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Re: NIPPC Response to BPA Questions For Transmission Business Model/Pro Forma Gap Analysis

The Northwest and Intermountain Power Producers Coalition (NIPPC) offers the following comments to the BPA proposals presented during the 2017 Transmission Business Model/Pro Forma Gap Analysis workshops.

General Comments on BPA proposals

In introducing this proposal for an updated transmission business model, BPA described its value proposition as: 1) operating a high performing grid; 2) enabling economic growth in the region; and 3) providing access to Federal and non-Federal resources. BPA would achieve this value proposition through “excellence in offering and managing” a portfolio of standardized products, infrastructure and “long term viability.” BPA also committed to being a “dependable and responsive business partner.” To achieve these goals, BPA has outlined a series of reforms to its transmission tariff that it will develop and implement over the next four to five years.

NIPPC agrees that BPA’s existing processes can be improved. Updating BPA’s transmission tariff, if done correctly, could yield significant benefits to the region. The electric industry and the expectations placed on transmission operators are changing rapidly. State energy policies (both in the region and in California) are driving changes in the generation mix across the West. An increased reliance on low marginal cost carbon free generation resources will require transmission operators like BPA to have not only the communications and controls in place to monitor and manage significant quantities of non-dispatchable generation but also a suite of transmission products that meet the commercial needs of customers seeking to serve load with the least cost/low carbon resources. Done incorrectly, changes to BPA’s transmission tariff could have significant negative impacts to the region. There is a risk that the products BPA is creating will undermine important standardization across numerous and varied transmission systems and not meet the commercial needs of customers.

The scope of the reforms and the long timeline for implementation subvert BPA’s goal of being a dependable business partner and enabling economic growth. Businesses seeking to make multimillion dollar investments in the region expect predictable costs and a stable regulatory environment. The prospect of a four to five-year period of uncertainty around the terms and conditions of transmission service is likely to chill private investment in both generation and energy intensive loads in the region. Instead of enabling economic growth in the region, the uncertainty BPA is creating around transmission service is likely to inhibit growth.



As BPA has stated, this process has operated from the bottom up. BPA has conducted an exhaustive analysis of its tariff and its deviations from the pro forma Open Access Transmission Tariff to identify areas for revision. But BPA should also consider a top down strategic perspective of BPA's role as one transmission provider within the western interconnection, and in that context, identify what transmission standards and products best serve the region.

As an example, NIPPC is concerned about BPA's reliance on a conditional firm transmission product to meet the region's needs in the future. Reliance on conditional firm service seems to be a premature "solution" to anticipated transfer limitations. It seems appropriate to first conduct the short-term and long-term Available Transfer Capability (ATC) studies, and consider robust redispatch arrangements, before adopting another service that is a "gap" when compared with pro forma service and will not align with transmission products on neighboring systems.

Several years ago, NIPPC encouraged BPA to implement conditional firm transmission as a bridge product to full point to point service. Now, however, BPA seems to believe that conditional firm transmission can serve as an effective replacement for long term firm service. NIPPC is concerned that BPA has settled on conditional firm as a solution to the region's transmission needs simply because conditional firm is a product that BPA has the ability to offer — not because there is any demonstrated demand for a long term conditional firm product. NIPPC does not believe that there is any demand in the region for conditional firm transmission as a stand-alone product; especially as BPA proposes to transition away from defining a number of hours of curtailment to a transmission product based on system conditions. Developers will not make multimillion dollar investments in new generation projects — and energy intensive industries will not make multimillion dollar investments in the region — based on a conditional firm transmission product especially when it appears that BPA will reserve the unilateral right to "reassess" the system conditions every two years. BPA must recognize that a transmission product which can be downgraded every two years is not going to support investment in the region.

The rapid adoption and spread of the Energy Imbalance Market operated by the CAISO reflect a recognition that the shift to low carbon generation resources requires both a centralized dispatch of generation and a highly flexible grid. The reforms BPA pursues in this process should reflect the need for more flexibility in grid operations on BPA's Network — and the transmission products that BPA makes available to customers. Eliminating hourly firm transmission is a step in the wrong direction. Hourly firm transmission service on BPA is one of the few tools customers have to respond to short term market signals. Eliminating hourly firm transmission could result in stranded generation and reduction in market liquidity.

