

Response to Customer Comments – CONDITIONAL FIRM TRANSMISSION SERVICE

BPA Transmission Business Practice

Version 24
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Version 24

This document contains customer comments and BPA Transmission Services’ response to the Conditional Firm Transmission Service, Version 24 posted for comment from February 22 to March 19, 2020.

For more information on business practices out for comment, visit the BPA Transmission Business Practices [Comments and Responses page](#).

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A. Seattle City Light

In the interest of transparency and helping customers understand how the changes will facilitate better service, City Light asks for BPA to provide more explanation about the need for and effect on customers of the changes.

Some of the changes were not contemplated in the Gap Analysis process. These changes include the proposal to not allow conversion from reassessment to bridge, CF having priority to short term ATC, and not providing information about whether TSRs request consideration of CF.

Providing fewer options and less information to customers about the queue will limit our ability to make TSRs that could be granted without requiring expensive builds. City Light asks that BPA provide more information about the proposed changes before finalizing them.

BPA Response

BPA appreciates the comments submitted by Seattle City Light and understands the request for more information about the need to adopt the changes in the Version 24 Conditional Firm Transmission Service (CFS) Business Practice (BP). Powerex submitted similar comments, questioning the justification for the proposed changes and requesting withdrawal of Version 24 until after BPA and stakeholders could address certain issues in public workshops and the TC-22 tariff proceeding. BPA is responding to both comments here. Although BPA has

decided to move forward with changes to the CFS BP at this time for the reasons explained below, it has revised certain aspects of Version 24 in recognition of the customer concerns about particular issues. In addition, BPA is committing to hold public workshops to more fully discuss the issues surrounding CFS. This approach balances the need for certain revisions to the BP in conjunction with the conclusion of the 2020 Cluster Study and the need for public discussions of the CFS issues.

Two primary factors are driving the need to revise the CFS BP at this time. First, implementation of OATI's industry standard Conditional Curtailment Option (CCO) software requires revisions to ensure that the terms of the BP align with the management of CFS under the CCO. Second, many participants in the pending 2020 Cluster Study have asked that BPA study CFS options for their transmission service requests (TSR), and revision of the BP is necessary to ensure that any new CFS resulting from offers following the cluster study reflect the use of the CCO.

BPA acknowledges, as Powerex noted, that Version 24 is a comprehensive revision of the CFS BP. The background and evolution of BPA's CFS policies help provide some context for the scope of the changes. Many of BPA's policies and procedures for managing CFS were established in 2009, following FERC's ruling in Order 890, adopting CFS as a new form of long-term firm (LTF) transmission service. Subsequently, FERC Orders 890-A, 890-B, and business practice standards developed by the North America Energy Standards Board (NAESB) continued to inform the CFS paradigm. Generally, BPA has continued to update its CFS policies consistent with this guidance, but it did not immediately adopt technological innovations such as the CCO that refined and automated the processes for managing CFS. This created an unintended divergence between BPA's practices and industry standard practices.

In 2017, during the Pro Forma Gap Analysis effort, in cooperation with stakeholder and Customer input, BPA committed to implementing *pro forma* tariff and industry standard practices. Accordingly, BPA performed a holistic evaluation of its processes for studying, offering, and managing CFS. BPA identified two general areas that required CFS policy updates and revisions to the CFS BPA that appear in Version 24:

- (1) Timing for a request to study CFS. Historically, BPA evaluated all requests for CFS if it could not offer the long-term firm transmission service requested by the customer. However, the BPA tariff (19.3), consistent with FERC's *pro forma* tariff, requires the Customer to request a CFS study as part of a System Impact Study of a TSR.
- (2) Implementation of the CCO software allowed for automation of BPA's manual processes for managing CFS and introduced new functionality that improves the quality of BPA's CFS in accordance with NAESB business practice standards. New functionality includes, but is not limited to, CFS visibility on OASIS, the ability to move the CFS with a Redirect request when needed in the short-term market, and automatic assignment of short-term firm ATC to CFS reservations before it is released to the Short-Term Market (explained in more detail under BPA's response to the Commenting Parties).

The timing of adoption of Version 24 is coordinated with the completion and close out of the 2020 Cluster Study. Among other things, the close out actions will include offering CFS to the requests for which Customers requested a CFS evaluation in their 2020 Cluster Study

agreements. The previous version of the CFS BP (i.e., Version 23) does not explain the functionality or automation provided by CCO and does not align with the management of the offers of new CFS that BPA expects to make following the 2020 Cluster Study.

All of the comments make clear that Customers value BPA's CFS and place great importance on BPA's CFS policies. This includes the Customer option under Version 23 of the CFS BP to convert Reassessment CFS (R-CFS) to Bridge CFS (B-CFS). This option was the specific focus of a number of the comments and inherently provides the possibility that R-CFS may gain access to long-term firm ATC. Since changes to these policies are not necessary to align the CFS BP with implementation of CCO software, BPA will retain the policies from Version 23 of the CFS BP to maintain the status quo on this issue while BPA and stakeholders discuss CFS in public workshops. Accordingly, the language in Section D.3.b of Version 24 as proposed, "Reassessment CFS is not eligible for LTF ATC that alleviates the Hours or System Conditions," has been removed, and the process for converting R-CFS to B-CFS under Version 23 has been added in Section D.4 of the Version 24 that BPA is adopting.

B. Avangrid Renewables, LLC, Avista Corporation, Idaho Power Company, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc.

