

PNGC Power, NRU
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GTA Principles and Implementation Guidelines

Interest:

GTAs were entered into in lieu of BPA building BPA transmission lines. In order that the customers served by GTA do not now suffer a denigration of service or power supply options due to BPA's historical choice, BPA should implement policies and practices which hold these customers harmless from BPA past choice not to construct transmission.

GTA customers have an interest in having access to wholesale power markets for load service at the same rates, terms, and conditions as BPA preference customers connected directly to the BPA grid.

Additionally, the GTA policy must facilitate and align the interests expressed in the Regional Dialogue Concept Paper, which are to limit BPA's role in resource development and thereby reduce BPA's costs and risks over time, and to encourage non-federal resource development and acquisition. These objectives will be difficult to achieve if approximately 80 of BPA's public preference customers have incentives that encourage continued reliance on BPA resource development.

Guiding Principles:

Those customers served by GTA (or GTA replacements) shall be treated equivalently to customers directly connected to the BPA grid for purposes of moving power to load. Specifically:

1. These customers shall not be subject to pancaked rates or losses for wheeling of power to load.
2. Policies governing replacement, upgrade, or addition of point of delivery facilities shall be similar for GTA customers as for directly connected customers.
3. Rates for ancillary services shall be equal for GTA customers and directly connected customers.
4. Quality of service shall be comparable for GTA customers and directly connected customers.
5. Scheduling, ease of transactions, and cost of scheduling shall be equivalent for the GTA customers as for directly connected customers.

Implementation Guidelines:

1. Build on the recently executed 20-year Transfer Service Agreement where possible. Term of this agreement needs to be at least as long as the term of the power sales contracts offered as a result of the Regional Dialogue.
2. Address issues relating to replacement, upgraded, or additional point of delivery facilities in a manner as similar as possible to that employed by TBL on its network.
3. Policies result in the least complex agreements and scheduling practices necessary taking account of the requirements on both BPA and the GTA customer.
4. Policies regarding GTA service and obligations will be published, or, some may be codified in contract language.
5. BPA will work with the GTA customer to obtain transfer services in the most overall efficient manner possible taking into account costs on both the BPA side as well as the customer side.
6. Recognition is given to the fact that PBL will not own any transmission or low-voltage facilities.
7. Contracts to serve GTA load shall be linked to the GTA customer.

Issues:

A1 – Direct Assignment Guidelines for Transfer Service Customers

Mimicking BPA TBL's direct assignment guidelines is a good start. The policy should recognize that the pricing policies used in the GTA and OATTs are varied. If a direct assignment charge is not used in a particular transfer agreement (such as a rolled-in pricing method), there should be no direct assignment charge to the BPA GTA customers. BPA should not use the conversion from a GTA to an OATT as a reason to directly assign exiting facilities. Direct assignment charges should only be used for new facilities which are upgraded or new and should only be for equipment inside the delivery substation, not for equipment on the transmission provider's transmission system.

Facilities under 34.5 kV: Traditionally, BPA PBL has charged GTA customers the same delivery charge as the TBL. However, TBL's rate has several flaws which will possibly make it unacceptable for GTA use in the future. TBL's Delivery Charge is meant to send a signal to customers to buy their low voltage delivery substations. As customers buy these stations, the average remaining cost is driven up, thus giving remaining users of substations even more incentive to buy. However, GTA customers do not have the option to buy their delivery facilities. This, coupled with the fact that the average cost of

remaining TBL low voltage delivery would probably be very steep in the next unsettled rate case may cause the charge to be unreasonably high. Because not all GTAs have costs of below 34.5 kV facilities broken out, it is also difficult, if not impossible, to use a strict cost basis for determining the GTA delivery charge. BPA should develop a methodology that charges GTA customers a reasonable charge for under 34.5 kV facilities taking into account their inability to mitigate use or cost of the facilities, and the variety of pricing methods in GTAs or OATTs.

A2 - Issue A2 (Quality of Service)

Interest: GTA customers occasionally suffer poorer quality of service than do customers connected directly to the grid. Since the GTA customers do not have a contractual relationship with the transmission provider, the GTA customers must rely on BPA to pursue issues dealing with service quality. Service quality issues should be addressed both from a BPA activity point of view as well as from the transmission provider.

Proposal:

We propose an initial meeting among transfer service providers, BPA, and transfer service customers about quality issues. BPA would facilitate such a meeting. The purpose of the meeting would be to identify service quality issues, strategies for resolution, and expected costs of improving service. On the table at this initial meeting should be strategies for fixing problem areas, and discussions should include possible cost-sharing strategies. Following the initial meeting, there should be annual meetings and regular channels of communication to address service quality issues.

