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Subject: TransAlta Comments on Southern Intertie HNF Workshop Issues

Matt:

At BPA's September 29th workshop, comments were requested on the issue statement describing the Southern Intertie long-term firm value degradation and on proposals to address it. TransAlta's comments follow.

From BPA's presentation¹, the statement on page 3 captures the issue fairly well. TransAlta believes there can be many reasons why new or existing customers change their queue positions or chose not to exercise renewal rights. However, we fully agree that BPA should take steps to ensure both northern and southern customers benefit equally from their investment in transmission connecting the two regions.

Although the phrase "seams issue" does not appear in the statement, TransAlta believes it accurately describes the collision between OATT and LMP service that occurs today at COB and Sylmar, and that more seams issues will surface at other interfaces when the ISO's footprint expands.

Of the proposed solutions, TransAlta is most supportive of collaborative efforts between BPA, LDWP, and CAISO to solve the seam. Contemplating any CAISO involvement in the northern portions of the Interties is certainly more challenging from a policy perspective, but TransAlta believes it has the best chance of fixing the seam and enduring.

Generally, TransAlta does not support the three service-related proposals. Scheduling limits, at least during derates, may be worth exploring further, but TransAlta contends that limiting access to hourly non-firm service or dramatically raising HNF rates would not address the fundamental seams problem and surely run afoul of Open Access principles. TransAlta would oppose higher HNF prices or limited HNF offerings if they were chosen solutions.

¹ http://www.bpa.gov/Finance/RateCases/BP-18/Meetings/IS%20HNF%20Workshop_2015-09-29.pdf

If you have any questions about these comments, please do not hesitate to contact me.

Sincerely,

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