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Sent: Tuesday, August 28, 2018 2:01 PM
To: Tech Forum
Subject: [EXTERNAL] TC-20 Tariff Proceeding Hourly Firm

August 28, 2018

Via Email (techforum@bpa.gov)

U.S. Department of Energy
Bonneville Power Administration
Transmission Services

Re: Comments of Shell Energy North America relative to the TC-20 Customer Workshop Presentation on 8/21/2018 regarding Bonneville Power Administration's Intent to Eliminate Hourly Firm Transmission Product

Shell Energy appreciates the opportunity to submit comments on Bonneville Power Administration's August 21, 2018 workshop presentation. During this presentation, BPA proposed removing the Hourly Firm product from its product portfolio on the BPA network and interties.

In summary, Shell Energy encourages BPA to keep Hourly Firm and to add the proposed Shaped Daily product. At the very least, a shaped daily product is imperative if Hourly Firm ceases to exist. We believe continuing to offer Hourly Firm will conform to other Balancing Area best practices and will recognize and help implement increased flexibility, critically needed with current and increasing additions of intermittent renewable energy resources. We would be amenable to allowing for Hourly Firm requests to become Hourly Conditional-Firm, which we believe would allow BPAT to better plan for unexpected grid changes.

Hourly Firm is important for economic grid operations and grid reliability. - BPA has historically provided Hourly Firm in its tariff. As BPA has existing systems to schedule hourly, continuing to provide Hourly Firm should not impact BPA from a programming or incremental cost perspective. Before proposing to discontinue Hourly Firm, BPA should provide an analysis that shows economic and reliability "net" harm to the system. We believe that Hourly Firm provides economic benefit to the region by allowing the use of available transmission not selected or sometimes declined in DA scheduling and to allow for changes to DA schedules often based on supply resource output changes. Because of the economic and

reliability benefits of Hourly Firm, BPA has a high hurdle to demonstrate removal of this product. Shell Energy encourages BPA to keep Hourly Firm and to add a Shaped Daily product, which can also better optimize efficient grid operations and reliability.

Removal of Hourly Firm would not reduce curtailments much if at all. – During its August 21, 2018 workshop, BPA provided a graph (page 50) which shows a range of 0-6 curtailments per year and an average of 2.9 curtailments per year, a relatively low curtailment rate. A further reduction would appear to be de minimis. It is unclear the quantity of additional reduction in curtailments which might take place with the removal of Hourly Firm. BPA should provide quantifiable benefits of curtailment reduction if this is believed to be an actual benefit.

Analysis needed to determine if elimination of Hourly Firm will result in no change in revenue. – BPA should provide some analysis for stakeholder discussion relatively to the change in revenue due to the discontinuation of Hourly Firm. While some increase in LT Firm is expected, loss of use of real time ATC is expected, resulting in more stranded transmission and overall loss of revenue.

Use of Substitute Products. – We appreciate that there could be other substitute products, however, our experience has been poor relative to use of current substitute products. For example, while it is preferred to use Daily Firm, Hourly Firm is critical as a backup when Daily Firm is not available or denied. We would propose a discussion allowing BPAT to deem all Hourly Firm redirect requests to be conditional-firm. This would still allow market participants, utilities and marketers the ability to retain the flexibility of Hourly Firm but allows BPAT to plan for unexpected events and flows between the time of the redirect being queued and the actual flow hour.

Does Hourly Firm impact EIM? – BPA states that “hourly firm neither helps nor hinders participation in the EIM or other organized markets.” It appears from a high level that there would be an impact. In simplest terms, third parties now procure and pay for Hourly Firm. In the EIM, the CAISO does not pay for transmission, thus it is expected that the EIM would result in a loss of transmission revenues. The work to analyze the impacts of BPA joining EIM is just beginning, and a decision on impacts should be conducted and vetted to determine if BPA joining EIM provides a material net benefit to its transmission customers. We believe that with FERC direction, markets are moving to hourly or more frequent scheduling. Of importance, WECC hourly scheduling does not align with CAISO EIM scheduling, however, this is not a reason to simply eliminate Hourly Firm.

BPA states that removing Hourly Firm will result in customers using hourly non-firm or daily or longer products to secure transmission (firm and non-firm). - Shell agrees the elimination of Hour Firm will require customers to use other products to secure transmission. As stated above, Shell Energy has attempted to use other products to redirect transmission (e.g. Daily Firm). Unfortunately, Daily Firm requests are frequently refused but the same schedules redirected on an hourly firm basis are accepted. In addition, the scheduling of reserves must be on firm transmission, which will be unavailable to adjacent BAAs if purchasing reserves intra-day. Furthermore, BPATs removal of Hourly Firm will impede market participants from resupplying firm day-ahead schedules in the real-time window using firm transmission. Firm day-ahead sales will be forced to be scheduled on non-firm transmission, which potentially violates contracts and causes concern for the sinking BAs.

Conclusion: Based on the above discussion, Shell Energy believes that it is inappropriate to eliminate the Hourly Firm Transmission product, that it provides economic benefits and reduces stranded transmission, that elimination will likely result in a revenue shortfall, that it is aligned with the forward needs for grid flexibility and that it aligns with FERC and neighboring BAs objectives to move to hourly scheduling.

Thank you for allowing this opportunity to comment.