

# factsheet

March 2008

## Transmission to offer Network Open Seasons Meeting our obligations to the next generation

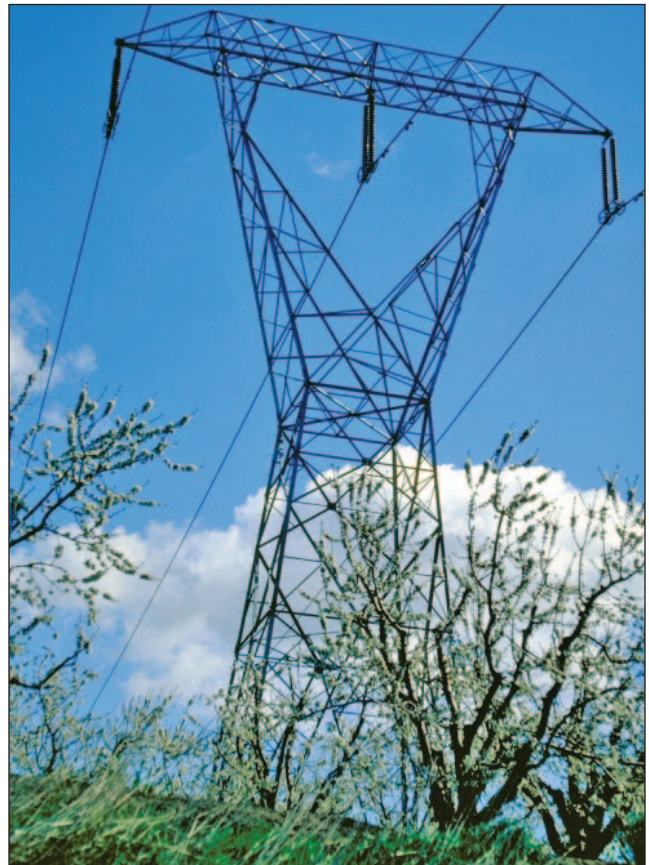
For over six years, the Bonneville Power Administration has engaged its customers and other stakeholders in a Regional Dialogue about the future. The goal has been to ensure policies and contracts are in place that will promote development of adequate power supplies to meet the Pacific Northwest's needs for the next generation.

But building resources alone is not enough. Power suppliers also must have access to these resources. Adequate transmission must go hand in hand with developing adequate generating resources.

For this reason, BPA Transmission Services has launched a comprehensive effort to ensure that there will be sufficient transmission infrastructure available to deliver the next generation of power resources to loads.

Our planners have been conducting long-term modeling, and it is clear that, absent any change, BPA's transmission system will likely run out of capacity in the next three-to-nine years. Unless dealt with, this will limit resource choices, which could have serious environmental and economic consequences for the region.

We have been working with our customers and others to address this challenge from multiple fronts, including ways to better manage congestion on existing transmission flowgates, squeezing more out of the existing infrastructure and exploring nonwires alternatives.



Even with these efforts, however, it is almost certain new transmission will be needed. Loads are growing, three Northwest states are requiring increased renewable energy in utility resource portfolios, and many of the new resources under development are far removed from load centers. These are just a few of the factors contributing to the need for transmission expansion.



---

## Why a Network Open Season

Under the Open Access Transmission Tariff, we have obligations to two major classes of customers – Network Integration (NT) and Point-to-Point (PTP).

BPA's challenge is to meet planning, expansion and reliability obligations to our NT customers, while also making transmission capacity available to other parties making point-to-point requests in the transmission queue.

Like other transmission providers across the country, BPA has been inundated with requests for PTP service. The requests currently in our queue seeking new long-term firm transmission capacity amount to several thousand megawatts.

Given the growing market and policy focus on renewable resources, it isn't surprising that over 60 percent of these requests are for wind energy resources. While these requests provide an indication of new resource options and associated transmission needs under consideration in the region, they do not in aggregate reflect actual commitments or needs.

It is clear that some of the requests are speculative. This includes requests from developers seeking transmission for power projects that are some time off or may never be built. In a first-come, first-served transmission queue, these speculative requests can make it difficult to realistically evaluate the highest priority transmission needs

BPA is not alone in facing huge demands for transmission service. The sheer magnitude of transmission requests, plus the inherent complexities of processing these requests on a first-come, first-served basis, has essentially paralyzed the transmission planning process across the country.

## How Network Open Season will work

One of the first steps is to differentiate between the commercially viable requests and those that are speculative.

To this end, BPA is proposing to hold Network Open Seasons – the first of which is planned for this

coming spring and is expected to run eight weeks. During an open season, BPA will offer transmission service to all entities that have requested service on BPA's network (interties are excluded). In turn, parties must commit to purchase transmission by signing a precedent agreement.

A precedent agreement will commit a customer to purchase a set amount of transmission capacity beginning at a set time and for a set period. BPA's commitment to providing that service is contingent on two important precedents – providing service at embedded-cost rates and completing environmental work if it is determined that construction is required to meet the need for new transmission capacity.

In short, the Network Open Season will align new resource development with new transmission development.

## Schedule starts in April

The first Network Open Season will begin April 15, 2008. All customers that have previously requested or that request service by May 15 will receive an offer. The deadline for signing precedent agreements is June 16. PTP customers have until June 27 to provide security.

