BPA Transmission
Southern Intertie HNF Non-Rates Solutions
Customer Workshop

April 21, 2016

Agenda

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- Summary of BPA White Paper
- Scope of Non-Rates Process
- Non-Rates Approaches
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Why Are We Here?

- BPA customers identified three seams issues they believe are affecting the value of LTF service on the Southern Intertie:
  - Seams Issue #1 - Long Term scheduling rights are not reduced during known line de-rates.
  - Seams Issue #2 – BPA's Hourly IS non-firm has the same priority in the CAISO DA market as the LT Firm IS rights holders.
  - Seams Issue #3 – OATT transmission providers do not recognize the curtailment priority of neighboring OATT transmission providers

Why Are We Here?

- BPA stated in the BP-16 ROD that we would conduct workshops to evaluate rate and non-rate solutions to produce an equitable outcome that would preserve the value of BPA's Southern Intertie assets.
- In late 2015 and early 2016, BPA conducted a set of workshops that resulted in a regional White Paper describing the issues on the Southern Intertie and recommending BPA action.
- BPA deferred review of most of the proposed non-rates alternatives.

White Paper Summary

- The scope of the White Paper was limited to addressing seams issue #2, the use of BPA HNF transmission in the CAISO DAM. BPA believes the other two seams issues must be addressed, but they will be better addressed in a separate process.
- BPA recognizes that changes in the CAISO DAM have eroded the product advantages and value of long-term transmission service on the Southern Intertie.
- BPA believes a bundle of rate and non-rate solutions would be the most effective action BPA could take to ensure LTF transmission subscribers continue to receive the economic benefits of the Southern Intertie and the long-term transmission product has a material product advantage over HNF.

White Paper Summary

- BPA committed to the following:
  - In the BP-18 Initial Rate Proposal, BPA will propose a new methodology for the HNF IS rate. BPA's proposal will reflect that a range of 4-6 hours a day may be appropriate. In workshops preceding the BP-18 Rate Case, BPA will also explore possible seasonal and/or peak/off-peak HNF rates, etc.
  - BPA staff recommends Alternative #6 – only sell hourly non-firm transmission once. BPA would not post back the unscheduled portion of a HNF reservation to HNF transmission inventory. The costs to implement it will be included in the IPR 16 process. If approved for funding, the implementation timeframe is estimated at four to nine months.
  - **BPA will continue to explore the other non-rate alternatives identified in the white paper, as many customers noted that more exploration is needed to determine if they are viable.**

Scope of Non-Rates Process

- The Southern Intertie HNF Non-Rates Solution team will review non-rates alternatives that address the three identified seams and, if appropriate, make a recommendation to advance one or more alternatives into IPR and BPA's workload prioritization.

Non-Rates Approaches

- Regional Options:
  - Review the non-firm inventory and scheduling practices
  - Ensure BPA curtailment priority is equally important to the adjacent BA curtailment priority
- Extra-Regional Options:
  - Joint operating procedures with adjacent transmission providers

Principles and Alternatives / Open Discussion

Proposed Principles

Non-Rates Principles from HNF Rates Alternatives Process (Phase I)	***Proposed Principles for Non-Rates Process (Phase II)***
1. Consistent with statutory obligations and minimizes compliance risk	*1. Consistent with statutory obligations and minimizes compliance risk*
2. Consistent with desired future state of BPA business and policy	*2. Consistent with BPA's Strategic Direction*
3. Ability to implement: Options provided herein will have implications for the ability to implement both from a technical standpoint, but also from a customer process and communication standpoint.	*3. Ability to implement from a technical as well as a customer process and communication standpoint.*
4. Supportability: Options provided herein will have implications for the ongoing cost of maintenance and upgrade for the systems automation that implements this decision.	*4. Combined with #7 below left to create: Implementation Costs: Considers up-front costs to implement as well as ongoing costs (primarily systems automation)*
5. Considers impacts to different customers	*5. Considers impacts to different customers*
6. Considers impacts to reliable operations	*6. Considers impacts to reliable operations*
7. Considers cost of implementation: Options presented here may have significantly different implementation costs associated with them.	*See #4 above.*
8. Considers revenue impact	*7. Considers revenue impact*
9. Preserves the value of LTF BPA transmission products and ensure their long term viability *10. Encourages continued subscription of LTF on the Southern Intertie*	*8. Combined #9 and #10 to the left into: Encourages continued subscription by preserving the value of LTF BPA transmission products and ensuring their long term viability*
11. Durable in that it will be consistent over time and will withstand possible market changes	*9. Durable in that it will be consistent over time and will withstand possible market changes*
Additional Principle	
	10. Balances value of LTF with efficient utilization of the asset

Non-Rates Alternatives

- Alternative #7 – Do not sell HNF on the Southern Intertie
  - Note: Alternative #7b, Stop selling HNF on the Southern Intertie when schedules are within a certain percent or a MW threshold of SOL, will be addressed within the COI DTC process.
- Alternative #8 – Implement duration based competition on the Southern Intertie
- Alternative #9 – Change the HNF release time on the Southern Intertie
  - 9a) At noon of the preschedule day
  - 9b) At T-60 prior to the operating hour
- Alternative #10 – Limit HNF sales on the Southern Intertie to the amount calculated after the close of the Day Ahead preschedule window
- Alternative #11 – Limit availability of HNF service on the Southern Intertie (tie to posted secondary transmission market)
- Alternative #12 – BPA limits LTF schedules to their pro-rata share during path de-rates
- Alternative #13 – BPA proactively manages curtailments on the Southern Intertie prior to the interval
- Alternative #14 – BPA implements simultaneous submission windows for all products, including hourly non-firm

Potential Changes to Non-Rates Alternatives

- Create two sub-alternatives, one applied only to the Southern Intertie and the second applied to the entire BPA system, for the following:
  - Alternative #9 – Change the HNF release time on the Southern Intertie
    - 9a) At noon of the preschedule day
    - 9b) At T-60 prior to the operating hour
  - Alternative #12 – BPA limits LTF schedules to their pro-rata share during path de-rates
  - Alternative #14 - BPA implements simultaneous submission windows for all products, including hourly non-firm

- Consider different release times under Alternative #9 (a release time between T-90 and T-120 has been suggested since CAISO real-time market requires bids to be submitted by T-75)

Analysis of Non-Rates Alternatives

- See Non-Rates Alternatives Matrix

Process and Timeframe

Process

- Modeled on Southern Intertie HNF rates process (Phase 1)
- Work with stakeholders to review principles developed in Phase 1 and revise if necessary
- Review existing alternatives and seek additional alternatives from stakeholders
- Expand white paper developed in Phase 1 to include further analysis of non-rates alternatives and, if appropriate, additional non-rates recommendations

Proposed Timeline

- **April through early July**– two workshops to review and evaluate alternatives
- **Late July/Early August** – revised white paper out for customer comment
- **Late August/Early September**– finalize white paper; BPA management decision on whether to advance any non-rate solutions to IPR/commercial prioritization
- **Late September**– BPA will share its decision

Future Workshop Date Options

Month	Date Options
Late June/Early July	Monday, June 27 (conference call) or Wednesday, July 6
Late July/Early August	Thursday, July 21, Monday, July 25 (conference call) or Wednesday, August 3
September	September 20 or September 27

Next Steps

- By May 5:
  - Provide feedback on timeline, process, and principles
  - Provide feedback on proposed workshop dates
  - Identify any additional alternatives to be evaluated
- Please send all information to BPA's Tech Forum at techforum@bpa.gov