

December 8, 2017

Via Email (techforum@bpa.gov)

U.S. Department of Energy
Bonneville Power Administration
Transmission Services

Re: Comments of Tacoma Power on BPA's Pro Forma Gap Analysis

Tacoma Power appreciates BPA's efforts over the last several months to engage the region in addressing issues identified in its Pro Forma Gap Analysis (PFGA). We acknowledge the efforts that BPA staff has undertaken to define the agency's vision and to address challenges in providing transmission service for the Pacific Northwest region. Regrettably, however, Tacoma Power expects to struggle under this vision, which eliminates important service elements that Tacoma Power has historically relied on to meet its varied needs.

The diagram on the first page of BPA's draft Transmission Business Strategy has at its base a statement that BPA will be a "dependable and responsive business partner." However, a fundamental question that has troubled Tacoma Power throughout the PFGA process is whether we will be treated fairly. As a generation owner and operator, transmission owner and service provider, and an adjacent balancing authority area, Tacoma Power performs many electric industry commercial and operational functions in addition to serving the loads of its retail customers. Yet, BPA's vision as a transmission service provider appears to be preferentially focused on load service, giving lesser priority to serving other functions. Various statements by BPA as part of this process as well as recent and proposed actions by BPA suggest that the agency is operating with the intent of improving its load service capability by degrading its other service offerings. Examples of these actions include: preferential transmission cost allocation to network integration transmission service (NT); implementation of mandatory waivers in real-time for in-kind loss returns; the proposed elimination of the hourly firm point-to-point (PTP) transmission product; a shift away from traditional long-term firm PTP to conditional firm PTP service; and, finally, changes to the NT offering, available transfer capability (ATC) assumptions, and transmission queue processing that--while not fully understood by Tacoma Power--appear to give BPA increased opportunity to encumber scarce firm transmission capacity for growing NT loads. Ironically, the PFGA initiative, which in principal is supposed to align BPA transmission service offerings with open access industry standards, seems to be operating as justification for BPA to take preferential actions for load service customers. Tacoma Power's concern about fairness is only further enhanced by BPA's decision to eliminate the role of the Federal Energy Regulatory Commission (FERC) in reviewing and approving changes to its Open Access Transmission Tariff (OATT), which allows BPA increased discretion to promote its load service offerings.

Another important question that colors Tacoma Power's view of this process relates to BPA's ultimate goal for the PFGA process. If the changes BPA is seeking to implement

enable it to unlock new value through the use of centralized market tools, such as through participation in the Western Energy Imbalance Market (EIM), then these changes may result in a net benefit to BPA and its customers broadly. However, in the absence of this type of paradigm shift, it is our view that the small benefits BPA obtains through this process could easily be outweighed by the substantial harm it will inflict on Tacoma Power and other users of its transmission system that do more than serve load. In the following sections, we will share our perspective of how we perceive the PFGE will adversely impact Tacoma Power and will ask BPA to take specific actions to mitigate those effects.

Hourly Firm Service

Given congestion affecting the South of Allston flowgate, we recognize that it may no longer be feasible for BPA to offer unlimited hourly firm service in the wake of BPA's decision to not build the I-5 Corridor Reinforcement. Creating new limitations on hourly firm service to maintain transmission system reliability makes sense. However, we do not agree with BPA's apparent decision to eliminate hourly firm service altogether. Along with many other entities in the region, we rely on this product to accomplish our wholesale power marketing. It allows us to cost-effectively fulfill bilateral power transactions using surplus PTP service that we committed to purchase from BPA on a long-term take or pay basis. Furthermore, the curtailment priority of the hourly firm product gives us confidence that in the event of a major unplanned transmission system outage, Tacoma Power generators will share responsibility for reducing flows with other resources in the region. Whereas if we were required to schedule energy only on non-firm secondary transmission, we and a handful of others using this product would be responsible for providing all of the required power flow relief on a congested BPA flowgate during a rare but inevitable curtailment event. For Tacoma Power, managing hourly firm service as opposed to eliminating it, would preserve a lot of value and would allow for continued reliable operation of our generating resources when congestion is not anticipated.

Eliminating hourly firm PTP service for the sake of maintaining the priority of long-term service, and in particular NT service, is not an acceptable rationale. Hourly firm service has been a long standing offering of BPA and it provides foundational support for the region's wholesale bilateral energy market. The many-to-many transactional relationships that form in unique combinations each trading day rely on hourly firm service to reliably resolve the resulting energy deliveries. Without hourly firm service to support these transactions, a new cost in the form of heightened curtailment risk will be imposed on many transactions. In our view, this will undermine the efficiency of a market that we all use to optimize the widely varying output of the region's diverse generating resources. Tacoma Power encourages BPA to consider the impact of its decision on the region's energy market and weigh that impact with the benefits it expects to obtain for its long-term PTP and NT customers as a result of eliminating hourly firm PTP service. We expect this benefit to be minimal by comparison. If elimination of hourly firm service were to occur, Tacoma Power would want BPA to

present its vision of how the bilateral energy market in the Northwest will function in the absence of this product.

Tacoma Power understands that in the near-term BPA will likely increase the use of its functionality that stops the sale of hourly firm service when operators anticipate power flows nearing the total transfer capability (TTC) of a flowgate. In our view, this is a reasonable and pragmatic approach to managing the problems presented by offering unlimited hourly firm service. We encourage BPA to expand use of this practice until such time as it is able to implement a means of calculating useful short-term ATC and limiting hourly firm service sales to those values.

In the absence of hourly firm service, the next logical place for Tacoma Power to turn would be to request long-term firm transmission service. However, because of BPA's decision to not build the I-5 Corridor Reinforcement and because of the modeled flow impact of reservations originating from Tacoma Power on the South of Allston flowgate, there is no means for Tacoma Power to obtain firm service from BPA in the foreseeable future.

