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FEDERAL ENERGY
REGULATORY COMMISSION

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

ORIGINAL

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- Avista Corporation,)
- Bonneville Power Administration,)
- Idaho Power Company,)
- The Montana Power Company,)
- Nevada Power Company,)
- PacifiCorp,)
- Portland General Electric Company,)
- Puget Sound Energy, Inc., and)
- Sierra Pacific Power Company)

Docket No. RT01-35-000

INITIAL COMMENTS AND MOTION TO INTERVENE OF BC HYDRO

The British Columbia Hydro and Power Authority ("BC Hydro") hereby files its initial comments and motion to intervene regarding the October 23, 2000 Supplemental Compliance Filing And Request For Declaratory Order Pursuant To Order 2000 ("Stage 1 Filing") by the above-referenced parties ("Filing Utilities") with respect to RTO West. BC Hydro supports those provisions of the Stage 1 filing regarding British Columbian participation in regional transmission organization ("RTO") formation in the Pacific Northwest through the British Columbia Independent Grid Operator ("BC IGO").

However, because BC Hydro has not been afforded the same opportunity the Filing Utilities have had to negotiate the forms of commercial agreements, tariffs and other undertakings of RTO West that will also impact the BC IGO and its relationships with

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Canadian Participating Transmission Owners, BC Hydro will file supplemental comments, during the comment period established by the Commission, after it has had the opportunity to fully review the Stage 1 Filing. Satisfactory resolution of the Stage 1 issues that BC Hydro expects to address in its supplemental comments, and any additional issues that may need to be addressed as part of RTO West's subsequent Stage 2 filing in Spring 2001, will be required before BC Hydro can endorse the RTO West proposal as a whole.

I.

Correspondence and communications regarding these comments should be addressed to the following persons, both of whom should be placed on the Commission's official service list in this proceeding:

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II.

BC Hydro has been actively involved with the RTO West Filing Utilities and other regional stakeholders in RTO formation and development for the Pacific Northwest pursuant to the Commission's Order No. 2000. BC Hydro applauds the position taken by the Commission to encourage Canadian participation in the RTO process, while recognizing the need to preserve Canadian sovereignty and regulatory jurisdiction over facilities and transactions in Canada.

III.

BC Hydro is a provincial crown corporation providing open access to wholesale transmission in British Columbia. BC Hydro's transmission system consists of more than 11,000 miles of transmission lines, and the size of its system is exceeded only by the Bonneville Power Administration ("BPA") and PacifiCorp among the RTO West Filing Utilities. BC Hydro's participation in RTO development in the Pacific Northwest will clearly further the Commission's objectives in Order No. 2000 that there be seamless wholesale transmission services throughout the region, and that the region served be of the broadest possible scope.

BC Hydro was one of the founding members of the Northwest Regional Transmission Association and the Western Regional Transmission Association. BC Hydro endorses the Commission's approach to open access transmission, and has in place a Wholesale Transmission Services tariff that is identical in all substantive respects to the Commission's Order No. 888 Pro Forma Tariff. BC Hydro hopes to be able to take the additional step of becoming a Canadian Participating Transmission Owner in RTO formation in the Pacific Northwest.

In furtherance of that objective, BC Hydro has committed extensive internal and external resources to the RTO West process. Over the course of the past several months, officers and employees of BC Hydro and its subsidiary Powerex Corp., as well as outside consultants and experts engaged by both companies, have participated in numerous working groups to establish a workable RTO framework in the Pacific Northwest. BC Hydro also participated in the Regional Representatives Group.

IV.

The RTO West Filing Utilities, BC Hydro and West Kootenay Power Ltd. ("WKP") have reached consensus on a framework that will provide consistent RTO transmission service over the RTO West transmission system and the transmission system in British Columbia, while giving due regard to Canadian sovereignty, and the differing regulatory structures and requirements in British Columbia and the United States. The principles for British Columbian participation in RTO formation in the Pacific Northwest are set forth in Attachment H to the RTO West Stage 1 Filing, and for convenience are also attached as Appendix A to these comments.¹ As stated by the Filing Utilities:

In practice, it is expected that this framework will present to all transmission customers an essentially seamless grid with standardized business practices and closely coordinated system operation. This proposal is a result of consensus among participating representatives of British Columbian entities and the filing utilities.

Stage 1 Filing at 79. BC Hydro concurs with this statement and supports this approach to British Columbian participation.

V.

This consensus framework for British Columbian participation has resulted from a collaborative process whereby BC Hydro provided input to the RTO West Filing Utilities through a Canada-U.S. Adjunct Committee ("Adjunct Committee"), comprised of BC Hydro, other British Columbia and Alberta entities and members of the Filing Utilities group. The result of the Adjunct Committee's work was the development of the BC IGO model which is contained in the RTO West Stage 1 Filing.

