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**Subject: TransAlta Additional Comments on Southern Intertie HNF Workshop Issues**

Matt:

At the October 14<sup>th</sup> Southern Intertie Hourly Non-Firm Workshop, BPA requested additional comment on proposed solutions suggested by customers, specifically, the alternatives customers most want explored and analyzed going forward. TransAlta's comments follow and they are organized in the three themes that were addressed through BPA's workshop presentation<sup>1</sup> and later in the alternatives matrix<sup>2</sup>.

### Rate Alternatives

TransAlta is wary of, and does not recommend pursuing Hourly Nonfirm ("HNF") rate solutions that could be deemed too arbitrary, such as pinning the HNF rate at the cost of system expansion—currently estimated to be \$27.48/MWh—with some intent to offer discounts.

Instead, and more aligned with BPA's ratemaking principles and obligations, it would be appropriate to carefully examine historic HNF usage and ensure that the assumed number of hours in the calculation is based on actual data and reflects how the service is used. The goal is to ensure that HNF is carrying its share of Intertie revenue requirement.

### Non-Rate Alternatives

TransAlta is similarly concerned about non-rate solutions that dramatically impact access to the HNF product, such as ceasing to sell HNF entirely. TransAlta believes it is appropriate to limit HNF service *during derates* and encourages BPA to examine the extent to which HNF contributes to overscheduling when the Interties' are derated, which in turn leads to curtailments.

<sup>1</sup> [http://www.bpa.gov/Finance/RateCases/BP-18/Meetings/IS%20HNF%20Workshop\\_2015-10-14.pdf](http://www.bpa.gov/Finance/RateCases/BP-18/Meetings/IS%20HNF%20Workshop_2015-10-14.pdf)

<sup>2</sup> <http://www.bpa.gov/Finance/RateCases/BP-18/Comments/151021%20FTI%20Issues%20and%20Options%20Matrix.pdf>

TransAlta does not support pro rata scheduling limits for long-term firm service during derates. This potentially sacrifices capacity that firm customers could use, if other firm customers choose *not* to schedule their share, and because not all planned derates materialize in realtime. Instead, TransAlta believes it is more appropriate to focus on the non-rate alternatives where BPA takes shared responsibility for issuing curtailments based on their customers' reservation priorities, instead of adjacent Balancing Areas holding that responsibility entirely.

### Collaborative Alternatives

TransAlta reiterates its support for collaborative efforts between BPA, LDWP, and CAISO to solve the fundamental issues the seam. As was pointed out during the October 14<sup>th</sup> workshop discussions, FERC anticipated that the CAISO's market redesign may cause problems at the seams with other markets, and that fixes may require regional cooperation. TransAlta requests that BPA explore solutions that have been applied to other transmission paths touching the CAISO, specifically Malin to Round Mountain<sup>3</sup>, to see if they are applicable here. There may be precedent for negotiated arrangements that allocate capacity rights on the *entire* path, instead of by distinct north and south segments, and that allocate congestion revenue also on the entire path. Again, these would be challenging fixes from a policy perspective, but TransAlta believes they have the best chance addressing the fundamental issues at the seam and of enduring.

If you have any questions about these comments, please do not hesitate to contact me.

Sincerely,

**TRANSALTA ENERGY MARKETING (U.S.) INC.**

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<sup>3</sup> FERC Docket No. ER13-794-000, Order Accepting Amended Operating Agreement