

Preemption and Competition Resale/Redirect Issues

NAESB OS Meeting

January 2014

BPA Presenting



Goals

- 1. Review Parking Lot Line 43 (Requirement 13), Line 44 (requirement 14), and line 49 (requirement 19)**
- 2. Review the various issues around Resales and Competition**
- 3. Identify potential options for dealing with these issues**
- 4. Receive customer input on which option they prefer, or if they have a better one.**

Parking Lot Items

Line 43 – Requirement 13

2/9/12 With regard to reassignments of capacity in the secondary market, we clarify that the associated right of first refusal under sections 13.2 and 14.2 of the pro forma OATT to match a competing transmission service request applies to the primary transmission service, not the reassignment of scheduling rights.... The fact that one day of service has been reassigned does not alter the assignor's entitlement to use service for the remaining week reserved. (890-A p. 819) Subcommittee comment: We need to look at this very carefully with who is the Defender and what happens to the reassignment. Also look at partial reassignments and which portion of the original reservation is preempted.

Notes:

11/27/12 partially resolved by Motion 14 issues remaining 1) redirects and aggregation of resales (Daisy Chain)

6/25/13 Bob will present a presentation on this issue at the July or August meeting.

11/21/13 We recognize that motion 41 speaks to this issue and may resolve the issue but wait for Bob's presentation before we make a final resolution.

Parking Lot Items

Line 44 – Requirement 14

2/22/12 Consider delinking redirects from resales for preemption and competition. i.e. Linking the redirect away from the resales and linking it back to the original parent reservation.

Notes:

7/10/12 Motion 11 Firm Redirect are treated on their own merit

7/10/12 Motion 12 treats preemption of NF Redirect as a RELINQUISH and restores capacity to Parent.

11/27/12 Issues to be resolved 1) Billing issues 2) multi layers of resales and redirects

6/25/13 Bob will present a presentation on this issue at the July or August meeting.

11/21/13 We recognize that motion 41 speaks to this issue and may resolve the issue but wait for Bob's presentation before we make a final resolution. Billing rules are out of scope for this subcommittee.

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Parking Lot Items

Line 49 – Requirement 19

2/22/12 Consider redirects of an aggregated resale reservation what to do when more than one of the aggregation is subject to preemption and competition.

Notes:

7/10/12 Motion 11 and Motion 12 address treatment of redirects. Firm redirects are adequately addressed. NF redirects from aggregation -- what capacity is restored to each parent if only partial capacity is needed from the NF redirect.

11/29/12 To be resolved by the Sandbox task force

6/25/13 Bob will present a presentation on this issue at the July or August meeting.

11/21/13 We recognize that motion 41 speaks to this issue and may resolve the issue but wait for Bob's presentation before we make a final resolution.

Order 890-A Paragraph 819. – With regard to reassignments of capacity in the secondary market, we clarify that the associated right of first refusal under sections 13.2 and 14.2 of the pro forma OATT to match a competing transmission service request applies to the primary transmission service, not the reassignment of scheduling rights.

NAESB Business Practice Standards

- **WEQ-001-11.1** The confirmation of a Resale shall convey the rights to schedule Point-To-Point Transmission Service from the Reseller to the Assignee, but shall also convey any outstanding conditions that may exist on the Parent Reservation (such as conditional approval pursuant to Section 13.2(ii) of the OATT).
- **WEQ-001-11.1.5** The Assignee shall have the right to resell rights acquired through a Resale in accordance with these standards.
- **WEQ-001-11.1.6** The Assignee shall have the right to Redirect firm rights acquired through a Resale. The redirect of the resale will be queued and evaluated in the same manner as any other Redirect.
- **WEQ-001-11.7** In the event a Transmission Provider’s Tariff requires that a higher priority, competing transmission service request must displace all or a portion of a confirmed lower priority reservation, the TP shall have the right to nullify any Resales that reference the displaced reservation as their Parent.

Current Passed Motions

NAESB Motion 11

Redirect on a Firm basis shall be treated as any other ORIGINAL reservation and subject to preemption and competition on its own merit and afforded ROFR based on the nature of the challenging request. Conditionality of the Redirect on a Firm basis reservation shall be based on the service and term of the Redirect on a Firm basis reservation.