Avangrid Renewables, LLC, Avista Corporation, Idaho Power Company, PacifiCorp, Portland General Electric Company, and Puget Sound Energy, Inc. ("Commenting Parties") submit the following comments on BPA Conditional Firm Business Practice Draft Version 24¹ and the February 11, 2020 BPA Tech Forum email regarding "Business Practice Announcement: Conditional Firm Transmission Service Business Practice V24."

¹ Available at

<https://www.bpa.gov/transmission/Doing%20Business/bp/Redlines/Clean-Draft-Conditional-Firm-Transmission-Service-BP-V24.pdf> ("Draft Business Practice").

1. **Subject to Applicable Law, BPA's Business Practices Should Be Consistent With FERC's *Pro Forma* OATT and Guidance**

BPA offers conditional firm transmission service under its Tariff, which was adopted in the TC-20 proceeding. Section 9(a)(1) of the Tariff includes the following: "Subject to applicable law, Bonneville commits to open access transmission service."²

² See TC-20 Tariff Terms and Conditions Proceeding Record of Decision (March 1, 2019) ("TC-20 Record of Decision"), available at <https://www.bpa.gov/news/pubs/RecordsofDecision/rod-20190301-TC-20-Tariff-Terms-and-Conditions-Proceeding.pdf>, at page 10.

The TC-20 Record of Decision includes the following with respect to FERC's *pro forma* tariff and guidance thereunder:

As previously discussed, Bonneville's strategy and policy is to maintain a tariff consistent with the Commission's *pro forma* tariff and industry best practices to the extent possible and consistent with applicable law. The Commission's *pro forma* tariff includes terms and conditions that generally satisfy the Commission's standards (for example, the terms and conditions are just, reasonable and not unduly discriminatory or preferential). Order No. 888 at 21,548; See also, Order No. 890, at 12,274, P 43. In addition, the Commission may approve variations to the *pro forma* tariff proposed by public utilities if the variations satisfy the Commission's standards, including the just and reasonable and not unduly discriminatory or preferential standard. *Id.* at P 14, 135-137. Although Bonneville is not a public utility under the Federal Power Act and is not subject to the Commission's *pro forma* tariff requirements, it is useful to look to the *pro forma* tariff and Commission-approved variations to the *pro forma* tariff or guidance on terms and conditions that satisfy the Commission's standards under Sections 211 and 212 of the Federal Power Act. Looking to the Commission's guidance will further support Bonneville's strategic and policy goals.³

³TC-20 Record of Decision at page 14.

In short, subject to applicable law, BPA's Business Practices should be consistent with FERC's Pro Forma OATT and guidance. (For example, BPA's Business Practices should be consistent with NAESB WEQ Business Practice Standards.)

BPA Response

BPA appreciates the comments submitted by the Commenting Parties. BPA's responses are embedded in the individual sections of the comments below. As explained above, many of the revisions contained in Version 24 of the CFS BP reflect the implementation of OATI's CCO software, which supports the alignment of BPA's CFS with the *pro forma* tariff and the industry standards for studying, offering, and managing CFS.

2. **If the System Upgrades Specified in the Bridge CFS Exhibit Table Will Not be Completed, the Customer Should Have the Right to Convert Its Bridge CFS to Reassessment CFS**
 - a. **Bridge CFS Is Important to and Typically Relied upon by BPA Customers, e.g., for Transmission of Power from New Generation**

Order 890 recognizes the reliance that transmission customers place on bridge conditional firm transmission service (Bridge CFS”).

For customers supporting the construction of transmission upgrades, bridge conditional firm transmission service (“CFS”) provides conditional firm transmission service—without reassessment of the curtailment conditions:

For customers supporting the construction of upgrades, the planning redispatch or conditional firm options will serve as a bridge until upgrades are constructed to

remedy the congested transmission facilities. For these customers, the transmission provider must offer planning redispatch or conditional firm service until the time when the upgrades are constructed. The conditions or redispatch applicable to this period must be specified in the service agreement and are not subject to change. We impose this requirement because customers who commit to support transmission upgrades are typically those financing and constructing new resources. These customers require certainty both with regard to upgrade costs and, before upgrades can be constructed, the redispatch requirements or curtailment conditions that may apply to their service.. . .⁴

⁴Order 890 at paragraph 980.

Thus, Order 890 recognizes that Bridge CFS customers, who commit to support transmission upgrades, are typically those financing and constructing new generating resources. In other words, such customers need and rely on transmission service for new generation resources, which may be needed to meet customer loads and comply with environmental or carbon requirements. More fundamentally, the fact that bridge CFS customers commit to support transmission upgrades is illustrative of the importance of such transmission to such customers.

b. A BPA Bridge CFS Customer Should Have the Right to Elect Reassessment CFS as a Replacement, if the Planned BPA Facilities Will Not be Completed

BPA is the predominant transmission provider in the region, and many customers must rely on BPA transmission to move generation--including new generation--to load. In light of BPA's predominant role in the region as a transmission provider and the constraints on BPA's transmission system, it is important--if a BPA customer's Bridge CFS is terminated because the planned BPA facilities will not be completed--that such customer should be offered Reassessment CFS as a replacement and not be deprived of CFS transmission (through no fault of the customer) due to BPA's not completing planned BPA facilities.

This replacement should be offered to any BPA customer whose Bridge CFS is terminated since the planned BPA facilities will not be completed, without requiring the customer to reenter BPA's queue with a new transmission service request ("TSR"). This approach should not raise concerns about "queue jumping," because the BPA customer will already be receiving CFS service (as Bridge CFS) and should not be forced to submit a new TSR with a new queue position to convert to Reassessment CFS just because the planned BPA facilities will not be completed.⁵

⁵ Indeed, the quality of Reassessment CFS (prior to completion of the planned new facilities) is essentially the same as the quality of Bridge CFS, except that Reassessment CFS in some respects is a lower quality of service because the conditions for curtailment of Reassessment of CFS can be reassessed (and increased) every two years.

