



Terms and Conditions TC-20 Tariff Proceeding Customer Workshop

7/23/18

Agenda

TIME	TOPIC	PRESENTERS
9:00 - 9:10 AM	Agenda Review & Safety	Rachel Dibble
9:10 – 9:20 AM	Strategic Alignment & <i>Pro Forma</i> Guidance	Michelle Manary
9:20 - 9:30 AM	TC-20 Tariff Development	Rachel Dibble
9:30 - 10:00 AM	Miscellaneous Updates to TC-20 Tariff Proposals	Rahul Kukreti and Beth Loebach
10:00 – 10:15 AM	Break	
10:15 – 11:00 AM	Business Practice Process	Rachel Dibble and Mary Willey
11:00 – 11:20 AM	Ancillary Service (Schedule 10)	Rebecca Fredrickson and Eric King
11:20 – 11:50 PM	Price Cap and Financial Middleman	Rebecca Berdahl
11:50 – 12:00 PM	TC-20 Settlement	Todd Miller
12:00 – 12:05 PM	Wrap up and Next Steps	Rachel Dibble

Strategic Alignment

Agency Strategy

BPA's 2018–2023

STRATEGIC GOALS

DELIVERING ON OUR PUBLIC RESPONSIBILITIES THROUGH A COMMERCIALY SUCCESSFUL BUSINESS

#1 STRENGTHEN FINANCIAL HEALTH

Improve cost-management discipline, build financial resiliency and maintain strong credit ratings.

#2 MODERNIZE ASSETS & SYSTEM OPERATIONS

Administer an industry-leading asset management program; modernize federal power and transmission system operations to leverage market and technology developments.

#3 PROVIDE COMPETITIVE POWER PRODUCTS & SERVICES

Increase revenues; align the region around a durable and financially sustainable fish and wildlife plan; align energy efficiency investments with long-term needs; achieve a modernized Columbia River Treaty.

#4 MEET TRANSMISSION CUSTOMER NEEDS EFFICIENTLY & RESPONSIVELY

Make more flexible, scalable, economical and operationally efficient transmission investments; support efficient regional resource development; streamline processes; standardize products and services.

Transmission Business Model

WE ENERGIZE THE PACIFIC NORTHWEST

Transmission Value Proposition

Operating a High Performing Grid

Enabling Economic Growth in the Region

Providing Access to Federal and Non-Federal Resources And Markets

Through Excellence

Product Portfolio

Providing standardized options
Value-based price profiles
Drawing from integrated regional planning

Infrastructure

Advanced situational awareness
Right-sized investments in assets
Value and risk-based asset management

Long-Term Viability

Integrated and efficient processes
Data-driven decision making
Innovation and continuous improvement

A Dependable and Responsive Business Partner

BPA's *pro forma* strategic guidance as principles for the new tariff

Consistent with the BPA 2018-2023 Strategic Plan and Transmission Business Model, BPA plans to propose a tariff that is consistent with the FERC *pro forma* tariff to the extent possible. BPA will consider differences from the FERC *pro forma* tariff if the difference is necessary to:

1. Implement BPA's statutory and legal obligations, authorities, or responsibilities;
2. Maintain the reliable and efficient operation of the federal system;
3. Prevent significant harm or provide significant benefit to BPA's mission or the region, including BPA's customers and stakeholders; or
4. Align with industry best practice when the FERC *pro forma* tariff is lagging behind industry best practice, including instances of BPA setting the industry best practice.