NAESB Motion 13

The request to exercise ROFR (REQUEST_TYPE MATCHING) shall be processed in OASIS, upon confirmation, in such a manner that the Defending Reservation shall be modified as required to incorporate the attributes of service, term and capacity of the customer's request to exercise ROFR. *In other words, a Redirect will remain a Redirect, and AREFs will not change. – Question: Does that mean that a daily challenged by a weekly will remain a daily?*

NAESB Motion 14

Resale reservations shall not be considered as eligible defenders to meet the requirements for granting a challenging request. The capacity resold shall be considered as still held by the original reservation for service from the Transmission Provider and subject to preemption and competition under the terms of the original reservation. (890A – 819)

Current Passed Motions (Continued)

NAESB Motion 34

Redirect Request of the defenders should be processed as regular WEQ Business Practice Standards process and will not be prevented from submitting a redirect. WEQ Business Practice Standards should therefore be silent about limiting the redirects.

NAESB Motion 41

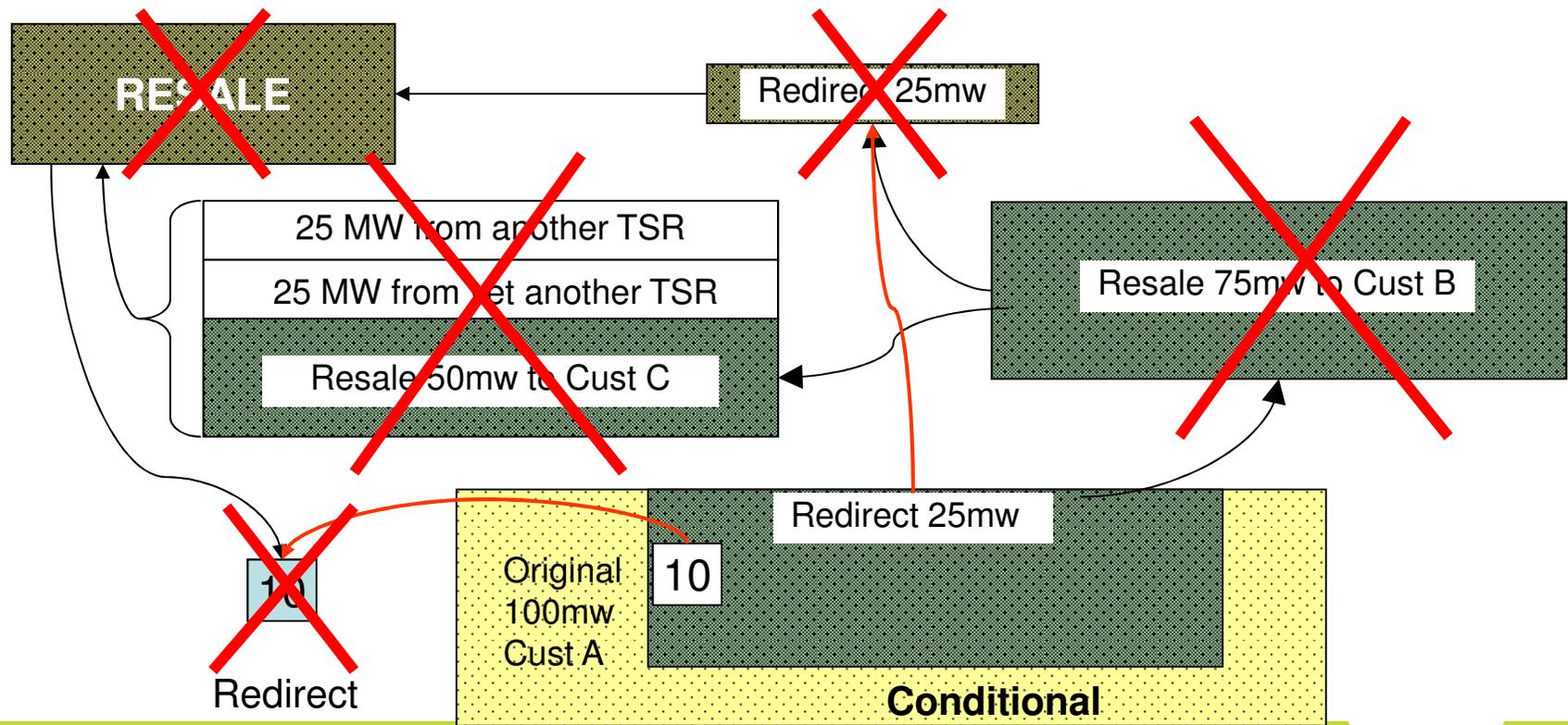
Limitation on redirecting the resale shall be the same as that applied to redirecting the parent of the resale which is a defender. If Business Practices are silent about redirect of Defender, these will also be silent about redirect of resale.

