

## Comments on Unauthorized Increase Charge Business Practice, Version 2

Company	Date Submitted
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BPA's revised business practice on Unauthorized Increase Charges (UIC) states that a UIC will be issued on a transmission bill when a "schedule or schedules" exceed the reservation capacity rights on a Point-of-Receipt (POR) to Point-of-Delivery (POD) path.

It has come to Powerex's attention that this language in BPA's proposed UIC business practice, (as well as similar language in the current BPA business practice), is inconsistent with FERC policy and specific FERC precedent on the appropriate application of UIC. In particular, the Commission has specified that UIC are applicable when (i) a transmission customer's *actual* deliveries exceed its reservation capacity at the POR, or (ii) a transmission customer's *actual* withdrawals exceed its reservation capacity at the POD. In other words, unreserved use penalties must be applied to any shortfall in the transmission capacity that a customer has reserved relative to the transmission service *actually* used.<sup>1</sup> BPA's current and proposed business practice incorrectly apply UIC only when the transmission service the customer has *scheduled* exceeds the transmission service reserved. This approach not only is inconsistent with FERC's policy, but also undermines FERC's stated purpose of these unreserved use penalties - to ensure reliability and the orderly allocation of point-to-point transmission service.<sup>2</sup>

More specifically, in Order No. 890, FERC emphasized that:

Unreserved use penalties are intended, in part, to give transmission customers an incentive to reserve and pay for the appropriate level of transmission service so that transmission service is allocated in an orderly fashion. A transmission customer that uses unreserved transmission service requires the transmission provider to take some action to accommodate the additional use of the system. Some penalty is warranted even in those instances when the transmission provider's accommodations are sufficient to avoid curtailment of transmission service to other customers. Absent a penalty in all instances, transmission customers would have an increased incentive to under-reserve transmission service, which would lead to an increase in the likelihood that system reliability would be impaired. In addition, a transmission customer that uses more transmission service than it has reserved, even in periods when system reliability has not been impaired, has nonetheless disturbed the orderly allocation of transmission service.<sup>3</sup>

FERC has also made it clear that it does not distinguish between intentional and unintentional unreserved transmission uses, and that all unreserved uses will be subject to operational penalties.

We conclude that maintaining penalties for any unreserved use of transmission service will create the right incentives for customers to take appropriate measures to minimize any unreserved use

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<sup>1</sup> Order No. 890, PPM Energy v. PacifiCorp, FERC Docket#EL06-82, Granite Reliable Power, LLC, FERC Docket #ER12-65,

<sup>2</sup> Order No. 890, Granite Reliable Power, LLC, FERC Docket #ER12-65

<sup>3</sup> Paragraph 838, Order No. 890

before it occurs, whether intentional or not. As the Commission noted in Order No. 890, any unreserved use of transmission service can harm reliability and disrupt the allocation of transmission rights. It is therefore appropriate to maintain penalties for both intentional and unintentional unreserved uses.<sup>4</sup>

In Order 890, FERC also stated that it would not be appropriate to exempt any class of customer from unreserved use penalties.

We will not exempt any class of transmission customer from the potential assessment of unreserved use penalties. We do not agree with Seattle's assertion that unreserved use penalties can result in charges that are unjust and unreasonable for intermittent resources, such as wind generators, that can not precisely schedule power in future periods. Unreserved use penalties are based on the transmission capacity reserved rather than the transmission service scheduled, so an intermittent resource's inability to precisely schedule power in future periods is irrelevant, as long as the resource has reserved sufficient transmission capacity to deliver the resource's full output.<sup>5</sup>

In Order 890-A, the Commission explained why it continued to believe that it would be inappropriate to exempt any type of resource from unreserved use penalties.

While we appreciate that intermittent resources have limited ability to precisely forecast or control generation levels, they are able to reserve sufficient transmission capacity to deliver their full output in the event it is produced, thereby mitigating potential unreserved use penalties. In this regard, intermittent resources are no different than any other generator and, thus, application of unreserved use penalties is not discriminatory. Exempting these or any other type of resource from unreserved use penalties would diminish incentives to reserve adequate transmission to deliver the resource's output, potentially creating reliability problems for the transmission provider and discriminating in favor of the resource in the allocation of transmission rights.<sup>6</sup>

Powerex recognizes that it is likely that most of BPA's transmission customers reserve sufficient transmission capacity to meet their actual energy flows on the grid and thus do not utilize greater transmission than they have reserved.

However, Powerex understands that BPA has difficulty tracking and measuring unscheduled flows on its system in some instances, and that unscheduled flows may be contributing to curtailments of schedules that have been submitted by customers that have reserved sufficient transmission capacity.

One undisputable cause of unscheduled flows is the delivery or withdrawal of energy from the grid in excess of the scheduled amount. If curtailments are the result of deliveries and withdrawals which exceed the reserved transmission capacity on BPA facilities, and unreserved use penalties are not being properly applied, the orderly allocation of transmission rights is undermined. For this reason, FERC has made it clear that penalties are appropriate when a transmission customer delivers or receives energy at a point of receipt/delivery on the grid in excess of its reservation.<sup>7</sup>

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<sup>4</sup> Paragraph 447, Order No. 890-A

<sup>5</sup> Paragraph 837, Order 890

<sup>6</sup> Paragraph 448, Order 890-A

<sup>7</sup> PPM Energy v. PacifiCorp, FERC Docket#EL06-82 at PP 29-32 (noting the penalty "discourages a generator from delivering energy onto the transmission system in excess of its reservation and instead encourages the generator to more accurately reserve transmission service").

In view of the unequivocal FERC precedent, and to ensure that customers are appropriately discouraged from using the transmission system in excess of their reserved capacity, Powerex strongly believes that BPA should revise the UIC Business Practice to provide that a UIC will be issued when a customer's deliveries or withdrawals on the grid exceed its transmission reservation capacity at the applicable POR or POD. Moreover, BPA should take steps to ensure all transmission customers that are directly interconnected with BPA's transmission system are subject to BPA's UIC penalties if they contravene the requirements of this UIC business practice.

Powerex realizes that it may take some time for BPA to conduct the necessary technical work to enable it to accurately settle its UIC based on actual deliveries and withdrawals on its system. In this regard, Powerex urges to BPA to amend the business practice immediately but delay applying UIC penalties for no longer than a three month period. This delay would give customers notice of BPA's intention to ensure that customers reserve sufficient transmission capacity, while giving BPA the time it needs to put the appropriate operational measures in place.

Thank you for the opportunity to provide comments.