



## Department of Energy

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TRANSMISSION SERVICES

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In reply refer to: TSE-TPP-2

BPA Response to Customer Comments Submitted Regarding NT MOA

Thank you for your interest and thoughts expressed in your comments regarding Bonneville Power Administration's (BPA) Memorandum of Agreement for the Management of Network Integration Transmission Service for Delivery of Federal Power to Network Customer Loads (NT MOA). The purpose of this letter is to provide customers with some further context for the NT MOA.

### **Context**

As part of the BPA Power Services (PS) 2001 Subscription power sales agreements, all regional customers became responsible for acquiring transmission service (either Network Integration Transmission Service, or NT Service, or Point-to-Point service) from BPA Transmission Services (TS) to deliver power purchased from BPA. This policy has continued as part of the 2011 Regional Dialogue power sales agreements.

These power sales contracts reflect BPA's statutory obligations under section 5 of the Northwest Power Act. They provide for a system sale of firm power from the Federal system resources, which include the Federal Columbia River Power System (FCRPS) hydroelectric projects and non-Federal resources, such as historical power purchases and acquisitions from the market. Most of BPA's NT service customers have specified their BPA power sales contracts as a Designated Network Resource.

BPA first adopted an Open Access Transmission Tariff (OATT) in 1996. Since then, FERC has provided little guidance on processes to manage transmission issues for system sales that are designated as a Network Resources under NT Service. BPA adopted the existing NT MOA, in operation since 2005, to fill this gap.

- The existing NT MOA established processes and procedures for PS to identify and describe existing FCRPS resources as well as add new resources to augment such system sales and to coordinate such arrangements with TS.

- BPA believes that FERC's clarifications in the series of orders under Order 890 concerning designation of system sales as Network Resources and addressing the roles of sellers and buyers of such system sales supports the arrangements addressed by the NT MOA and that the NT MOA tool is consistent with providing reliable NT service under the OATT.

### **Replacing the NT MOA**

BPA is replacing the existing NT MOA when it expires on September 30, 2011. BPA's new NT MOA continues to provide the procedures, terms and conditions between TS and PS for identifying and designating resources that supply the Federal system power sales contracts to certain NT Service customers that have specified those contracts as a Designated Network Resource for serving NT Loads.

Unlike the existing version, the new NT MOA does not specify the transmission capacity associated with the delivery of Federal power sales to NT loads. The determination of transmission capacity for such sales is impacted by a number of on-going factors, such as the FCRPS generation dispatch pattern assumptions over different time periods and the integration of non-federal resources to serve NT loads.

Transmission capacity for NT Service continues to be determined on an on-going basis pursuant to BPA's NT policies and ATC methodology. Therefore, the proposed NT MOA identifies the processes where these and other related issues will be discussed, such as in the ATC methodology. During the recent public workshops, BPA received some comments expressing concern over customers' ability to participate in these various processes.

### **BPA's role in the process**

As a transmission provider, BPA must understand and evaluate the nature and characteristics of the Designated Network Resources identified to serve NT customer loads to plan its transmission system and to operate it reliably. To help a transmission provider like BPA meet its responsibilities, the BPA OATT provides that NT customers will submit specific operating and planning information about Network Resources on an on-going basis and redispatch protocols will be developed.

Many of BPA's NT customers designated their BPA power sales contracts as Network Resources, and do not have information about the FCRPS and non-Federal generation resources supporting those BPA power sales contracts. Instead, as the power seller/supplier, PS has this information. However, PS is not a party to the NT transmission contracts, which creates complications for the NT customers to provide TS with the required OATT information.

Because of this difficulty, BPA developed the NT MOA so that PS can provide the required Network Resource information to the Transmission Provider, TS, and fulfill those NT customers' obligations under their respective NT Agreements. Thus, BPA believes it is more efficient that PS supply such information to TS than to have each NT Customer individually submit the same information to TS. The NT MOA serves as the documentation of the process that BPA and the NT Customers will follow to comply with the OATT requirements in regard to Network Resources.

In order to provide reliable transmission service, TS and PS must work collaboratively and coordinate regarding the operating characteristics and limitations of the FCRPS generating resources and non-Federal power purchases that support the BPA power sales contracts. To reinforce effective collaboration, the current and new NT MOA provides the necessary link between TS, the NT customer, and PS to support compliance with the OATT and the reliable operation of the transmission system. The new NT MOA specifically recognizes several related processes impacting the transmission and operation of the Network Resources supplied through BPA firm power sales contracts and delivered to NT customers. These processes are (or will be) addressed in the OATT, related TS business practices, and other public processes. Although BPA is replacing the current NT MOA, the new NT MOA will not change the transmission service BPA provides to its customers after the proposed October 1 effective date.

