

COMMENTS OF THE NETWORK CUSTOMER GROUP

Submitted: December 8, 2017

These comments regarding BPA's Transmission Business Model/Pro Forma Gap Analysis ("PFGA") process are submitted on behalf of Cowlitz PUD, Eugene Water and Electric Board ("EWEB"), Mason County PUD #3, Northwest Requirements Utilities ("NRU"), PNGC Power, and Western Public Agencies Group ("WPAG") (collectively, the "Network Customer Group").

The Network Customer Group collectively represent over 85 BPA preference customers that use BPA's Network Integration Transmission Service ("NT") to bring power to their respective loads. As load serving entities that use BPA's NT service, we rely on BPA to build, maintain, and operate a high performing grid in order to provide firm, reliable transmission service to our members. As the predominant transmission provider in the region, BPA is key to enabling the economic growth of both our individual members and the region as a whole. In partnership with BPA, our distribution systems provide long-term native load growth opportunities vital to the Pacific Northwest's economy.

The Network Customer Group has followed BPA's PFGA process closely. Many of our members are finding it more and more difficult to secure the firm transmission that BPA is obligated to plan for and provide them under their respective transmission service agreements with BPA, BPA's existing Open Access Transmission Tariff ("OATT"), and BPA's organic statutes.¹ We support BPA's efforts to reform its transmission business model to meet the ever evolving needs of its customers and appreciate the challenges to BPA in meeting those needs in light of the access to capital and other constraints facing the agency.

It is for the above reasons, that the Network Customer Group submits the following comments. Some of these comments are in direct response to the questions submitted by BPA staff on November 1, 2017 while others highlight shared concerns of the Network Customer Group not otherwise called out by staff's questions. In addition, the Network Customer Group submitted comments in response to the workshops held on July 26, 2017, August 29, 2017 and September 20, 2017. Those comments are respectively attached hereto as Attachments "A", "B" and "C" and incorporated herein by this reference.

¹ "BPA is obligated to meet its statutory and contractual obligations to preference customers so they can meet their total retail loads and load growth, minus their own nonfederal power supply (i.e., the power they purchase and/or produce from their own non-federal generators). BPA believes that the NT planning and capacity reservation provisions of the FERC pro forma open access tariff are consistent with BPA's statutory obligations to its preference customers. Fully enabling these provisions will require a renewed partnership between BPA and its customers to jointly plan for their future power and firm transmission needs regardless of whether the customers' power supply comes from BPA and the federal power system or from nonfederal generation. To accomplish this, BPA will work with these customers and institute clear, transparent load service business practices to define the roles and responsibilities for BPA and its customers. Internally, BPA will create an integrated planning function to anticipate incremental power and transmission load service needs." Clarifying BPA Obligations Strategic Intent Paper (Jan. 29, 2015), at 4.

A. NT Planning and Path to Firm Service.

We commend BPA for continuing its efforts to improve its NT planning processes (more specifically captured in the PFGA work streams of Manage Load Growth, Replacing Conditional Firm NT, and Load and Resource Forecasts). We hope that the PFGA efforts will bring BPA's implementation of NT service in line with the standards under the Federal Energy Regulatory Commission's ("FERC") pro-forma OATT. As stated in our prior comments, we support all options that ensure that BPA meets its obligation under Section 28.3 of BPA's OATT to provide firm transmission service over its transmission system to NT customers. This includes the delivery of capacity and energy from the designated Network Resources of such customers to serve their Network Loads.

On the resource side, BPA's obligation under Section 28.3 is ongoing, BPA must plan for and ultimately provide firm transmission service from not only the Network Resources currently designated by NT customers to serve their loads but also Network Resources designated by them in the future. The same is also true for load service in that BPA must plan for and provide firm transmission service from such resources to meet both the current and forecasted loads of NT customers.

In the PFGA workshop meetings, BPA Staff indicated that they were considering a policy where both NT and PTP customers would compete for conditional firm capacity. The Network Customer Group opposes this concept and believes it to be inconsistent with the pro-forma OATT. In part, this is because conditional firm PTP service would not be offered under the pro-forma tariff where doing so would impair reliable service to NT customers.² So the underlying assumption that a NT service request should have to compete with a PTP service request for conditional firm capacity is flawed. Moreover, in order 890-A, FERC reconfirmed its decision to not create a conditional firm network service³ because network customers already had mechanisms to create a conditional-firm product utilizing the existing mechanisms present in the pro-forma OATT. Therefore, BPA must better define a "Path to Firm" for NT customers in lieu of offering NT conditional firm. There are several options that BPA should use to make the NT Path to Firm a reality, including, for example:

- (1) Developing and implementing planning redispatch as further discussed below;
- (2) Improving BPA's load/resource forecast and transmission study processes; and

² FERC Order 890 at ¶ 952.

