

Comments of the M-S-R Public Power Agency Regarding TC-20 Workshops

M-S-R¹ values the opportunity to comment on BPA's TC-20 workshop presentations, and BPA's proposed structural limitations on its planned settlement discussions regarding the issues raised by the TC-20 workshops. M-S-R has been participating in the TC-20 workshops, as well as in the Transmission Business Model (TBM) and *Pro Forma* Gap Analysis (PFGA) efforts that led to the TC-20 processes. As discussed below, M-S-R agrees with the comments expressing concerns about the scope of provisions BPA intends to include in its business practices. The primary issues that highlight that concerns are: (1) real power losses; and (2) the quantity of balancing reserves to be provided pursuant to Schedules 9 and 10. M-S-R also agrees with the concerns raised regarding potential market disruptions resulting from the proposed elimination of the hourly firm product.

Business Practices. As part of its tariff reform, BPA is proposing to address a number of issues through its business practices instead of including them in its tariff. During workshops, M-S-R asked BPA about the standard it applies when determining whether an issue should be addressed in its tariff and when it is permissible to include it in its business practices, but there was no definitive

¹ The M-S-R Public Power Agency ("M-S-R") is a joint powers agency formed by the Modesto Irrigation District, and the Cities of Santa Clara and Redding, California, each of which is a consumer owned utility. Beginning with a 2005 contract, M-S-R obtained contractual rights to the output from some of the first large scale wind resources developed in Washington State. M-S-R and its members currently have rights to 350 MW of wind generation in Washington and Oregon, which its members use to serve their customers and meet California's Renewable Portfolio Standards. Those customers ultimately bear the cost of the Bonneville Power Administration ("BPA") Transmission and ancillary services rates and charges.

response. M-S R agrees with the commentators² who urge BPA to provide certainty regarding the terms and conditions of its service by applying the “rule of reason” established by the courts reviewing decisions of the Federal Energy Regulatory Commission. Under that rule, issues that significantly affect the rates, terms or conditions of service must be included in the tariff. The reason for doing so is to maintain stability of service, and ensure that such important issues are subject to appropriate review. Such stability enables customers to make long-term decisions, and commit to long-term products, without concern that the products terms, conditions and pricing will change without due process.

During the August 21st workshop, BPA presented its proposed changes to its process for modifying business practices. The presentation and the process itself highlight the problem with including essential rates, terms and conditions of service within business practices. While the process for modifying a business practice allows a period of 5 to 20 days to comment on a change before “management” decides whether or not to make the change, the process lacks the procedural due process safeguards built into the formal rate proceedings. Any change to a rate, term or condition of service, or changes to terms significantly affecting such provisions, must not be permitted to occur through the business practice change process if it results in any change in the service provided. If BPA finds it difficult to include these essential terms in the tariff M-S-R supports the comments suggesting that one way to address this issue would be to include provisions within business practices designating provisions affecting rates, terms and conditions of service as being subject to change only through a formal rate case proceeding. Such designations would provide the procedural safeguards necessary to protect essential terms of service.

There are two primary examples that have been discussed in the TC-20 workshops: (1) BPA’s proposal to move real power loss provisions into business practices; and (2) determinations of the quality and quantity of reserves included in variable energy resource balancing services (VERBS). Under the rule of reason,

² See Comments by Snohomish PUD; Renewable Northwest ; Avangrid, Avista, Idaho Power, PacifiCorp, Portland General and Puget Sound Energy; Northern California Utilities; and Northwest and Intermountain Power Producers Coalition.

the essential determination of the rate and quality of service need to be included in the tariff.

Level of Service – Ancillary Service Schedules 9 and 10. BPA proposes to link Schedules 9 and 10, such that the quantity of service provided under Schedule 9’s “physically feasible” standard is limited by the amount of balancing reserve capacity “forecasted for this service” pursuant to Schedule 10. In general, the combination of the two Schedules fails to adequately define the level of service BPA will provide in return for the rates established through the rate case process. M-S-R highlights two more specific issues with this construct.

