Short-term Preemption and Competition Automation

August 27, 2013

Background

- **Business Drivers**:
  - Compliance with sections 13.2 and 14.2 of BPA's OATT.
  - Fulfill obligation set forth in March 2012 reciprocity filing regarding implementation of preemption and competition.
- **Project History**:
  - Started in February 2011 as a Tariff compliance effort.
  - In March 2012, BPA filed a new Tariff with FERC seeking reciprocity. The project was moved under the BOATT effort with a target implementation of April 2013. Extensive customer engagement started at that time.
- **Principles of Preemption and Competition**:

Short-term capacity is awarded on the basis of reservation priority rather than first-come, first-served based only on queue time.

  - An NT request of any duration has reservation priority over a short-term PTP request or reservation.
  - A longer-duration PTP request has reservation priority over a shorter duration PTP request or reservation.

Key Action Items from Prior Meetings & Customer Comments

- Consider all options with respect to participation of Redirects in competition and preemption. Consider:
  - Industry response to Entergy ruling – Survey the industry to determine their response to the FERC ruling and why they responded the way they did.
  - Identify the volume of redirects in the short-term market with others around the country and compare with BPA's system.
- Consider lengthening the time between phases of Preemption and Competition Module (PCM) implementation to 60-90 days.
- Provide a two-week notice before starting a new phase.
- Begin collecting PCM "info only" data on the Hourly market.
- When considering movement to Daily PCM, identify data on potential impacts of Managing Hourly Firm Sales on Daily preemption and competition. (This action item depends on data from the MHFS effort on how often they expect to refuse service or offer partial service.)

Summary of Redirect Issue

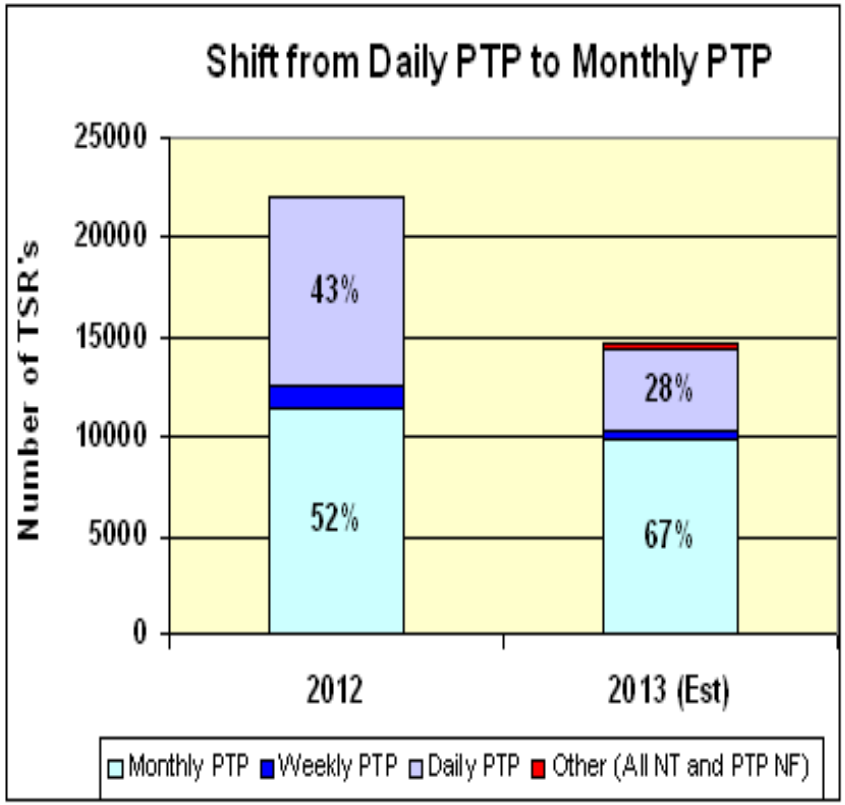
- FERC Requirements for Redirects:
  - Redirects should be subject to preemption and competition like any new request for service.
  - May 2013 *Entergy* ruling: A customer does not lose rights to their original path until a redirect is confirmed by the customer <u>and</u> reaches the conditional reservation deadline.
- Implications:
  - BPA is ready to activate preemption/competition capability using OATI's Preemption and Competition Module (PCM).
  - PCM cannot currently meet both FERC requirements. It can support one requirement or the other, but not both. The necessary changes would be complex, costly, and would not be available any time soon.
  - Entergy has requested a rehearing by FERC on the May 2013 ruling.
- Problem Statement:
  - How should BPA proceed with the implementation of PCM in light of these FERC requirements and the uncertainty of the rehearing.