³ FERC Order 890-A at ¶ 558: We affirm the decision in Order No. 890 not to create a conditional firm network service. Network customers may designate network resources any time firm transmission is available, and the term of the designation can include periods of less than a year. Network customers can also use secondary network service to access resources during times when firm service is not available. This flexibility to use designated network resources and secondary network service to access undesignated resources already provides a service that is like conditional firm service that can be used to integrate new resources, intermittent or otherwise.

- (3) Restricting the rollover rights under future PTP service agreements where reasonable forecasts of load growth for preexisting NT contracts indicate that the capacity will be needed by BPA to meet its obligation under its tariff to plan for and meet the load growth of its NT customers.⁴ In light of this recommendation, and our recommendation below regarding the hourly firm product, BPA should also open a conversion window during which time PTP customers that use the PTP product to serve their load could elect to switch to NT service if they so choose and vice versa.

B. Planning Redispatch.

Planning redispatch may be a relatively low cost, non-wires solution that could become a useful option in BPA's "Path to Firm" tool box for both NT and PTP customers. For this reason, the Network Customer Group was disappointed when BPA indicated that it will not address planning redispatch until FY 2020. At the PFGE workshops, and in our comments made in response to the August 29, 2017 workshop attached hereto as Attachment "B", the Network Customer Group expressed concerns that BPA had not yet provided a sufficient explanation of the scope of planning redispatch. For example, BPA was unable to articulate the basic fundamentals like whether a planning redispatch program would take place in a bilateral market or something more akin to the South of Allston non-wires solution. Thus, we are perplexed that BPA assigned planning redispatch such a low work priority. Planning redispatch's potential to help resolve congestion and ensure service on BPA's system, and the many outstanding questions regarding the parameters under which BPA could provide this type of service, are compelling reasons to reconsider. BPA should commence work with customers sooner than FY 2020 to define a basic scope or set of basic parameters for planning redispatch. Once defined, this will determine the best course of action to integrate planning redispatch into the PFGE's other initiatives.

C. Hourly Firm.

In making their election between the NT and PTP products, the utilities that make up the Network Customer Group selected the NT product because it promised long-term firm service from their respective resources to serve their loads. In doing so, they committed to pay the long-term costs of BPA's transmission system in exchange for a product with the highest possible curtailment priority that would guarantee, to the extent possible, firm load service during all hours including, but not limited to, peak hours. For such customers, the promised certainty of firm transmission to serve load under the NT product far outweighed the potential commercial expediency and advantages proffered by the PTP product.

⁴ FERC has clearly approved the use of such rollover restrictions under its pro-forma tariff where a transmission provider has forecasted that NT customers will need transmission capacity in the future. *See* FERC Order 890-A at ¶¶ 675, 678.

It is against this backdrop that BPA currently offers the hourly firm product. Hourly firm customers bypass the long-term costs of BPA’s transmission system by selectively purchasing firm transmission service in hourly increments, but with a curtailment priority equal to that of customers who have entered into long-term transmission contracts with BPA. Hourly firm is unique to BPA and is not a standard product under FERC’s pro-forma tariff, which offers hourly service only on a non-firm basis.⁵

BPA’s non-pro-forma hourly firm product can and does undermine its pro-forma product offerings. For example, it degrades the secondary service rights guaranteed to NT customers under the FERC pro-forma tariff, which offers NT customers priority access to short-term capacity for economic purchases used to displace designated resources to serve their network load.⁶ Under the pro-forma tariff, such deliveries must be afforded a higher curtailment priority than non-firm PTP service and secondary PTP (i.e., PTP redirects),⁷ which as stated above would include any PTP service made on an hourly basis.⁸

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Transmission Service Reservation Priorities		
Priority	Acronym	Name
0	NX	Next-hour Market Service
1	NS	Service over secondary receipt and delivery points
2	NH	Hourly Service
3	ND	Daily Service
4	NW	Weekly Service
5	NM	Monthly Service
6	NN	Network Integration Transmission Service from sources not designated as network resources
7	F	Firm Point-to-Point Transmission
	FN	Network Integration Transmission Service from Designated Resources

⁶ FERC Order 890 at ¶ 1592.

