

# Terms and Conditions TC-20 Tariff Proceeding Customer Workshop

8/21/18

# Agenda

TIME	TOPIC	PRESENTERS
9:00 - 9:05 AM	Agenda Review & Safety	Rachel Dibble
9:05 – 9:15 AM	Strategic Alignment & <i>Pro Forma</i> Guidance	Michelle Cathcart, Michelle Manary and Jeff Cook
9:15 - 9:30 AM	Queue Rollover/Remainder	Katherine Rademacher and Deb Rowe
9:30 – 9:45 AM	NT NOA and Attachment G	Toni Sewell
9:45 – 10:00 AM	NT Redispatch and Attachment M	Tracey Salazar
10:00 – 10:30 AM	NT Conditional Firm	Toni Sewell
10:30 – 10:45 AM	<b>Break</b>	
10:45 – 11:30 AM	Hourly Firm	Mike Norris
11:30 – 11:45 AM	Ancillary Service (Schedule 9)	Eric King
11:45 – 12:45 PM	<b>Lunch Break</b>	
12:45 – 1:00 PM	Loss Factors	Mike Bausch and Chris Gilbert
1:00 – 1:30 PM	Business Practices Process	Rachel Dibble and Mary Willey
1:30 – 1:55 PM	Price Cap and Financial Middleman	Rebecca Berdahl
1:55 – 2:25 PM	TC-20 Tariff Development and Settlement	Melanie Bersaas and Rahul Kukreti
2:25 – 2:35 PM	Wrap up and Next Steps	Rachel Dibble

# Strategic Alignment

## Agency Strategy

**BPA's 2018–2023**

### STRATEGIC GOALS

DELIVERING ON OUR PUBLIC RESPONSIBILITIES THROUGH A COMMERCIALY SUCCESSFUL BUSINESS

- #1 STRENGTHEN FINANCIAL HEALTH** Improve cost-management discipline, build financial resiliency and maintain strong credit ratings.
- #2 MODERNIZE ASSETS & SYSTEM OPERATIONS** Administer an industry-leading asset management program; modernize federal power and transmission system operations to leverage market and technology developments.
- #3 PROVIDE COMPETITIVE POWER PRODUCTS & SERVICES** Increase revenues; align the region around a durable and financially sustainable fish and wildlife plan; align energy efficiency investments with long-term needs; achieve a modernized Columbia River Treaty.
- #4 MEET TRANSMISSION CUSTOMER NEEDS EFFICIENTLY & RESPONSIVELY** Make more flexible, scalable, economical and operationally efficient transmission investments; support efficient regional resource development; streamline processes; standardize products and services.

## Transmission Business Model

### WE ENERGIZE THE PACIFIC NORTHWEST

#### Transmission Value Proposition

- Operating a High Performing Grid
- Enabling Economic Growth in the Region
- Providing Access to Federal and Non-Federal Resources And Markets

#### Through Excellence

- Product Portfolio** Providing standardized options  
Value-based price profiles  
Drawing from integrated regional planning
- Infrastructure** Advanced situational awareness  
Right-sized investments in assets  
Value and risk-based asset management
- Long-Term Viability** Integrated and efficient processes  
Data-driven decision making  
Innovation and continuous improvement

### A Dependable and Responsive Business Partner

# BPA's *pro forma* strategic guidance as principles for the new tariff

Consistent with the BPA 2018-2023 Strategic Plan and Transmission Business Model, BPA plans to propose a tariff that is consistent with the FERC *pro forma* tariff to the extent possible. BPA will consider differences from the FERC *pro forma* tariff if the difference is necessary to:

1. Implement BPA's statutory and legal obligations, authorities, or responsibilities;
2. Maintain the reliable and efficient operation of the federal system;
3. Prevent significant harm or provide significant benefit to BPA's mission or the region, including BPA's customers and stakeholders; or
4. Align with industry best practice when the FERC *pro forma* tariff is lagging behind industry best practice, including instances of BPA setting the industry best practice.