Because BPA would already be providing CFS to the Bridge CFS customer before its Bridge CFS service was terminated, it is likely that BPA should be able to provide replacement Reassessment CFS (based on Number of Hours or System Conditions

determined by BPA on a reassessment at the time of replacement) over the same path to that same customer without impairing reliability.

Offering Reassessment CFS to replace terminated Bridge CFS provides continuity of CFS availability, subject to not impairing reliability. This is similar to the continuity provided for Reassessment CFS:

... The purpose of the biennial reassessment is to allow the transmission provider to adjust the conditions or number of hours during which conditional firm service will be conditional in order to ensure that continued provision of the service does not impair reliability. Thus, the Commission does not impose upon the transmission provider the obligation to plan its system to keep firm the part of the conditional firm service that is firm when service was initiated. Although this may increase (or decrease) the number of hours in which service is conditional, the transmission provider may not entirely terminate service to the conditional firm customer.

Order 890-A, P 590 (emphasis added).

As discussed above, Bridge CFS is an important service for BPA customers that need and rely on transmission service for new generation resources, which may be needed to meet customer loads and comply with environmental or carbon requirements. Moreover, BPA has limited borrowing authority, which may limit the funds available for uses such as funding transmission upgrades. BPA Bridge CFS customers commit to support BPA transmission upgrades, and BPA should not discourage customers from signing up for Bridge CFS customers by failing to allow those customers to elect to replace Bridge CFS with Reassessment CFS if the Bridge CFS is terminated because the planned BPA facilities will not be completed. In short, failing to allow Bridge CFS customers to elect to convert to Reassessment CFS if the planned BPA facilities will not be completed would decrease the benefits provided by Bridge CFS, to the detriment of BPA and customers.

- c. The Draft Business Practice Should be Revised to (i) Clarify a Bridge CFS Customer's Right to Elect to Convert to Reassessment CFS if the Planned BPA Facilities Will Not be Completed and (ii) Acknowledge that BPA's CFS is Subject to the NAESB WEQ Business Practices for CFS**

The Draft Business Practice states as follows in section D.2.f:

If the system upgrade(s) specified in the Bridge CFS Exhibit Table will not be completed, BPA will terminate the Bridge CFS, and the Customer may be offered a Reassessment CFS.

(Emphasis added.) Thus, the Draft states that “the Customer may be offered a Reassessment CFS” but fails to provide assurance that appropriate Reassessment CFS will be offered as a replacement.

For the reasons discussed above, the Draft Business Practice section D.2.f should be revised as follows:

If the system upgrade(s) specified in the Bridge CFS Exhibit Table will not be completed,

- i. BPA will terminate the Bridge CFS and reassess the Number of Hours and System Conditions under which Reassessment CFS will be offered as a replacement, and
- ii. the Customer may will be offered, without regard to LTF Queue, a Reassessment CFS based on such reassessment.

Further, BPA Conditional Firm Business Practice should acknowledge that BPA's CFS is subject to the NAESB WEQ Business Practices for CFS. (In that regard, any inconsistencies in the Draft Business Practice with the NAESB WEQ Business Practices for CFS should be revised so to remove such inconsistencies.)

BPA Response

BPA agrees there should be a way for a customer to have an opportunity, if feasible, to convert from B-CFS to R-CFS if a build will not be completed. BPA will evaluate its ability to convert to R-CFS upon termination of the B-CFS. This evaluation requires an assessment of the transmission system at that time and any issues that could adversely impact system reliability or existing long-term transmission right holders. B-CFS is based upon the plan of service identified in the study for a request. Many circumstances and system conditions could change in the years following identification of a plan of service in the study. Because the transmission system or other circumstances could change such that BPA can no longer offer the CFS or would need to modify (i.e. add or remove) the conditions to maintain reliability, BPA must retain the option to reevaluate the conditions upon termination of the B-CFS. However, BPA understands the need to provide certainty, to the extent possible, that a customer may have the option to continue CFS upon termination of the B-CFS. Consequently, BPA has revised Section D.2.f in the final Version 24 as follows:

Section D.2.f - If the system upgrade(s) specified in the Bridge CFS Exhibit Table will not be completed:

- i. BPA will terminate the Bridge CFS;
- ii. BPA will perform an evaluation to determine if it can offer Reassessment CFS to a Customer whose Bridge CFS is terminated, but it will not offer Reassessment CFS if it determines that providing such service would adversely impact transmission system reliability or long-term transmission rights holders.
 - a. If Reassessment is offered, BPA will convert the Bridge to Reassessment CFS utilizing the same A-Ref #. The CFS Exhibit Table will be updated to reflect this change and any modifications to the conditions.

3. **BPA's OASIS and Long-Term Pending Queue Should Indicate Whether a TSR Includes an Election to Have It Evaluated for CFS**

BPA's OASIS should indicate whether a TSR Includes an election to have it evaluated for CFS. This information will promote transparency and facilitate the ability to understand the status of BPA's queue. There are available comment fields on OASIS where information describing an election to have the TSR evaluated for CFS can and should be displayed

Further, information describing an election to have the TSR evaluated for CFS can and should also be displayed in the Long-Term Pending Queue information that BPA posts on its internet website. More generally, in light of BPA's predominant role as a transmission provider in the region and the constraints on BPA's transmission system, any transparency BPA can provide in advance about the availability and likely conditions of CFS on BPA's transmission system will assist BPA customers.