¹See also Stage 1 Filing at 25-26; 55-56; 78-80; Attachment Q at 3.

The Adjunct Committee was established by the RTO West Filing Utilities as an alternative consultative forum, of more limited scope than the Filing Utilities Group. Unfortunately, the practical effect of requiring BC Hydro to channel its RTO West input through the Adjunct Committee is that BC Hydro to date has not been afforded the same opportunity the Filing Utilities have had to frame the forms of commercial agreements, tariffs and other undertakings of RTO West that will also impact the BC IGO and its relationships with Canadian Participating Transmission Owners.

To provide one illustration of the problem this has created, the model calls for the transfer of operational control of British Columbia transmission facilities to the BC IGO pursuant to agreements which are to parallel the Transmission Operating Agreements ("TOA") to be executed between the Filing Utilities and RTO West. The TOA is obviously of the same level of importance to BC Hydro as it is to the Filing Utilities, yet BC Hydro's participation in discussions or negotiations with respect to the terms contained within the TOA since the close of the public process on September 1, 2000 has been severely limited.

BC Hydro requested, but was denied, full participation in the Filing Utilities group, which would have permitted BC Hydro to have equal involvement with the Filing Utilities in the preparation of the RTO West compliance filing and the resolution of related contractual and tariff issues.² BC Hydro was denied such full-scale participation based on the Filing Utilities' position that an obligation to file a formal RTO proposal with the

²The Commission's October 6, 2000 Notice Providing Further Details On Procedures For Order No. 2000 Filings in *Regional Transmission Organizations*, Docket No. RM99-2-000, contemplates that non-public utilities such as BC Hydro may join in an RTO filing without jeopardizing its non-jurisdictional status. Notice at 3.

Commission was a prerequisite to membership in the Filing Utilities group, and that BC Hydro, despite its obvious interest in the development of an RTO proposal for the Pacific Northwest, did not have such an obligation.

VI.

While BC Hydro supports the consensus framework for British Columbian participation that has been achieved through the Adjunct Committee, now that the Stage 1 Filing has been made there is a clear need on a going-forward basis for a broader, more inclusionary approach to the formation of RTO West that will give BC Hydro a "seat at the table" with the Filing Utilities. As is evident from the filing, there are numerous Stage 1 issues still to be resolved, such as the final form of the Transmission Operating Agreement and the Agreement to Suspend Provisions of Pre-Existing Transmission Agreements. There are also Stage 2 implementation matters such as development of the RTO West Tariff, the Paying Agent Agreement, the Security Coordination Agreement, other necessary commercial arrangements, the schedule of Transfer Charges and the allocation of Firm Transmission Rights by RTO West that need to be resolved.³ How these Stage 1 and Stage 2 issues are resolved will directly affect BC Hydro's operations under the BC IGO/RTO West framework, and compel BC Hydro's inclusion in the negotiation process with the Filing Utilities.

BC Hydro believes that for it to transfer operational control of its transmission facilities to the BC IGO, and to have the BC IGO coordinate with RTO West for seamless transmission service in the region, it is imperative that BC Hydro be given equal standing

³See Stage 1 Filing at 6-7.

to the Filing Utilities in the RTO formation process. Otherwise, there is a significant possibility for seams issues to be created unnecessarily between the BC IGO and RTO West that will complicate, and possibly frustrate, BC Hydro's participation in the process through the framework that has been developed. There will also be lost opportunities for BC Hydro and the RTO West Filing Utilities to work out comprehensive commercial solutions to major outstanding issues unless BC Hydro has more than an "adjunct" role in the negotiation process.

Such an inclusive approach would be entirely consistent with the Commission's desire for an RTO of the broadest possible regional scope, and should be encouraged by the Commission in its declaratory order regarding the scope and configuration of RTO West.

VII.

Based on the foregoing, BC Hydro clearly has a substantial interest which may be directly affected by the Commission's actions in this proceeding. This interest cannot be adequately represented by any other party, and thus its participation is in the public interest. BC Hydro therefore moves for leave to intervene in this proceeding pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 CFR § 385.214.

WHEREFORE, BC Hydro requests the Commission in its declaratory order on the RTO West Stage 1 Filing to endorse the framework for British Columbian participation set forth in Attachment H to the filing, and to encourage the Filing Utilities to include BC Hydro prospectively as a participant of equal standing in the RTO development process. BC Hydro also requests that it be granted leave to intervene in this proceeding.

BC Hydro will file supplemental comments regarding other aspects of the RTO West proposal after it has had the opportunity to fully review the Stage 1 Filing.

Respectfully submitted,



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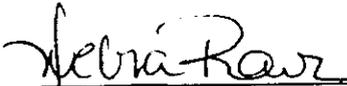
Attorney for BC Hydro

October 24, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served on those parties to the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this _____ day of October, 2000.



