

July 18, 2018

VIA EMAIL

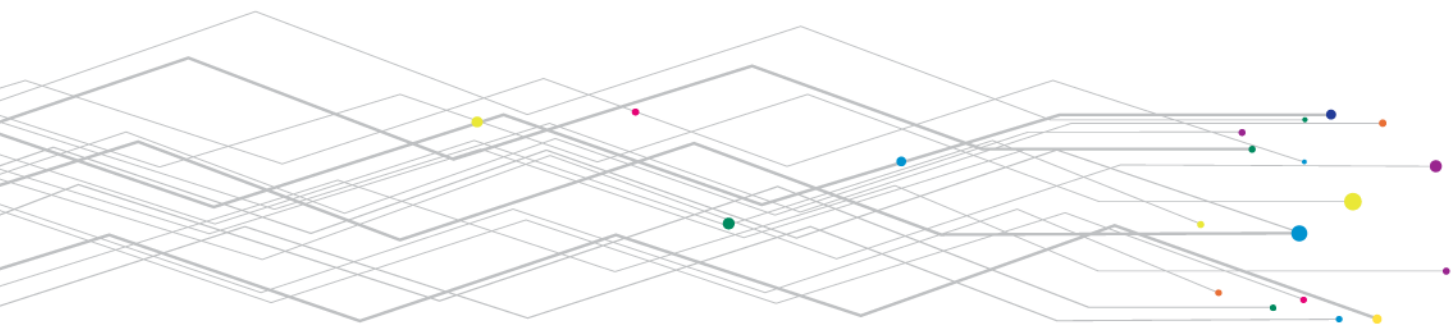
RE: Powerex Comments: June 26, 2018 TC-20 Customer Workshop, Hourly Firm Alternatives

Powerex appreciates the opportunity to comment on BPA's Hourly Firm alternatives presented in BPA's June 26, 2018 TC-20 Customer Workshop. Powerex has a number of comments and considerations with regard to the potential elimination of BPA's long-offered Hourly Firm product and the alternatives BPA has proposed. In general, Powerex supports continuation of an Hourly Firm transmission product, but adding an Available Transfer Capability limitation on sales and redirects. We discuss our reasoning below.

1. Limiting HF ATC is essential and should address current NT and LTF PTP customers' concerns with overselling firm

Powerex agrees with Network (NT) customers that BPA's current practice of overselling Hourly Firm (unlimited HF) is problematic and must be addressed. It is in the best interest of all of BPA's transmission customers to limit curtailment impacts on NT and Long-term Firm (LTF) PTP customers that result from selling unlimited HF. However, this should not be achieved through the elimination of Hourly Firm (HF). Powerex believes BPA should not proceed with a drastic shift from its current practices by eliminating HF, but BPA can instead address customer concerns through a more reasonable approach by limiting hourly firm sales and redirects in line with a calculated Available Transfer Capability (ATC). By using a fundamentally sound practice of calculating ATC and limiting HF, existing NT and LTF customers should not be harmed by the sale of HF or redirects (i.e. through *pro rata* reductions). Powerex believes that offering HF with an ATC limitation is a workable solution for BPA and its customers.

Powerex also believes that Pre-emption and Competition for HF is not required in a real time horizon. Currently Section 13.2 of BPA's tariff describes that hourly service remains conditional in the preschedule horizon and does not extend into the real time horizon. Powerex believes that NAESB Business Practice standards allow for Transmission Providers to set their appropriate conditional time periods for Firm service in Section 13.2 of their OATTs. BPA has also adopted a business practice that allows for Simultaneous Submission Window for HF to be performed at 9 AM, which adequately addresses competition for the service and the "no earlier-than" window. BPA is not required or mandated by FERC or NAESB business practices to offer a pre-emption and competition process in the real time horizon, and BPA can therefore continue to offer an HF product without significant change to its current processes besides the ATC calculation limiting HF. Powerex believes that BPA should retain the current language in the Tariff that addresses conditional time periods for hourly service.



