

Resales, Aggregations & Redirects of Resales

Customer Workshop
July 16, 2014



Resale - Overview

- Recap of the June OS Meeting
 - What happened to Option 2?
 - Is it Option 1 or Option 3?
- Recap of the July 10th OS Meeting
 - What is Motion 113?
 - What Does Option 1 Look Like?
- Mechanics of BPA's Proposed Option 1
- Next Steps

Recap of the June OS Meeting

- Ian Hunter presented customer's preference for Option 2.
- Marie Pompel presented BPA's preference for Option 2 over Option 1 and Option 3.
- Opposition to Option 2 from members. Survey proposed between the three options.
 - Results: Option 1 - 11, Option 2 - 7, and Option 3 - 6.
- Due to the survey results, the OS Co-Chair decided to focus on option 1.
- Based upon a comment by Paul Sorenson, Option 1 morphed from being the status quo to what it would take to "fix" it.
- A co-chair stated that, "Option 2 is off of the table".
- Perception: the OS is either going to make Option 1 work or go with Option 3 (restrict resales to the unconditional window).

Recap of the July 10th Meeting

- Bob Zerfing talked the OS through the mechanics of how option 1 might work with the least amount of disruption to the existing secondary market.
- The only functionality in the existing secondary market that will be restricted is a redirect of a resale where somewhere upstream there is an aggregation where one or more of the original reservations was conditional. All other secondary market functionality should continue as it does today.
- BPA's intent wasn't to propose a motion, but the OS wanted a motion to settle the above.
- Motion 113 was passed by a balanced vote.
 - A redirect on a firm basis will not be permitted if the redirect's parent (a) is an aggregated reservation with a conditional parent or (b) is a descendent of an aggregated reservation with a conditional parent.

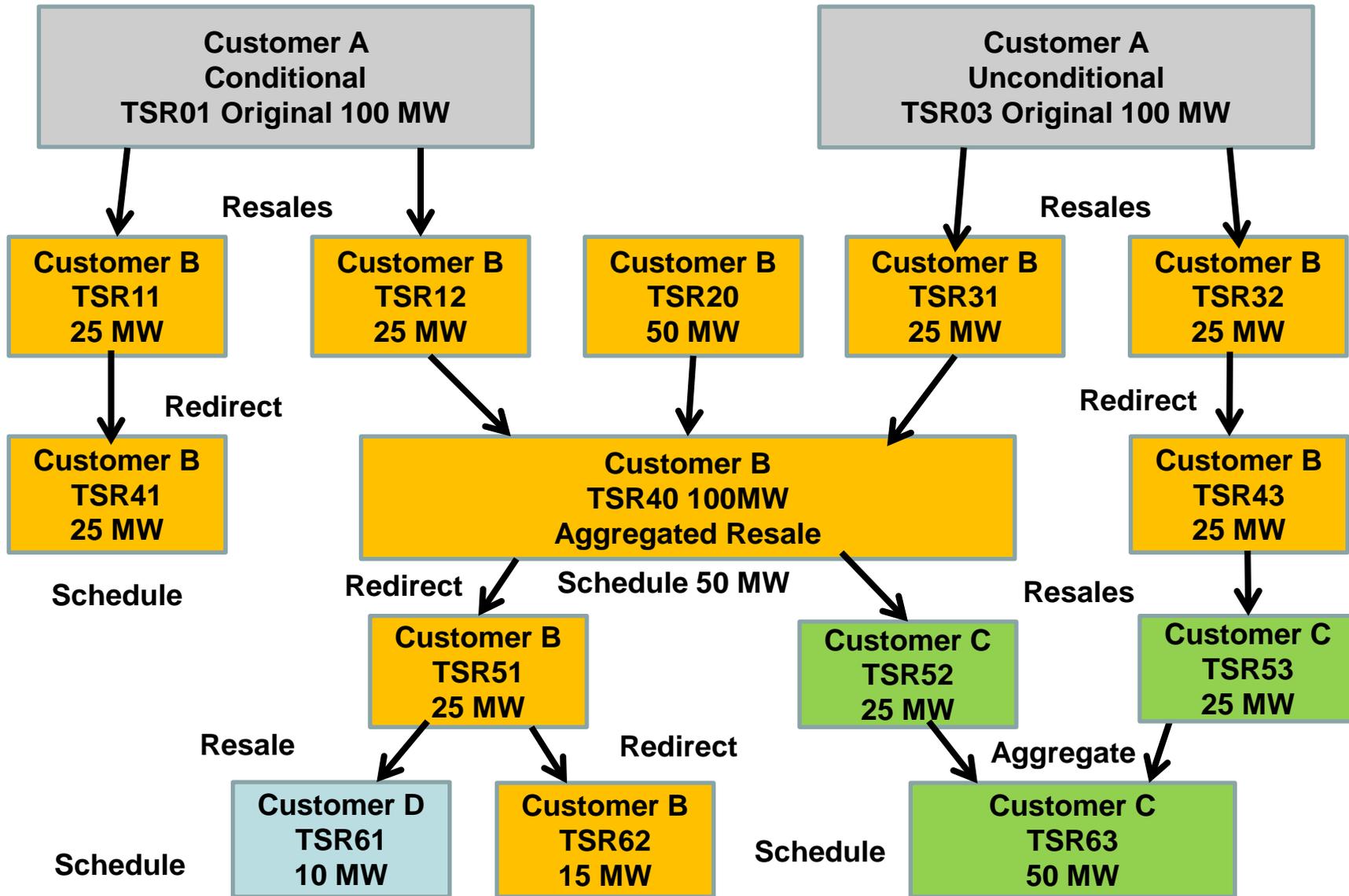
Recap of the July 10th Meeting (Continued)

- Assignment for Boise
 - Better define the mechanics
 - List what secondary market functionality can and can't be continued.
 - Propose a method for tracking conditionality from the parent down the daisy chain.
 - Propose various methods with their pros and cons for recalling capacity from the daisy chain if a conditional parent is preempted.

Possible Recall Options Proposed by the OS

1. Annul all downstream resales that have not been redirected.
2. Do a pro rata recall from all downstream resales that have not been redirected to equal the amount of capacity lost by the parent.
3. Make the original reseller who lost the capacity decide how it should be recalled.
4. Make the original reseller decide which of his resales should be recalled, then let each assignee who is losing capacity and who has further resold part of the original resale decide which resales he should recall, and so forth down the daisy chain in a cascading fashion.
5. Come up with a method for the TP to recall the lost capacity from the daisy chain.
6. Last in – First Out
7. Remain Silent
8. Other?

Daisy Chain Illustration



The Secondary Market under Option 1

- What transactions are ‘do-able’ under Option 1?
 - Original
 - Resale of a Conditional or Unconditional Original
 - Redirect of a Conditional or Unconditional Original
 - Resale of Resale of a Conditional or Unconditional parent.
 - Redirect of Resale of a Conditional or Unconditional parent.
 - Resale of a Conditional or Unconditional Redirect
 - Redirect of a Conditional or Unconditional Redirect
 - Redirect of an aggregated resale of Unconditional parents
 - Etc.
- What transaction(s) is not viable under Option 1?
 - Redirect of an aggregated resale where somewhere upstream there remains a conditional parent.
- Still to be determined:
 - BPA allows the aggregation of conditional and unconditional reservations to support Resale transactions.
 - Should NAESB write a BP standard to limit the above?
 - If not, then when does a resale that is a product of an aggregation of conditional and unconditional parents become “safe”.

Questions and Next Steps Before We Look at the Mechanics of Option 1?