TC-20 Tariff Development

TC-20 Workshop Topics

Today {

- **Ancillary Services (Schedule 10)**
- **Price Cap and Financial Middleman**

**Subsequent
Workshops
(Aug – Sept)**

- NT NOA and Attachment G
- NT Redispatch and Attachment M
- NT Conditional Firm
- Ancillary Services
- Generator Interconnections (Attachments L and N)
- Hourly Firm
- Losses
- Tariff
- Price Cap and Financial Middleman

Future TC-22 Tariff Proceeding

- BPA is proposing to use current tariff language for the deferred topic list below (Specific sections for each topic are also posted).
- Deferred tariff language topics for sections related to:
 - Study Process
 - Excluding undesignations for firm market sales less than one year
 - Attachment C (ATC Methodology)
 - Attachment K (Regional Planning)
 - PTP and NT agreement templates
 - Simultaneous Submission Window (SSW)
 - Creditworthiness
- Identified deviations will be addressed in TC-22.

TC-20 Workshop Timeline

APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	November
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BPA develops proposed tariff language

Customers review proposed tariff language & provide feedback

BPA prepares for TC-20 Initial Proposal



TC-20 begins
November
2018



Miscellaneous Updates to TC-20 Tariff Proposals

Addressing miscellaneous provisions

- In June, BPA clarified what topics were related to sections flagged as “under review”.
- We identified a number of miscellaneous sections that were not specifically related to a TC-20 topic but we had identified a potential deviation from the *pro forma* tariff.
- These are sections related to: Procedures Addressing Parallel Flows, Attachments for Lists of Customers, and cross references and other minor deviations from *pro forma* (including a reference to an intra-hour scheduling business practice and sections with requirements for POD and POR).
- Today we will review our proposals for these sections.

Sections related to Procedures Addressing Parallel Flows

- BPA adopted Attachment J and included the reference to the WECC reliability standards in 2012. In addition, BPA revised sections 13.6 (curtailment of firm transmission service), 14.7 (curtailment or interruption of service), and 33.4 (curtailment of scheduled deliveries) to state that BPA may implement curtailments pursuant to procedures addressing parallel flows set forth in Attachment J.
- The *pro forma* tariff uses the term “transmission loading relief procedures” rather than “procedures addressing parallel flows” in sections 13.6, 14.7, and 33.4.
- BPA proposes to retain the textual deviation from *pro forma*, the reference to “procedures addressing parallel flows” because this aligns with the terminology used in the description applicable to the western interconnection and with the language in BPA’s Attachment J. The proposed language is aligned with *pro forma* in its intent.
- Section 33.4 is flagged as “under review” in the draft tariff proposal because it includes a reference to NT conditional firm. However the language that BPA is discussing relating to Attachment J in section 33.4 is available for you review in a handout we’ve posted.

Attachments for lists of NT and PTP Customers

- The *pro forma* tariff requires a list of customers to be included in Attachment E (Index of Point-to-Point Transmission Service Customers) and Attachment I (Index of Network Integration Transmission Service Customers).
- Attachments E and I of BPA's current tariff includes a link to OASIS where the list of customers is maintained.
- In reviewing other transmission providers (PacifiCorp, Puget Sound, Avista, Southern, Duke), BPA has found that the common practice in Attachments E and I is to reference the Transmission Provider's Electronic Quarterly Report (EQR) filings to FERC for the list of current NT and PTP customers. These Transmission Providers no longer list the customers in attachments to their tariffs.
- BPA proposes to retain its current language in Attachments E and I in its new tariff. BPA will continue to post its list of customers on OASIS. Additionally, BPA will continue its practice of submitting EQR filings with FERC. This aligns with the intent of *pro forma* in providing this information and also with industry best practice.

Cross-references and removal of additional language

- Section 19.2(iii), System Impact Study Agreement and Cost Reimbursement
 - In the *pro forma* tariff, section 19.2(iii) contains an erroneous reference to section 20 for how a Transmission Provider will account for costs of a System Impact Study it conducts on its own behalf.
 - BPA's current tariff corrects this incorrect cross-reference and instead includes a reference to section 8 for how BPA will account for such costs.
 - BPA is proposing to retain the cross-reference in section 19.2(iii) to section 8 rather than section 20.
- Section 30.8, Use of Interface Capacity by the Network Customers
 - BPA is proposing to remove an extraneous cross-reference to section 28.4 and align the language with *pro forma* for this section.