# Queue Rollover/Remainder

# Current Rollover Business Practice

- Offer a customer a long-term transmission service reservation (PTP or NITS) with rollover rights to requests with a contract term of less than 5 years.
  - If customer originally requested at least 5 years of service and there is ATC for at least the last month requested and the rollover period.
  - In other words, BPA does not base rollover eligibility strictly on a reservation's contract term of service offered, but instead makes offers based on the duration originally requested.

This current policy was identified as an area of non-compliance with FERC's *pro forma* tariff and industry practice.

# New Rollover Business Practice

- Complies with FERC's *pro forma* and BPA tariff regarding rollover rights but would result in a change to BPA policy regarding how it processes requests for customers participating in study/build process.
  - In general, BPA will limit granting rollover rights based on whether a reservation has a contract term of five years or more, unless the Customer is actively participating in BPA's study or expansion process.
- Based on customer input, new rollover policy would create two categories of customer requests in BPA's long-term pending queue in study status.
  - Customers participating in a study/build process and those customer that are not. BPA would apply different queue rulesets to each customer category.
- For customers participating in a study/build process
  - BPA will provide customers with an option to maintain their requested service duration even if the start date occurs later than expected, pursuant to section 15.5 of BPA's tariff. This would allow customers requesting at least five years to maintain rollover consideration, provided the customer choose to maintain its originally-requested service term.
- For customers not participating in a build/study process
  - BPA would apply the 5 year service term requirement, and a customer would not have an option to extend its service term. Thus, if BPA were to make a partial offer, rollover eligibility would depend on whether the offer was for five years or longer.