NAESB Motion 42

While submission of redirect requests are permitted in Motions 34 and 41, new WEQ Business Practice standards shall be written to require that 1) the Competing_Request_Flag shall be set to “Y” for all defenders and all resales associated with defenders and 2) the Transmission Provider shall suspend taking action on redirect of request/reservation with the Competing_Request_Flag set to “Y” until completion of the preemption and competition process.

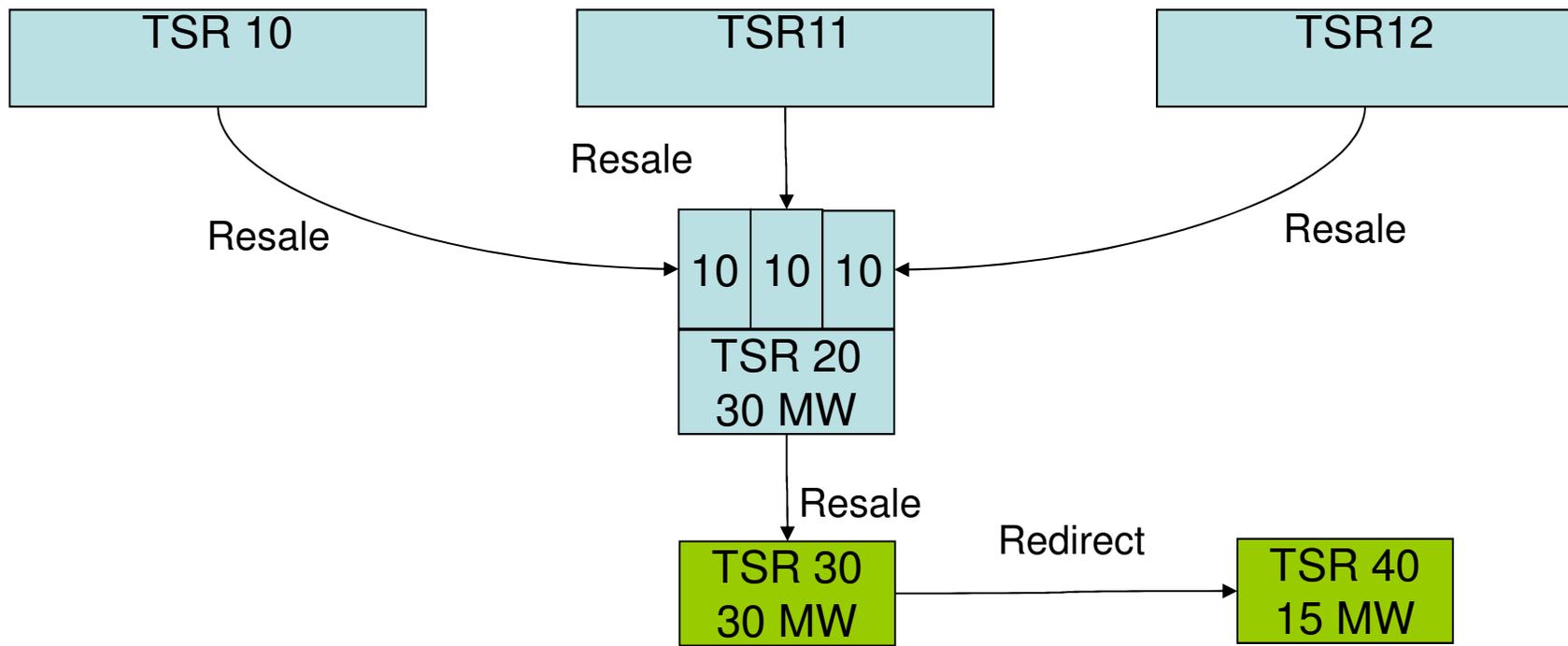
Resales: Required Functionality

- ✓ Must allow Resale while Parent Reservation is still conditional. Capacity stays with the parent
- ✓ Resale TSR itself is “safe” from competition, Parent Reservation is not if still conditional.
- ✓ Resale TSR can be resold or redirected in part or in whole.
- ✓ The Resale of the Resale can be aggregated with other Resales.
- ✓ The capacity for the Redirect from the Resale must come the original TSR.
