

**Powerex**

**VIA EMAIL**

Powerex would like to thank BPA for this opportunity to comment on the proposed NOS process.

Powerex generally agrees with the BPA staff leaning towards NOS Reform Alternative 5.

However, Powerex has some concerns about the requirement and purpose of the ultimate source and sink requirements in the NOS process. Long term transmission service is used for a variety of purposes: it may be acquired to connect specific generation units to a specific load, but it is also acquired by customers who participate in energy markets where the ultimate source or sink for deliveries on the transmission is not determined until it is scheduled pursuant to final day-ahead and/or real-time trading activities. It is important that BPA recognize that participants are not required to utilize their transmission rights, including those acquired in the NOS, only for specific sources or specific sinks. In other words, the original source and sink information provided by customers to BPA may not reflect the actual usage of the transmission after it has been awarded. Instead, consistent with the OATT tariff, transmission customers may use their awarded transmission rights from any source delivered to the POR of the transmission contract and to any sink delivered from the POD of the transmission contract. Nonetheless, for modeling purposes, Powerex is willing to designate a nominal source and sink and provide that information to BPA.

Alternative 5 includes BPA offering either PTSA or NEPA agreements to NOS participants based on a business evaluation conducted after the cluster study is completed. Rather than BPA deciding whether or not to offer a PTSA based on the likelihood of a project being viable, BPA should inform customers of the results of the business evaluation at the time the PTSA is tendered so it is the customer who has the choice whether they want to proceed. Most importantly, BPA must commit to a well-defined, non-discriminatory set of rules for the NOS process and adhere to them throughout the entire process.

Powerex agrees with the proposed tiered financial commitment for Alternative 5. The tiered financial commitment structure successfully balances the risks inherent in undertaking new transmission projects. Placing too high a financial requirement on entities with low credit risk will result in lower transmission investment. At the same time, lower financial commitment for entities with high credit risks increases the chance of default. It is important to establish suitable criteria to determine the risk-weighted financial commitment of each party.

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