First, Schedule 10 does not define how the amount of balancing reserves will be forecasted. Instead, it indicates the forecast will be developed through a business practice document. Because the volume of reserves provided is an essential term and condition of service, the mechanism for determining the quantity that will be provided needs to be included in the tariff.

Second, the “forecasted for this service” language in Schedule 9 implies that Schedule 10 will forecast a volume of balancing reserves for Generator Imbalance Service. However, during workshops BPA indicated the forecast referenced in Schedule 10 will be a combined forecast of balancing reserves available for both Schedule 4 (Energy Imbalance) and Schedule 9 (Generator Imbalance). That joint forecast is not explained in the tariff, nor does the tariff reflect the priority given to Schedule 4, such that the first 400 MWs of balancing reserves forecasted are granted a first priority to load imbalance. While M-S-R understands that BPA did not want to calculate the reserves available separately to avoid duplication, the tariff needs to explain that there is a joint study, and that Energy Imbalance receives a priority to the first 400 MW of balancing reserves.

Real Power Losses. Rather than express the Real Power Losses within the tariff, BPA proposes to cross reference a Real Power Loss Return business practice. M-S-R submits that Real Power losses are an actual charge, not even a term directly affecting a charge, and therefore the charge, or a clear mechanism for calculating the charge, must be included within the tariff itself rather than in a business practice.

Hourly Firm. M-S-R understands that BPA currently offers unlimited hourly firm service on the BPA network, which has raised concerns that the service exposes transmission customers to pro rata cuts to manage congestion on constrained paths. M-S-R understands BPA considers this situation unworkable and unfair to customers who have purchased long-term firm. To resolve this situation BPA has proposed the elimination of all hourly firm service, with potential replacement products including firm day-ahead and hourly non-firm service. Alternatively, BPA proposed differing mechanisms for limiting the quantity of Hourly Firm service.

M-S-R agrees with the concerns raised by a broad group of transmission customers³ who explained how the hourly firm service is an essential part of the Northwest (and by extension, entire West) energy markets. M-S-R believes it is likely the energy market(s), including those within the Northwest and West, will increasingly need hourly and sub-hourly services to accommodate expanding reliance on non-dispatchable renewable resources. M-S-R agrees with the comments explaining that changing grid conditions have increased the need for redirects of long-term firm service, so eliminating hourly firm service would actually decrease the value of the service BPA seeks to protect. Given the market and grid trends, the need for some form of reliable firm hourly and sub-hourly transmission will increase, not diminish.

Due to existing reliance on hourly firm service, and a likely growth in need for the services, completely eliminating hourly service without studying or planning to mitigate the impacts on the energy markets is not a sound business practice, particularly if it reduces the value of long-term service.

Furthermore, eliminating an essential service completely due to concerns that the service may cause curtailments on congested paths is an extremely heavy handed approach. It appears that limiting the service to available transfer capability would resolve the concerns without the potential for significant market disruptions. Doing so would allow the service to remain where there is no congestion, and limit it to times when there is available transfer capability on

³ See Comments submitted by Large PTP Preference customers; Benton PUD; Franklin PUD; Grays Harbor PUD; Avangrid, Avista, Idaho Power, PacifiCorp, Portland General and Puget Sound Energy; Northern California Utilities; Northwest and Intermountain Power Producers Coalition; and Powerex.

constrained paths. To the extent BPA does not currently have the ability to make the ATC calculations necessary for this construct, BPA should refrain from making changes to the Hourly Firm service until such capability is developed. Such delay is appropriate given the significance of the proposed change. In that regard, M-S-R notes that the change to the short term Southern Intertie rates implemented in BP-18 were studied for over three years before being implemented. While those changes were significant, they are of a much smaller magnitude than elimination of a product. As such, delaying a change in Hourly Firm service while its impacts are studied is consistent with BPA's prior treatment of significant changes.

Settlement Process. M-S-R looks forward to discussing these issues in the settlement discussions scheduled for September 10th and 11th.