

# factsheet

August 2008

## Network Open Season nets robust response

With a transmission queue representing thousands of megawatts – at one time as many as 18,000 – the Bonneville Power Administration knew it needed a better way to process requests for long-term firm capacity on BPA’s network transmission system. The better way turned out to be Network Open Season (NOS). Under NOS, those seeking transmission capacity were asked to sign Precedent Transmission Service Agreements (PTSA), which committed them to take service at a specified time and under specified terms.

The process was designed to meet planning, expansion and reliability obligations to our Network customers (mostly publics) and to make transmission capacity available to other parties with point-to-point requests in our transmission queue.

Response to the first phase of BPA’s Network Open Season exceeded expectations with 28 customers signing 153 PTSAs and putting up the appropriate security. All together, transmission requests amounted to 6,410 megawatts. Not surprisingly, requests to integrate wind projects made up 74 percent of the NOS total (4,716 MW).

### What happens next

The open season – which ran from mid-April to mid-June – concluded Phase 1 in a project aimed at better managing BPA’s transmission queue and determining priorities for new transmission.

“Now that agreements have been signed, BPA will restack its transmission queue and will evaluate the

remaining requests to determine how far available transfer capability will stretch,” Elliot Mainzer, manager of Transmission Policy and Strategy, explained. “BPA will countersign agreements for those requests that can be offered with currently available capacity. Then, using a network-wide cluster study, we’ll determine what additional transmission infrastructure is needed to accommodate the remaining requests.”

This will help determine the estimated cost of any needed new infrastructure and whether there is sufficient contractual commitment to cover those costs at rolled-in transmission service rates.

### What’s changed

Prior to the 2008 Network Open Season, transmission requests were taken on a first-come, first-served basis. At one time, the requests amounted to the equivalent of 18,000 megawatts. It was difficult to determine which parties in the queue requesting network transmission were willing to commit immediately to purchase transmission and which were simply seeking transmission capacity for projects that may or may not be built. Speculative requests made it impossible to evaluate the region’s priority transmission needs. In turn, it was difficult to determine what, if any, new transmission needed to be built and where.

### The precedent agreements

A Precedent Transmission Service Agreement is a contractual agreement that binds a customer to take



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service under specified terms (amount, term and point of receipt or point of delivery) and in accordance with the BPA tariff. The binding contract is contingent on BPA's ability to offer new service at its embedded-cost rate (i.e., not at an incremental rate) and is subject to BPA's completion of the required environmental work prior to construction on any required new facilities.

Those who were not yet ready to make this commitment were removed from the queue. They will, however, have opportunities to participate in future open seasons. BPA expects to host open seasons at least once a year, so parties removed from the transmission queue will be able to get back into the queue at any time.

If the level of commitment will not provide sufficient revenues at embedded transmission rates to pay for the infrastructure, BPA could offer service through an incremental rate. However, customers executing a precedent agreement would not be bound to take service under an incremental rate and may terminate the NOS contract. Ultimately, the issue that will need to be decided in the rate determination is how large of a general rate increase will BPA transmission customers accept to put infrastructure in place.

Customers who participated in NOS were required to provide security equal to one year of service by funding a letter of credit or escrow account or making a direct deposit with BPA. This security partially mitigates the risk BPA will face if the revenues it will count on from the NOS contracts are not forthcoming. Network customers (mostly public power) needed only to attest that they are acquiring the resources they've identified.

Accepting agreements does not conclude NOS, but does conclude Phase 1. Further work will continue through a restack of the transmission queue, cluster studies, rate impact determinations and a formal National Environmental Policy Act process.

## **The cluster study**

The cluster study is a new approach to managing the queue. Conducting individual system impact studies for each request under the old "first-come, first-served" queue had become unmanageable. It took far too long to conduct the individual studies to be practical. Also, individual studies could not identify the aggregated network effects that result from interactions among requests.

Studying a group (cluster) of requests all at once gives a clearer picture of aggregate net impacts of all service requests and the network interactions among the requests. Once the cluster study is complete, BPA will have a much clearer picture of the long-term needs of the transmission system.

## **FERC shows interest**

The Federal Energy Regulatory Commission followed the NOS process closely. On June 19, FERC issued a declaratory order substantially approving BPA's Network Open Season process, cluster studies for processing service requests and the Precedent Transmission Service Agreements used in the open season process.