2. Changing grid conditions are increasing the need to redirect LTF service on an hourly basis

Changes to energy markets and grid conditions have resulted in an increased need for Hourly Firm (HF) redirects. The addition of large quantities of variable, renewable generating resources in the WECC has highlighted the need to quickly modify deliveries to customers, as their load requirements change significantly throughout the day. There are certain periods where BPA's long-term transmission customers utilize their transmission rights and redirect onto alternative paths on a firm basis in order to optimize their portfolios based on market demands. These demands can shift day to day, hour to hour, and within an hour, which requires significant flexibility to ensure delivery of energy to their loads. As a result of the changing generation mix in the WECC region, trade from the Northwest to California and the Southwest region increasingly reverses within certain hours each day. Thus, there will continue to be a growing need by LTF transmission customers to redirect LTF service on an hourly firm basis.

Furthermore, without the ability to redirect LTF on an hourly firm basis or within HF ATC limits, Powerex anticipates it will become more beneficial to purchase Hourly Non-Firm (HNF) than retaining LTF. Without an HF redirect option, BPA's transmission customers will receive higher curtailment priority through purchasing HNF for just the hours they require, rather than redirecting LTF as HNF-secondary (1-NS). The HNF Secondary service is not similar to HF redirects due to the lower curtailment priority that is assigned (1-NS); the energy scheduled on that transmission will be the first to be cut, leading to a higher degree of uncertainty for customers. As a result of the higher degree of uncertainty, it is more probable that customers will only purchase the hours and paths they require on a HNF basis, and not on a LTF basis. Any purchased LTF would go unutilized in many hours on certain paths, leading to a less efficient use of the BPA transmission system. Similarly, redirects on a daily firm basis will also have less value than the hourly firm redirects as they do not facilitate transacting around the "duck-curve". The proposed Daily Shaped product is also problematic for a number of reasons: It would enable customer to purchase individual 'peak' hours multiple days into the future; it would complicate determining competition on duration; and, as a daily product, it would be limited to preschedule activities.

Elimination of the HF product will reduce the value of the LTF product by eliminating the flexibility that it provides, and transmission customers will be less willing to purchase or renew LTF rights on BPA's system. This would result in lowering BPA's firm revenues, introducing increased variability and uncertainty in BPA's revenues, which will harm all customers.

3. Customers have invested in existing LTF agreements with the expectation that BPA offers Hourly Firm

The ability to redirect LTF on an hourly basis was a key value attribute that was considered at the time of LTF investment decisions; changing that value attribute now, by eliminating the HF product, changes the value of many existing LTF contracts. This not only impacts LTF PTP customers, but also many load-serving customers, including BPA's preference customers. These customers purchase LTF to meet peak loads, and benefit from selling their unused LTF rights in most hours of the year on a secondary basis. Eliminating HF redirects will reduce these customers' secondary sales revenues, since these rights will not be able to be redirected onto a different path on a firm hourly basis (the customer purchasing the secondary LTF rights generally seeks to use the transmission on different paths).

In addition, Powerex notes that Hourly Firm has been a valuable product that has been offered by BPA since 2002. FERC has approved numerous Transmission Provider Tariffs in the WECC (including PacifiCorp, Portland General Electric) that offer an Hourly Firm product. Compared to not offering it, FERC has recognized that Hourly Firm provides "consistent or superior to" service.

For the reasons above, Powerex encourages BPA to continue to offer the HF product, but add an ATC limitation on sales and redirects. Placing an ATC limitation on HF sales and redirects will address PTP and NT customers' concerns while continuing to provide value for, and encourage further investment in, LTF transmission. It will also continue to enable valuable resale of unused LTF firm rights. Absent this value, an expected lower investment in PTP LTF could harm BPA's PTP and NT preference customers through reduced third-party LTF revenues and reduced revenue certainty as customers shift to the HNF product. Powerex therefore strongly encourages BPA and its customers to support the continued offering of HF with an ATC limitation.

BPA's Hourly Firm Decision Criteria:

In the June 26, 2018 TC-20 Tariff Proceeding Customer Workshop presentation, BPA provided a set of Hourly Firm Decision Criteria to guide evaluation of the hourly firm alternatives. During the presentation, Powerex had requested that BPA provide a written description and clarification of the Hourly Firm Decision Criteria. It is important that customers review and comment on these Decision Criteria. The decision criteria, as presently stated, could have different, or even conflicting, interpretations, and it is important that customers understand how BPA intends to evaluate the Hourly Firm decision. At this time, BPA has not provided the requested additional information and Powerex requests that customers be allowed to submit additional comments on that material once the information is provided to customers. As such, Powerex will reserve further comment on the decision criteria themselves until the information is provided.

Submitted by:

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