

Comments of the Sacramento Municipal Utility District,
Transmission Agency of Northern California, and Turlock Irrigation District
TC-20 Rate Case Workshops
August 28, 2018

The Sacramento Municipal Utility District, Transmission Agency of Northern California, and Turlock Irrigation District (collectively, the Northern California Utilities or NCUs) appreciate the opportunity to provide the following comments on topics discussed at Bonneville Power Administration's (BPA) TC-20 workshop on August 21, 2018. The NCUs submitted comments on the prior TC-20 workshops as well and have requested certain information in those comments, some of which are relevant to the proposed settlement discussions. We ask BPA, to the extent practicable given staff availability and timelines, to provide the requested information on its www.bpa.gov website.

In general, the NCUs seek to ensure that these TC-20 workshops fully explore the impact of BPA's transmission rates, terms and conditions on energy and capacity markets broadly on both intra- and inter-regional transmission services and energy and capacity markets in the West. And before proposing a change in transmission service, BPA should understand how this may impact its *own* use of the transmission service by its marketing division and whether this will affect any of its power contract obligations.

Rollover Business Practice

BPA now proposes a new treatment of rollover rights, depending on whether or not the customer in the long-term pending queue is participating in a "study/build process" or not (slide 7). Specifically, customers *not* participating in a study/build process would *not* have an option to extend service term. This distinction between participating/not participating in a study process raises concerns of adverse effects on Intertie service relative to Network service, given that BPA determined in 2015 that there would be no process for studying TSRs on the Interties. See "Terms and Conditions, TC-20 Tariff Proceeding, Customer Workshop, 6/26/18", slide 20:

"BPA staff last engaged customers on alternatives for conducting studies in response to intertie TSRs in April, 2015. There, BPA staff presented and requested customer feedback on multiple alternatives. In response, customers expressed opposition to using any BPA resources in conducting TSR-based studies for its interties. BPA suspended activities related to performing intertie studies following this feedback.

BPA's tariff allows each customer to request to have its TSR studied, either on an individual or clustered basis. To-date, no customer has requested that BPA perform a study to increase intertie capacity in response to submitted TSRs."

The provision in the tariff that "allows" a customer to request that a TSR be studied has been effectively nullified by BPA's decision to "suspend activities related to performing intertie studies." The NCUs question the purpose of submitting a study request if BPA has already publicly announced that no such studies will be performed and also seek to understand the basis for different treatment as between Intertie requests and Network requests.

No study process means that Intertie TSRs would automatically, and without justification, lose the option to extend service term. Such a result, without adequate justification for the different treatment, would be preferential to Network service over Intertie service. Depending on the specific BP language, the proposed distinction based on study/build could adversely affect rollover and extension rights on the Intertie without justification and in a discriminatory manner. Until and unless BPA adopts a study process that treats the Network and the Interties on a level basis or provides an explanation of the basis for the different treatment, this proposed Business Practice based on study/build participation should not be adopted.

NT Redispatch

Not all interested parties have access to BPA's OASIS, because they do not engage in trading or requests for transmission service. Accordingly, the NCU's request that BPA post "off OASIS" (i.e., at bpa.gov) all data regarding NT Redispatch that has been posted "on OASIS" since 1/1/10. This request also includes the costs that have been billed to NT customers as a group (not individually) for this same time period, for each redispatch event (see OATT section 33.3). The NCU's also request that BPA provide any existing forecasts of expected NT Redispatch for FY20-21 (including but not limited to locations, frequencies, durations, volumes re-dispatched, and cost).

Hourly Firm (HF) Service

The NCU's remain concerned about the impact of the proposed elimination of new HF and redirected HF service on both intra- and inter-regional transmission services and interconnected non-BPA physical intertie capacity. As discussed at length on August 21 and in previously filed comments by many entities on this subject, there are several reasons for opposition to the proposed elimination of new HF and redirected HF service by various stakeholders:

1. New hourly and redirected HF service is used currently by many PTP customers to make more efficient use of ATC across the BPA system. The volume of hourly transactions on BPA's system is proof that hourly service provides value to both buyers and sellers.
2. Efficient energy markets rely on HF service in general, including both new and redirected service.
3. Energy markets are becoming more granular over time (i.e., shorter scheduling intervals), and the elimination of new/redirected HF service runs counter to that trend.
4. Elimination of new/redirected HF service would erect a new barrier to trade (or "hurdle"), because customers would be required to shift to daily, weekly, and monthly service, making financial commitments that will not necessarily prove economic given longer commitments.
5. BPA's own move to participate in the EIM shows that barriers to trade should be reduced and removed, not increased and created.
6. BPA has not provided any reasonable justification for eliminating such service and has not adequately considered alternatives.