⁷ FERC Order 888, 61 FR 21540, at 21605 (“We continue to believe that network economy purchases should have a reservation priority over non-firm point-to-point and secondary point-to-point uses of the transmission system. Network transmission customers are obliged to pay all of the costs of the transmission system without regard to the resources from which energy is scheduled. Therefore, it is appropriate that the transmission associated with a network customer's economy purchases (i.e., transmission that is used to substitute one resource for another on an as-available basis) enjoys a higher priority than non-firm point-to-point transmission service . . . A firm point-to-point customer's use of transmission service at secondary points of receipt and delivery will continue to have the lowest reservation priority.”); FERC Order 888-A, 62 FR 12275, at 12319 (“The Commission further explained that use of transmission by network customers for non-firm economy purchases, which are used to

Reservation priorities are important under cost-of-service rate making because the customers who value firm transmission service pay for the privilege of higher-priority curtailment status by signing up for longer-term contracts. For example, NT customers and long-term-firm PTP customers pay rates based on their around-the-clock access to transmission. In exchange for this investment (which includes the often undesirable and low-value off-peak hours), primary NT and firm PTP flows at the highest reservation priority of “7”. By offering unlimited hourly firm that also has a curtailment priority of “7”, BPA has upended the deliberate framework developed by FERC to incent long-term transmission acquisitions and, in practice, has instead incited the exact opposite type of behavior.⁹

BPA’s continued offering of hourly firm will also undermine the value of other products BPA is attempting to move forward as part of the PFGA process such as long-term conditional firm service and planning redispatch. So long as customers can receive firm transmission on an hourly basis with a curtailment priority of “7”, they will have little incentive to sign up for long-term conditional firm service with a curtailment priority of “6”.¹⁰ Further, it would be grossly unfair for any customers that do accept conditional firm service from BPA to be curtailed prior to an hourly firm customer.

BPA should not offer non-pro-forma products that create a disincentive for customers to purchase long-term transmission. Long-term contracts and associated revenue certainty are important factors contributing to BPA’s overall financial health. NT customers of BPA often do not have access to alternative markets and are captive customers of BPA’s transmission system. As such, NT customers have a vested interest in the long-term financial health of BPA and encourage BPA to carefully consider the overall financial implications of offering non-pro-forma products that incent customers to move away from long-term purchases of firm transmission.¹¹

For the above reasons, the Network Customer Group supports BPA’s transition away from offering an hourly firm transmission product and toward an appropriate non-firm hourly

displace designated network resources, must be accorded a higher priority than non-firm point-to-point service and secondary point-to-point service under the tariff.”).

⁸ FERC Order 890 at ¶ 1212.

⁹ This is because for many years some customers avoided much of BPA’s long-term transmission rates by purchasing additional hourly firm PTP when needed to meet their peak loads. This appears to have worked fine from an operational standpoint when BPA had excess transmission capacity, but emerging constraints have exposed a systemic underinvestment in the transmission system that, although due to a number of different factors, should have been an expected outcome given the upside down incentives engendered by BPA’s unlimited hourly firm product.

¹⁰ This is particularly true under BPA’s current policy of selling unlimited amounts of hourly firm.

¹¹ For an example of a recent instance where BPA has taken action to ensure that hourly transmission products do not provide customers with a disincentive to acquire long-term firm transmission see the BP-18 Rate Proceeding Administrator’s Final Record of Decision, BP-18-A-04, at 128-178 (July 2017) regarding rates for hourly transmission service on BPA’s Southern Intertie.

product consistent with the FERC pro-forma OATT. Over the long-term, this is likely to preserve or enhance the value of long-term service for both NT and PTP customers. It should also help ensure that those customers who are willing to commit to take transmission service from BPA over the long-term are given due priority in how BPA manages congestion on its transmission system.

At the last PFGA meeting, BPA indicated that, based on customer input, additional analysis was required to understand the impacts that hourly firm has on other products such as secondary network service. For the above reasons, we agree that it is important to better understand the implications of eliminating or significantly reducing hourly firm. Hourly firm may be one of the most important issues addressed in the PFGA effort, and based on the PFGA comments to date, we believe that nearly all of BPA's customers would agree that BPA's position on hourly firm must be addressed as soon as possible. Therefore, we implore BPA to conduct and finalize this analysis no later than March 2018 in order to determine whether it will be eliminating hourly firm, or limit it in a significant way.

