



Your Community Energy Partner

October 4, 2017

Submitted via email to: techforum@bpa.gov

Ms. Michelle Manary
Bonneville Power Administration
905 NE 11th Ave
Portland, OR 97232

Subject: Comments of Public Utility District No. 1 of Snohomish County on BPA's Transmission Business Model / Pro Forma Gap Assessment

Dear Ms. Manary;

The Public Utility District No. 1 of Snohomish County (Snohomish) appreciates the opportunity to comment on the topics presented by BPA staff at the September 20, 2017 Transmission Business Model and Pro Forma Gap Assessment workshop. Snohomish's comments are aimed at two of the three topic areas and includes two informational requests.

Hourly Firm

BPA's Hourly Firm transmission product has been a cornerstone of the Northwest bilateral market for a decade or more. This product supports transactions that the region's utilities and marketers have relied on to serve load and to complete hour to hour market purchases and sales to balance loads and resources. Snohomish understands that BPA staff has concerns with continuing to offer the Hourly Firm transmission product going forward. Through these comments, Snohomish wishes to clarify and differentiate between two issues we believe to be at play with the Hourly Firm transmission product: 1) the "unlimited" component of the BPA Hourly Firm product; and 2) the hourly nature of the Hourly Firm product.

1. Unlimited Hourly Firm

Snohomish believes that the problem with Unlimited Hourly Firm service lies not in the product itself, but in the *unlimited provision* associated with this transmission service.

Our understanding from the workshop is that BPA Transmission does not limit the amount of Hourly Firm transmission service it makes available to customers within the day. This applies to new reservations and hourly firm redirects. Therefore, there are times when BPA may sell more firm transmission capacity than is available, which could result in pro-rata curtailments.

The general argument against the *unlimited* Hourly Firm provision is that it disadvantages BPA's Long Term Firm transmission rights holders who would be subject to pro-rata curtailments alongside those purchasing an Hourly Firm product.

Snohomish urges BPA to examine the Hourly Firm product and consider continuing to offer the Hourly Firm product, but not in an unlimited fashion. For this to happen, BPA would need a mechanism to determine the level of service that could be provided, and would need to establish a methodology for calculating the amount of firm transmission capability on any given hour. Increasing the level of visibility BPA has on its transmission system will not only help BPA to continue provision of Hourly Firm service, but will increase reliability and smooth market transactions for all customers.

2. Hourly Nature of Hourly Firm

Maintaining BPA's Hourly Firm product for the region is both necessary and beneficial: it forms the basis for how the Northwest bilateral energy market transact and how utilities like Snohomish, balance their loads and resources on an hourly basis. **Eliminating Hourly Firm transmission service and replacing it with non-firm hourly service does not meet customer needs – particularly customers with load service obligations.** The non-firm hourly service introduces load service and deliverability risk, introduces liquidated damage concerns associated with market purchases or sales that are curtailed, constrains the ability to redirect and/or deliver the output from variable generating resources on an hourly basis, and may increase future resource sufficiency requirements for the BPA Balancing Authority Area.

Other Considerations

The nature and shape of the Hourly Firm product is important – it provides the transmission customer with greater certainty and reliability through use of a firm transmission service, which has the highest priority in the curtailment order. If BPA determines it will not continue to offer Hourly Firm transmission service, Snohomish recommends at a minimum that firm point-to-point transmission customers (PTP) be allowed to create a “shaped” schedule using a Daily Firm transmission product, much like customers firm NT service can do today. While this approach is more restrictive and does not provide the same flexibility as the Hourly Firm product, the ability to address hourly variations in generation and load profiles is vital to the continued viability of the firm point-to-point transmission product (PTP) for load service and the Northwest bilateral market.

Should BPA discontinue the Hourly Firm product, Snohomish urges BPA to allow sufficient time for customers to transition from the Hourly Firm scheduling paradigm it has supported through its practices for more than a decade. At a minimum, Snohomish would need to revisit and likely update its scheduling systems, practices and training.

The Hourly Firm product is a fundamental component of scheduling for many PTP customers; losing the ability to schedule on an hourly basis will require changes to business processes and potentially require customers to modify their existing systems to accommodate the new scheduling paradigm. BPA must factor in time for customers to make such changes into any timeline it may be considering if the Hourly Firm product is eliminated.

Real Power Losses

BPA is currently examining different methods for customers to account for their Real Power Losses, either through financial settlement or on a real-time basis with concurrent loss return. BPA has stated that the status quo method of returning losses in kind, 168 hours after the fact, is too costly and inaccurate due to antiquated software systems. Under business practices today, BPA's transmission customers have the option to choose between physical and financial settlement of real power losses. Snohomish encourages BPA to preserve this flexibility. Allowing the option give customers the flexibility of how best manage their portfolios.

Snohomish does not support the concept of concurrent loss returns because of the cost impact to customers, and a limited understanding of the negative impacts to BPA with their existing systems. The process of determining loss amounts and calculations for every e-tag transaction is a fundamental and significant change in business practice with financial consequences to customers because of system changes that would need to be made. In addition, it removes the customer's ability to settle losses financially, which could be an important option for certain customers.

Snohomish requests BPA provide more detailed information, the comparative cost to replace the existing system, to better understand the cost/tradeoff considerations as follows:

- Annual licensing expense for existing system
- Number of staff required to operate and maintain existing system
- Full implementation cost of new system
- Third party provider/system or in-house for system
- Expected error reduction rate (percentage and dollars) with implementation of new system

Request for Information

In the Snohomish comments dated August 8, 2017 and August 30, 2017, Snohomish requested that BPA provide a diagram that details the process timeline for transmission service requests (TSRs), beginning from the time of submission and mapping through each possible outcome. This timeline would include BPA's newly proposed methodologies for Bridge or Renewal Conditional Firm offers, rollover rights, and remainder reservations. The diagram would cover a

range of scenarios regarding availability of capacity to fully capture what each possible outcome could be and how BPA's new proposals deviate from status quo requests and scheduling.

Snohomish again requests a process flow diagram. The diagram would be extremely beneficial for future discussions and would better inform customers exactly how scheduling and transacting will change under BPA's new proposals. As the first set of workshops come to a close and customers are seeking to more fully understand and synthesize the information BPA has shared over the past three months, a diagram/timeline of this nature would be helpful and informative.

Conclusion

Snohomish looks forward to continuing the discussion regarding the Hourly Firm product and Real Power Losses as BPA's thinking evolves on these topics. If there are any questions regarding these comments, please do not hesitate to contact us.

Sincerely,



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