, a resale of that reservation will make that reservation "unconditional". This is a known deficiency in the programming. Please continue to find a solution for this.

### Transmission Services' Response

To clarify, a resale should inherit the conditionality of the parent. If the parent is unconditional, the resale should also be unconditional. Likewise if a parent is subject to preemption and competition, the capacity held on the resale should also be subject to preemption and competition. It is true that in the current PCM implementation, all resales are exempt from preemption and competition. This is a known design deficiency that is being addressed via the NAESB process.