A3 – Role of BPA and Customers in the Management of Transfer Service Agreements

Interest: GTA customers need a contractual link to the capacity rights needed to serve their load on third party systems. In the changing power and transmission world, it is prudent for distribution utilities to have their entire transmission path linked contractually to their load and to have the same term for contracts covering the entire transmission path.

Contracting: Currently, BPA holds all GTA and OATT contracts for transfer service. BPA does not allow non-federal power to be moved over GTAs or OATTs. In the future, there is a good chance that utilities will be using non-federal power to serve the increment of their load over any BPA allocation. OATT contracts require certain obligations from Network Resources declared in the OATT NT contract. If BPA is not responsible for the non-federal resources, it can not fulfill these obligations. At that time, the utility should be the holder of the OATT for transfer service to load, or BPA can act as the “Designated Agent” of the GTA utility. If the GTA utility is holding the OATT contract, BPA could be appointed the scheduling agent if desired. To this end, BPA should include language in any OATTs that it enters into that allow the assignment of the NT agreement to the utility being served. Transferring utilities should agree in advance

to this assignment. This allows a clear path to the transmission rights for the GTA utilities.

Section 4(a) of the Agreement Regarding Transfer Service commits BPA to financial responsibility for cost of the Transmission Component Cost. BPA should be indifferent as to who holds the contract, BPA or the GTA utility. If the GTA utility desires to hold the OATT contract, BPA should reimburse the utility for the cost of wheeling of federal power to load and for wheeling of any non-federal power to load that BPA's GTA policy includes. This policy process should establish a policy for reimbursement of transfer costs so that this is not a stumbling block in the future if utilities want to hold their own transfer contract.

Term: BPA has committed to provide transfer service under certain conditions in the Transfer Service Agreement until 2024. Many utilities want the terms of their OATT to match the term of their BPA NT agreement so that their entire transmission path is under contract. If a utility wants a term on a GTA or OATT that is co-terminus with its NT contract, BPA should be willing to either 1) request such a term from the third party transmission provider or 2) allow the GTA utility to hold the contract and enter into an agreement with the utility to pay the costs of a transfer agreement.

Forecasting: BPA and the GTA utilities should agree on a protocol for forecasting loads that gives BPA adequate input regarding local conditions.

A4 – Ancillary Services

Scheduling – Stay with current practice - GTA customers should pay the TBL scheduling charge. No pancaking of scheduling charges for GTA customers.

Reactive Supply and voltage control from generation sources – Stay with current practice - GTA customers should pay the TBL charge.

Reserves – Stay with current practice – customer's choice – reserves only provided once.

Regulation and frequency response – this is a power related ancillary service. GTA customers should pay the TBL Regulation Rate regardless of whether it is lower or higher than the third party provider's rate.

Energy Imbalance – Current practice. May change as result of FERC NOI on 888.

Power Factor Penalty – TBL should remove its prohibition on charging PFP to transfer utilities without significant BPA facilities. Should be a pass-through to GTA customer.

B1 – Non-Federal Resources over GTAs/GTA Replacements

It is in BPA's and other customer interests to provide transfer service for non-federal power at a non-pancaked rate to the transfer customer. BPA proposes in the regional dialogue to create opportunities for parties to meet their load growth with non-federal resources. This goal is seriously undermined if a large number of BPA's public power utilities have an incentive that drives them in the exact opposite direction. The prospect of paying a pancaked transmission rate for non-federal power, but not for federal power, will be a powerful incentive to stay with BPA, and thus defeat BPA's and the region's goals.

BPA's GTA policy should make clear that it will continue to roll the costs of transfer service for federal power into BPA's Tier 1 power rates, as provided in the existing 20-year Agreement Regarding Transfer Service.

Regarding the costs of transfer service for non-federal power deliveries, these costs should be rolled into the Network segment of BPA's transmission rates such that transfer service customers pay no more for transmission than do customers directly connected to BPA's grid. Because transfer service has saved the region's transmission system significant dollars over time, it is equitable for these costs to be recovered from all transmission customers.

Alternatively, transfer service costs for non-federal power could be rolled into Tier I power rates, but only to the extent the transfer service used to deliver power that is incremental to the utility's BPA allocation.

B2 – Annexed Loads

We need more discussion from BPA about their interest on this issue. If an annexation is not opposed (i.e. not a hostile annexation of service area), BPA should offer GTA service to the annexed load.

B3 – Slice/Block

Choice of power product should have no effect on BPA's willingness to provide GTA service under the terms of the Transfer Service Agreement.

B3a,b – Surplus, Hourly Slice Issues

Need more explanation of the issue.