D. Ancillary Services.

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

We have no objection to moving the terms and conditions of ancillary services out of the rates process so long as it is done in a manner that does not undermine our statutory rights as BPA preference customers.

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

See comment above.

E. 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?

Any adjustments BPA makes to its ATC methodology to achieve a more "risk-based" evaluation process must take into account the downstream implications to load-serving entities. BPA should not build more risk into its ATC calculation until it has fully developed the tools needed to manage that risk so that load service is not threatened. This includes, but is not necessarily limited to, fully developing and implementing the tools discussed in this process such as NT Redispatch, Planning Redispatch, Conditional Firm PTP service, and Network Operating Agreements, as well as the elimination of the hourly firm product.

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, but we recommend that BPA staff conduct a survey of best practices and share it with customers.

F. 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)? a. Currently BPA encumbers the higher of the forecast resources and the FCRPS, is there a better way to approach this? b. Should the number of possible resources be limited?

We believe this question highlights an important and complicated issue that would be better addressed in an open dialogue with BPA staff that invites the free exchange of ideas rather than in a summary written response in these comments. We request a meeting with BPA to discuss this topic further in more detail.

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

The Network Customer Group supports the expanded use of the Network Operating Agreement (“NOA”). Currently, the NOA is underutilized by BPA and rarely provides any tangible benefits to either BPA or its NT customers. This is unfortunate since the NOA could potentially provide clarity on many operational aspects such as planned outages and metering arrangements but also be expanded to cover aspects of a customer’s relationship with BPA such as redispatch rights.

Therefore, we believe the PFGA initiative to enhance the NOA and use it as a tool to better manage the BPA-NT customer relationship is appropriate. The overarching goal in upgrading the NOA should be to better support the unique characteristics of each NT customer’s interaction with BPA on a range of operational issues.

That being said, a significant concern we have with the expanded use of the NOA is that it may create an undue administrative burden for smaller NT customers who may not benefit from the expanded use of NOA. Therefore, BPA should endeavor to make the implementation and ongoing maintenance of the updated NOA as simple as possible.

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

The Network Customer Group would like to see NT load served from Network Resources on firm transmission in both the interim and long-term solutions. We are supportive of BPA limiting and/or eliminating non-pro-forma products and services, such as hourly firm, (1) in the short-term in an effort for BPA to meet its obligations under the existing OATT; and (2) in the long-term as BPA moves toward FERC pro-forma OATT.

G. Queue Management.

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

BPA should consider the use of rollover restrictions for new PTP offers based on reasonable forecasts of load growth for preexisting NT contracts so that new PTP offers do not frustrate BPA’s obligation under its tariff to plan for and meet the load growth of its NT

customers.¹² In connection with this proposed consideration and the proposal that BPA transition away from providing the hourly firm product, BPA should also consider opening a conversion window during which time PTP customers could elect to switch to NT service if they so choose and vice versa.

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

The proposed timeline seems reasonable.

H. 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?

Pricing of financial losses. In general, BPA's pricing of financial loss returns would only be satisfactory to any individual transmission customer where such customer could not return losses cheaper by using the in-kind option. Pricing should be subject to a public process such as a 7(i) rate hearing. We still support the option of "in-kind" loss returns being maintained so that the pricing of loss returns is more market oriented.

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

Rounding to the nearest MW, potential increase in work-load, and possible adjustment to deal entry systems necessitating a level of investment that may not pencil out.

I. Study Process.

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

Please see our comments submitted in response to the meeting of August 29, 2017, which are expressly incorporated herein and attached hereto as Attachment B.

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

Please see our comments submitted in response to the meeting of August 29, 2017, which are expressly incorporated herein and attached hereto as Attachment B.

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

We want firm transmission when we need it so our utilities can meet both their current and future load service obligations from the Network Resources they designate under their Network Transmission Service Agreements. In other words, we need BPA to fulfill its obligations under its OATT and organic statutes to plan for and serve our load as NT and

¹² FERC Order 890-A at ¶¶ 675, 678.

preference customers of BPA.¹³ An updated study process that does not effectively address this need would be unacceptable.

J. Support Section 212 Process.

BPA is proposing to use the procedural requirements set forth in section 212(i)(2)(A)(ii) of the Federal Power Act to adopt a new open access transmission tariff (“tariff”). As described in more detail below, the Network Customer Group supports BPA adopting a new tariff through a section 212 process.