BPA Response

Per FERC and industry standards, requesting a CFS study is up to the discretion of the Customer. For that reason, if a Customer requests CFS as part of its study agreement, the Customer may update the comment field of its TSR with the type(s) of CFS it requests if it chooses to do so. This is consistent with previous versions of the CFS BP. Once CFS service is granted, it is made transparent on OASIS through the CCO Provisions hyperlink on the Transmission Reservation Detail screen. By the end of April 2020, such reservations will also be noted on the Reservation Summary screen with a CCO flag.

4. **The Draft Business Practice Should be Clarified Regarding the Allocation of STF ATC to Alleviate Constraints on CFS and Regarding the Timing and Customer Notice of Such Allocation**

The Draft Business Practice section H.1.c includes the following:

- i. If STF ATC is available to alleviate the Conditional Curtailment option(s) associated with the CFS reservation, then CCO will allocate firm capacity to CFS reservations to alleviate the constraint. If STF capacity alleviates the constraint, then the reservation will be subject to curtailment at the NERC curtailment priority for firm transmission service (i.e. 7-F).
- ii. When STF ATC is not available to alleviate the Number of Hours or System Condition associated with the CFS reservation, the CFS reservations will be subject to Conditional Curtailment at the NERC curtailment priority equal to the NERC curtailment priority of Secondary Network Transmission Service (i.e. 6-NN).

The Draft Business Practice also states in section D.1.b that "CFS reservations have priority rights to Short-Term Firm (STF) ATC (e.g. Monthly, Weekly, Daily, and Hourly) before it is released to the market for sale."

However, the Draft Business Practice should be clarified to provide the following information:

- (i) when each type of STF ATC (e.g. Monthly, Weekly, Daily, and Hourly) will be allocated to alleviate the constraint,
- (ii) when and how a CFS customer will be notified of such allocation, and
- (iii) when and how a CFS customer will be notified that CFS priority rights have been applied for each type of STF ATC (e.g. Monthly, Weekly, Daily, and Hourly), such that the transmission service will not be subject to Conditional Curtailment at the NERC curtailment priority equal to the NERC curtailment priority of Secondary Network Transmission Service (i.e. 6-NN).

BPA Response

BPA will remove the reference to “Monthly, Weekly, Daily, and Hourly” and simply refer to Short-Term Firm ATC. As the Available Transfer Capability Implementation Document explains in detail, these intervals refer to the granularity with which ATC is calculated rather than imply any priority allocation. The CCO software implements NAESB standards providing that CFS service has priority rights to Short-Term Firm ATC before it is available to the market (WEQ 001-21.1.6). For any time period for which ATC is calculated in the short-term horizon (i.e. 0 to 13 months), CCO will automatically remove the conditions of CFS service associated to any path and flowgate and for the specific time periods for which ATC is calculated to be greater than or equal to zero. When this happens, CCO will switch the NERC priority of the CFS reservation from 6 to 7. This is an automated process, and there is no specific “notification” of the Customer that the CFS reservation has been firmed up for a specific period. However, a Customer can view information about the status of a CFS reservation and its NERC reservation priority under the Reservation Reduction Summary tab in OASIS. In addition to this posting on OASIS, CCO will also modify the priority of any related tags through a tag adjustment request with the comment, “CCO priority adjustment.”

5. BPA Should Clarify the Draft Business Practice Regarding Treatment of ATC for Purposes of Establishing CFS Number of Hours or System Conditions

BPA should clarify the Draft Business Practice regarding treatment of ATC for purposes of establishing Number of Hours or System Conditions. In this regard, Draft Business Practice section D.3.b states as follows: “Reassessment CFS is not eligible for LTF ATC that alleviates the Number of Hours or System Conditions.” This statement is ambiguous and might arguably be read to mean that--if there is any portion of LTF ATC during the period for which Number of Hours or System Conditions is being assessed or reassessed⁶--such amount of ATC will be treated as otherwise committed or not available for use in lieu of conditional curtailment when establishing CFS Number of Hours or System Conditions. Such treatment would be inappropriate. Any ATC that is available and not otherwise committed during the period for which Number of Hours or System Conditions is being assessed or reassessed should be taken into account in establishing CFS Number of Hours or System Conditions; the Draft Business Practice should be clarified accordingly.

⁶ *I.e.*, the bridge period for Bridge CFS and the biennial period for Reassessment CFS.

* * *

Nothing contained in these Comments constitutes a waiver or relinquishment of any rights or remedies provided by applicable law or provided under BPA's Tariff or otherwise under contract. Commenting Parties appreciate BPA's review of these comments and consideration of the recommendations contained herein. By return e-mail, please confirm BPA's receipt of these comments.

BPA Response

BPA appreciates the Commenting Parties' concern about this issue and acknowledges the need to clarify the statement in the proposed Section D.3.b as it relates to the treatment of R-CFS reservations and long-term ATC management practices. R-CFS is eligible to receive LTF ATC (i.e. firm ATC calculated beyond 13 months) that could reduce or eliminate the conditions (e.g. Number of Hours or System Conditions) associated with the CFS reservation as part of the biennial reassessment of the service. The addition of Section D.3.b in the proposed Version 24 was not intended to change any of BPA's practices for the biennial reassessment; it was intended to clarify BPA's existing practice for managing R-CFS between reassessments. Nevertheless, BPA acknowledges that the language could be interpreted to apply more broadly than intended. As noted above under the response to the comment submitted by Seattle City Light, BPA is not adopting this language in the final Version 24 CFS BP and will discuss the issues related to management of R-CFS in public workshops.

