

**PNGC Comments on
PTSA Termination and Modification
and
Network Open Season (NOS) and Generation Interconnection
(GI) Reform
August 10, 2011**

PNGC appreciates this first opportunity to comment on these important topics. Since we have no commercially sensitive information we are making our PTSA comments here and not in the Precedent Transmission Service Agreements (PTSA) survey. We have also made a number of suggestions about NOS and GI reform. Because of the complex and interconnected nature of these issues, we expect that thinking on these topics will develop over time through collaboration of BPA and its customers. We look forward to helping BPA develop NOS and GI and related policies that balance the need for efficient queue management, rate stability for transmission customers, access to capital by BPA, and the needs of new, creditworthy transmission customers.

GI Reform

BPA should definitely pursue reform of generation interconnection financing where substantial shared facilities are involved, such as new 500 kV substations. Given BPA's tight capital situation, BPA should not finance these generation interconnection substations and it is very unlikely that one party can finance such a large facility. Asking developers to share the business risk of multi-user interconnection facilities among themselves meets BPA's principle of causation for allocation of costs and risks. BPA should also examine how it categorizes generation interconnection facilities (direct assignment vs. network). BPA should also include any reliability upgrades on the network that are caused by a new generation interconnection as a generation interconnection cost.

Process

BPA's policies, as a whole, have an enormous impact on the pace of renewable energy development in its Balancing Authority Area (BAA). To date, the combination of many policies to encourage renewable energy in the BPA BAA has been enormously successful. BPA currently has 3,522 MW of wind generation interconnected to its system with over 11,000 MW in the GI queue, many PTSA's awaiting construction of NOS facilities, and another ~3,000 MW of TSRs in the queue. With this success have come problems which we must now step back and address. We support BPA taking this time to reconsider its NOS and GI policies so that these policies can continue to interconnect wind and other generation sources to the Federal Columbia River Transmission System (FCRTS) without harming other customers connected to that grid.

We also wish to clarify what some of BPA's Principles for NOS and GI reform mean to us. "Avoid cost shifts" and "ensure that risks and costs follow causation" add up to not raising network transmission rates for BPA's transmission customers – either through construction, or worse, by allowing termination of firm commitments upon which construction was based. While we supported NOS and the projects that resulted from the 2008 NOS, we are reluctant to have BPA undertake any more major transmission expansion projects until the current situation regarding termination of NOS commitments is resolved, until the full NOS and GI review is undertaken, and until more rate protections and more stringent credit and other guarantees are included.

As to the PTSA survey, we appreciate that some parties' responses might be business sensitive. However, the larger issue of allowing modification or termination is a very significant policy issue that should be addressed in an open and transparent forum. We suggest that BPA gather the results of this round of comments on PTSA modification or termination and then have another public meeting so we can understand the extent of the requests (in a compiled format), suggestions that parties have made, and have a full policy discussion. We would oppose any action by BPA to modify or allow termination of PTSAs without this full policy discussion and a clear understanding of the impacts on other customers and on future NOS processes.

The enormous amount of internal resources tied up in NOS addressing what are mostly wind integration requests through PTP transmission does reduce resources available for other transmission work at BPA. For too long, BPA has spent the majority of its policy resources on this limited set of wind related issues. We would like to see a more balanced approach to how transmission allocates its scarce resources so that other transmission issues can be addressed in a timely manner.

Summary

We applaud BPA for undertaking NOS and GI reform, and urge BPA to take the time it needs to do a thorough job that more properly balances the needs of new transmission customers and existing transmission customers. The many facets of these policies, their interface with other BPA policies, and possible unintended consequences need to be thought through methodically. As BPA considers reform it should bear in mind its statutory obligations and its obligation to plan and build a reliable transmission system. BPA's efforts in reliability and other transmission obligations should not be shorted from a staff or resource perspective because of efforts on NOS and GI reform.

BPA should seriously consider multiple ways to protect existing network customers from upward rate pressure from commercial builds, and from risk of default from PTSA participants. We look forward to working through these complex issues with BPA.