

Network Open Season and Generation Interconnection Queue Reform

June 21, 2012



Agenda

- Overview of NOS and GI queue reform status
- Introduce and Discuss Preliminary Future State of NOS Model
- Discuss Proposed Changes to Large Generator Interconnection Process
- Next Steps

Goals for NOS Reform

- Effective process to manage the long-term transmission queue
- Develop rational plans of service for system expansion that considers regional planning inputs (build adequate capacity when needed)
- Ensure study and construction costs and risks are appropriately allocated
- Ensure NOS process is aligned with NT planning needs
- Regional support for the next NOS process

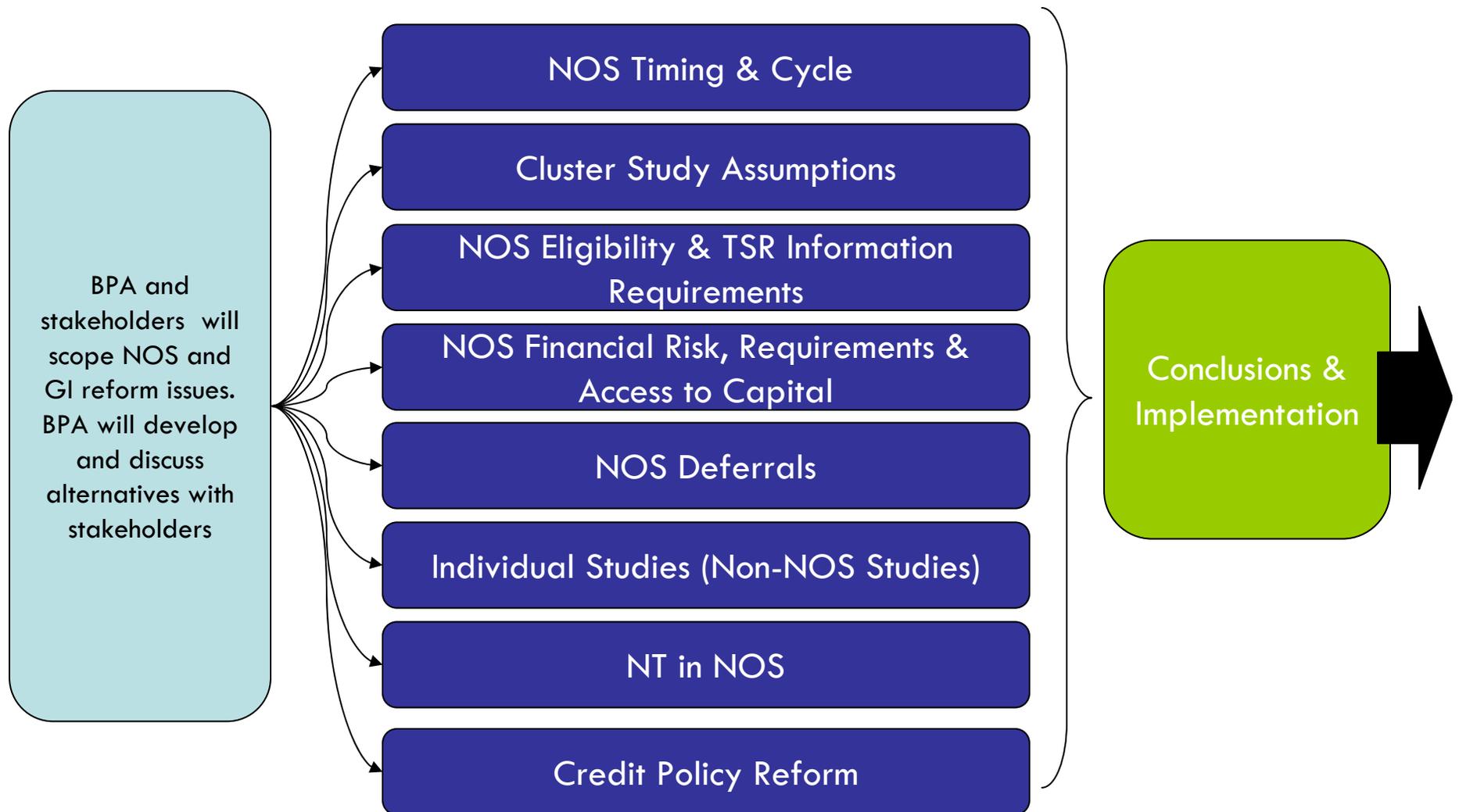
Lessons Learned

- BPA Conducted three NOS processes
 - Processed 263 TSRs in NOS 08/09/10
 - 11,722 MW (7,080 MW associated with wind generation)
 - Six potential builds identified for rolled-in rates treatment (one build completed)