General Process Questions

1. Should BPA plan meetings based on availability of proposals or would customers prefer a predictable cadence such as meeting monthly or quarterly? Or should BPA consider a mix of both?

BPA should commit to regular monthly meetings. BPA should also ensure that proposals are available for presentation to customers at each monthly meeting. Where possible BPA should work with customers to accelerate the discussion, development and implementation of solutions.



2. What format do customers prefer for the upcoming workshops? Do customers prefer meetings at the Rates Hearing Room or Webex-based conference calls? Other alternatives?

NIPPC prefers in person meetings with a WebEx option. BPA should take advantage of the audio/dial-in functions within Webex rather using a stand alone dial-in line. Using Webex would allow remote participants to submit questions in writing through the chat function. BPA would also be able to use Webex to mute individual lines. The disruption caused by phone participants talking on unmuted lines or placing their call on hold is solely attributable to BPA failing to use functions in Webex

Ancillary Services

1. Do customers agree with moving terms and conditions of ancillary services out of the rates process?

NIPPC does not agree with moving the terms and conditions of ancillary services out of the rates process at this time. One of the most significant drivers of ancillary services costs has been the quality of service as this issue essentially determines the quantity of reserves that must be acquired. Until customers have greater confidence in a new tariff revision process, terms and conditions of ancillary services should remain part of the rates process.

2. Please comment on the adoption of generation imbalance language in the tariff.

NIPPC does not agree with BPA's proposal to adopt generation imbalance language in the tariff. Capacity charges associated with generation imbalance are not part of the pro forma Open Access Transmission Tariff.

Available Transmission Capability

1. As BPA develops ATC performance metrics and attempts to calibrate its assumptions to achieve a more "risk-based" commercial request evaluation process:

a. What types of data might you like to see to inform your feedback?

b. Do you have any suggestions on metrics we should consider?

2. Have you had any experience with other forms of congestion information, other than ATC, that provided insight into transmission congestion and/or availability?

No comments.



Hourly Firm

1. BPA currently uses long term reservations/requests to plan system expansions. Hourly firm redirects comprise greater than 80% of hourly firm PTP activity. Assuming those redirects change how long term reservations are utilized, what information would you suggest BPA use to plan for system expansions?

One of the greatest flaws of BPA's Network Open Season and other recent transmission expansion processes has been the exclusive reliance on long term reservations to plan system expansions. In addition to transmission service reservations, BPA should incorporate the following additional information into its transmission expansion process:

- a. Network Transmission Customers Load and Resource forecasts
- b. Utility Integrated Resource plans
- c. Results of regional planning processes (Columbia Grid and Northern Tier)
- d. State public policy priorities including retail access, economic development goals, carbon reduction goals, renewable portfolio standards, coal retirements.

2. If BPA were to eliminate hourly firm, what would you like to see done/changed before it's eliminated?

As noted above, NIPPC is concerned that BPA's proposal to eliminate or limit hourly firm transmission will have unintended negative consequences for the regional energy market. Most of BPA's neighboring transmission operators have already moved to join the Energy Imbalance Market and are exploring deeper integration into organized markets operated by CAISO, SPP and PJM/Peak Reliability. The market trend is towards a demand for increased flexible use of the transmission system. BPA should be exploring ways to allow customers to increase flexible use of the transmission, not limit flexible use of the system. BPA's hourly firm product facilitates efficient use of BPA's transmission system ensuring that the most cost effective generation resources have access to load. If BPA decides to eliminate hourly firm, it should guarantee customers that any replacement product will be just as efficient and cost effective as the hourly firm product. BPA needs to be cautious that in moving toward its new transmission business model, it does not exacerbate seams issues with its neighboring systems. In fact, NIPPC believes that BPA should be pro-active in ensuring that the transmission products it offers facilitate access to neighboring markets structures. As part of this, BPA should evaluate whether it might simply be more efficient and cost effective for BPA to join an organized market.