# Current Remainder Business Practice

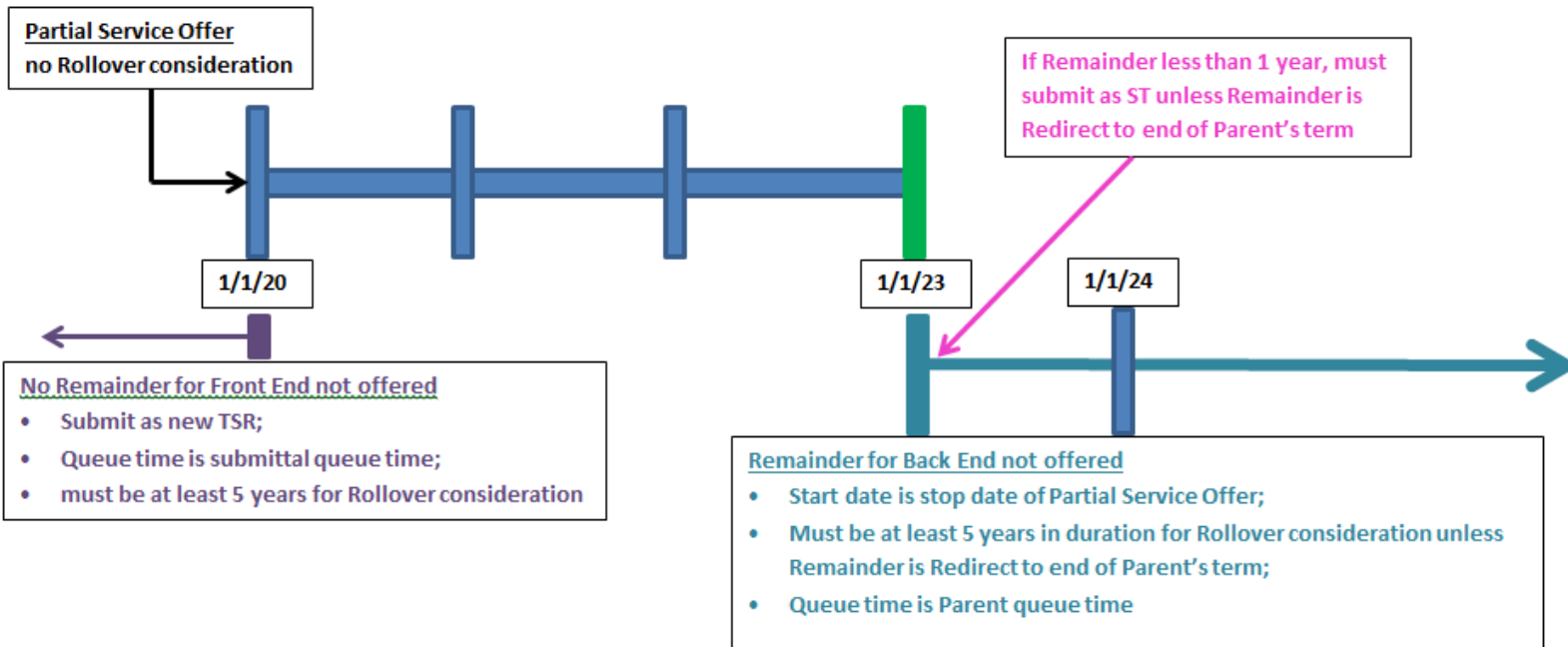
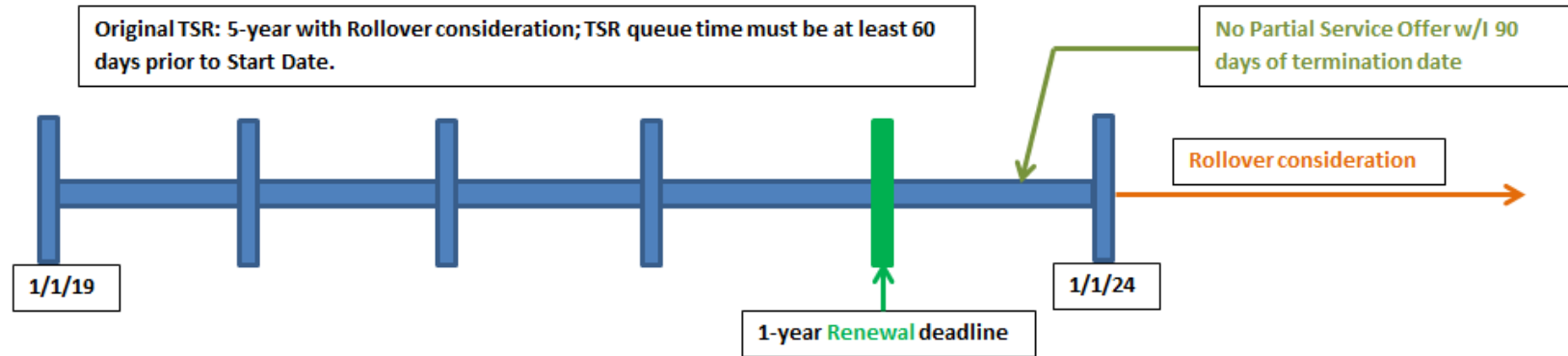
- Customer may submit a Remainder TSR for ANY capacity not granted with Partial Service Offer.
- Customer may submit a Remainder TSR for less than a year.
- If Parent TSR held Rollover consideration, Rollover consideration transferred to Remainder if Remainder included end of Parent TSR's term, regardless of duration of Remainder.



