

BPA Transmission Southern Intertie Hourly Non-Firm Workshop

November 18, 2015



Agenda

- Timeline reminder and update
- Summary of customer feedback
- Review of White Paper
- Next Steps

Timeline Reminder and Update

- **September through October** – workshops to develop and evaluate alternatives.
- **November** – develop regional white paper on alternatives with preliminary analysis.
- **December** – white paper out for comments. BPA will share their review of the analysis of alternatives and some of their leanings. Customer comments and write up on the white paper due by Jan 22.
- **Proposed: February** – BPA will share its proposed solution(s) on the seams issue.
 - If a rate proposal is chosen, there will be a discussion on whether a new rate needs to be in place before the BP-18 rates.

Summary of Customer Feedback

- Approximately 15 customers submitted comments.
- Almost all customers are interested in some form of action.
- There were a couple of customers interested in status quo.
- Publics, Powerex, PPC, Iberdrola, ICNU, PGP, NRU and TransAlta are interested in exploring a rate solution in conjunction with a collaborative solution.
- Four customers are not interested in exploring a rate solution.
- All are interested in exploring non-rate solutions, including selling HNF once.

Customer Feedback - Rate Solutions

- Several customers expressed concern that a mini 7(i) may not be prudent without fully understanding and analyzing the implications of each rate alternative.
- Almost all customers are interested in exploring rate solutions that are based on cost causation.

White Paper - Context

Customers have become increasingly concerned that long-term firm transmission on the Southern Intertie no longer has the value that it once had. Some customers are not renewing service and have removed requests from the queue . These customers have also expressed concerns that an equitable share of the economic benefits derived from markets served by the Southern Intertie should go to 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 on the Southern Intertie remains viable and its customers receive an equitable share of the economic benefits provided by the Southern Intertie.

White Paper - Outline

I. Introduction

II. Background

- What is the Southern Intertie
- The Value of HNF Rights on the Southern Intertie
- Seams Issues and Scope of this White Paper
- Current HNF Product Attributes
- HNF Use in the CAISO
- Regional Discussion Prior to BP-18
- Industry Scan
- BPA's Rate Principles
- BPA's Non-Rate Principles

White Paper - Outline

- III. Analysis of Proposed Alternatives (based on principles)
 - Rate Alternatives 1-5
 - Non-Rate Alternatives 6-13
- IV. Other analyses or impacts customers would like to submit or have BPA work with them to submit.

Identified Seams Issues

- Customers have identified three seams issues:
 - Seams Issue #1 - Long Term scheduling rights are not reduced during known line de-rates.
 - Seams Issue #2 – BPA’s Hourly IS non firm has the same priority in the CAISO DA market as the LT Firm IS rights holders.
 - Seams Issue #3 – OATT transmission providers do not recognize the curtailment priority of neighboring OATT transmission providers.

Scope of White Paper

- BPA is concerned about all three seams issues discussed; however, this process will not be addressing seams issues #1 and #3.
- Seams issue #1 and #3 have BPA's attention and will be addressed in other forums.
- For this process, BPA is interested in exploring rate and non-rate alternatives that address the value of BPA transmission in relation to the CAISO Day-Ahead Market.

White Paper – Rate Alternatives

| Rate Alternative | Seams Issues Addressed | BPA’s Initial Review |
|---|--|---|
| <p>1a. Recalculate HNF rate with JP06 BP-16 Rate Proposal, which uses a measurement of reservations per week per customer as the divisor.</p> | <ul style="list-style-type: none"> • Seams Issue 2 • Seams Issue 3 | <ul style="list-style-type: none"> • No tariff change required • Methodology change may be difficult to confine to the Southern Intertie • BPA concerns with JP06 proposal: <ul style="list-style-type: none"> • Methodology would be volatile • HNF customers are unable to purchase on some hours. • No evidence that HNF customers can achieve the same value in 23 hours as LTF customers, who use many more hours on average. • Ignores MWs of purchases. • Does not recognize diversity among HNF purchasers |
| <p>1b. Recalculate HNF rate based on a different measure of Southern Intertie usage.</p> | <ul style="list-style-type: none"> • Seams Issue 2 • Seams Issue 3 | <ul style="list-style-type: none"> • No tariff change required • Methodology change may be difficult to confine to the Southern Intertie |

