Response to Customer Comments – Southern Intertie Study Process

BPA Transmission Business Practice

Version 1
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Version 1

This document contains customer comments and BPA’s response to the Southern Intertie Study Process, Version 1 posted for comment from July 29 to Sept. 2, 2021.

For more information on business practices out for comment, visit the BPA Transmission Business Practices Comments and Responses webpage.

Table of Contents
A. Powerex.............................................................................................................................. 1

A. Powerex

Re: Proposed Southern Intertie Study Process Business Practice

Bonneville recently proposed to adopt a new business practice, the “Southern Intertie Study Process”. Powerex continues to support the unique treatment of Bonneville’s obligations to perform studies on the Southern Intertie given the unique complexities of the Southern Intertie and studying expansions of these facilities. However, Powerex remains concerned about the business practice’s provisions allowing later-queued customers to clear the Southern Intertie long-term firm queue by initiating a study process that is unlikely to result in new capacity. Powerex believes these provisions are not required by the recent revisions to Bonneville’s Open Access Transmission Tariff (“Tariff”), and, if adopted, could result in unintended consequences and inefficiencies.

Background

In the TC-22 Terms and Conditions proceeding, Bonneville adopted certain revisions to its Open Access Transmission Tariff (“Tariff”) to reflect the unique nature and complexities of performing studies on the Southern Intertie. The revisions followed a workshop process spanning nearly ten months, during which Bonneville presented various options and received multiple rounds of customer input.

In testimony, Bonneville Staff clarified that Bonneville “would offer an agreement to perform the study if a customer asks for it,” and that “[t]o maintain the first-come, first served principles for the queue, BPA would also offer a study agreement to higher queued requests.”1 However, provisions requiring Bonneville to offer a study to higher-queued customers were not added to the Tariff.

1 Id. at 9:17-19. The TC-22 testimony does not address whether a customer would lose its queue position if it refused to execute a study agreement and fund a study.
BPA Response 1
Per the current and updated Tariff §19.1, “if [a customer] elects not to execute the System Impact Study Agreement, its application shall be deemed withdrawn” and will lose its queue position.

BPA did not add provisions to the Tariff to offer a study to higher-queued customers seeking service over the Southern Intertie because BPA intended to apply existing provisions of the Tariff to the extent possible. Specifically, per the current and updated Tariff §19.1, studies must be offered on a non-discriminatory basis; first-come, first-served is a key tenet of non-discriminatory treatment.

The Southern Intertie Process Business Practice

The newly proposed business practice outlines numerous provisions implementing the new Tariff revisions, and Powerex generally has no concerns with such provisions.2

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2 Note that the business practice uses the term “Affected Customer”, which appears undefined in the business practice and the Tariff. Powerex requests that Bonneville clarify or define this term appropriately.

BPA Response 2

“Affected” is capitalized in this case only because it appears at the beginning of several sentences. This is not intended to reflect a new term; together “affected Customer” refers to those customers that will receive a study agreement.

However, the business practice adds a provision affecting the long-term firm queue for the Southern Intertie. Specifically, it states in Section B.2.c.i that:

B. Southern Intertie

2.c. Once the requesting Customer has met the third party coordination requirements, BPA will tender a study agreement to the following Customers with LTF TSRs in STUDY status impacting the same portion of the Southern Intertie (either the Northwest AC Intertie or the Pacific DC Intertie):

i. LTF TSRs submitted prior to that of the Customer requesting a study; …

If such customers do not execute and fund the study agreement, then as per Section B.2.c.iv, their TSR(s) will be “DECLINED and removed from BPA’s LTF pending queue.” Specifically:

iv. Affected Customers will be required to execute and fund the study agreement, including provision of a data exhibit if BPA requests additional information, or have their TSR(s) DECLINED and removed from BPA’s LTF pending queue.

Powerex is concerned that a customer may submit multiple yearly requests and only seek a study on their first request, with no expectation of the study leading to additional capacity and with no intention of completing the full study processes. It may be acceptable to have their first request denied in hopes that no earlier-queued requests agree to participate in a potentially expensive study process. The result would be a queue clearing that may leave the initiator with requests submitted shortly after their study-initiating request at the front of the queue.
BPA Response 3

BPA acknowledges Powerex’s concerns regarding the possibility that a Customer could attempt to use the study process to leverage higher queued requests from the queue for LTF service. Such risk is an inherent part of the queue process for requesting transmission service. However, BPA does not expect the study process to be overly expensive and the mitigation for a higher-queued customer not wanting to lose their queue position, in the event another customer requests a study, would be to execute and fund the study agreement if offered by BPA.

Additionally, BPA notes that there is a corollary concern for lower-queued TSRs from higher-queued TSRs that are simply waiting in the queue in the hopes that some ATC may become available, but, are not willing to pursue necessary expansion in order to accommodate their requests. BPA’s objective is to strike a balance such that Customers willing to pursue necessary expansion of the transmission system to provide capacity necessary to accommodate their requests for service can request studies to identify the requirements needed to accommodate the requests for service.