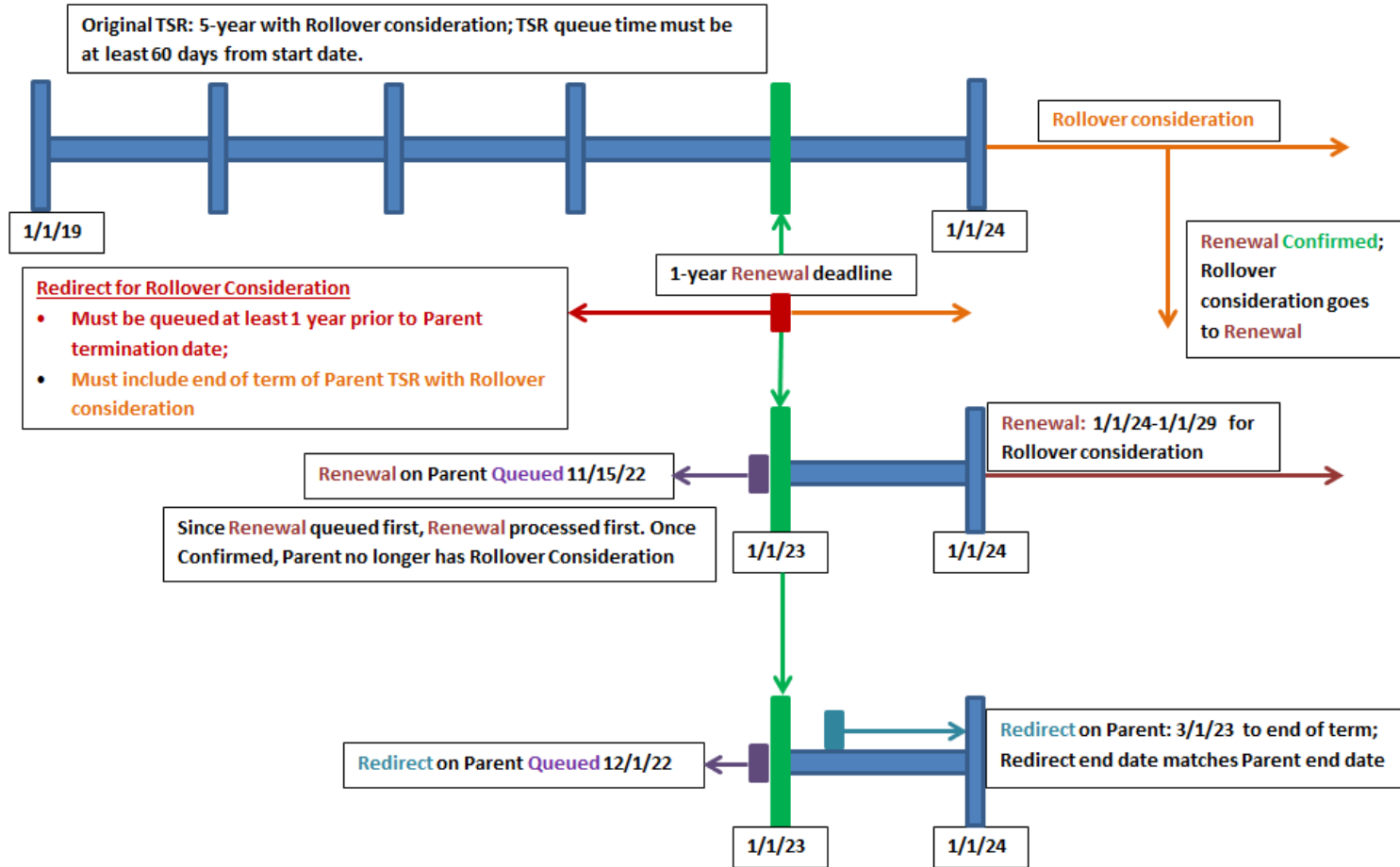
# Changes to Remainder Business Practice

- Start Date, Termination Date and Duration
- Parent Capacity Prior to Partial Service Offer Start Date
- Remaining Capacity of less than one year
- Redirect Remainder guidelines for Rollover consideration

# New Remainder Business Practice



# Redirect For Rollover Consideration



Redirect queued on Parent after Renewal and prior to 1-year Renewal deadline. Since Renewal processed first and Rollover Consideration has been moved to Renewal, no rollover consideration on Parent. Redirect will be processed for capacity left on Parent. To obtain Rollover Consideration on the redirected path, new Redirect must be submitted against Confirmed Renewal on day that Renewal is Confirmed. To retain Rollover Consideration on redirected path, new Redirect must be for at least 5 years. Queue Time of new Redirect will be the queue time of originally submitted Redirect.

To avoid having to submit two Redirect TSRs, one against the Parent and one against the Renewal, queue Renewal to allow sufficient time to evaluate for competitions and Renewal Confirmation so that a Redirect may be queued against the Renewal before the Renewal deadline.