Debra Rowe

Appendix A

ATTACHMENT H
DESCRIPTION OF BRITISH COLUMBIA PARTICIPATION

The British Columbia Hydro and Power Authority ("BC Hydro") and West Kootenay Power Ltd. ("WKP") have actively participated in the RTO West negotiations.¹ The Filing Utilities, BC Hydro and WKP have reached consensus on a framework that would provide consistent RTO transmission service over the RTO West transmission system and the transmission system in British Columbia, while recognizing Canadian sovereignty and the differing regulatory structures in Canada and the United States. This framework is a major step towards achieving a "natural transmission region" in the Pacific Northwest that does not stop at the U.S.-Canada border.²

The basic elements of this framework, developed as a model by the Adjunct Committee Technical Work Group,³ are as follows:

- (1) An independent grid operator would be formed in British Columbia ("BC IGO"), that would meet the independence standards of Order No. 2000. The BC IGO would be a public utility regulated by the British Columbia Utilities Commission ("BCUC");
- (2) RTO West and BC IGO would act in a coordinated fashion to provide RTO service to the Pacific Northwest region, including British Columbia;
- (3) BC Hydro and WKP would transfer operational control over their transmission systems to BC IGO, under Transmission Operating Agreements ("TOA") that

¹ EAL (the Alberta Transmission Administrator) and the Alberta Power Pool also participated in these discussions.

² The Commission has recognized that its transmission jurisdiction under the Federal Power Act stops at the international border. See Order No. 2000 at 31,085.

³ This Group included U.S. and Canadian representatives from the Implementation, Ancillary Services and Congestion Management Work Groups of the RTO West collaboration process.

parallel the TOA between RTO West and its U.S. participating transmission owners;

- (4) The BC IGO, as a regulated utility in British Columbia, would ultimately be accountable to the BCUC for tariff administration and the reliability of the transmission grid within British Columbia, consistent with principles of Canadian sovereignty and Provincial regulatory requirements. The functional relationship between BC IGO and RTO West would be defined in an Operating Facilities and Services Agreement ("OFSA") to be negotiated between the two entities and filed with the Commission and the BCUC. It is contemplated that the OFSA would adopt the following principles intended to further seamless wholesale transmission services in the region:

- (A) RTO West and BC IGO would file for regulatory approvals of a single, uniform wholesale transmission tariff covering both their transmission systems;⁴
- (B) A single set of business practices would be applied on a regional basis;
- (C) A single regional Ancillary Services market would be developed;
- (D) One Internet web-site for transmission capacity reservations would be used in the region, to be operated by RTO West;
- (E) There would be one Security Coordinator for the region; and
- (F) A single regional Congestion Management Mechanism would be employed;

⁴RTO West would file the tariff with the Commission, and BC IGO would file the tariff with the BCUC.

- (5) RTO West and BC IGO will together perform a control area operator function for the Pacific Northwest, including British Columbia. BC IGO will provide control area operator functions within British Columbia. (This approach will be described in greater detail in documents to be submitted as part of the filing utilities' Stage 2 submission.) Inadvertent power flow with neighboring control areas and RTOs would be handled by RTO West; and
- (6) Electronic links between RTO West and BC IGO will be established to communicate the real time status of the RTO West Operating Plan and to deploy resources through RTO West.

The Filing Utilities, BC Hydro and WKP believe that this framework for coordinating the functions of RTO West and BC IGO advances the Commission's concept of a "dotted line boundary at the international border" for purposes of RTO formation.³ The framework is designed to further the objective of seamless wholesale transmission services throughout the Pacific Northwest, and to ensure that the region encompassed by the RTO is of the broadest possible scope.

BC Hydro has represented to the Filing Utilities that BC IGO will be structured to meet the Commission's requirements in Order No. 2000 that such an entity be independent from control by any market participant, including participating transmission owners. The functions reserved for BC IGO within the RTO recognize Canadian sovereignty, regulatory and tax requirements, and are well within the parameters the Commission found acceptable in a U.S. context in *Commonwealth Edison Company, et al.*, 90 FERC ¶ 61,192, *reh'g denied*, 91 FERC ¶ 61,178 (2000).

The Filing Utilities, BC Hydro and WKP intend to work within this framework to negotiate definitive agreements and tariffs, and to resolve the other open issues between the U.S.

³Order No. 2000 at 31,085.

and British Columbia entities. If closure on these issues can be reached, the Filing Utilities, BC Hydro and WKP would seek to obtain all necessary approvals for these arrangements from the appropriate governmental and other authorities in their respective jurisdictions.

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FOR DECLARATORY ORDER PURSUANT TO ORDER 2000