BPA believes the proposed business practice provides higher-queued TSRs protection from lower-queued TSRs requesting a study without the true intent of pursuing the required expansion. Note the clarified B.2.c. language and the added B.2.d. language:

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c. Once the requesting Customer has met the third party coordination requirements and appropriate third parties have agreed to participate in the study, BPA will tender a study agreement to the following Customers with LTF TSRs in STUDY status impacting the same portion of the Southern Intertie…

d. At the conclusion of a study:
   i. If the requesting Customer elects not to proceed to the next phase, the study effort shall be terminated and any affected Customers will retain their queue position.
   ii. If the requesting Customer executes the next phase agreement, all affected Customers will receive an agreement as well. If the study agreement is not executed, the TSR(s) will be DECLINED and removed from BPA’s LTF pending queue.
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The language suggests that higher-queued TSRs will not be required to take any action (such as signing a study agreement) until the requesting Customer has signed their study agreement and secured agreement with third party Transmission Providers and capacity or facility owners to pursue necessary expansion to accommodate their service. Also note that a Customer requesting a study faces the risk of being removed from the queue if they are not able to secure agreement to coordinate on the study from the third parties.

To avoid this situation, Bonneville should wait until it has received a fully executed study agreement and full funding from the initiating customer prior to offering any earlier-queued requests to join the study process. Similarly, Bonneville should not waive or diminish the initiating customer’s third-party coordination requirements prior to offering any earlier-queued requests to join the study process. Additionally, to avoid queue-clearing for self-interest,
Bonneville could employ a number of checks and disincentives specific to the initiating customer, including:

- If the initiating customer ultimately has their yearly request denied in the study process, or terminates the study early, Bonneville should concurrently apply that denied status to all of the initiating customer’s other yearly requests on the same path.

- Bonneville might consider a non-refundable deposit from the initiating customer in an amount deemed large enough to discourage the potential queue-clearing behavior described above.

The recent Tariff revisions that resulted from TC-22 neither require Bonneville to allow the self-interested queue-clearing nor prevent Bonneville from implementing provisions to discourage the practice.3

3 Bonneville ultimately adopted revisions to Sections 13.5, 15.2, 15.4(a), 17.5, and 19.1 of its Tariff. These revisions:

- Exclude the Southern Intertie from Bonneville’s obligation to expand or upgrade those facilities if firm service is not available (Section 13.5);
- Exempt Bonneville from the broad requirement to perform a study if sufficient transfer capability is not available to fulfill a request on the Southern Intertie (Section 15.2);
- Generally exempt the Southern Intertie from Bonneville’s obligation to expand or modify facilities to fulfill a customer’s request (Section 15.4(a));
- Clarify that in response to a completed application, Bonneville will perform a study at either its discretion or at the request of a customer (Section 17.5); and
- State that Bonneville will perform a study at either its discretion or at the request of the transmission customer (Section 19.1).

BPA Response 4

BPA agrees with your recommendation to wait until it has received a fully executed study agreement and full funding from the initiating customer prior to offering any earlier-queued requests to join the study process. This is described in B.2.c. of the draft Southern Intertie Study Process business practice.

BPA does not intend to not waive or diminish the initiating customer’s third-party coordination requirements prior to offering any earlier-queued requests to join the study process.

BPA will monitor customer behavior and explore your suggestion to concurrently deny all requests for a customer who elects to not proceed with a requested study.

Determination of the “right” deposit amount sufficient to eliminate speculation is subjective, since a customer willing to pay that amount may be just as speculative as a customer that finds the deposit burdensome. Also, since Transmission Providers are required to only charge actual study costs, applying an extreme deposit amount may appear punitive.

During the TC-22 process, Powerex consistently opposed the possibility of queue-clearing in comments throughout the workshops.4 Powerex urges Bonneville to revise the referenced provisions in the Business Practice to dis-incentivize this form of queue clearing. To be clear, Powerex is not suggesting that a higher-queued request should have a superior right to capacity ultimately created by a lower-queued customer who is paying for studies and funding
new facilities. However, Powerex does not believe that Bonneville has adequately responded to our concern about queue clearing because it was not adequately addressed in the TC-22 proceeding, nor in the workshops after August 25, 2020 when the staff leaning was announced.\(^5\)

In sum, Powerex suggests the business practice should be revised to address how Bonneville would manage this process to work efficiently and to avoid any type of queue jumping or queue clearing scenarios. Powerex is happy to further discuss this issue with Bonneville in order to adequately address this concern.


\(^5\) Bonneville presented its Staff leaning in a workshop presentation on July 28, 2020, and a different leaning on August 25, 2020. Powerex’s Sept. 18, 2020 comments expressed concerns for the later staff leaning. However, Bonneville did not meaningfully respond to these comments in subsequent workshops or in the TC-22 proceeding.

**BPA Response**

BPA believes the process as currently designed addresses the queue-clearing concerns raised here and during the TC-22 process for three primary reasons:

1. It remains BPA’s goal to respond to LTF TSRs, rather than just clear the queue.
2. BPA does not expect the study process to be overly expensive and no customer will be removed from the queue unless they choose not to participate.
3. In the process as currently designed, BPA will wait until it has received a fully executed study agreement, full funding from the initiating customer, as well as third party agreement to participate in the study process prior to offering study agreements to any earlier-queued requests.