C. Powerex

Powerex appreciates the opportunity to review and comment on the proposed revisions to the Conditional Firm Transmission Service ("CFS") business practice found in proposed Version 24.

Powerex has two concerns. First, Powerex does not believe that Bonneville has justified or provided a sufficient basis for the changes it proposes in Version 24 of the CFS business practice. Second, the proposal raises concern that Bonneville is not adhering to the TC-20 settlement by changing terms and conditions of service through a business practice. Powerex has stated previously that CFS is a complicated and infrequently utilized component of Long-Term Firm ("LTF") transmission service and that Bonneville, Powerex, and other customers would benefit from a broader collaborative discussion of CFS through a public workshop process. Powerex still believes that such dialogue should occur.

Powerex asks Bonneville to withdraw the proposed Version 24 in accordance with Section 4.3 of Attachment 4 of the TC-20 settlement and engage customers in a workshop process. If Bonneville—with customer input—subsequently determines that additional provisions are necessary to address how CFS is firmed up and how the LTF pending queue is processed, such issues should be added to the TC-22 workshop process and then addressed in the TC-22 terms and conditions proceeding; such modifications should not be included in the CFS business practice.

Proposed Revisions

Bonneville's proposed Version 24 of the CFS business practice is a complete revision. Importantly, the revisions include the following:

- Version 24 (Section D.3.b) proposes to prohibit Reassessment CFS ("R-CFS") from being ever firming up,¹ and Sections D.3.a and F.3.a would remove a TSR from the LTF pending queue if a customer accepted an offer of R-CFS.
- Version 24 would eliminate the pathway by which R-CFS could convert to LTF transmission service. By comparison, Version 23 included a process for R-CFS to convert to B-CFS, which in turn could be converted to LTF service.
- Version 24 creates a new process by which an AREF associated with a customer's acceptance of B-CFS retains its position in the LTF pending queue. Bonneville proposes to accomplish this by creating a Transmission Service Number ("TSN") in the LTF pending queue that retains the queue time of the TSR associated with B-CFS. If LTF ATC subsequently becomes available (by any set of circumstances), Bonneville will convert that B-CFS to LTF service without conditions.

¹ Powerex uses "firmed up" to mean whether CFS could be converted to LTF Point-to-Point transmission service, without conditions, should LTF Available Transfer Capacity ("ATC") become available on the path.

Comments

TC-20 Settlement Compliance

As a threshold matter, Powerex has significant concerns that Version 24, if adopted, would not adhere to the TC-20 settlement. Section 4.4.2 of Attachment 4 of the TC-20 settlement provides that "Bonneville shall not change the terms and conditions of service provided in its Tariff through a business practice or other non-tariff document." Moreover, the same section of the TC-20 settlement also states that FERC precedent addressing which provisions must be in the tariff or a business practice "constitutes an important factor in Bonneville's consideration in resolving questions of whether a Proposed Business Practice or other non-tariff document would significantly affect rates, terms or conditions of service."

FERC has directly addressed the issues Bonneville seeks to resolve in Version 24. This precedent indicates that the tariff, not a business practice, is the appropriate location for provisions addressing whether R-CFS should be firming up and queue processing. First, in Order No. 890-A, FERC stated "that any capacity created in excess of the service request [paid for by the customer] should be allocated to those planning redispatch and conditional firm customers earlier in the queue, *based on their order in the queue.*"² In Order No. 890-B, FERC granted rehearing, in part, and stated that upon further consideration, "it is premature to make this determination given that the complicated series of events leading to such an allocation may never come to pass."³ FERC further stated that "[s]hould transmission providers encounter this series of events, they should file, prior to completion of the transmission upgrades, proposed *tariff provisions* to address the allocation of transmission capacity."⁴

² Order No. 890-A at P 584 (emphasis added).

³ Order No. 890-B at P 126.

⁴ *Id.* (emphasis added). In a footnote, FERC explained:

For this circumstance to present itself, all of the following, at a minimum, must occur: (1) conditional firm or planning redispatch service is granted to a customer unwilling to support upgrades; (2) a customer seeking service over the same transmission capacity agrees to support transmission upgrades to secure its service; (3) the upgrade construction is completed; (4) the upgrades create additional capacity that the customer supporting the upgrades did not request; and, (5) the conditional firm or planning redispatch customer will be taking service when construction is completed.

Order No. 890-B at P 126, fn.85. While the foregoing discussion arose in the context of excess capacity created by physical upgrades, an analogous situation arises when new ATC is identified on the path, either through revisions to the ATC methodology or through customers declining to renew existing service agreements.

FERC's statements in Order Nos. 890-A and 890-B evince an initial expectation that transmission providers would firm up R-CFS customers "based on their order in the queue" should LTF ATC become available. FERC subsequently determined this position was premature but nonetheless required transmission providers to make "tariff" revisions—not business practice edits—to address the situation in which LTF ATC becomes available on a given path where an R-CFS customer is taking service.

Second, in a 2009 FERC order that adopted various NAESB standards for implementing CFS, FERC also specified that provisions affecting whether R-CFS should be firmed up must be included in the OATT. Specifically, in this proceeding commenters asked FERC to clarify "how new long-term ATC will be allotted to CCO [Conditional Curtailment Option] customers when it becomes available."⁵

⁵ See *American Wind Energy Ass'n*, Comments on Standards for Business Practice and Communication Protocols for Public Utilities, Docket No RM05-5-013 at 7 (May 26, 2009).