Section 212 provides that when the Administrator “proposes to establish terms and conditions of general applicability for transmission service on the Federal Columbia River Transmission System,” the Administrator may provide an opportunity for a hearing. 16 U.S.C. § 824k(i)(2)(A). If the Administrator holds a hearing, he or she must adhere to the procedural requirements of section 7i of the Northwest Power Act with the exception that the hearing officer makes a recommended decision to the Administrator on substantive, not just procedural, matters. 16 U.S.C. § 824k(i)(2)(A)(II).

BPA’s tariff sets forth the terms and conditions of BPA’s transmission service and having fair, durable, and consistent terms and conditions of transmission service is an essential part of load serving entities’ ability to reliably serve their loads. As such, BPA’s transmission customers should have ample opportunity to provide input into the terms and conditions established in the tariff. A section 212 process is the most logical way to provide customers with such an opportunity. The section 212 process is explicitly provided for in the Federal Power Act and is a familiar one for BPA and most of BPA’s customers because it follows procedures similar to BPA rate cases. It is also the vehicle BPA used in both 1996 and 2001 to develop its tariff, and in both instances, BPA and its customers were able to successfully settle.

While the Network Customer Group supports the section 212 process to adopt a new tariff, we have numerous questions about how BPA will conduct the process. In future workshops on the section 212 process, BPA should address the following questions:

- When will BPA provide proposed new tariff language for customer comment and review?
- What will be the timeline and structure for the pre-212 hearing workshops?
- Will the section 212 process timeline be identical to the BP-20 rate case timeline? If not, how will it differ?
- Given the more substantive role for the hearing officer, what process will BPA use to select a hearing officer?
- Will there be separate hearing officers for the BP-20 rate case and the section 212 process?
- Will transmission rate design questions be considered in conjunction with changes to tariff?

¹³ Clarifying BPA Obligations Strategic Intent Paper (Jan. 29, 2015), at 4.

The Network Customer Group also has questions and concerns about BPA's proposal to grandfather the existing tariff. While we understand and agree that BPA should honor the previous settlement agreements and the rights of its customers under the current tariff, we would like to hear about how BPA plans to administer two tariffs concurrently.

Finally, we encourage BPA to coordinate internally with those in the agency who are working to update rate case procedures to ensure timelines are synched and that the section 212 process rules of procedure are as consistent as possible with the rules of procedure governing rate cases. Consistency in procedure will minimize confusion and provide for more administrative efficiency.

K. Section 9 Language.

We understand that a proposal for section 9 language for the new tariff will be developed through the pre-212 hearing workshops. However, some BPA transmission customers have already suggested that BPA should retain language in the current section 9 that would require the Administrator to make a determination that any change to the tariff must be "just and reasonable and not unduly discriminatory or preferential."¹⁴

The Network Customer Group strongly opposes including this language or any other statutory language in section 9 that could be interpreted as elevating one statutory standard over another. As a federal agency, BPA has numerous statutory obligations to which it must adhere, and it would be impracticable and illogical to include each and every one in its transmission tariff. Furthermore, it creates unnecessary confusion to conflate statutory obligations with contractual rights.

The Federal Power Act already provides avenues for BPA transmission customers to seek redress if they believe BPA is providing unduly discriminatory or preferential transmission service. There is no compelling reason for BPA to repeat those standards in its transmission tariff. Therefore, section 9 of the new tariff should not include any such language.

¹⁴ See Comments of Avista Corporation, Portland General Electric Corporation, and Puget Sound Energy, Inc. on BPA's Tariff Engagement (August 8, 2017). <https://www.bpa.gov/transmission/CustomerInvolvement/TransmissionBusinessModel/Documents/Avista-PGE-Puge%20-Tariff-Engagement.pdf>

ATTACHMENT "A"

Network Customer Group Comments in Response to July 26, 2017 Workshop

COMMENTS OF THE NETWORK CUSTOMER GROUP

These comments regarding BPA's Transmission of Tomorrow process are submitted on behalf of Cowlitz PUD, Eugene Water and Electric Board ("EWEB"), Northwest Requirements Utilities ("NRU"), PNGC Power, and Western Public Agencies Group ("WPAG") (collectively, the "Network Customer Group").

The Network Customer Group collectively represent over 85 BPA preference customers that use BPA's Network Integration Transmission Service ("NT") to bring power to their respective loads. As NT Customers, we rely on BPA to build, maintain, and operate a high performing grid in order to provide firm, reliable transmission service to our members. As the predominant regional transmission provider, BPA is key to enabling the economic growth of both our individual members and the region as whole. In partnership with BPA, our distribution systems provide long-term native load growth opportunities vital to the Pacific Northwest economy.

