



Your Northwest renewables utility

November 3, 2014

Submitted via email: techforum@bpa.gov

Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97232

**Re: Comments of Snohomish County PUD No. 1 on
Generation Inputs Acquisition Strategy and Transmission Policy Issues**

Snohomish County PUD No. 1 (Snohomish) thanks BPA for the opportunity to provide comments on its Generation Inputs Acquisition Strategy as requested at the October 17, 2014 workshop. BPA requested feedback on two topics: 1) the actual schedule and strategy for acquisition of INC balancing reserves; and 2) how to secure firm transmission for these acquisitions in the event preemption and competition rules impact the providers of such reserves products to deliver the agreed upon product. In response, Snohomish offers the following comments:

Schedule/Strategy for INC Reserve Acquisition

Snohomish agrees that any BPA acquisition strategy for purchasing reserves products during the spring period be spread across the fiscal year. This strategy is likely to help alleviate market liquidity risk, and may provide BPA with greater flexibility during the spring period. Additionally, spreading out the acquisition of these products will reduce the amount of capacity needed on a short term basis in the preschedule window. Based on feedback BPA has heard from the region, the proposed schedule for requests for offers (RFO) appears reasonable.

Securing Firm Transmission

Any transmission transaction involving a transmission service request (TSR) during its Conditional window is now at risk from competition or preemption. BPA expressed during the October 17 workshop that in event of competition for firm transmission, BPA will elect to not “match” the duration of a competing transmission request. The idea of matching a competing transmission request via duration could result in BPA acquiring or encumbering more transmission than needed for the delivery of the reserves product. However, depending on market conditions at the time of delivery,

having matched the competing request may provide a more cost-effective option than releasing the transmission reservation and acquiring weekly or daily transmission. Snohomish suggests BPA evaluate the tradeoffs and cost/benefits of matching on a case by case basis as these events occur, rather than automatically declining any matching opportunity.

At BPA's October 17 workshop, two options were presented for consideration: Option 1 would allow BPA or the 3rd party provider of the reserves product to redirect an existing TSR to a "no-charge" reservation. Currently, BPA does not permit these types of redirects. Option 2 places the risk of transmission being competed away on either BPA or the 3rd party provider of the reserves product.

Snohomish supports Option 1 only with the understanding that if a third party supplier or BPA Power Services redirects an existing TSR for the purpose of delivering reserves to the BPA Balancing Authority Area, then the entity remains responsible for the cost of the original or "parent" transmission capacity. Even though the actual transmission redirect would be "no-charge" for purposes of delivering reserves, the redirect should not reduce the cost obligation of the original parent reservation.

However, if the foregoing is not the case, and instead the transmission customer supplying the reserves product would be relieved of the cost obligation associated with their original reservation (in proportion to the size of the "no-charge" redirect), then Snohomish supports Option 2.

Under Option 2, acquiring balancing reserve capacity according to BPA's proposed acquisition strategy should proceed, while the counterparty that is contractually responsible for reserving the firm transmission for delivery of the product would bear the risk – whether that risk falls on the third party supplier or on BPA Power Services. It is Snohomish's understanding that under sub-option 1, the risk for arranging firm transmission lives with the supplier, and according to BPA, the Agency could receive fewer responses to RFOs. This is not a certainty and should be tested in the market.

If BPA assumes the risk of firm transmission delivery under sub-option 2, then BPA should work to ensure that its customers pay no more for the delivery of balancing reserves than they would have otherwise. If BPA's own transmission reservation is preempted, then any replacement method BPA

chooses for delivering the now-stranded reserves should be at a cost comparable to the original transmission reservation.

Snohomish appreciates the thought and effort BPA staff has invested in evaluating this issue. We look forward to working with BPA to find a workable solution.

Sincerely,

A handwritten signature in blue ink that reads "Ian Hunter". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Ian Hunter
Transmission Policy Analyst