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Via Electronic Mail

Rebecca Fredrickson
Transmission Rates Manager
Bonneville Power Administration
905 NE 11th Avenue
Portland, OR 97229

Re: Comments of ICNU Regarding Hourly Non-Firm Transmission on the Southern Intertie

Dear Ms. Fredrickson:

The Industrial Customers of Northwest Utilities (“ICNU”) appreciates the opportunity to submit comments regarding the use of hourly non-firm transmission service on the Southern Intertie, as requested in the October 14, 2015 workshop dedicated to this matter.

As discussed in comments issued on October 9, 2015, ICNU continues to believe that the core of the problem identified in this process has to do with the fact that a market participant with the California Independent System Operator (“CAISO”) has the ability to submit an import bid for firm power before securing firm transmission on the California-Oregon Intertie (“COI”). This provides the potential for an unfair outcome because, after its bid is accepted, a market participant is virtually guaranteed to be awarded transmission on the COI through the use of Bonneville Power Administration’s (“BPA”) non-firm transmission products.

Preferred Solutions

BPA has requested stakeholder feedback as to which of the options presented in October 9th comments are preferred in resolving seams issues on the Southern Intertie. Upon review of those comments, ICNU believes that the options below may prove the most effective. ICNU notes that the preferred solutions in these comments focus primarily on the use of non-firm transmission on the Southern Intertie and do not address seams issues related to BPA’s deration policies on the Southern Intertie. As Powerex articulated at the October 14th workshop, however, there are potentially several different seams issues to be addressed in this process. For example, there may be additional seams issues related to transactions with the Los Angeles Department of Water and Power and seams issues related to BPA’s deration policies on the Southern Intertie, which are not addressed in these comments.

1. Adjust Timing of Non-Firm Sales

ICNU supports the comments of the Public Power Council (“PPC”) and Powerex, discussing potential solutions that would involve changing the timing of when non-firm transmission is sold and released on the Southern Intertie. While ICNU is not advocating for any specific changes at this time, one of the most direct ways that BPA can prevent unfair uses of non-firm transmission would be to release non-firm transmission prior to the time that import bids are awarded by the CAISO market. Under such a scenario, a market participant would no longer have the option to secure non-firm transmission after being awarded an import bid into the CAISO. While ICNU recognizes that the logistics of such a solution may be difficult to conform to the various scheduling timelines for bilateral and CAISO markets, ICNU still believes there is significant merit in exploring such an option.

2. Adjust the Hourly Non-Firm Rate Based on Hour Numbers and Magnitude

ICNU also supports the comments of both PPC and Powerex in advocating for a methodology to increase the rate for non-firm transmission on the Southern Intertie. Specifically, ICNU is supportive of a change in methodology that would include updating the rate calculation to be based on 20-25 hours, rather than 80 hours.

While ICNU is supportive of restricting the number of hours used in the rate calculation, ICNU is also interested in understanding how this change to the rate methodology would take into consideration the magnitude of use in those hours. For example, the following table details the maximum non-firm hourly scheduled transmission use in each of the years 2010 through 2014.

Maximum Non-firm Hourly Schedules 2010 – 2014 (MW)

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
883	1,778	774	1,224	920

As can be observed from the table, historically there are times when hourly non-firm transmission customers are utilizing a large portion of BPA’s overall available transmission capability on the Southern Intertie. Accordingly, the methodology for establishing non-firm rates should reflect not just the number of hours that transmission is used, but also the magnitude of use in those hours.

3. Adjust the Hourly Non-Firm Rate Based on the Cost of Expansion

ICNU believes there may also be merit in the proposal of Powerex to base the hourly non-firm rate on the cost of expansion. ICNU agrees that such an approach would be appropriate, given that all existing capacity has already been sold on a firm basis. Such an approach appears to be allowable under the Federal Energy Regulatory Commission’s (“FERC”) pro forma Open Access Transmission Tariff (“OATT”). Notwithstanding, ICNU would like

additional clarification from Powerex on how such a proposal would conform to relevant FERC regulations. ICNU is also interested in understanding whether Powerex is aware of any other transmission providers operating under an OATT framework that are offering non-firm transmission calculated on this basis.

Disfavored Solutions

During the October 14th workshop, BPA also requested feedback on the options that parties believe are not preferable in addressing the identified seams issues. At this time, ICNU does not believe it is necessary to eliminate any of the proposed options from consideration. Nevertheless, ICNU is interested in understanding whether BPA believes that any of the proposed options would present legal or regulatory issues that would prevent adoption. For instance, it is unclear whether it would be permissible for BPA to simply eliminate the non-firm rate.

Conclusion

Independent of BPA's best individual efforts, ICNU believes that the root of the problem in this process has to do with the fact that the CAISO accepts firm bids for power from counterparties that do not yet have firm transportation to the reference market point. Accordingly, ICNU continues to support an option where stakeholders work collaboratively with the CAISO to adopt changes to the CAISO business practices—changes that would restrict the CAISO market from accepting import bids from those entities that have not yet secured transmission on the COI.

ICNU appreciates the opportunity to submit these comments regarding the use of hourly non-firm transmission on the Southern Intertie and looks forward to working with BPA Staff and other stakeholders to develop solutions to this issue.

Sincerely yours,

/s/ Jesse E. Cowell
Jesse E. Cowell

cc: John Carr
Brad Mullins