The Network Customer Group appreciates BPA taking the initiative to propose changes to its transmission business model so that BPA can, in practice, better meet its existing obligations under BPA's Open Access Transmission Tariff ("BPA's OATT") to plan for and provide reliable service for network load on firm transmission. This is an area that the Network Customer Group has long believed that BPA has not given as much attention to as it deserves. We were encouraged to see in the 2015 Strategic Intent Paper BPA's commitment to make NT planning and service issues a priority, or at the very least elevating such issues to a level consistent with BPA's long-standing obligations to its NT customers under BPA's OATT. To this end, we are looking forward to the meeting later this month, which we understand will focus on NT issues and hope will be a good step towards BPA delivering on the NT service related commitments made under the Strategic Intent Paper.

At this time, we lack pertinent information and thus are unable to provide any substantive comments on the materials discussed at the July 26th meeting, other than to say that we are concerned about and await more details on BPA's proposal to use Conditional Firm service to serve NT customer load on the South of Allston flowgate. As BPA well knows, Section 28.3 of BPA's OATT requires it to *"provide firm transmission service over its Transmission System to the Network Customer for the delivery of capacity and energy from its designated Network Resources to service its Network Loads."* BPA has yet to explain how the use of Conditional Firm meets this fundamental obligation to its NT Customers. We have misgivings that offering Conditional Firm to all of the pending transmission service requests for South of Allston will do nothing more than reduce system reliability for all such transmission customers, including NT customers. Our hope is that BPA will address this concern in more detail in future workshops as well as provide greater insight as to the end-state to the Conditional Firm bridge that BPA envisions for NT customers for South of Alston.

Finally, we believe that at the end of the day a successful TOT process must produce the following items:

1. A proposal for revising BPA's OATT;
2. A substantially complete set of proposed changes to BPA's business practices;
3. A detailed plan for how BPA intends to plan for and serve requests for Point-to-Point service over congested flowgates;
4. A detailed description of Network Integration Transmission Service;
5. A detailed plan for how BPA intends to serve *all* forecast network load on firm transmission;
6. A detailed proposal of how BPA intends to study and plan for ATC;
7. A detailed explanation of areas where BPA is unable or unwilling to adopt the terms of *Pro-Forma* OATT either due to its statutory obligations or other business reasons; and
8. A timeline for the elimination the of Unlimited Hourly Firm product.

Towards that end, the Network Customer Group looks forward to participating in the summer workshops and to working with BPA on building a long-term sustainable plan for BPA's transmission system. Thank you for the opportunity to comment.

ATTACHMENT "B"

Network Customer Group Comments in Response to August 29, 2017 Workshop

COMMENTS OF THE NETWORK CUSTOMER GROUP

These comments are submitted on behalf of Cowlitz PUD, Eugene Water and Electric Board (“EWEB”), Northwest Requirements Utilities (“NRU”), PNGC Power, and Western Public Agencies Group (“WPAG”) (collectively, the “Network Customer Group”) in response to the presentation made by the Bonneville Power Administration (“BPA”) at its Transmission Business Model meeting of August 29, 2017.

Risk Tolerance

In developing a risk tolerance metric for a new ATC methodology, we would like BPA to consider the downstream implications on load-serving entities. While we understand BPA’s opposition to continue leaving 10% “on the table”, that estimate is done without the new tools BPA needs to make that assessment. As such, we would like BPA to take an approach that appropriately preserves the level of firm service that our customers have come to expect and not consider any new policies that materially increase the curtailment risk of existing firm customers or results in degradation in reliability. As load-serving entities, we have an obligation to provide reliable service to our customers on even the most congested of days. It is critically important to consider the differences between generation redispatch, which results in economic consequences, versus firm load curtailment which has much broader and larger economic and other impacts.

Meeting Regional Transmission Needs

As our transmission provider, BPA has an obligation to plan for and meet the transmission needs of the region. We are encouraged that BPA is continuing to consider non-wires solutions, but would like BPA to also consider wires solutions to the extent that they are necessary for BPA to comply with its obligations under the OATT. Further, we urge BPA to take serious its obligation as our Transmission Provider to plan for and serve its Network Customers load growth under the Pro-Forma OATT:¹

“The Transmission Provider shall include the Network Customer’s Network Load in its Transmission System planning and shall, ..., endeavor to construct and place into service sufficient transfer capability to deliver the Network Customer’s Network Resource to serve its Network Load...”