# Queue Rollover/Remainder Next Steps

Action Items	Date
Post Business Practices for Customer Comment	8/21/2019
New Policy Effective Date	1/1/2019



# NT NOA and Attachment G



# NT NOA and Attachment G Tariff Proposal Summary

<p><b>1. What is the <i>pro forma</i>?</b></p>	<ul style="list-style-type: none"> <li>• FERC <i>pro forma</i> Attachment G is blank. This allows jurisdictional utilities to determine requirements and mechanisms for Network Integration Transmission (NT or NITS) customers to coordinate with Transmission Provider on operational needs.</li> <li>• FERC requires network operating agreements to be filed with FERC.</li> </ul>
<p><b>2. What did we hear?</b></p>	<ul style="list-style-type: none"> <li>• Largely, there were few comments on the NOA from the June 26 workshop.</li> <li>• Those who did comment said:             <ul style="list-style-type: none"> <li>• That they were not opposed to BPA’s proposal so long as these bilateral agreements do not create any undue discrimination between similarly situated customers</li> <li>• Make implementation as streamlined as possible.</li> <li>• Make the process and document development as transparent as possible.</li> </ul> </li> </ul>
<p><b>3. What are we proposing?</b></p>	<p>Simplified Approach – a simple, high-level list of topics in Attachment G, plus standard NOA template(s). Executed NOAs would allow for some customization with customers.</p>
<p><b>4. Which TC-20 tariff principles does it align to?</b></p>	<ul style="list-style-type: none"> <li>• Implement BPA’s statutory and legal obligation, authorities, or responsibilities (in that BPA will not file its NOAs with FERC);</li> <li>• Align with industry best practice when the FERC <i>pro forma</i> tariff is lagging behind industry best practice, including instances of BPA setting the industry best practice.</li> </ul>
<p><b>5. Why are we proposing this position?</b></p>	<ul style="list-style-type: none"> <li>• Flexibility to make NOA changes in the future (e.g. changing markets or operational needs) without tariff proceedings.</li> <li>• A simplified Attachment G would defer details or customer-specific needs to the individual NOAs.</li> <li>• Consideration of current resource demands for both BPA and its customers, given on-going initiatives (e.g., Rate Case and other TC-20 proceedings).</li> </ul>
<p><b>6. What are the change impacts?</b></p>	<ul style="list-style-type: none"> <li>• Replacement of Attachment G</li> <li>• Subsequent development of standard NOA template(s) – Includes incorporation or replacement of agreements with overlapping terms and conditions.</li> <li>• Execution of NOAs with customers.</li> </ul>
<p><b>7. Is there a rate case impact?</b></p>	<p>There is no rate case impact.</p>

# About the Network Operating Agreement

The Network Operating Agreement spells out the operational needs between BPA and its NT customers.

- Pro Forma:
  - FERC *pro forma* Attachment G is blank. This allows jurisdictional utilities to determine requirements and mechanisms for Network Integration Transmission (NT or NITS) customers to coordinate with Transmission Provider on operational needs.
  - FERC requires NOA to be filed with FERC.
- BPA's Tariff
  - Attachment G of BPA's tariff spells out the "contractual requirements related to Network Integration Transmission Service over the Transmission Provider's Transmission System."
  - This is a blanket approach, rather than bilateral contracts with customers.

# Feedback from June TC-20 Workshop

- Customers do not oppose BPA's preferred alternative of a simplified approach.
- Customers do not oppose BPA's proposal so long as these bilateral agreements do not create any undue discrimination between similarly situated customers.
- Ask that BPA provide customers with a basic procedure for how the NOA template will be developed and how proposed bilateral deviations will be considered prior to commencing the TC 20 process.

# Response to Feedback

Customers do not oppose BPA's proposal so long as these bilateral agreements do not create any undue discrimination between similarly situated customers.

- BPA appreciates customer support on proposed direction for TC-20 regarding Attachment G.
- BPA envisions that differences between NOAs from customer to customer will reflect operational differences or other system needs.

# Response to Feedback (Continued)

Provide customers with a basic procedure for how the NOA template will be developed and how proposed bilateral deviations will be considered prior to commencing the TC 20 process.

- BPA understands customer concerns regarding the process by which the development of the NOA template will take place.
- Following the TC-20 proceeding, we intend to assemble an implementation team to work closely with NT customers to involve them in the process of drafting template(s) for NOAs.
- At that time, we can explore ways to ensure transparency while also protecting any proprietary customer business information.
- BPA is considering using the Network Operating Committee as a forum to have some of these discussions.