- ✓ The Resale or Redirect of the redirected or resold Resale can be resold or redirected.
- ✓ If original TSR is challenged, ANY Resales associated with it can be annulled.



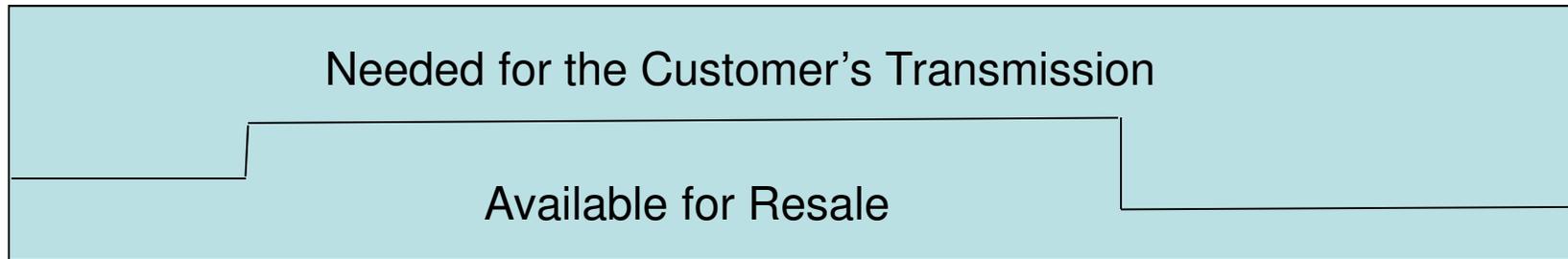
Unraveling the chain

- A customer has three TSRs for the same path.
- He resells 10 MW from each to himself, consolidating them into TSR 20.
- He then resells those scheduling rights to a different customer, TSR30.
- That new customer then redirects 15 MW from TSR 30 to TSR40.
- Where does that capacity come from? 5 MW from each original? Lowest priority?
- What happens if TSR11 and TSR12 are preempted by an NT Request?



Reselling an Unconditional Reservation

- Customer owns an unconditional reservation on a constrained path.
- Customer figures out just what is needed for their own transmission.
- Customer finds buyers for their excess transmission scheduling rights.