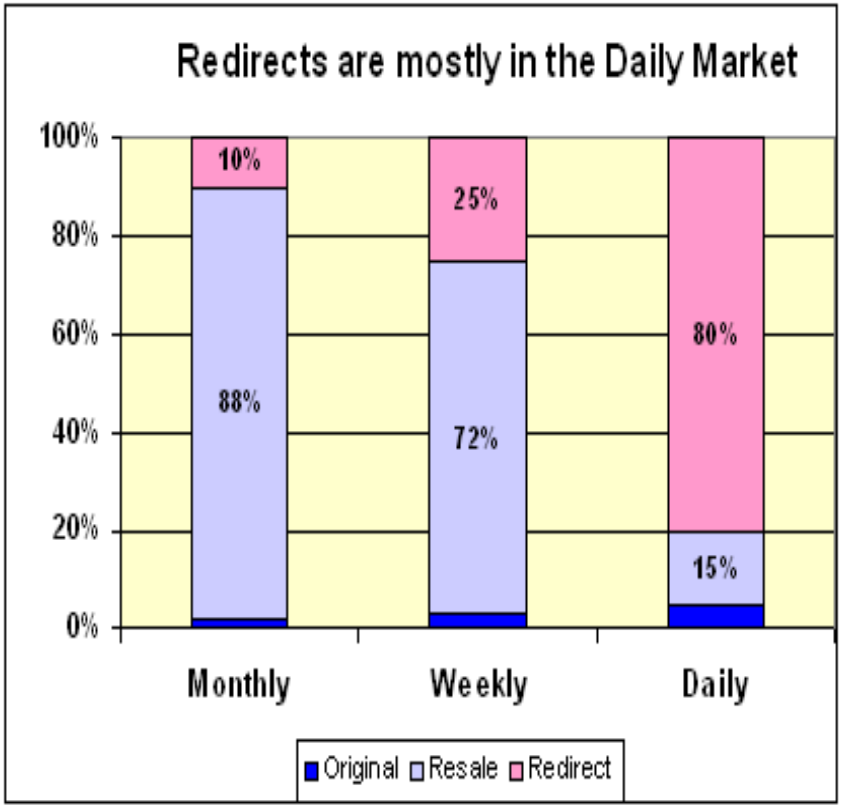
Alternatives Considered

- BPA considered the following alternatives for PCM implementation as an interim approach pending FERC ruling in *Entergy* rehearing:

1. Pursue Compliance: Seek OATI solution prior to FERC rehearing.
   - Involves investing constrained resources for a solution that may change upon FERC rehearing. Does not answer what to do in the meantime.
2. Compete Redirects: Do not protect customer rights on original path.
   - Maximizes capacity available for preemption/competition, but violates the *Entergy* order by taking defender capacity that should be safe.
3. Exclude Redirects: Activate PCM for Original requests only for now.
   - Avoids violating *Entergy* order, but excludes 80% of the Daily, 25% of Weekly, and 10% of Monthly Firm PTP market from preemption/competition process.
4. Delay PCM: Do not implement PCM prior to FERC ruling on rehearing.
   - Some support by both NT and PTP customers. However, makes no capacity available for challengers; makes no progress towards Tariff and BOATT commitments; and may result in modifications to Tariff regarding sections 13.2 and 14.2.

