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October 9, 2015

Via Electronic Mail

Rebecca Fredrickson
Transmission Rates Manager
Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97229

Re: Comments of ICNU Regarding Hourly Non-Firm Transmission on the Southern Intertie

Dear Ms. Fredrickson:

The Industrial Customers of Northwest Utilities (“ICNU”) appreciates the opportunity to submit comments regarding the use of hourly non-firm transmission service on the Southern Intertie, as requested in the September 29, 2015 workshop dedicated to this matter. ICNU is a non-profit trade association representing large industrial energy users in the Pacific Northwest, including members that take electric service from preference customers of the Bonneville Power Administration (“BPA”). As a result, ICNU shares the concern of many of BPA’s regional stakeholders regarding potentially unfair usage of hourly non-firm transmission services on the Southern Intertie.

More specifically, ICNU is concerned that unfair usage of hourly non-firm transmission services on the Southern Intertie may be restricting BPA’s merchant operations from having competitive access to external markets—such as the California-Oregon-border (“COB”) and Nevada-Oregon-border (“NOB”) markets—and, thus, reducing BPA’s ability to market power from the Federal Columbia River Power System.

As a threshold matter, ICNU recognizes the existence of seams issues, and the *potential* for market participants to rely on non-firm transmission services in a manner that is unfair to the owners of firm transmission rights on the Southern Intertie. Notwithstanding, neither BPA, nor any other party, has identified any specific instances where a market participant has actually used hourly non-firm transmission in such a manner. Prior to taking any actions with respect to this matter, ICNU recommends that BPA identify specific instances where market participants have actually used hourly non-firm transmission on the Southern Intertie in an unfair manner, in order to have clear evidence that a problem exists and to justify any resultant changes.

In order to identify such instances, it is also necessary for BPA to have a clear understanding of the underlying problem or behavior that is creating these unfair results. While the recent discussions in workshops regarding “value shifts” and “congestion value” on the California-Oregon Intertie have helped to demonstrate that a problem likely does exist, the underlying problem has not yet been clearly identified or articulated. Based on participation in recent workshops, however, ICNU believes that the following is an accurate representation of the underlying problem that is potentially producing unfair results for firm transmission owners on the Southern Intertie.

Problem Statement:

The California Independent System Operator (“Cal-ISO”) accepts *firm* bids for power at COB and NOB from market participants, irrespective of whether the market participant has firm rights to transmit power on the Southern Intertie. Because the bids selected by the Cal-ISO will determine which transmission rights on the Southern Intertie are ultimately used, a market participant without firm transmission rights on the Southern Intertie is guaranteed to be awarded hourly non-firm transmission—with little to no incremental risk of curtailment relative to firm transmission service—provided that its bid is selected by the Cal-ISO. As a result, the Cal-ISO is able to acquire what amounts to *firm* power from market participants that are actually supplying *non-firm* power through the use of BPA’s hourly non-firm transmission service.

Potential Solution:

Based on the above problem statement, the underlying issue that needs to be addressed in this process is broader than just BPA’s transmission rates and will likely require a solution with implications beyond BPA’s rates and business practices. While ICNU is not advocating for any particular solution at this time, the following is a straw-proposal, provided in order to facilitate discussion on this matter.

- The Cal-ISO should be restricted from accepting firm bids for power at COB and NOB from market participants that do not have firm transmission rights to those markets at the time the bid is submitted. Such a result would be achieved through a collaborative effort with the Cal-ISO.

ICNU appreciates the opportunity to submit these comments regarding the use of hourly non-firm transmission on the Southern Intertie. ICNU looks forward to working with BPA Staff and other stakeholders to develop a fair and reasonable solution to this matter.

Sincerely yours,

/s/ Jesse E. Cowell
Jesse E. Cowell

cc: John Carr
Brad Mullins