# Proposed Tariff Language

(No changes from June  
workshop)

## Attachment G

### Network Operating Agreement

The Transmission Provider will provide the Network Operating Agreement when it negotiates and offers a Network Integration Transmission Service Agreement.

The Network Operating Agreement will set forth the terms and conditions under which the Network Customer will be required to operate its facilities as well as technical and operational matters associated with the provision of Network Integration Transmission Service.

The Network Operating Agreement will include, but is not limited to the following:

- Authorized Representatives of the Parties
- Network Operating Committee
- System Protection
- System Regulation and Operating Reserves
- Service Conditions
- Management of Transmission Constraints
- Emergency Procedures
- Maintenance of Facilities
- Data, Information, and Reports
- Metering
- Communications
- Transmission Losses
- Administrative Provisions
- Operational Regulatory Compliance
- Other Operational and Technical Matters as Needed

# Proposed Tariff Language (Continued)

Section 29.1: Subject to the terms and conditions of Part III of the Tariff, the Transmission Provider will provide Network Integration Transmission Service to any Eligible Customer, provided that;

- (i) the Eligible Customer completes an Application for service as provided under Part III of the Tariff,
- (ii) the Eligible Customer and the Transmission Provider complete the technical arrangements set forth in Sections 29.3 and 29.4,
- (iii) the Eligible Customer executes a Service Agreement pursuant to Attachment F for service under Part III of the Tariff or requests in writing that the Transmission Provider begin to initiate service in the absence of an executed Service Agreement pursuant to Section 15.3, and
- (iv) the Eligible Customer executes a Network Operating Agreement with the Transmission Provider pursuant to Attachment G.

# Proposed Tariff Language (Continued)

- Section 35.2: The terms and conditions under which the Network Customer shall operate its facilities and the technical and operational matters associated with the implementation of Part III of the Tariff shall be specified in the Network Operating Agreement. The Network Operating Agreement shall provide for the Parties to;
  - (i) operate and maintain equipment necessary for integrating the Network Customer within the Transmission Provider's Transmission System (including, but not limited to, remote terminal units, metering, communications equipment and relaying equipment),
  - (ii) transfer data between the Transmission Provider and the Network Customer (including, but not limited to, heat rates and operational characteristics of Network Resources, generation schedules for units outside the Transmission Provider's Transmission System, interchange schedules, unit outputs for redispatch required under Section 33, voltage schedules, loss factors and other real time data),
  - (iii) use software programs required for data links and constraint dispatching,
  - (iv) exchange data on forecasted loads and resources necessary for long-term planning, and
  - (v) address any other technical and operational considerations required for implementation of Part III of the Tariff, including scheduling protocols.
- The Network Operating Agreement will recognize that the Network Customer shall either;
  - (i) operate as a Control Area under applicable guidelines of the Electric Reliability Organization (ERO) as defined in 18 C.F.R. § 39.1, the regional reliability organization, and the Northwest Power Pool (NWPP),
  - (ii) satisfy its Control Area requirements, including all necessary Ancillary Services, by contracting with the Transmission Provider, or
  - (iii) satisfy its Control Area requirements, including all necessary Ancillary Services, by contracting with another entity, consistent with Good Utility Practice, which satisfies the applicable reliability guidelines of the ERO, the regional reliability organization, and the NWPP.
- The Transmission Provider shall not unreasonably refuse to accept contractual arrangements with another entity for Ancillary Services. The Network Operating Agreement is included in Attachment G.

# Next Steps

- Finalize tariff revisions through TC-20 proceedings.
- Reconstitute internal BPA team focused on implementation.
- Identify dependencies needing to be addressed through the NOA (products, services, compliance or other requirements with possible operational impacts).
- Determine communications protocol for customer input related to the creation of the template(s).
  - Customer input on the individual NOAs will be on a customer-by-customer basis.
- Determine preferred format for NOA which will allow for individual customer operational provisions.
- Document drafting, review and execution.
- General estimate is 18-24 months.
- During the implementation process, BPA proposes that the existing NOA will continue to apply until customers replace it with executed NOAs.



# NT Redispatch and Attachment M



# Feedback from June TC-20 Workshop

A large number of NT customers, both individually and through customers groups, support BPA proposed Alternative 4.