- PTSA reform
 - The NOS timeline creates a lot of room for substantial change in business needs between the time the customer commits and the time a needed build is energized
 - In NOS, transmission customers are requesting transmission prior to the time that they definitively know what they need
 - NOS timing/incentives likely need to be adjusted to better achieve positive outcomes for all stakeholders

- Lessons
 - Process is primarily commercially-driven
 - Market uncertainty not reflected in the current model
 - Risks not allocated among participants
 - BPA took on substantial cost/risk exposure
 - Evolving NT planning needs could be better developed
 - Timeline was insufficient

Processes & Initiatives



Highlights of Preliminary NOS Model

- This is NOT a proposal, only for discussion
 - No BPA decisions yet!
 - Suggestions and other alternatives are welcomed

- Key concepts retained from previous model
 - Financial commitment (formerly Performance Assurance) w/ contractual commitment (formerly Precedent Transmission Service Agreement)
 - Queue restack
 - Information requirements (Ex. B from NOS '10)
 - Cluster study
 - Preliminary engineering and NEPA analysis
 - Financial evaluation, Commercial Infrastructure Financial Analysis, Rolled-In Rates determination, build decision

- Significant potential changes to current NOS model
 - Cycle duration extended
 - Staged financial commitment – 2 stages
 - Later contractual commitment to take service (after NEPA analysis at build decision); NOS study agreement
 - Customer off-ramps
 - Increased collaboration re: cluster study assumptions
 - Preliminary and refreshed economic analyses with RIR determination done later
 - NT resource forecasts considered in cluster study

NOS Financial Requirements

- **TSR Submittal**
 - OATT processing fee and application deposit
- **Study Phase**
 - Financial commitment made at start of NOS (similar to PA approach)
 - Mitigate BPA exposure to study costs
 - Funds reimbursed if customer takes service
 - At a minimum, is sufficient to cover customer's pro rata share of study costs (Including BPA's NEPA analysis), pre-engineering and pre-NEPA analysis costs, potential re-study costs
- **Construction Phase**
 - Some form of securitization and/or financing required
 - Security could be Letter of Credit, cash deposit, escrow
 - Participants could finance all or part of the construction cost
 - Up to customer's pro rata share

NOS Financial Requirements (Cont.)

- Should there be another financial commitment stage (e.g. at NEPA)?
- Construction phase
 - Security vs. participant financing?
 - What is appropriate form of financial participation?
 - Customers secure/fund all of the construction cost
 - BPA share in funding responsibility
- What is appropriate amount of financial commitment (at both stages) to:
 - Appropriately incent a commitment to take the requested transmission service
 - Reduce risk for others
 - Accommodate BPA capital limitations and financing options (& costs)

Requirements to Participate in NOS

- TSR information requirements
 - Tariff requirement
 - Exhibit B
 - Interim non-NOS study process under development
- Limit TSRs eligible for NOS?
 - Market hubs
 - Interties and external connections
 - NT
 - Redirects
 - Minimum TSR duration

Cycle Duration

- BPA is leaning toward a two-year NOS process
 - Not including NEPA process
 - Additional time accommodates more stakeholder involvement to develop cluster study assumptions and sensitivities, preliminary economic analysis, preliminary engineering, NEPA scoping, and other activities
 - Over-lapping NOS processes
 - 6 months to prepare for next NOS

Next Steps

- Public input encouraged
- There will be additional opportunities for “formal” comment and additional feedback as we develop a proposal
- Several additional meetings anticipated this summer
- Tentative June 28 meeting – Non-NOS study process and NOS financial requirements

Appendix

Principles for NOS/GI Reform (7/20/11)

- Preserve system reliability
- Avoid cost shifts
- Ensure risks and costs follow causation
- Maintain sufficient access to capital
- Continue to meet BPA's commercial and environmental obligations
- Renewable resources are developed consistent with state and federal policies
- Renewable resources are integrated in a cost-effective manner pursuant to adequate long-term planning

Related Potential Solutions

- Enhanced use of redispatch
 - Planning redispatch
 - NT redispatch
- Regional Planning, incl. Order 1000
- NT Planning
- Generation Interconnection
- Conditional Firm
- Credit Requirements policy
- Non-NOS study process