White Paper – Rate Alternatives

| Rate Alternative | Seams Issues Addressed | BPA Initial Review |
|--|--|--|
| 2. Calculate HNF rate based on different assumption of “high use” hours. | <ul style="list-style-type: none"> • Seams Issue 2 • Seams Issue 3 | <ul style="list-style-type: none"> • No tariff change required • Methodology change may be difficult to confine to the Southern Intertie |
| 3. Set IS HNF rate based on the cost of expansion, then allow discounting. | <ul style="list-style-type: none"> • Seams Issue 2 • Seams Issue 3 | <ul style="list-style-type: none"> • No tariff change required • May provide further incentive for customers to continue rolling over LTF • Methodology change may be difficult to confine to the Southern Intertie |
| 4. Set IS HNF rate based on market indicator. | <ul style="list-style-type: none"> • Seams Issue 2 • Seams Issue 3 | <ul style="list-style-type: none"> • BPA will be exploring only cost-based rate methodologies at this time. |

White Paper – Rate Alternatives

| Rate Alternative | Seams Issues Addressed | BPA Initial Review |
|---------------------------------------|---|---|
| 5. Eliminate HNF interruption credit. | <ul style="list-style-type: none">• Seams Issue 2• Seams Issue 3 | <ul style="list-style-type: none">• No tariff change required |

NOTE: Discounting can be considered for any of the rate alternatives.

White Paper – Non-Rate Alternatives

| Non-Rate Alternative | Seams Issues Addressed | BPA Initial Review |
|---|--|--|
| 6. Sell HNF inventory once; do not continue to resell unscheduled non-firm reservation | <ul style="list-style-type: none"> • Seams Issue 2 • Seams Issue 3 | <ul style="list-style-type: none"> • No tariff change required • ATC methodology and business practice change likely • Will require software or hardware upgrades |
| 7. Do not sell HNF on the Southern Intertie, or stop selling hourly non-firm when schedules reach a certain % of the SOL. | <ul style="list-style-type: none"> • Seams Issue 2 • Seams Issue 3 | <ul style="list-style-type: none"> • Tariff change required (section 14) • May require software or hardware upgrades |
| 8. Implement duration based competition on the Southern Intertie | <ul style="list-style-type: none"> • Seams Issue 2 • Seams Issue 3 | <ul style="list-style-type: none"> • Possibly require tariff change, depending on methodology • May require software or hardware upgrades |

White Paper – Non-Rate Alternatives

| Non-Rate Alternative | Seams Issues Addressed | BPA Initial Review |
|--|--|--|
| 9. Change the HNF release time on the Southern Intertie | <ul style="list-style-type: none"> • Seams Issue 2 • Seams Issue 3 | <ul style="list-style-type: none"> • No tariff change required • Will require software or hardware upgrades • May impact other contract paths |
| 10. Limit HNF sales to the amount calculated after the close of the DA preschedule window (Do not continuously update the IS HNF inventory after the close of preschedule) | <ul style="list-style-type: none"> • Seams Issue 2 • Seams Issue 3 | <ul style="list-style-type: none"> • Probably does not require a tariff change • Will require software or hardware upgrades |
| 11. Limit availability of HNF service (tie to posted secondary transmission market). | <ul style="list-style-type: none"> • Seams Issue 2 • Seams Issue 3 | <ul style="list-style-type: none"> • Tariff change required • Will require software or hardware upgrades • BPA would need to explore how this market is monitored |

White Paper – Non-Rate Alternatives

| Non-Rate Alternative | Seams Issues Addressed | BPA Initial Review |
|---|--|---|
| 12. BPA limits LTF schedules to their pro-rata share during path de-rates | <ul style="list-style-type: none"> Seams Issue 1 | <ul style="list-style-type: none"> BPA has determined this is out of scope in this process. It will be addressed in a different process. |
| 13. BPA proactively manages curtailments on the IS prior to the interval | <ul style="list-style-type: none"> Seams Issue 2 Seams Issue 3 | <ul style="list-style-type: none"> No tariff change required |

Next Steps

- **Cancelled:** December 2nd workshop
- **Next workshop:** December 17th from 9am-12pm
- The draft white paper is on the [BP-18 Meetings and Workshops webpage](#).
- **By November 27:** Please send comments on the white paper background/context and alternative descriptions (not on the justification/pros and cons).

Next Steps (Cont.)

- We are considering cancelling the January 5th and the January 21st workshops.
- New workshops reserved in February 2016:
 - 2/5/16 (Friday)
 - 2/17/16 (Wednesday)
- Please continue to send all comments to Rebecca Fredrickson via email: refredrickson@bpa.gov