In comments on its declaratory order, FERC Commissioner Suedeen Kelly noted, "In the last few years we have seen unprecedented demand for new generation, particularly renewable generation, which is taxing the interconnection queue system. This has resulted in delays in bringing generation — including renewables — online. BPA took the bull by the horns in meeting its queuing challenges, by developing an innovative network open season ..."

Noting that the bulk of the requests were for service for wind resources, Kelly said this "underscores the need for finding solutions for integrating renewables into the grid." She added, "I know that BPA is committed to ongoing stakeholder efforts to refine its very promising new queue management process, and I thank BPA for its leadership."

Mainzer also noted that the fact that such a large portion of the signed agreements was associated with wind energy projects raises the importance of regional collaboration on the topic of wind integration. “BPA will not be able to integrate this much wind on its own.”

## Potential impacts

It’s likely that the cluster study will show that new transmission facilities will be needed. BPA won’t know specific projects until the cluster study is complete. The good news is that the newly signed transmission agreements with customers give planners the information they need to determine how much physical congestion actually exists on the system versus how much congestion was indicated by the “first-come, first-served” queue. Queue congestion occurred under the old system when a number of requests at the top of the queue were encumbering available transfer capability needed to make offers to those lower in the queue.

While the actual flowgate<sup>1</sup> impacts will be determined by the cluster study, those flowgates that appear to be most affected include Cross Cascades South (1,294 MW), Cross Cascades North (1,061 MW), West of McNary (952 MW) and West of Slatt (948 MW). Flowgate impacts assume all contracts in service and full netting based on 2008 Path Utilization Factors. Cross Cascade flows primarily serve regional load and at least partially account for planned load growth.

For the I-5 corridor, the flowgate impacts are Paul-Allston (285 MW), South of Allston (152 MW) and Raver-Paul (98 MW). There are 2,703 MW with a point-of-delivery in the Mid-Columbia area, and 1,350 MW have a point-of-delivery to the Interties (POD John Day, POD Big Eddy)

<sup>1</sup> A collection of geographically close transmission lines through which electricity must flow to reach its intended destination.

## The NOS breakdown

In all, 28 customers signed 153 Precedent Transmission Service Agreements representing 6,410 megawatts and \$83,238,144 in security deposits. Wind project interconnection requests comprised 74 percent of the NOS total megawatts (4,716 MW).

Load serving entities accounted for 53 PTSAs totaling 2,083 MW, and independent power producers accounted for 100 PTSAs totaling 4,327 MW. Point-to-point service accounted for 5,819 MW, and network service for 591 MW. Three customers accounted for the bulk of transmission capacity for a combined total of 2,584 MW (1,000 MW, 800 MW and 784 MW respectively).

Service duration ranged from one to 30 years with a weighted average term of approximately 13.85 years. The weighted average service duration specific to wind-related transmission service requests is 13.65 years. Start dates range from 2008 to 2018 with most start dates in the 2009 to 2013 period.

## Timeline

**July 7:** NOS results were posted

**July 7 to Oct. 31:** Cluster studies conducted

**July:** BPA signs service agreements as ATC evaluation completed

**February 2009:** BPA concludes its Commercial Infrastructure Financial Analysis and makes rate determination

**February 2009:** Formal NEPA process begins following financial analysis

**March 2009:** Conditional Firm service offers made available

Construction, if any, would not begin until the NEPA process has concluded.

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## **In summary**

The precedent agreements and security deposits from those seeking network transmission have several benefits. They allow BPA to grant available transfer capability to customers ready to take service. They provide a better method (cluster studies) and more realistic basis for evaluating what if any new transmission is needed and the cost of constructing new facilities. The result is a more manageable transmission queue.

The bottom line is about ensuring the future. “One of BPA’s most important strategic objectives is to ensure an adequate electric power infrastructure for the Pacific Northwest,” Mainzer said. “To achieve this objective, transmission planning and expansion must go hand in hand with new resource development.”

## **For more information**

For background on Network Open Season, see the March 2008 fact sheet called “Transmission to offer Network Open Season” at [www.bpa.gov/corporate/pubs/fact\\_sheets/08fs/Factsheet-Network\\_Open\\_Season\\_March\\_2008.pdf](http://www.bpa.gov/corporate/pubs/fact_sheets/08fs/Factsheet-Network_Open_Season_March_2008.pdf).

Details for those participating in the 2008 NOS are available in the Posted Pending Long-Term Firm Queue that is available by visiting OASIS.