Minimum Duration Context

- Unlike reliability-driven upgrades, a lesson learned is that there is a fundamental mis-alignment between the duration of PTSAs and the expected life span of NOS-driven transmission expansion facilities.
  - Previous NOS processes required no minimum duration requirement for TSRs and presumed a high rate of roll over.
    - BPA assumed that TSRs with a 5-year term would roll over their service. Recent experience has indicated that not all TSRs will be rolled over indefinitely.
  - The average life that BPA uses for rate-setting purposes for the expansion facilities resulting from the 2008-2010 NOS processes is 47 years.
- The greater the duration of the commitment, the better assurance BPA and the region has of revenue against the capital investment.
  - The shorter the duration of the commitment, the less assurance exists against the capital investment.

Minimum Duration Considerations

- Should BPA require a minimum duration of the TSR in order to be able to participate in NOS?
  - BPA proposes that a TSR would need a minimum duration of FIVE (5) years in order to be eligible for NOS
    - Customers would have the opportunity to conform their TSR, elect to take the non-NOS path, or simply choose to withdraw the TSR.
    - To what extent should BPA assume roll-over on a five-year term TSR?
- Should additional consideration of longer term commitments be placed elsewhere in the NOS process as an incentive?
  - Minimum duration could be used as an incentive to reduce a customer's pro rata cost allocation of their financial requirements.