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RE: Unauthorized Increase Charge (UIC) Business Practice v.3

The purpose of these comments is to request a comprehensive policy discussion on the Unauthorized Increase Charge (UIC) and to put the implementation of the UIC Business Practice v.3 on hold until that discussion can occur.

Powerex and other transmission customers have been engaged with the Bonneville Business Practice Team since the team issued the proposed UIC Business Practice v.3. Several customers, including Powerex, submitted initial comments on or before August 18 that detailed significant concerns with the changes proposed as a Category A Business Practice, and numerous customers participated in a subsequent call on September 24 with BPA staff to further highlight the concerns with the proposed revisions.

Powerex believes there are significant policy issues with the proposed Business Practice language

Based on the discussion on the September 24 phone call with BPA staff, there seems to be a fundamental disconnect between how customers have understood the UIC billing determinants to be calculated and the way that BPA staff understands how the BPA systems calculate those UICs.

Based on the language of the OATT, Transmission Rate Schedules and the language of the UIC Business Practice v.2, customers believed they would be evaluated for a UIC based on the Reserved Capacity at any particular POR or POD, and that Reserved Capacity would be allocated based on NERC priority level (primarily concerning 7F transmission). However, BPA staff informed customers that BPA's billing system does not calculate UICs in this way – instead, they are based on transmission service type (a term undefined in the Rate Schedules). Transmission service type separates transmission based on duration of service (LTF-Yearly, Monthly, Weekly, Daily, etc.). Therefore, if Bonneville system validation checks fail, and a customer inadvertently overschedules a yearly firm reservation, but has remaining monthly firm capacity at the same POR or POD, that firm capacity would not be considered in the calculation and would not mitigate the UIC.

This treatment is inappropriate for two reasons: (i) it does not properly address the actual purpose of UICs, and (ii) it does not conform to the Rate Schedule and OATT.

The Business Practice language does not properly address the purpose of the UIC

The intent behind the penalty associated with the UIC is that overscheduling on the transmission system has significant detrimental impacts and consequences to the transmission system. When a customer schedules more capacity than they have the rights for, they are infringing on the capacity rights of others and could be putting the reliability of the system at risk. As such, the policy goal of the UIC, which is the most expensive penalty levied by BPA, is to prevent this behavior.

By making the UIC granular to the point of service type / duration, BPA does not consider the other transmission rights with the same NERC priority held by the customer at a particular POR or POD. For example, if a customer holds 200 MW of firm rights, split across TSRs of many durations (Hourly, daily or monthly firm), and only schedules 150 MW of those firm rights, there is clearly no impact to other customers or to the transmission system. If within those scheduled 150 MW, that customer overscheduled a TSR of a certain duration, the unused firm capacity of that customer's portfolio should be considered. While this situation does involve a scheduling mistake through overscheduling a particular TSR, it does not rise to the level of the extremely punitive UIC.

The Business Practice does not conform to the Rate Schedules and OATT

In addition to BPA's current UIC implementation not achieving the policy goal intended by the penalty rate, it also does not conform to the language in the Rate Schedules and OATT.

On the September 24 conference call, BPA staff made the statement that the updated Business Practice clarified the language within the Rate Schedule as to the meaning of the term "capacity." However, "Reserved Capacity" is already a defined term within the rate schedules and the OATT and does not require further clarification or definition.

The Rate Schedules do not differentiate between transmission service type or duration when defining Reserved Capacity. To modify the Business Practice and prescribe a narrower interpretation of the Rate Schedules and OATT seems to undermine the intent and the policy goals of the UIC. As such, additional discussion is needed to determine whether the proposed revisions significantly affect the terms and conditions of service or whether the proposed revisions should be included in the OATT or General Rate Schedule Provisions (GRSP).

Next Steps

Powerex is aware that BPA believes that the draft Business Practice is attempting only to bring the language in line with practice. However, Powerex disagrees that this change is a minor clarification or typographical correction. Powerex also disagrees with the policy behind the practice and is therefore wary of putting language in place that supports a potentially inappropriate practice. To avoid any unintended consequences, Powerex recommends that BPA suspend implementation of the draft proposed UIC Business Practice v.3 until substantive policy discussions can be held.

Thank you for the opportunity to comment.

Sincerely,

Raj Hundal
Manager, Market Policy and Practices