3. What specific product attributes and/or process changes would you recommend BPA evaluate as we identify potential alternatives to unlimited hourly firm sales?

In order to avoid creation of new seams issues, BPA should conduct an analysis of the benefits to the region of joining an organized day ahead and real-time market operated by SPP or CAISO as well as participate in the process announced by Peak Reliability and PJM to offer market services in the West. This analysis should precede tinkering with the tariff, services, and rates.

If BPA decides to limit sales of hourly firm transmission, BPA must develop a mechanism to fairly allocate scarce hourly firm transmission service in accordance with the public policy principles of non-discriminatory open access.



Network Integration Transmission Service

1. How should BPA manage/encumber NT customer resource forecasts when the customer itself is not sure of the source (multiple resources forecasted)?

BPA should encumber transmission capability to support NT customer resource forecasts just as it does when a Point to Point customer makes multiple reservations. NT customers submitting multiple resources as part of their resource forecasts should also bear costs and risks similar to Point to Point customers making multiple transmission service reservations. To the extent that NT customers encumber transmission for future resources, those encumbrances should be reflected in the cost allocation of the Network segment, and in turn, the rates that NT customers pay.

a. Currently BPA encumbers the higher of the forecast resources and the FCRPS, is there a better way to approach this?

BPA should encumber both the forecast resources and the FCRPS. NT customers should not have a free option to switch between the FCRPS and non-Federal resources. Encumbering transmission capability should drive cost allocation of the Network segment.

b. Should the number of possible resources be limited?

No. But NT customers should face financial consequences for the number of possible resources they identify to serve their loads. If there is no additional cost associated with identifying multiple possible generation resources, NT customers will have no incentive to limit the number or rationalize the locations of their future generation resources.

2. What are key features that should be addressed in a Network Operating Agreement?

No comments.

3. What are the key questions or topics you would like to see addressed in our interim solution?

No comments.

Queue Management

1. Please identify any implementation issues you'd like us to consider or develop scenarios for?

No comments. At this point, BPA's proposal is so vague that NIPPC is unable to offer useful comments.

2. Please provide any suggestions on the proposed timeline, particularly if there is anything else we should consider?

No comments.



Real Power Losses

1. From a customer perspective, what are the barriers to making the election to pay back transmission losses financially rather than in-kind?

BPA's current rate for financial settlement of losses is unreasonable. If BPA wants customers to elect financial settlement, it should revise its rate. NIPPC suggests BPA use Powerdex's Hourly Mid-C Index to settle losses financially. NIPPC also suggests BPA should create an exception to its policy on negative prices so that BPA will settle loss returns at the index even when the price is negative.

2. What are the perceived barriers to using concurrent losses?

No comments.

Study Process

1. As BPA develops an updated study process, what are the areas that will be of most interest or importance to change?

BPA must meet its deadlines. The repeated delays associated with BPA's study processes have contributed to significant uncertainty for developers of generation in the region.

NIPPC also recommends that BPA work with investor owned utilities in the region to develop a study process that is consistent with the investor owned utility procurement process. BPA's study process should consider utility integrated resource plans and be aligned with the timelines of utility requests for proposals for new generation resources. Neither the region nor BPA benefits when BPA's queue is flooded with requests to meet a utility procurement process, and BPA studies the entire portfolio when only a small percentage of the requests will be accepted.

2. As BPA develops an updated study process, what are the areas that will be of most interest or importance to remain the same?

No additional comments.

3. What are your key business needs that you need the updated study process to effectively address?

No additional comments.



Tariff Engagement Design

1. Please provide feedback on BPA's proposal to follow the procedural requirements of Federal Power Act section 212(i)(2)(A)(ii) to develop a new tariff.

NIPPC encourages BPA to keep the existing tariff revision process. NIPPC believes that FERC review of BPA's proposed tariff changes provides significant value to the region.

Of the alternatives BPA has offered to customers, the Federal Power Act section 212(i)(2)(A)(ii) is the least objectionable.

2. Please provide suggestions for topics you would like addressed in future 212 Hearing workshops.

No additional comments.