Data Considerations





Recommended Approach

- Considerations:
  - No fully compliant options available in the near-term.
  - Excluding Redirects does not place at risk the original path, as stated in *Entergy* ruling.
  - Unclear whether FERC would agree. Would like to seek clarity on this point, but it is also not clear whether FERC would provide such guidance.
  - Desire to make progress on Tariff compliance. Avoid waiting for FERC.
  - Understand the impact on NT Service of redirect exclusion.
  - Recognition that redirect requests primarily impact the Daily firm market.
- Recommendation: Alternative 3 with qualifications
  - Proceed with implementing PCM in a phased-manner for Monthly and Weekly service starting in Sept 2013. Exclude redirects from PCM initially.
  - Concurrently, seek guidance from FERC staff on a compliant manner to move forward in light of recent *Entergy* ruling.
  - Evaluate FERC guidance (if available) when assessing PCM implementation timeframe for Daily Firm.
  - Reassess decision if and when FERC guidance is provided.

New Proposed Roll-out

- Implement PCM for Monthly Firm and Non-Firm: ~ Mid-September 2013
  - Prior to implementation
    - Provide two week notice
    - Provide refresher training
    - Publish final business practice
    - Communications via Tech Forum
  - Following implementation
    - Monitor system performance. Hold weekly customer conference calls.
    - Evaluate technical and customer impacts for at least 60 days before moving to the next phase.

New Proposed Roll-out

- Implement PCM for Weekly Firm and Non-Firm: ~ Mid-November 2013
  - Prior to implementation
    - Provide two week notice
    - Publish a summary of the regions experience with Monthly PCM
  - Following implementation
    - Monitor system performance. Hold weekly customer conference calls.
    - Evaluate technical and customer impacts for at least 60 days before moving to the next phase.
- By Jan. 2014, begin to determine whether to implement PCM for daily service <u>before</u> or <u>after</u> the MHFS project and <u>with</u> or <u>without</u> Redirects.
  - Decision will involve further customer engagement.
  - Decision will take into account
    - Any clarification on the Redirect issue as stated above.
    - How PCM is working in the Monthly and Weekly markets.
    - What limits and impacts are expected in the Hourly Firm market.
    - What the best schedule is for implementing Daily PCM considering the MHFS project?

PCM Support

- *BPA Application Support* monitors system performance
  - Issues monitored
    - Queue slowdown or stop
    - Hung transactions
    - ATC/AFC encumbrance issues
    - Reports
  - Actions taken
    - Follow normal procedures
    - Notify PCM Project Team if it looks like it could be a PCM issue

PCM Support

- *BPA PCM Implementation Project Team* will monitor Preemption and Competition for at least 60 days following each product being turned on or until BPA and the region are confident with performance and functionality.
  - Examine any/all competitions:
    - Record competition activity in log
    - Take action on any errors (see below)
      - Log and notify Customers
      - Take appropriate action (see below)
    - Report out at the next weekly customer check in
  - Respond to issues brought forth by the Reservation Desk
  - Weekly conference call check in
    - Report on PCM activity
    - Report any PCM issues and their resolution
    - Listen to any issues brought forth by the customers
  - Answer PCM specific questions from customers

PCM Customer Monitoring

- *Customer monitors PCM for issues*
  - Issues monitored
    - Queue slowdown or stop
    - Hung transactions
    - Missed Competition
    - Became a defender when they should not have
  - Actions taken
    - Follow normal procedures
      - *Call BPA Reservation Desk* (360-418-8499)
    - Report it at the next weekly customer check in

Next Steps

- Implementation of Monthly Firm and Non-Firm PCM
  - Mid-September 2013
  - Weekly customer engagement and updates on PCM implementation
- Implementation of Weekly Firm and Non-Firm PCM
  - At least 60 days after Monthly PCM
- Daily PCM Assessment in January 2014
- Monthly Regional NAESB workshops to discuss upcoming NAESB topics.