Cross-references and removal of additional language (cont'd)

- Section 1.39, Pre-Confirmed Application and Section 18.2, Completed Application
 - BPA is proposing to remove the additional language in its current tariff, “full amount of the” from these sections. This language is not in the *pro forma* tariff and in its review, BPA has determined this language is unnecessary. There is no impact to removing the additional language.
- Sections referencing Intra-Hour Scheduling Business Practice:
 - BPA has added additional language in sections 13.8 and 14.6 related to intra-hour scheduling changes and the scheduling business practice. In its review, BPA has determined the non *pro forma* language is unnecessary. BPA is proposing to remove the deviation and align these sections with the *pro forma* tariff.
 - Section 13.8 is flagged as “under review” in the draft tariff proposal because that section also includes a reference to Hourly Firm. We have posted a handout to help clarify the language we addressing related to intra-hour scheduling.

Tariff language BPA is proposing to defer to TC-22

- Sections 1.35, 1.36 and 15.4(i) include requirements for POD and POR.
- In its review, BPA has determined the deviations from pro forma in these sections relate to the NT and PTP application and study process, which are being deferred to TC-22. As a result, BPA proposes to use its current tariff language for these sections in TC-20. Potential modifications to these sections will be addressed in TC-22.
- Sections:
 - 1.35, Point(s) of Delivery
 - 1.36, Point(s) of Receipt
 - 15.4, Obligation to Provide Transmission Service that Requires Expansion or Modification of the Transmission System, Redispatch or Conditional Curtailment



Business Practice Process

What we will cover today

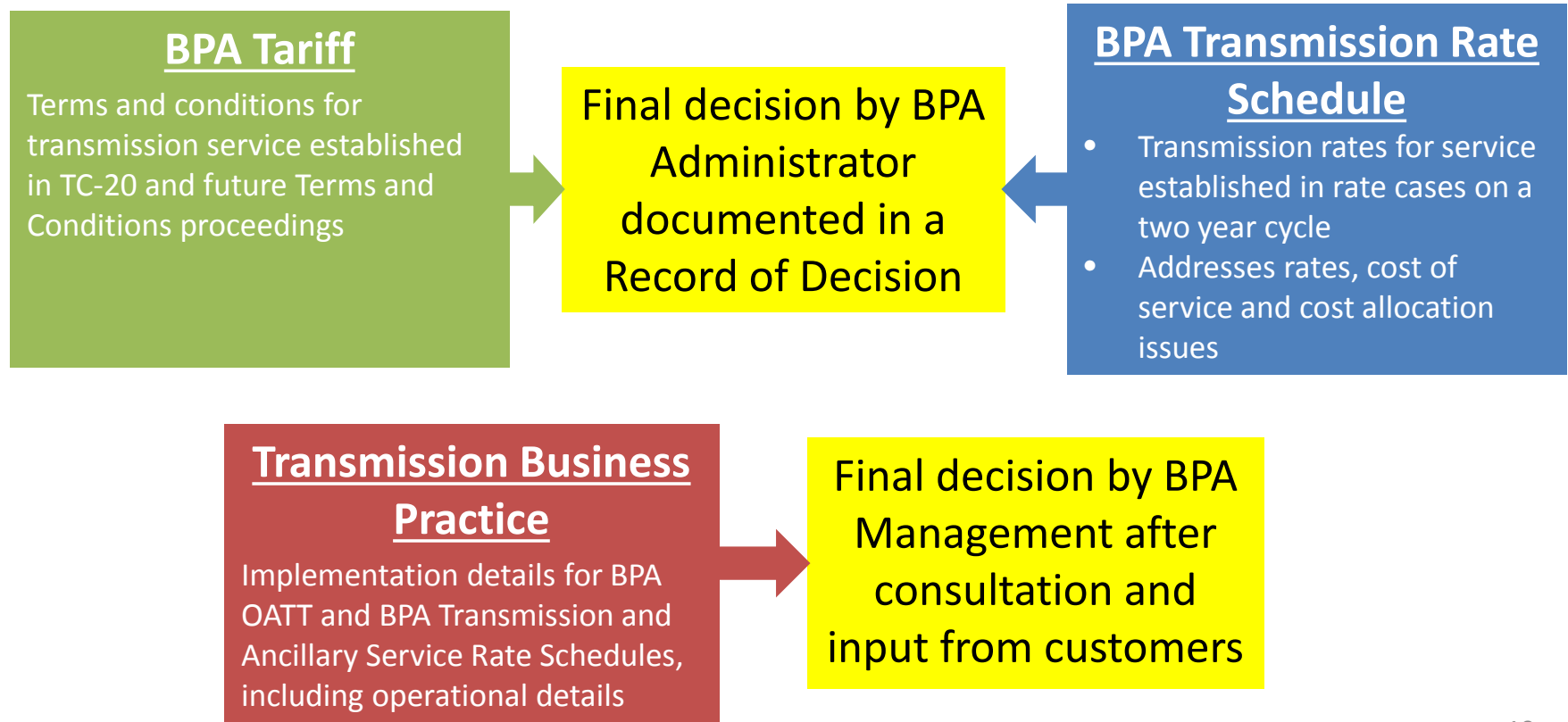
- Customer comment and concerns
- BPA's approach to Business Practices
- A scan of Transmission Provider Business Practice processes
- Business Practice process options/considerations
- Desired feedback