Customer A

Customer A

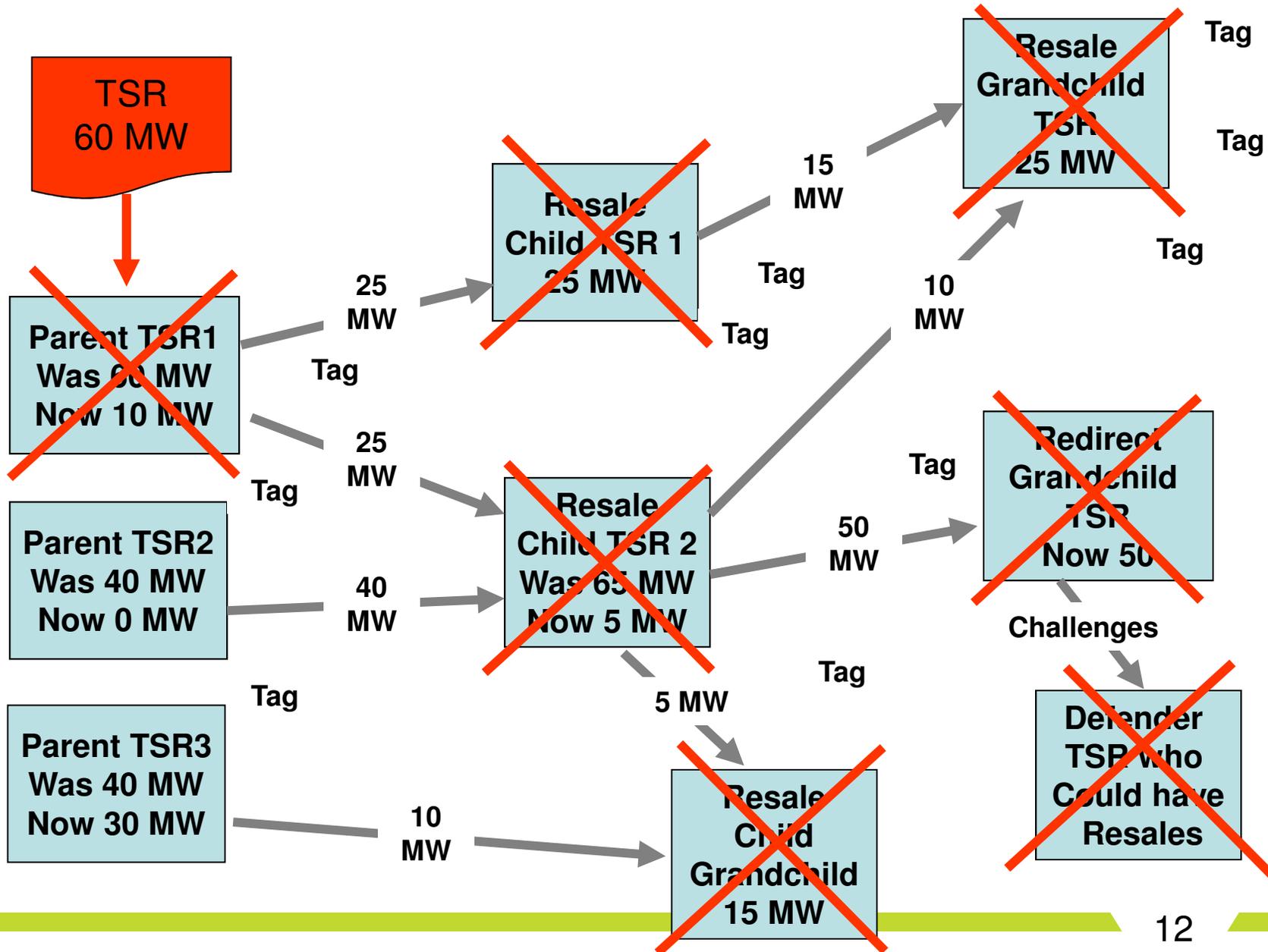
Customer A

Customer B

Customer B

Everyone is safe unless they redirect

What We Don't Want is to Undo This



FERC Guidance

From Order 676-C:

Summary of BPA's position:

58. Bonneville also recommends that the Commission adopt a provision at WEQ-001-11.7 preventing transmission customers from initiating any resale during the conditional window because permitting this practice could allow resales initiated prematurely to impose risks on all parties involved in the transaction and could lead to inefficiencies in the resale market.

Summary of FERC's Response

60. Since these standards permit resales of conditional firm transactions and give the transmission provider the right to nullify resales of displaced transactions, we find that the standards address the concerns of Duke and Bonneville about the effective management of conditional firm transactions. If Duke and Bonneville believe that these standards are not workable upon implementation, they may submit a request to NAESB to modify these standards based on their experience with these standards.

Potential Options

1. TP will notify Original Assignee and leave it to them to notify any downstream parties (as it is supposed to be now).
2. TP will notify all downstream reservations associated with the lost capacity and let them sort out who keeps what (NAESB's current leaning)
3. Kill all downstream reservations associated with the lost capacity (annul resale approach)
4. Change the rules so that customers can't make a resale until the parent reservation is unconditional (BPA tried).
5. Change the rules to move the capacity from the parent to the resale child (OATI's "don't know what else to do" solution).
6. Maybe Others?