

Southern California Edison
Stakeholder Comments

**BPA Transmission Southern Intertie Hourly Non-Firm
Workshop Proposal on October 14, 2015**

Submitted by	Company	Date Submitted
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Southern California Edison (SCE) herein comments on BPA’s proposals regarding hourly non-firm transmission on the Southern Intertie presented at a workshop on October 14, 2015. SCE continues to have concerns with BPA’s proposed statement of the issue and some of the proposed solutions. Page 8 of the presentation includes the following statement:

Customers are increasingly concerned that long-term firm transmission no longer has the value that it once had and some customers are not renewing service and are removing requests from the queue. Some customers also expressed concern that an equitable share of the economic benefits derived from markets served by the Southern Intertie remains with Northwest parties that purchase long-term service over the intertie. BPA wants to see what actions (if any) it should take to make sure long-term service remains viable and its customers receive an equitable share of the economic benefits provided by the Southern Intertie.¹

SCE has serious concerns about this a statement as it implies that BPA’s role to provide cost-based transmission on non-discriminatory basis is being modified to become an allocator of economic benefits to customers that purchase long-term transmission service. SCE provided similar comments to a previous BPA workshop held on this issue last year, and SCE recommends BPA review the comments as they are still relevant.² In summary, it is inappropriate for BPA to have a role to ensure that customers that have purchased long-term firm transmission continue to receive economic benefits that may have occurred when they decided to purchase the transmission. Purchasing long-term firm transmission has the risk that economic

¹ http://www.bpa.gov/Finance/RateCases/BP-18/Meetings/IS%20HNF%20Workshop_2015-10-14.pdf

² <http://www.bpa.gov/Finance/RateCases/BP-16/Customer%20Comments/SCE%20Comments.pdf>

conditions will change over time and the customers decided to accept that risk. BPA should not be in the role to manage that risk, otherwise other customers bear the burden of bad decisions.

If the issue is BPA's inability to collect its revenue requirement for the Southern Intertie because customers are no longer purchasing long-term firm transmission, then SCE is open to proposals that would resolve this issue provided that they meet the following principles:

- Cost based rates to recover BPA's revenue requirement
- Non-discriminatory access and treatment to all customers located within or outside BPA service area
- Encourages the efficient use of transmission capacity and does not allow or encourage withholding of unused transmission

1. SCE supports the status quo for Southern Intertie transition rates

The workshop proposal listed several rate design proposal and at this time SCE supports the status quo as it is does not violate the principles described above. SCE strongly objects to any rate proposals designed to capture market value or high value hours as they violate the principle of cost based rates. Implementing these types of rates harm transmission customers located in BPA area through the reduction in energy sales. The implementation of higher 'valued' based rates will transfers revenue from the non-firm customer to BPA or to holders of firm transmission holders. This clearly violates a cost-based rate principle and creates issues of discriminatory access.

One proposal is to set rates based upon the cost of expansion, but then allow discounting of the rate to recover embedded cost. This proposal may have merit as it implies marginal cost based ratemaking which can achieve efficient market outcomes. It is unclear if this would be done as a redesign of all transmission rates or if this is piecemeal to only hourly non-firm rates.

2. SCE supports non-rate proposals that maximize the use of transmission and do not allow withholding

Currently, BPA releases transmission that is not being used by firm transmission customers. This achieves economic efficiency as it maximizes the use of transmission and allows more commerce to occur. SCE strongly supports continuing this practice. SCE strongly objects to

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proposals that would reduce transmission use or allow withholding which can lead to market manipulation and result in higher prices.