One of the commenters, AWEA, explained that "there are several situations when such capacity may become available on a long-term basis after a conditional firm contract is signed, such as when another customer chooses not to take advantage of its rollover rights or when a reevaluation of ATC identifies additional capacity that was not previously available for sale."⁶ AWEA reasoned that the CFS customer pays the same rate as the customer with unconditioned LTF service and urged FERC to clarify the methodology for allocating newly available LTF capacity in the relevant NAESB standard. FERC declined to require modification of the NAESB standard, but FERC stated that a transmission provider should make an "appropriate filing with the Commission," which further supports the determination that a business practice is not the appropriate location for these provisions.⁷

⁶ *Id.*

⁷ *Standards for Business Practices and Communication Protocols for Public Utilities*, Order No. 676-E, FERC Stats. & Regs. ¶ 31,229 at P 68 (2009) (emphasis added):

68. As to the concerns raised over how new long-term available transfer capability will be allocated to conditional firm customers when it becomes available, as AWEA recognizes, in Order No.890, the Commission established that conditional firm customers have priority relative to short term firm capability, and did not provide such priority with respect to long term firm capability. AWEA did not raise this issue in the Order No. 890 proceeding, and if it seeks a change to the priority order established in the rule, it should do so through an *appropriate filing with the Commission*. Since NAESB's standard complies with the requirement of Order No.890, we are adopting it here.

The two foregoing examples demonstrate that FERC expects a transmission provider to make OATT revisions to address how LTF ATC will be allocated when earlier-in-time customers have accepted R-CFS on that path. Accordingly, and consistent with the TC-20 settlement, this precedent must be considered as an “important factor” in Bonneville’s evaluation, and moreover indicates that FERC has concluded that such provisions to be included in the transmission provider’s tariff, not in a business practice. Accordingly, Powerex urges Bonneville to exclude from the CFS business practice provisions that affect the processing of the LTF pending queue when customers have already accepted CFS.

Adherence to Bonneville’s First-Come, First-Served Principle

Bonneville’s proposal to eliminate the pathway for R-CFS to convert to LTF service without conditions is without sufficient basis and runs counter to Bonneville’s first-come, first-served principle set forth in Section 13.2 of its tariff.

LTF capacity may become available for a number of reasons, such as due to customers declining to renew service, changes in system conditions, or system upgrades. At minimum, when the LTF capacity is created either by customers declining service or by changes in system conditions, Powerex believes that any LTF capacity Bonneville determines to be available should be offered to the customer with the highest ranked queue position taking LTF service with a CFS component on the relevant path. This practice would effectively “firm up” a customer’s CFS to the extent of the LTF capacity available. For LTF capacity created by system upgrades, that capacity should be awarded to the customer(s) who paid for the upgrades and who are presumably taking Bridge CFS (“B-CFS”), consistent with FERC precedent. In such circumstances, should excess capacity be created beyond the requirements of those customers funding the upgrades, Bonneville should offer it to customers, including R-CFS customers, according to the first-come, first-served principle.

Bonneville suggested during the February 20, 2020 discussion that a form of “queue jumping” could occur if R-CFS would be firmed up in queue order. As Powerex understood Bonneville’s queue-jumping example, Bonneville appeared concerned with the R-CFS customer’s conversion TSR jumping ahead of an earlier-in-time customer requesting LTF service on that path. To explain, as Powerex understands Version 23, a customer accepting R-CFS would have to submit a second TSR into the queue (essentially a conversion TSR) that would be granted without conditions if LTF capacity becomes available, thus effectively firming up the

customer's original request.⁸ However, this conversion TSR process would firm up the R-CFS service only if another customer does not queue ahead of the conversion TSR.

⁸ For example, if a customer accepts R-CFS on a given path from Jan. 1, 2020 to Dec. 31, 2021, that customer would not have the conditions removed unless the customer submits another TSR and LTF capacity (without conditions) is available. Thus, as Powerex understands Version 23, the R-CFS customer would only be firmed up after submitting an entirely new TSR.

Powerex believes it is the current business practice (Version 23) that allows a form of "queue jumping" and undermines the queue position of the original R-CFS reservation because it allows for a later-queued LTF request to obtain service before a confirmed R-CFS reservation. Version 23 denies the R-CFS customer the LTF capacity that would otherwise be available to it absent the System Conditions or Specific Hours limitations and instead allows a later-in-time customer to access this capacity, contrary to the first-come, first-served principle in Bonneville's tariff. Powerex expressed its disagreement with this practice when Bonneville proposed Version 23.⁹

⁹ See *Powerex Corp.*, Comments on Conditional Firm Transmission Service Business Practice, Version 23 (June 6, 2019).

Powerex believes Bonneville's current practice, described above, is not how firming up of R-CFS should function. Instead, firming up R-CFS should allow LTF capacity—should it become available—to be allocated to the R-CFS customer's original reservation in queue order. A customer should not need to submit a conversion TSR to firm up its original request. If implemented in this manner, no queue jumping occurs and Bonneville will respect the first-come, first-served principle set forth in Bonneville's tariff.

In addition, during the February 20th discussion, Bonneville also appeared to indicate that certain limitations with the CCO Module hindered Bonneville's ability to consider firming up R-CFS in queue order should LTF capacity become available. As a threshold matter, the functionality of the OATI's CCO Module, or any limitation in software, should not be construed as a deferential interpretation of FERC precedent and should not be the determining factor in how Bonneville implements CFS. The characteristics of CFS are set by FERC and may reasonably be implemented by the transmission provider in their OATT, consistent with that FERC precedent. In addition, no LTF capacity is awarded automatically, and Transmission Providers must study it and provide it manually. Just as Bonneville needs a manual process for B-CFS, it appears that the TSN methodology could apply equally to R-CFS.