The Network Customer Group is comprised of utilities that are transmission dependent utilities and yet they have obligations to serve retail customers within their respective service territories. Vertically integrated utilities that plan and control their own transmission must also serve their retail customers and cannot turn new customers away or provide inferior service. The Network Customer Group utilities look to BPA as their transmission provider to meet these same obligations.

¹ Pro-Forma OATT, Section 28.2.

Dynamic Heat Map and Study Process

We are very supportive of BPA developing a “heat map” that generally shows ideal locations for new generation and loads. Understanding where BPA can currently serve load, as well as where BPA needs significant transmission investment to facilitate future load growth, will be a very useful tool in our planning process.

However, because of obligations to serve, the “heat map” ideal locations cannot become the only locations where customers can connect. Rational expansion of transmission to meet obligations to serve remains critical.

We are supportive of BPA implementing a more frequent study process to assess ATC in a meaningful way. If BPA Staff is able to replace the current long-term ATC posting with a more useful tool, then we will be supportive of the development and adoption of that tool.

Conditional Firm

We would like to better understand BPA’s proposal to offer Conditional Firm service to Network Customers. The Pro-Forma OATT does not offer this product to Network Customers. Instead, the Pro-Forma OATT provides Network Customers with planning redispatch and secondary network service to manage their loads.² We reiterate here our comments from the July 26, 2017 workshop that a Transmission Provider has an obligation to provide firm transmission to its Network Customers. While we are interested in hearing all options that BPA is considering, Network Customers will not be supportive of any option(s), Conditional Firm or otherwise, that do not provide firm service to Network Customers current and forecast loads. Again, we emphasize that redispatch of generation has far different implications than curtailment of firm load so details about “conditions” have broad technical, economic and policy implications.

With respect to offering Conditional Firm to Point-to-Point customers, FERC does not require transmission providers to offer Conditional Firm service if it impairs system reliability.³ Further, FERC gives transmission providers discretion in determining the amount of Conditional Firm that they can reliably provide.⁴ We ask BPA Staff to consider existing firm customers use of the system and our obligation to provide reliable service to our customers on average days and peak days. As BPA Staff considers selling any additional firm or conditional firm products, it should not do so to the detriment of its existing firm customers and system reliability.

² FERC Order 890-A at P 294, n.558.

³ FERC Order 890-A at P 292, n.552.

⁴ FERC Order 890-A at P 292, n.554.

Instead of allowing more customers firm access to limited existing capacity, we encourage BPA to look at ways to create incremental capacity on its system as required by sections 13.5, 15.4, and 28.2 of the Pro-Forma OATT.⁵

Planning Redispatch

Our understanding from BPA's presentation on planning redispatch is that BPA intends to identify in the system impact studies resources that can be redispatched to relieve congestion to enable a customer's transmission service request. For Network Customers who are also preference customers of BPA, BPA's presentation on this topic left a lot of open questions, including those identified below. We ask BPA to consider these questions and work with preference customers when developing the planning redispatch tool.

- (1) Does BPA propose to study whether the FCRPS, or portions thereof, are available to provide planning redispatch?
- (2) If yes to No. 1 above, how will the statutory and contractual rights of preference customers be factored into the determination of whether the FCRPS is available for planning redispatch to enable a TSR submitted by a preference customer?
- (3) If yes to No. 1 above, how will the statutory and contractual rights of preference customers be factored into the determination of whether the FCRPS is available for planning redispatch to enable a TSR submitted by a non-preference customer?
- (4) Is there an existing product offered by Power Services to BPA's preference customers that would meet the protocols for planning redispatch to be established by Transmission Services?
- (5) If the answer to No. 4 above is yes, what is that product and is it available to both Load Following and Slice/Block Customers?
- (6) If the answer to No. 4 above is no, does BPA Power Services intend to establish a new product to offer to BPA's preference customers that would meet such protocols?
- (7) If the answer to No. 6 above is yes, would such a product be made available to both Load Following and Slice/Block customers?
- (8) If the answer to No. 7 is no, does BPA believe this answer to be consistent with its statutory obligation to serve the net requirements of each of its preference customers upon request?
- (9) To what extent will or does BPA plan to redispatch that component of the FCRPS designated as a network resource in order to relieve/avoid congestion to ensure service to Network Customers who are also preference customers?
- (10) Does the answer to No. 9 above depend on whether such Network Customer is a Load Following or Slice/Block customer? If yes, please explain.