Customer comment themes

- Customers want to understand the distinction between what is included in the tariff, the rate schedule and Business Practices
- A Customer proposed that BPA include a definition and standard for Business Practices in the new tariff that reflects the FERC Rule of Reason
- Customers would like more certainty surrounding the Business Practice process to promote:
 - Transparency
 - Sufficient time to comment
 - Consideration of and response to comments

Tariff, Rate Schedule and Business Practices Distinctions

Customers want to understand the distinction between what is included in the tariff, the rate schedule and Business Practices.



FERC Rule of Reason ‘Standard’

A Customer proposed that BPA include a definition and standard for Business Practices in the new tariff that reflects the FERC Rule of Reason.

- BPA’s approach to business practice content is consistent with the standard FERC uses under its rule of reason test.
- Through a process scan and revision of Business Practice process, BPA is considering the practices and procedures that are common in the industry.

Business Practice process certainty

Customers would like more certainty surrounding the Business Practice process.

- The following slides document the process scan and potential revisions to the BPA Business Practice process to promote:
 - Transparency
 - Sufficient time to comment
 - Consideration of and response to comments

Business Practice Process Transmission Provider Scan

- BPA reviewed the publicly posted Business Practice processes of 12 Transmission Providers (CAISO, SPP, IDP, SCT, BCH, PAC, PGE, PSEI, LADWP, WAPA, TVA, Duke).
- Review of these processes identified opportunities to improve BPA's Business Practice process.

Business Process Scan Summary/Comparison

Process Step Summary	Findings Summary		BPA Currently	BPA Considering
Definition/Standard for Business Practices	Yes = 3	No = 9	No	X
Comment period length identified	Min = 1 week	Max = 30 cal. days	20 bd	X
Comment period extensions	Yes = 3	No = 9	No	X
Conference Calls	Yes = 1	No = 11	Approx. 2 weeks	X
Retirement process	Yes = 2	No = 10	No	
Timeline to post comments after receipt	Min = 2 bd	Max = 7 cal. days	No deadline	X
Subsequent Comment period / duration	Yes = 5*	No = 7	Yes / No duration	X
Flexibility outside standard process	Yes = 7	No = 5	Yes (+/- duration)	
Process to Expedite	Yes = 4	No = 8	No	X
Identify who can comment	Yes = 3	No = 9	No	
Required Change Request form (not comment form)	Yes = 3	No = 9	No	
Response to customer comment timeline	Yes = 4	No = 8	No	X
Immediate finalization if no comments received/no changes result from comments	Yes = 4	No = 8	No	X

Additional process options/considerations

- Set standard comment period durations based on the level of change (e.g., Minor – General – New).
- Implement automatic comment period extensions.
 - When there is a great deal of change or when multiple Business Practices are in the comment phase at once.
- Conduct recurring Business Practice conference calls.
 - Provides an opportunity to inform customers of upcoming changes and status.