Those who are not yet ready to sign an agreement and make this commitment will be removed from the transmission queue. They may, however, place another request in the queue at any time, including a future open season that is better timed for their project. BPA will hold open seasons at least annually.

## Cluster studies make sense

Given the size of the queue, conducting individual system impact studies for all transmission requests in the queue has become unmanageable. It takes far too long to conduct the individual studies to be practical. What's more, individual studies cannot identify the network effects that result from interactions among requests. It is entirely possible that a request high in the queue could clear the way for a request lower in the queue (or vice versa), but that interaction remains unknown when each request is studied in isolation.

---

Therefore, once precedent agreements are signed, BPA plans to “cluster” those requests to determine how much available transfer capability (ATC) can be offered and which new facilities, if any, will be required to accommodate the requests. By studying a group of requests all at once, transmission planners will have a clearer picture of aggregate net impacts of all service requests and the network interactions among the requests, including the flowgates that would be affected.

The evaluation also will determine the estimated cost of new infrastructure that may be needed and the level of commitment required to cover those costs at rolled-in transmission service rates. We will use the results of these studies combined with the commitments to take new service, as evidenced by the precedent agreements, to determine whether commitments produce sufficient revenue at rolled-in rates to proceed with construction of new facilities.

If the level of commitment would provide insufficient revenues at the embedded transmission rates to pay for the infrastructure, BPA could offer service through an incremental rate. However, customers executing a precedent agreement would not be bound to take service under an incremental rate.

## **Meeting obligations to NT customers**

Our fundamental obligation to our NT customers is to provide sufficient transmission capacity to reliably meet their current and forecast load growth with current and future designated network resources. This obligation forms the nucleus of our transmission planning and expansion activities.

This is particularly important because federal power resources are finite, and the Regional Dialogue Policy clarifies that our public customers have the responsibility to procure the next generation of resources to meet their growing loads. They can meet their needs on their own or contract with BPA to procure power on their behalf through a “Tier 2” power product.

Although few of BPA’s NT customers are expected to formally participate in the first open season, the future

needs of BPA’s NT customers are deeply embedded in the process. The potential load growth of public customers has been included as a default assumption in BPA planners’ determinations of future transmission needs.

At the same time, we are conducting a dialogue with our NT customers on several core issues. These issues include the assumptions for future NT load service in the financial analysis for new infrastructure, how BPA will reserve available transfer capability for future NT service, and what needs to be done now – before customers are able to commit to specific new resources – to plan for future transmission expansion.

BPA transmission planners believe that transmission projects currently on the drawing board are those most likely to deliver the next new resources that NT customers will need for their future load growth. For example, renewable portfolio standards are driving demand for wind resources, and this in turn is driving the proposed McNary-John Day transmission project that is needed to reinforce the system to move wind to load.

Building these projects will provide headroom on the BPA transmission system so that, if customers identify new network generating resources in a timely way, BPA should be able to offer the corresponding new transmission service, also in a timely manner.

## **Recognizing interdependent needs**

In addition to NT customers, many other parties – utilities and independent power providers – depend on the BPA system to deliver power to their loads. These other users take service across the BPA network on PTP transmission service.

The complex pattern of constraints on the BPA network means that planning for one part of the system without looking at the whole doesn’t make a lot of sense. When it comes to planning and expanding the transmission system, commercial and reliability needs should not be addressed in isolation. Many commercial projects have other benefits, including reliability, and developers have been unwilling to

---

shoulder the burden of financing all costs for a project that benefited the system as a whole.

As a result, BPA is using an analytical framework in which the needs of our PTP customers can be considered alongside those of our core NT customers. Clearly, maintaining reliability, anticipating future uses and providing open access for other commercial users of the transmission system must be treated as interdependent factors.

Under this approach, PTP customers would not be required to fund in advance the cost of network facilities needed for service. BPA would make the necessary financial arrangements by using its borrowing authority or through third-party financing or other arrangements. BPA's risk would be partially secured by the customer's submittal of a refundable security deposit.

## What's next?

The combination of planning for future NT customer needs, requiring precedent agreements through open seasons, performing cluster studies and addressing commercial infrastructure financing should all work together to increase the likelihood that new transmission infrastructure gets built on a timeline consistent with the growth in regional loads and utilities'

requirements to add renewables to their resource portfolios.

BPA and the region are still in a period of great uncertainty about future resources, and our planning processes are still in their infancy. But it also is a period of great opportunity to develop the new approaches that will "get it right" to ensure a reliable and adequate energy future for the Pacific Northwest. As a result during this first open season, we plan to work closely with our customers and other stakeholders to test our planning assumptions and ensure that future open seasons are as effective as possible.

We also are in the process of filing tariff language with the Federal Energy Regulatory Commission for clustering studies and the open season with precedent agreements.

If you would like further information, please check the BPA Transmission Services Web site at: [www.transmission.bpa.gov](http://www.transmission.bpa.gov), select "Network Open Season" listed under "Customer Meetings and Forums." Also you may e-mail any questions or concerns to [techforum@bpa.gov](mailto:techforum@bpa.gov), contact your Transmission Account Executive or call toll free: (800) 622-4519.