Conditional Firm Service

As part of the PFGA process, BPA has highlighted conditional firm service as an interim means of meeting the transmission needs of its customers when BPA is unable to offer long-term firm PTP service. In principle, Tacoma Power understands this approach as it allows BPA to offer additional service and obtain purchase commitments prior to investing capital to expand system capability. However, in the context of the South of Allston flowgate where expansion is now off the table, conditional firm service seems like an indefinite reality. Tacoma Power can live with paying the same price as long-term firm PTP and a lower non-firm curtailment priority that come with conditional firm service. However, the conditions associated with the product present real challenges for Tacoma Power.

It is difficult for Tacoma Power to precisely describe the conditions associated with conditional firm service because they appear in service agreements that BPA executes with customers, and Tacoma Power is not currently a purchaser of this service. However, based on conversations with BPA staff, Tacoma Power's current understanding of conditional firm service is that the product is for generator specific scheduling (although some aggregation is allowed for generators in similar locations) and it cannot be used to support schedules from balancing authority area systems. For Tacoma Power, this is a significant drawback. Tacoma Power operates three separate major hydroelectric projects. Tacoma Power's ability to meet its electrical commitments and manage hydroelectric constraints at those projects is only possible by an ability to agilely shift generation between the projects. In order for conditional firm service to be useful for Tacoma Power, BPA will need to enable the same kind of resource aggregation scheduling that long-term firm PTP provides. We encourage BPA to allow parties taking conditional firm service to schedule energy in this fashion.

BPA OATT Changes

As part of the PFGA process, BPA has indicated that it will develop a new OATT that it will adopt through a regional process, and that it will not submit the new OATT to FERC for approval under the Commission's reciprocity standard. While Tacoma Power is disappointed by the elimination of neutral third-party review and approval of BPA's OATT revisions, we reluctantly accept this action provided BPA preserves other substantive and procedural protections for all its transmission customers. We believe a strict standard of review for any tariff changes should apply, such as one that requires any change to be "just and reasonable and not unduly discriminatory or preferential." Also, we feel it is appropriate for BPA to state in its new OATT that Section 212 of the Federal Power Act provides the process that the agency will follow to implement any future OATT revisions.

BPA has also stated in the PFGA that it will maintain its current OATT in place for customers that have service agreements with BPA that require the agency to submit all tariff revisions to FERC for approval. Tacoma Power has just such an agreement but, we don't know what to make of BPA's statement. Tacoma Power does not anticipate that BPA will actively maintain separate business practices, processes, and systems to support service under our current service agreement with BPA. For example, hourly firm PTP transmission service is a feature of Sections 1.45 and 13.8 of BPA's current OATT, but we do not expect that we and a handful of others will be able to access the product once BPA has eliminated it. Rather, we hypothesize that it will be our burden to demonstrate in court the damages caused by its removal. If this proves to be to be the case, we believe that BPA would not be acting as a dependable business partner.

Other Matters

The areas appearing above represent the elements of the PFGA in which Tacoma Power has the greatest concern. In the following section, we provide responses to the specific questions that BPA requested its customers answer as part of this comment period.

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?

Tacoma Power found the Transmission Customer Forum workshop series very helpful. They seemed to occur every six to nine months. While not a replacement for issue specific workshops, which in our view are necessary when BPA considers significant changes to its service offerings, the Customer Forum sessions did advance our general understanding of developments occurring at BPA.

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?

Tacoma Power appreciates the ability to interact with BPA through workshops held in the Rates Hearing Room, both in person and virtually.

Ancillary Services

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

As long as BPA follows a statutory process, such as those outlined in Section 7(i) of the Pacific Northwest Electric Power Planning and Conservation Act or Section 212 for the Federal Power Act, Tacoma Power is indifferent to the manner in which it sets terms for ancillary services.

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

Language should be adopted that mirrors the pro forma tariff as closely as possible.

Available Transmission Capability

1. As BPA develops ATC performance metrics and attempts to calibrate it's 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?

Tacoma Power would like to better understand curtailment risk to both firm and non-firm energy schedules. We are skeptical of claims that non-firm schedules are infrequently curtailed because customers seldom use non-firm schedules when they have access to hourly firm service.

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

It would be helpful for BPA to publish in a clear and succinct manner historical curtailments of both firm and non-firm schedules as well as summaries of any other actions BPA has taken to manage congestion on the transmission system, such as through the redispatch of federal or non-federal network resources. Redispatch cost reports currently present some of this information, but not in a manner that helps us understand our curtailment risk. Ideally, we would like to have a credible estimate of the number of hours per year that firm service and non-firm service across BPA's individual flowgates would experience a curtailment.

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

We observe locational marginal price (LMP) values in the California Independent System Operator (CAISO) and Western EIM footprint.

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?

Transmission service requests (TSRs) should not be directly used to plan BPA's system. Actual and modeled power flows using reasonable variations of load and resources should be the basis for planning work. TSRs should serve as a means of establishing flow priority and transmission cost recovery.

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

Tacoma Power opposes elimination of hourly firm service and believes that only limitations on the availability of this service are needed to maintain system reliability and equity among BPA transmission customers. If elimination were to occur, Tacoma Power would like BPA to present its vision of how the bilateral energy market in the Northwest will function in the absence of this product. We fear that non-firm secondary PTP service is not capable of supporting a robust and efficient 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?

Tacoma Power understands that BPA will likely increase the use of its functionality that stops hourly firm transmission sales in the preschedule time horizon when operators anticipate that power flows may approach the TTC of a flowgate. Tacoma Power would accept expanded use of this practice and believes that it can function as a sufficient limitation on hourly firm service for the foreseeable future.