As Powerex previously stated, the CFS component to LTF service did not create a separate or distinct service from LTF service.¹⁰ LTF customers with a CFS component are part of the LTF queue, are processed in the same queue priority as any other LTF request, and pay the same rate for the service as other LTF customers. In other words, LTF service with a CFS component is not a lesser form or class of service, but CFS is simply LTF service that may receive a lower priority of service during discrete and identified hours or system conditions.¹¹ Further, CFS is generally intended to be an interim measure until transmission systems are

upgraded or otherwise able to provide the requested LTF service either on a short-term or long-term basis.

¹⁰ Order No. 890 at P 1043.

¹¹ *Id.* at PP 925, 1048.

The rights associated with the firming up CFS need to be included in Bonneville's tariff. As part of proposing tariff changes to accommodate this, Bonneville should include this topic in the TC-22 workshops. Greater clarity, consistent with FERC precedent, would provide customers with clearer expectations and understanding in how CFS is provided by Bonneville. The first-come, first-served principle is embedded in Bonneville's tariff and provides a sound basis to craft tariff provisions to ensure that later-in-time customers cannot step ahead of CFS customers taking conditioned service. While FERC has not unambiguously set forth a *pro forma* policy to address this issue, FERC did articulate its expectation in Order No. 890 and subsequent orders that "subsequent firm transmission service requests should not be placed ahead of the conditional firm service" and that Order No. 890 was intended to "allow[] customers to keep their place in the queue ahead of other customers seeking conditional firm, planning redispatch options, or other firm services." FERC also explained that a transmission provider's biennial reassessment may find that the conditions are no longer warranted (or are still warranted but to a lesser extent) and in such circumstances the customer's reassessment CFS should be firming up. In sum, Powerex believes that firming up CFS customers based on their order in the queue is the reasonable result, in alignment with FERC precedent, and should be adopted by Bonneville through tariff revisions.

Additional Comments

- In Section A. 2, Version 24 refers to FERC Order Nos. 890 and 890-A. This section should be modified to include reference to the relevant paragraphs of Order No. 890-B.
- In Section A.3, Version 24 states that Bonneville uses the CCO Module to manage CFS. This section should be amended to state that Bonneville may modify implementation of the CCO Module. For instance, Bonneville proposes to create TSNs to allow B-CFS AREFs to retain queue position.
- Section A.4 should include a reference to Section 13.2 of Bonneville's tariff.
- Version 24 references a "Conditional Firm Service Agreement" and a "CFS Exhibit". Bonneville should clarify if these terms refer to the same document or use consistent terminology.
- In Section D.1.e, Bonneville should include rollover rights as one of the same rights available to CFS customers that is available to customer receiving LTF service without conditions.

Powerex respectfully asks Bonneville to withdraw proposed Version 24 and include issues and provisions related to firming up CFS in the TC-22 workshops.

BPA Response

BPA appreciates Powerex's comments and participation in efforts to improve CFS. Although BPA is moving forward with certain revisions of the CFS BP for the reasons described above,

BPA agrees with Powerex's suggestion that a workshop process would help advance regional understanding of BPA's implementation of CFS and allow for exploration of opportunities for improving CFS. The issues driving the need to revise the CFS BP before that workshop process, however, are BPA's tariff obligation (19.3) to offer CFS at the conclusion of 2020 Cluster Study and the alignment of the CFS BP with the processes and attributes associated with the implementation of the CCO software. BPA believes that automation of certain functions (e.g. assignment of STF to alleviate conditionality, etc.) significantly improves the management of CFS for all customers. These improvements should be an important consideration in the Customer evaluation whether to accept any offer of CFS at the conclusion of the 2020 Cluster Study. Delaying adoption of the necessary BP updates would likely impede BPA's ability to offer the service that customers requested. BPA is adopting the majority of the proposed changes in the BP for that reason. However, BPA recognizes Powerex's and other commenters' concerns about removal of the Customer option to convert R-CFS to B-CFS and inclusion of the statement that "Reassessment CFS is not eligible for LTF ATC that alleviates the Hours or System Conditions," (see section D.3.b of Version 24 as proposed) and agrees that those issues need more discussion. Because those aspects of the proposed revisions are unnecessary to align the CFS BP with CCO, BPA will withdraw those proposed changes in favor of further discussion in public workshops. In the interim, BPA is retaining the Customer option to convert R-CFS to B-CFS that appears in in Version 23 of the CFS BP.

BPA is committed to following first-come, first-served principles and to transparency in the development of policies consistent with FERC guidance. As BPA acknowledged in its response to the Commenting Parties, the language proposed in Section D.3.b was ambiguous and could be read more broadly than BPA intended. Regardless of that particular language, however, Powerex raises larger issues about the nature and management of R-CFS consistent with first-come, first-served principles. Importantly, Customers choosing to accept R-CFS are also choosing not to participate in the upgrades necessary to enable LTF service. The TSR associated with the R-CFS is in a final OASIS state. Therefore, it does not remain in the queue with pending requests for LTF service. This means that R-CFS will not receive additional LTF ATC ahead of pending requests that may be participating in upgrades. As Powerex acknowledges, FERC has considered issues related to "firming up" R-CFS in certain situations but has declined to address the issue directly. FERC's guidance only acknowledges the unique complexities that should be considered on a case-by case basis. BPA believes that there are opportunities to develop policies and refine practices related to R-CFS, but that is not BPA's objective with the revisions in Version 24 of the CFS BP.

