



May 10, 2013

BPA Transmission Services

Attention: Tech Forum

Subject: Preemption of Short-Term Requests and Reservations

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:

- 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.
- 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.
- 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.
- 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.

- 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.

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.

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

Sincerely,

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