

VIA EMAIL

October 31, 2014

To: techforum@bpa.gov

Re: Comments of Portland General Electric Company and Puget Sound Energy, Inc. on the Third Party Reserves Supply and Acquisition Strategy Presentation dated October 17, 2014

Portland General Electric Company (“Portland General”) and Puget Sound Energy, Inc. (“PSE”) respectfully submit these comments to Bonneville Power Administration (“BPA”) on the Third Party Reserves Supply and Acquisition Strategy presentation dated October 17, 2014 (the “October 17 Presentation”). Portland General and PSE appreciate the opportunity to provide these written comments, which address transmission policies regarding delivery of balancing reserves acquired from third parties.

BPA proposed two potential solutions to address identified issues with advanced purchase of reserves. Option 1 would allow third-party suppliers and BPA Power Services to redirect existing transmission service reservations (“TSR”) to deliver reserves acquired. (October 17 Presentation at slide 15.) Portland General and PSE support the revision to BPA’s transmission policies to allow third-party suppliers and BPA Power Services to redirect existing TSRs to deliver reserves acquired. Removing this prohibition would likely (i) allow customers holding long-term transmission rights to use (consistent with BPA's OATT) its transmission rights purchased from BPA and (ii) increase the third party supply opportunities available to BPA.

Portland General and PSE have also identified a disparity in BPA transmission policy with respect to BPA actions taken for delivery of reserves acquired from third parties:

- BPA performs Available Transfer Capability (ATC) checks and encumbers ATC capacity on MOD-029 (“intertie”) flowgates.
- Reservations on MOD-029 paths are subject to Short Term (ST) Competitions and Preemption.
- BPA does not perform an Available Flowgate Capacity (AFC) check, nor encumber AFC capacity on MOD-030 (“network”) flowgates.
- Reservations will use capacity and/or dynamic schedules.

(October 17 Presentation at slide 12.) These policies, coupled with the prohibition on third-party suppliers and BPA Power Services from redirecting existing TSRs to deliver reserves acquired appears to place potential third party suppliers using the BPA network to provide reserves at a disadvantage to third party suppliers using interties to provide reserves. BPA could mitigate this

inequity by modifying its transmission policy to allow third party suppliers using the BPA network to redirect existing TSRs to provide reserves.

Option 2 would allow BPA to acquire balancing capacity prior to being able to reserve firm transmission for delivery (outside competition window). (October 17 Presentation at slide 15.) BPA further presents two sub-options to address who bears the risk under Option 2:

- Sub-option A: Supplier takes the financial risk—if subsequent competition or preemption precludes obtaining transmission on a needed path, the contract would terminate.
 - BPA would look to replace capacity with weekly or preschedule acquisitions.
- Sub-option B: Risk borne by acquisition budget and/or service quality— if subsequent competition or preemption precludes obtaining transmission on a needed path, BPA would still pay the successful bidder its capacity price. BPA would then seek to obtain weekly or daily firm transmission.
 - Non-firm transmission question – should BPA allow delivery on non-firm transmission in those instances that firm transmission is not available.
 - Could limit use of non-firm transmission to deliveries that creates counterflow to prevailing flows, particularly during the spring freshet.

(October 17 Presentation at slide 15.)

Sub-option B under Option 2 causes concern for Portland General and PSE with respect to deliverability and risk born by the acquisition budget. Portland General and PSE oppose a change in BPA’s policy that would allow the delivery or purchase of reserves using non-firm transmission service. BPA’s Business Practice “Scheduling Transmission Service, Version 16” expressly requires that third party supply of balancing reserves be scheduled using Firm Point-to-Point Transmission Service. The rationale for the firm transmission requirement is to ensure deliverability when needed by system operations and unforeseen events.

Portland General and PSE believe that the use of non-firm transmission may not meet the delivery intent for e-tagging of third party reserves. Portland General and PSE prefer BPA’s current approach of allowing markets to evaluate and price deliverability risk through the bidding process.