BPA is concerned by Powerex's comments that adoption of the changes proposed in Version 24 would not adhere to the terms of the TC-20 Settlement. BPA takes its commitments in the settlement seriously and does not agree that the proposed changes are inconsistent with any aspect of the agreement. Powerex maintains that adoption of the proposed Version 24 would be inconsistent with BPA's commitment not to change the terms and conditions of service through a BP or other non-tariff document, but Powerex does not identify a specific term or condition from BPA's tariff that the proposed revisions would have changed or how it would have changed. Powerex's comments focus generally on the potential to firm up R-CFS with LTF ATC, but BPA's tariff contains no term or condition that defines how to firm up R-CFS. Moreover, because FERC explicitly declined to resolve how to firm up R-CFS, it has not established any term or condition on this topic outside of the *pro forma* tariff. Powerex also expresses concern about the proposal to "eliminate the pathway for R-CFS to convert to LTF service." Bonneville interprets that as a reference to the exclusion from the proposed Version 24 of the option to convert from R-CFS to B-CFS. The only place that option is provided,

however, is in the CFS BP. It is not in BPA's tariff. Revising the CFS BP through the Business Practice Process adopted in the TC-20 Settlement adheres to the settlement.

BPA acknowledges that the TC-20 Settlement provides that FERC precedent is an "important factor" when considering whether a proposed BP would significantly affect rates, terms or conditions of service, but the FERC orders that Powerex cites provide no clear basis for a claim that adopting the proposed revisions to the CFS BP would violate the Settlement. Powerex is correct that Order 890-B directed public utilities to file tariff revisions in the event of a need to allocate excess capacity resulting from the completion of upgrades, but the Commission took great pains to outline the specific and unlikely circumstances it was addressing. The Commission pointed out that the "complicated series of events leading to such an allocation may never come to pass" and further narrowed its directive by specifying a "minimum" set of circumstances that must occur before such a filing should be made. Order 890-B at P126 n. 185. Although the precedential value to give to such a fact-specific order may be up for debate, it provides no clear basis to claim that proposing to address a different fact scenario through BP revisions violates the TC-20 Settlement. One interpretation of that order is that BPA should not address the allocation of LTF ATC to CFS customers in the tariff (or a BP for that matter) until the circumstances specified by the Commission arise. That result would be contrary to Powerex's overall support for tariff revisions to address the allocation of *any* LTF ATC, not just excess capacity for the completion of upgrades.

Powerex also relies on the Commission's statement in Order 676-E that the American Wind Energy Association (AWEA) should make "an appropriate filing" if AWEA wants to change the Commission's previous decision not to give CFS customers priority access to LTF ATC. AWEA is not a transmission provider and does not have an OATT. It is not clear what "appropriate filing" the Commission was referring to under these circumstances, but it does not appear to be a tariff filing. BPA is not seeking to resolve the tariff versus BP question here, but claims about not adhering to the TC-20 settlement are a serious matter for which the orders cited by Powerex provide no clear basis. BPA looks forward to further discussion of all of these issues in public workshops.

BPA's response to the *Additional Comments* submitted by Powerex:

1. *In Section A. 2, Version 24 refers to FERC Order Nos. 890 and 890-A. This section should be modified to include reference to the relevant paragraphs of Order No. 890-B.*

BPA agrees and it has added the appropriate reference to the CFS BP.

2. *In Section A.3, Version 24 states that Bonneville uses the CCO Module to manage CFS. This section should be amended to state that Bonneville may modify implementation of the CCO Module. For instance, Bonneville proposes to create TSNs to allow B-CFS AREFs to retain queue position.*

BPA disagrees with Powerex's assertion that it has modified the CCO. To the contrary, BPA is utilizing the existing functionality of industry standard tools to ensure that customers taking B-CFS retain their queue position and consideration for long-term firm ATC. This is not a change from BPA's historical CFS management practices; BPA has consistently used a "placeholder" TSR as mechanism to retain the queue position of the customer taking B-CFS. Transmission providers routinely use TSRs as a tool for planning and organizing long-term transmission commitments. BPA decided to use the Transmission Service Number (TSN) to increase transparency in its queue management practices. Unlike a "standard" TSR, BPA can

uniquely configure the naming convention of a TSN. As noted in Version 24, Section F.2, the TSN number will match the TSR number of the Customer's confirmed B-CFS TSR, in addition to a Bridge Reservation Marker "BRM" prefix so that customers may identify that BPA is retaining the B-CFS TSR queue position. The TSN will allow BPA to maintain the link of the original B-CFS Reservation number while the B-CFS Reservation number changes through time (because of Renewals, Deferrals, etc...).

3. *Section A.4 should include a reference to Section 13.2 of Bonneville's tariff.*

BPA agrees and has added the reference to the CFS BP.

4. *Version 24 references a "Conditional Firm Service Agreement" and a "CFS Exhibit". Bonneville should clarify if these terms refer to the same document or use consistent terminology.*

BPA uses two contract documents to execute the terms and conditions of CFS. The CFS Exhibit outlines the general terms and conditions of CFS. The Exhibit Table specifies the CFS terms and conditions associated with a particular TSR. BPA has updated references in Version 24 to specify which contract document it is referencing.

5. *In Section D.1.e, Bonneville should include rollover rights as one of the same rights available to CFS customers that is available to customer receiving LTF service without conditions.*

BPA believes that current language is sufficient. The industry standard term for rollover rights is reservation priority. Section D.1.e, states, "CFS reservations have the same rights as LTF transmission service," and it references BPA's Reservation Priority Business Practice.