Feedback Summary

- In your comments, please address the following:
 - Did we capture concerns correctly?
 - Do the Business Practice process options (two previous slides) address customer concerns sufficiently?
 - Are there additional Business Practice process options not currently identified that you would like BPA to consider?
- Comments received through Aug. 6



Ancillary Service (Schedule 10)

1. What is the *pro forma*?

- FERC elected to not adopt a standardized Schedule 10 for generator regulation services. Instead they will consider individual proposals brought by transmission providers.
- In the April TC-20 workshop, BPA provided draft language for Schedule 10 Generator Imbalance Service, with the level of service defined in the BPA business practice.

What are the alternatives we considered for defining Generator Imbalance service?

- Add Schedule 10 for Generator Imbalance service to the tariff and include the level of service for Generator Imbalance in the rates process.
- Add Schedule 10 for Generator Imbalance service, which includes the level of service to the tariff.
- Add schedule 10 for Generator Imbalance service to the tariff, with the level of service defined in the BPA business practices.

2. What did we hear?

(as summarized in the June 26, 2018 Workshop)

Schedule 10:

Generally, the Commenting Parties do not support moving the level of service for Generator Imbalance into a separate business practice. Some of the comments BPA received are listed below:

- BPA should follow the industry standard by including “those practices that affect rates and service significantly, that are realistically susceptible of specification, and that are not so generally understood in any contractual arrangement as to render recitation superfluous” into the BPA Tariff.
- FERC, and the courts, have often expressed concern when transmission providers use business practices, or other informal documentation to “significantly affect...rates, terms or conditions”.
- Provisions that “significantly affect rates, terms, and conditions” of service must be included in the tariff, while items better classified as implementation details may be included only in the business practices.

3. What are we proposing?

- We have heard and have reviewed the customer comments, However, we are continuing to propose to define the terms and conditions of Generator Imbalance in Schedule 10 of the tariff and define the level of service in BPA's business practices.
- A proposed business practice has been shared with customers in the May, June, and July ACS forums.
- We are currently taking comments on the business practice language for the level of service for Generator Imbalance.

3. What are we proposing (cont.)?

Schedule 10:

- BPA proposes to modify its Schedule 10 language to better capture Commission policy.
- New Schedule 10 language:

“The Transmission Provider must offer to provide this service to generation electrically located in the Transmission Provider’s Control Area to the extent it will not unreasonably impair reliability. The Transmission Provider will establish a long-term planning process in its Business Practices and utilize that planning process to forecast the capacity needed to provide this service. The Transmission Provider will offer to provide such service up to the forecast quantity from its resources or resources available to it.”

Why we believe the Business Practice is the right approach?

- The terms and conditions of Generator Imbalance service should be included in Schedule 10 of the tariff.
- The level of service is an operational determination that is not properly within the scope of the rate case or tariff.
- While the level of service may have impacts on rates, it is an operational determination made to ensure reliability of the transmission system. The methodology will be defined in the business practice so customers know what to expect on how we will operate the system to provide the service.
- The pricing of Generator Imbalance service is a separate issue and should not be a driver of how BPA provides the service.

Next Steps

Schedule 9

- At the August workshop, BPA will provide an update and share the language that staff will propose for the TC-20 Initial Proposal.



