

## **RNP**

**TO: Tech Forum**

**RE: PTSA/NOS/GI reform comments**

### **Overview:**

The Renewable Northwest Project (RNP) appreciates the opportunity to participate in and comment on Bonneville's (BPA) preliminary proposals to redesign certain components of the Network Open Season (NOS) process and the Generator Interconnection (GI) process, and to consider the termination, amendment, and transfer of certain customers' NOS Precedent Transmission Service Agreements (PTSA).

RNP welcomes and supports BPA's focus and commitment of resources to addressing these policy concerns. We are confident that the region can continue to improve upon the process through which customers obtain interconnection and transmission service and through which new transmission infrastructure is financed within the region. These issues are crucial to the health of the regional economy and the region's ability to meet our environmental and clean energy goals.

In general, RNP supports BPA's call for and examination of the mutual benefits of PTSA reform. RNP also recognizes that certain policy adjustments will be necessary to continue the success of the NOS and we look forward to developing a package that works for all parties. At this time, RNP is not convinced that a wholesale reform of BPA's GI process is warranted. Instead, we focus below on some of the details of more surgical policy changes that may solve the GI problems BPA has identified.

We encourage BPA to expedite the PTSA reform process and to simultaneously make any necessary changes to the NOS process in time to meet a June 2012 start date. Assuming that BPA's resources and bandwidth are scarce, we view the GI reform process as less of a priority at this time.

We recognize that all of the proposals to date are preliminary and thus our support or opposition to specific proposals should be viewed as subject to additional information, detail, and further discussion.

### **NOS Redesign:**

The NOS has been a successful tool for delivering transmission service from both existing and new transmission infrastructure. RNP commends BPA for three successful NOS's. RNP supports the fundamental design of the NOS policy, however we recognize that the details of the process, and the terms and conditions, can be improved to ensure the timely interconnection and transmission of new generating resources. In general, RNP opposes any reforms that make obtaining new transmission service overly burdensome for renewable energy generators or their counterparties.

Specifically, RNP believes:

- The next NOS should start as soon as practicable (2012) and that the NOS cycle should continue to be one year. RNP understands that given BPA's current

resources, a one-year cycle is difficult to maintain. What is not clear at this point, is what additional resources would be necessary to hold to the one-year cycle and whether or not some of the required studies can be contracted for and covered by NOS processing fees. If the cycle becomes longer than one year, we believe a viable opt-out mechanism may be required.

- The next NOS should strive to incorporate and incentivize the system benefits and economic benefits that come from having a more diverse supply of variable energy generator types and locations. This could be accomplished by including the value of decreasing regional integration costs in the CIFA analysis.
- NOS financial security should be commensurate with a customer's risk. If other elements of NOS redesign shift risks to customers, then the financial security requirements should be lower. It is important that BPA appreciates the customers' total package of risks and costs associated with participating in a NOS. The financial security requirements should be significant enough to deter speculative participation, but not so high as to prevent loads and financial sound generators from participating. As a starting point, RNP supports the NOS status quo one-year deposit requirement.
- RNP is concerned about proposals requiring POR/POD specificity. Requiring additional POR/POD specificity may limit competition and could result in higher costs to Northwest ratepayers if generators and loads have fewer choices regarding counterparties. We believe restricting PODs into market hubs is discriminatory and will artificially limit market participation. BPA should not attempt to limit competition from new competing generation resources by restricting generators' access to market hubs. Requiring the identification of a sink will reduce competition. Off-takers should be allowed to use their existing transmission rights from market hubs to access multiple generators. Moving electricity through market hubs is more efficient than building lines directly between generators and loads.
- Deferral rights are a critical risk mitigation tool given uncertainty associated with the market and BPA's interconnection process. Unless BPA is willing to guarantee deadlines associated with GI, NOS, CIFA, and NEPA, it is appropriate to leave customers with sufficient tools to mitigate the risks of delays that are outside their control. Using deferrals allows customers to coordinate transmission service with the interconnection process. Reducing uncertainties associated with interconnection process may reduce customers' desire for greater deferral flexibility.

### **GI Redesign:**

As stated above, RNP believes that specific changes to BPA's GI process should be considered carefully and that total reform of BPA's GI process could have unintended consequences. The GI reform processes in other parts of the country are still being evaluated; directly transferring GI reform policies from organized markets to a Northwest market dependent on both GI and TS contracts should be approached cautiously.

FERC has defined policies in Order 890 related to the study costs, cost assignment, and transmission credits associate with GI. We find BPA's current GI process to be consistent or superior to pro forma. Any deviations should also be consistent or superior.

Until recently, our members have found the BPA GI process to be effective and have gained experience and understanding with how to navigate the process successfully. We view the specific new challenge as one related to the "first-ready first-pays" requirement with respect to the large network upgrades necessary to serve multiple customers. We encourage BPA to focus on this issue first. Reviewing MISO's Multi Party Facility Construction Agreement (MPFCA) and related policies is a good place to start this discussion.

RNP is wary of GI and NOS processes that are formally connected. However, we recognize the obvious interdependence between the two services, and encourage BPA to approach this issue by striving to maximize the flexibility and timeliness of both processes, such that customers can coordinate them on their own terms.

The pro forma GI process requires that the costs associated with entering and working through a transmission provider's GI process does not effectively prevent the entry of new generators into the market. Deposits and the costs of participation should be calculated to cover BPA's costs of providing studies and to limit BPA's risk of stranded costs.

**Conclusion:**

Thank you for initiating this process. We look forward to working together to develop mutually beneficial solutions to these issues; solutions that balance costs and risks among all parties, and solutions that promote the efficient and timely development of new renewable energy resources.

Thank you for opportunity to comment,

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