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TACOMA PUBLIC UTILITIES

January 22, 2016

VIA email

Tech Forum
Bonneville Power Administration
PO Box 491
Vancouver, WA 98666
techforum@bpa.gov

Re: Comments of Tacoma Power regarding Regional White Paper Presentation and Analysis of Southern Intertie Hourly Non-Firm Alternatives

Tacoma Power would like to thank BPA Transmission Services for taking comment on its Southern Intertie Hourly Non-Firm Alternatives (“White Paper”) and for its diligent investigation into three different seams issues related to the Southern Intertie. In our view, BPA’s effort appropriately focused on the second issue: BPA’s hourly non-firm service has the same priority in the CAISO Day Ahead Market as long-term firm service. Through operation of its LMP-based markets, the California Independent System Operator (“CAISO”) appears to have fostered market outcomes along its seams that devalue long-term firm transmission rights (“LTF”) on the Southern Intertie. The effect of this devaluation has been particularly detrimental to BPA Power Services and its customers, which includes Tacoma Power.

We believe that BPA Transmission Services is justified in taking pragmatic actions to limit this devaluation. Evidence presented by Powerex and FTI Consulting in public workshops is persuasive; we are convinced that the CAISO has undermined BPA’s framework for service under its Open Access Transmission Tariff (“OATT”). By placing both security and economic limits on the amount of energy flowing across the intertie into the CAISO without taking into consideration BPA’s priorities for dealing with limited transmission availability, the CAISO has effectively imposed its system of managing limited transmission availability onto BPA. Currently, entities scheduling energy into the CAISO can confidently presume that they can use hourly non-firm (“HNF”) transmission on BPA’s Southern Intertie, without sustaining a long-term financial commitment to BPA, and despite the fact that all of BPA’s Southern Intertie available transfer capability has been fully reserved for LTF service. This outcome is inconsistent with principles embodied in BPA’s OATT, which rewards parties making longer-term commitments in transmission service with higher priority scheduling rights.

To the extent that BPA is unable to address this seams issue in an open collaboration with CAISO, or through a non-rate action, it makes sense for BPA Transmission Services to change its transmission rates to better balance equity of LTF and HNF service. In adjusting the formula on which the LTF rate is converted to the HNF rate, Rate Alternative No. 2 proposed in the White Paper appears to be a sensible means of accomplishing this end. Other rate actions

may also have merit, but BPA should guard against creating the perception that it is using its transmission rate making authority to affect a market outcome.

Because Tacoma Power does not actively transact with CAISO or use much in the way of HNF, even on BPA's network segment, we do not have much guidance to offer when it comes to non-rate alternatives proposed in BPA's White Paper. However, we acknowledge that those actions could likewise be helpful in addressing the problem presented.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nicolas Garcia', with a long horizontal line extending to the right.

Nicolas Garcia
Assistant Power Manager