Section 23.1

Price Cap and Financial Middleman

Discussion Items

- FERC recognizes the need for secondary capacity reassignments (resales)
- BPA's history
- Price Cap
- Financial Middleman (two components)
 - Contracts
 - Settlements
- Resales 'on' vs. Resales 'off' OASIS
- Tariff language considerations

Background on FERC Pricing Reforms

- Pricing reform is necessary to incentivize transmission upgrades and address transmission congestion and the cost of delivered power (Orders 679 and 890).
- Recognized that the industry needed incentives to invest in long term transmission (Orders 679, 890, 890A, 739, 739A).
- Recognized that long term transmission was key to address congestion (See Orders listed above).
- In Order 890, FERC reversed its previous position and removed price cap.
- In Order 739 and 739A FERC reaffirmed the adoption of the ‘financial intermediary’ as a way to address industry concerns of ‘market manipulation’ and ‘price gouging’.
 - FERC adopts the market monitor role.
 - Transmission Providers (TP) to monitor pricing signals as a means to understand where potential transmission upgrades may be needed.

BPA History

- BPA participated in the FERC 2-year pilot which studied price cap removal and market manipulation.
 - BPA temporarily removed price cap, and
 - BPA reinstated price cap at the end of the pilot period.
- BPA studied the cost of moving to the financial middleman role using the Order 890 prescribed process and determined that the costs were significant (e.g., the 2013 study had an estimated \$13 million project cost).
 - The study considered:
 - Use of the A-1 agreement;
 - BPA conducts the bi-lateral agreement settlement; and
 - Option to use Resales 'off' OASIS (Resales 'on' OASIS had implementation costs at that time).

History (cont'd)

- FERC Order 890-A gave the TP an alternative to the contractual process via the use a blanket service agreement.
- OATi functionality progressed with industry standards supporting Resales 'on' OASIS.
- FERC denied BPA reciprocity due to BPA's unwillingness to remove the price cap and become a financial middleman.
- BPA files EQR on resales transaction to support the FERC market monitoring role.

Section 23 Price Cap

- BPA's deviation from the *pro forma* was identified in the in the Pro Forma Gap Analysis (PFGA).
- As a part of the TC-20 process, BPA is evaluating to remove the price cap.

Section 23.1 Financial Middleman

- BPA's deviation from the *pro forma* was identified in the in the Pro Forma Gap Analysis (PFGA).
- Financial Middleman has two components:
 - Contracts
 - Settlements
- BPA will address the tariff deviation for the financial middleman in the TC-22 process.

Tariff language considerations for TC-20

Current Tariff language for Price Cap: (BPA additional language is in red)

"(a) **A Subject to Commission approval of any necessary filings, a** Transmission Customer may sell, assign, or transfer all or a portion of its rights under its Service Agreement, but only to another Eligible Customer (the Assignee). The Transmission Customer that sells, assigns or transfers its rights under its Service Agreement is hereafter referred to as the Reseller. **Compensation to the Reseller shall not exceed the higher of (i) the original rate paid by the Reseller, (ii) the Transmission Provider's maximum rate on file at the time of the assignment, or (iii) the Reseller's opportunity cost capped at the Transmission Provider's cost of expansion; provided that, for service prior to October 1, 2010, compensation** to Resellers shall be at rates established by agreement between the Reseller and the Assignee.

Price Cap language being evaluated for TC-20

"(a) A Transmission Customer may sell, assign, or transfer all or a portion of its rights under its Service Agreement, but only to another Eligible Customer (the Assignee). The Transmission Customer that sells, assigns or transfers its rights under its Service Agreement is hereafter referred to as the Reseller. Compensation to Resellers shall be at rates established by agreement between the Reseller and the Assignee.

TC-20 Settlement

Wrap Up and Next Steps

Wrap Up and Next Steps

- Comment period
 - Customers should submit comments by August 6, 2018 to the techforum@bpa.gov
 - Miscellaneous updates to TC-20 Tariff Proposals
 - Business Practice Process
 - Ancillary Services
 - Price Cap and Financial Middleman
- Future Tariff workshops, as discussed this morning, will help develop proposed tariff language.