In the interest of transparency, BPA has shared the NT MOA with all of its customers. Furthermore, TS and PS intend to periodically consult with customers and stakeholders regarding NT Service topics and solicit their views on such topics.

### **Highlights of the proposed NT MOA**

The new NT MOA addresses several key details concerning designation and transmission information of the resources supporting firm power sales supplied by BPA to serve the NT customers' Network Load. BPA's proposal includes the features outlined below:

1. Lists the NT agreements with a BPA power sales contract designated as a Network Resource and to which the NT MOA is applicable.
2. Identifies the FCRPS generating resources and non-Federal resource power purchase agreements that are used to supply the BPA power sales contracts (NT MOA Resources) as well as their Points of Receipt of such resources on the BPA transmission system.
3. Provides a mechanism to supply TS with information required under OATT Sections 29.2, 30.4 and 31.6 for Transmission's NT Customers that designate their PS power purchase contracts as a Network Resource. This process is consistent with the OATT.
4. Defines a protocol for PS to undesignate NT MOA Resources or designate new resources and add such resources to the list of NT MOA Resources that supply NT Customers Designated Network Resources, consistent with the OATT and related business practices.
5. Lists the NT customers that elected to have PS reserve and schedule secondary NT service to their loads consistent with the OATT and related business practices.

6. Provides a vehicle, where appropriate, for PS to participate in the development of related processes and business practices that affect the provision of NT service, e.g., ATC methodology, Network Operating Agreement, congestion management, planning for NT Service, and business practices.
7. Provides for communication and collaboration, consistent with Standards of Conduct and the OATT, between PS and TS to effectively transmit Network Resources supplied under the BPA firm power sales contract to the NT customers.
8. Establishes an internal dispute resolution mechanism between PS and TS, consistent with Standards of Conduct, to resolve internal issues related to the delivery of Network Resources supplied under the BPA firm power sales contracts to the NT customers.

### **Other NT MOA refinements**

BPA developed the Context and Perspectives Used in Developing the NT Memorandum of Agreement (perspectives document) to provide context and background for the new NT MOA. The perspectives document reflects the approach BPA has taken to implement the OATT provisions related to the delivery of Network Resources supplied under BPA's firm power sales contracts to the NT customers.

BPA's PS and TS Vice Presidents also led development of the BPA Principles Relating to Planning, Operations, and Commercial Practices Affecting the Federal Columbia River Power and Transmission Systems (principles document). The principles document provides guidance to BPA staff when implementing the OATT, the NT MOA, and related processes and business practices used to plan, operate, and manage the FCRPS and FCRTS to serve customers, including NT customers. Like the proposed NT MOA, BPA has shared the perspectives and the principles documents with all transmission customers.

BPA shared the perspectives and the principles documents openly with customers to enhance understanding about the new NT MOA. BPA received some customer comments expressing concern over the legal status of the perspectives and principles documents, including the reference to priority access to available capacity, as they relate to BPA's NT MOA and other issues.

- To clarify, while BPA is being transparent about its internal collaborative efforts regarding the NT MOA, we are not conducting an administrative proceeding to establish a policy.
- The documents do not constitute an interpretation of law nor should they be construed as final agency actions.
- These documents provide guidance on internal operating procedures informing the development of the NT MOA and associated processes. BPA may choose, at its discretion, to update these documents over time.

- In addition, BPA's current OATT does not include priority access provisions for Federal power, available capacity does not include transmission that has been contractually committed to third parties, and BPA's transmission contracts are binding in accordance with their terms.

Because several customers submitted comments concerning interpretations of the perspectives and principles documents in ways BPA did not intend, BPA clarifies that the documents are for BPA's own internal operating procedures. BPA has also determined that principle A, which referenced priority access, is broader in scope and not specific to NT service or the NT MOA and is more appropriately discussed through the BPA OATT (BOATT) process. Therefore, BPA has modified the principles document to remove the reference to priority access. Priority access will be discussed at the September 14, 2011 BOATT meeting and these issue should be addressed in that process and not in the NT MOA discussion.

### **Next Steps**

BPA will hold a conference call on September 21st to discuss the new NT MOA and this letter. We also encourage customers to continue participating in the public forums on these issues. Your feedback has provided meaningful content in public discussions to date. We invite customers who have not already done so to electronically subscribe to Tech Forum, and receive email alerts found on BPA's Transmission Services Customer Involvement webpage at: [http://transmission.bpa.gov/customer\\_forums/default.cfm](http://transmission.bpa.gov/customer_forums/default.cfm). The next Transmission Customer Forum is on October 13, 2011.

You will also find information regarding Transmission Service Initiatives, including but not limited to, ATC Methodology, BOATT workshops, Congestion Management, Customer Forums and the Agency Calendar featuring upcoming events and meeting details.

Please contact your Transmission Account Executive with any questions.

Thank you  
Bonneville Power Administration