Moreover, elimination of new and redirected HF service may be disproportionate to the size of the problem: BPA has not provided any data (until August 21) on the magnitude of the problem, either in terms of costs or reliability. And the only data it did provide on slide 50 of its presentation actually shows a reduction in the purported problem with the number of curtailments dropping the past few years. Before any substantive discussions are possible on this

subject, stakeholder will need to have a better understanding of the nature of the problem BPA seeks to solve by eliminating new and redirected HF service. Accordingly, the NCUs appreciate BPA's commitment at the August 21 workshop to provide additional information on this proposal. To help BPA determine the scope of information to provide, the NCUs identify the following information:

1. data on volumes of real-time changes in transmission schedules on parent paths, i.e., real-time schedule changes *without* redirects or new HF service;
2. data on any congestion management issues associated with real-time changes on parent paths;
3. total volumes by month of new HF service and hourly firm redirects since DATE, including path names or POR/POD pairs;
4. volumes of new HF service and hourly firm redirected service by BPA-Power since DATE;
5. studies of the impact on both PTP customers and NT Redispatch costs of eliminating new HF service and redirected firm hourly service;
6. details on the new TTC methodology (referenced on August 21) that is expected to reduce curtailments;
7. product conflicts (slide 48): identification of specific products that are "in conflict" and any data on the volumes and economic consequences of such "conflicts";
8. quantitative assessments of the economic impacts on energy markets of eliminating new HF service and redirected firm service, compared with alternatives (slide 45);
9. documentation of efforts by BPA to set up and rely on an hourly ATC calculator (or other mechanism to manage real-time congestion) instead of eliminating new and redirected HF service;
10. studies that evaluated the alternatives using the criteria listed on slide 47, including changes in the cost of serving regional load and consistency with all of BPA's legal mandates, including but not limited to the Flood Control Act of 1944;
11. references to "FERC['s] curtailment priority intent";
12. definition and implementation of "product differentiation" (slide 48);
13. data used to create the chart on slide 50, including but not limited to dates, durations, path names or POR/POD pairs, all MWh curtailed, PTP MWh curtailed, NT MWh curtailed, NT Redispatch implemented during each curtailment (if any);
14. studies of the impacts of eliminating new and redirected HF on BPA's participation in markets *other than* "EIM or other organized markets", including bilateral markets in the Northwest and at interfaces with entities other than the CAISO;
15. studies or data that supports the "belief" (slide 54) that elimination of HF will lead customers to use HNF and/or other ST products (firm or non-firm); and
16. studies or data of the impacts of the increase in the IS hourly rates by 270% in late 2017, which could help understand the impacts of eliminating the service entirely.

The NCUs highlight that a proposal to eliminate the HF service before BPA has studied or assessed the impact of its recent tripling of the SI hourly rates from BP-18 is premature. Without understanding the potential effect on energy markets, trading in the west, and BPA's power marketing division, BPA may be compounding a problem.

Resale Price Cap

In prior workshops, BPA has referred to its involvement in the FERC two-year pilot project that removed the price cap on transmission capacity resales. In comments filed on August 6 regarding the July 23 workshop, the NCU's submitted the following request:

“Accordingly, the NCU's request that BPA post all existing materials related to BPA's prior studies of the price cap, including but not limited to BPA's participation in the FERC two-year pilot, BPA filings pursuant to relevant FERC orders, the 2013 study conducted by BPA (see handout slide 37), and BPA's EQR filings at FERC under Order 768. In addition, BPA should provide its proposed approach to evaluate the removal of the price cap, including the ability of resellers to simply evade the price cap by arbitraging basis differentials via buy/sell transactions.”

BPA has provided the link to EQR filings at FERC, but to date has not provided the remaining information requested on August 6. The NCU's reiterate prior requests, and respectfully provides the following details to assist BPA in locating relevant information:

1. Identify the location and relevant codes in BPA's EQR filings of transmission capacity reassignments (resales) (slide 78);
2. Provide all “historical materials” from the FERC two-year pilot project, including data, studies, reports, and conclusions, as requested on August 6.

Rate Standards

The discussion of proposed section 2.2 (slide 84) states that the FERC J&R standard does not apply to BPA.

“The pro forma tariff requires the customer to pay the just and reasonable rates as approved by FERC. This reference does not apply to BPA because BPA must set rates consistent with section 7i of the Northwest Power Act. The proposal replaces the *pro forma* rate reference with a reference to 7i process.”

This statement is incorrect as a matter of law. Under section 212 of the Federal Power act, FERC has the authority to issue an order that BPA provide transmission service (a) under Commission-established *terms and conditions* and (b) at Commission-approved *rate* standards:

“The Commission shall have authority pursuant to section 210, section 824i of this title, 824j of this title, this section, and section 824l of this title to (A) order the Administrator of the Bonneville Power Administration to provide transmission service and (B) establish the terms and conditions of such service. In applying such sections to the Federal Columbia River Transmission System, the Commission shall assure that . . .

the rates for the transmission of electric power on the system shall be governed only by such otherwise applicable provisions of law and not by any provision of section 824i of this title, section 824j of this title, this section, and section 824l of this title, *except that no rate for the transmission of power on the system shall be unjust, unreasonable, or unduly discriminatory or preferential, as determined by the Commission.*” Federal Power Act, §212(i)(1), as added by Energy Policy Act, §722(3)(i)(1)(B)(ii), 106 Stat. 2917,

emphasis added.

These rate standards in the FPA are *in addition to* the standards in other applicable law. To the NCU's knowledge, the Commission has never applied the FPA standards to BPA's transmission rates. Until FERC affirmatively rules on BPA's transmission rates under the FPA standards, rates adopted only under the Northwest Power Act standards do not and will not have the "filed rate" protection at the Commission under the Federal Power Act. BPA's tariff should incorporate *all* standards as enumerated by law, and should not provide a partial list of applicable standards. BPA has acknowledged this neutrality position as a goal in establishing its new Tariff.

Thank you