⁵ FERC Order 890-A, Appendix C, Pro-Forma OATT.

- (11) What steps will BPA take to ensure that planning redispatch for a new TSR does not degrade or impair the reliability of service or interfere with BPA's prior firm contractual commitments to existing network and point to point customers?

Undesignation of Network Resources

BPA should only move forward with its proposal to require undesignation of network resources for firm market sales if BPA can demonstrate that it would provide a substantial benefit and would not cause undue hardship. In making that determination, Transmission Services should work with Power Services and Slice/Block customers who are also Network Customers to identify any issues or concerns that might arise from such a requirement as it relates to the Slice product or other non-Federal resources.

ATTACHMENT "C"

Network Customer Group Comments in Response to September 20, 2017 Workshop

COMMENTS OF THE NETWORK CUSTOMER GROUP

These comments are submitted on behalf of Cowlitz PUD, Eugene Water and Electric Board (“EWEB”), Northwest Requirements Utilities (“NRU”), PNGC Power, and Western Public Agencies Group (“WPAG”) (collectively, the “Network Customer Group”) in response to the presentation made by the Bonneville Power Administration (“BPA”) at its Transmission Business Model meeting of September 20, 2017.

The Network Customer Group is closely following BPA’s efforts to transform their Transmission System Business Model. We appreciate BPA’s outreach and willingness to consider our comments during this process.

Ancillary Services

Our understanding is that BPA intends to update its Tariff language for “Regulation and Frequency Response” terms in Schedule 3 to include “Speed and Accuracy”. We agree with this change. In addition, moving Terms and Conditions for Generation Imbalance and Capacity from the Rate Case Process to the Tariff is also warranted.

Real Power Losses

Calculating Losses Methodology

The Network Customer Group agrees with BPA’s need for a more accurate reflection of losses calculation and cost. As to the granularity of loss factors and cadence of updating those factors, we support rigorous analysis to ensure any changes are more efficient and cost effective than current practices.

- A periodic “reality check” is warranted to ensure that the Real Power Loss factors are still reasonable
- Any change in the Real Power Loss factors would warrant a public notice/meeting and opportunity for comment

Financial only Settled Losses

We caution BPA against moving too quickly toward mandatory financial settlement of loss returns. Current practices give Block and Slice/Block power contract customers the flexibility to choose in-kind, financial, or Slice loss returns. In addition, Load Following customers will often utilize in-kind loss returns as a least-cost option. Our preference is to maintain this flexibility. We believe this customer optionality is an effective check on the pricing of loss returns being in the hands of any one party. In addition, whatever pricing model BPA chooses should be open and transparent with an opportunity for customer comment.

Questions:

1. As BPA settles on a preferred path, will Real Power Loss Return product switching still be allowed?
2. Under any scenario, what will be the timing of Real Power Loss Returns? (i.e. current Real Power Loss Return business practice, version 13, holds that Slice loss returns are deducted 168 hours after service was provided).

Concurrent Losses

We encourage BPA to give due diligence to benchmarking similar entities to determine the potential for implementing concurrent loss returns. It is our understanding that OATI does not offer an “off the shelf” software product that would fit BPA’s needs, thus necessitating a level of investment that may not pass a cost/benefit analysis. That said, with the proviso that we wish to retain customer choice (financial, in kind, slice) of product, we support moving to concurrent losses if the analysis indicates a net gain for BPA and its customers.

Hourly Firm

The Network Customer Group supports BPA’s goal to ultimately transition away from offering unlimited hourly firm transmission. Over the long-term, such a transition is likely to preserve and enhance the value of Long Term Service for both NT and PTP customers. It should also help ensure that those customers who are willing to commit to take transmission service from BPA over the long-term are given due priority in how BPA manages congestion on its transmission system.

We do, however, recognize that BPA has provided unlimited hourly firm for decades. Many of its customers have come to rely on the unlimited hourly firm product for their load service needs. For such customers, BPA’s discontinuance of unlimited hourly firm may upend established load service practices and models. Until BPA presents a comprehensive OATT and associated business practices for stakeholder review, we ask BPA to continue to offer unlimited hourly firm. As part of BPA’s efforts, we generally support BPA’s proposal to extend the phase-out of unlimited hourly firm over a reasonable number of years so that BPA and its customers can develop viable alternatives for those who currently rely on unlimited hourly firm for load service.