BPA Transmission
Southern Intertie HNF Non-Rates Solutions
Customer Workshop

July 6, 2016

Agenda

- BPA Decision on Southern Intertie Non-Rates Initiative
- Comments Received on Non-Rates Timing and Alternatives
- Considerations

BPA Decision

- BPA has decided to defer further action on the Southern Intertie hourly non-firm non-rates initiative until after the BP-18 ROD is released.
  - If Staff's HNF proposal or a similar proposal is adopted in the BP-18 rate case, BPA will wait on further non-rates action until one year's worth of Southern Intertie sales and scheduling data under the new rate is available for analysis (~FY19).
  - If Staff's HNF proposal or a similar proposal is not adopted in the BP-18 rate case, BPA will immediately resume this non-rates alternatives initiative (~FY18).

Non-Rates Alternatives Considered

- 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

Customer Comments Received - Timing

Customer comments on process generally fall into two groups

1. Those who support no immediate action
   - BPA should fully vet and consider the unintended consequences of rate and non-rate actions, fully consider long-term implications.
   - BPA should take a gradual approach to resolving the issue.
   - BPA should consider substantial changes occurring in the region and a substantive change in operation of COI transmission may be premature.
   - BPA should measure the impact of the HNF rate on the Southern Intertie before deciding whether any non-rate measures are necessary.

2. Those who want to see BPA take non-rate action relatively quickly
   - Non-rates solutions should be explored to complement rate proposals and action should be taken as soon as possible.

Customer Comments Received - Alternatives

- Customer comments on non-rates alternatives generally fall into two groups
  1. Those who support one or two non-rates alternatives
     - Several customers supported further development and analysis of Alternative 9, particularly Subalternative 9b
     - One customer supported further analysis of Alternative 12
     - One customer supported implementation of Alternative 12
  2. Those who do not support any non-rates alternatives
     - Restricting access to HNF and restricting use of LTF transmission could create anticompetitive situations in contradiction to open access
     - A rate increase is sufficient to increase the value of LTF transmission and can be implemented in the BP-18 rate case

Considerations

- Further analysis of the non-rate alternatives is challenging because the impact of the possible change to the IS HNF rate in BP-18 on seams issues is unknown.
- Implementation of Staff's HNF proposal in BP-18 alone may largely address Seam 2 (BPA's IS HNF has the same priority in the CAISO DA market as the LT Firm IS rights holders) and Seam 3 (OATT transmission providers do not recognize the curtailment priority of neighboring OATT transmission providers).
- Given the funding challenges within IPR/CIR, funding is not likely to be available for discretionary projects like those that would be needed to implement most of the non-rates alternatives.
- Regional markets are changing considerably and implementation of non-rates alternatives in this fluid environment may be premature.
- Initiatives like BP-18 and other regional projects utilize the same staff needed for the SI non-rates process.

QUESTIONS OR COMMENTS?