- Maintain ability to provide NT Redispatch solely from the FCRPS or from all Network Resources by replacing the “except as provided in Attachment M” language with language that accomplishes this objective.
- Remove Attachment M from the tariff but retain the provision of Discretionary and Emergency Redispatch from the federal system through the Redispatch and Curtailment Business Practice.

# Feedback from June TC-20 Workshop (Continued)

- Some customers stated that discretionary and emergency redispatch from the Federal system is a fundamental term and condition of service and should remain in the tariff.
- One customer group requested more information on the costs and benefits of non-Federal NT Redispatch.
- One customer group implied that the creation of conditional Network Service was in part a means to work around BPA's NT Redispatch policies.
- One customer group commented that the tariff language should clarify that the costs of NT Redispatch be shared by NT customers based on load ratio share and not allocated to PTP customers.
- One customer requested that BPA clarify that it will not seek to redispatch "off-system" Designated Network Resources.

# Response to Customer Comments

Customer statement that discretionary and emergency Redispatch from the Federal system is a fundamental term and condition of service and should remain in the tariff:

- Attachment M sets forth procedures by which Transmission Services requests Redispatch of the federal system by Power Services.
- Attachment M creates neither rights nor obligations between BPA and its PTP customers. In fact, the PTP portion of the tariff contains no references to Attachment M.
- Discretionary and emergency Redispatch are options that BPA has to manage its transmission system and maintain reliability. It is one of many tools that BPA uses to reliably manage its transmission system.
- Because discretionary and emergency Redispatch are implementation tools and because Attachment M simply reflects an arrangement between Transmission Services and Power Services, it is appropriate for a business practice.

# Response to Customer Comments (Continued)

## Benefits and Costs of Non-Federal NT Redispatch

- Based on preliminary analysis, BPA proposes to maintain flexibility in the tariff to implement non-federal NT Redispatch in the future if or when the benefits justify the costs.
- In 2016, NT customers provided information to BPA on the capability and availability of network resources to respond to NT Redispatch requests. The identified resources do not include “system” DNRs, the availability, costs and benefits of which are difficult to quantify.
- BPA’s preliminary analysis of this information indicated 105 MW of possible INC resources and 234 MW of possible DEC resources in locations with potential to provide congestion relief.
- For this relatively small amount of INCs and DECs, BPA would incur costs to modify dispatch and billing systems and procedures.
- Customers would also incur costs to modify their dispatch and settlement systems and procedures.
- Given that BPA has implemented NT Redispatch on few occasions over the years, the costs of implementation do not appear to justify the modest benefit of non-Federal NT Redispatch.
- BPA’s tariff proposal provides for the flexibility to revisit implementation of non-Federal NT Redispatch in the future.

# Response to Customer Comments (Continued)

Customer stated that the creation of conditional Network Service was in part a means to work around BPA's NT Redispatch policies.

- This is an incorrect assumption. The ATC calculation and BPA's subsequent acceptance of a customer's Designated Network Resource are in no way impacted by BPA's policy on NT Redispatch. NT Redispatch is a tool used to manage congestion in real time.

# Response to Customer Comments (Continued)

## Allocation of NT Redispatch costs to NT Customers

- The proposed tariff language clearly states in section 33.3 that Network Customers bear the cost of NT Redispatch.
- Load ratio share is not the BPA NT billing factor. BPA uses Network Load as the billing determinant for NT service. BPA's current and proposed tariffs reflect this difference from *pro forma*.



# Response to Customer Comments (Continued)

Regarding potential treatment of off-system DNRs should BPA decide to redispatch non-Federal Network Resources:

- Details related to which NT Resources would be subject to NT Redispatch are appropriate for a Business Practice or other implementation protocol, not the OATT.
- BPA will consider these comments when and if BPA pursues the redispatch of all Network Resources.

# What are we proposing?

- After reviewing these comments, BPA continues to believe that maintaining the flexibility to provide NT Redispatch solely through the FCRPS or from all Network Resources in the future provides significant benefit to the region.
- BPA's proposed treatment of NT Redispatch and Attachment M received support from a large number of customers, particularly NT customers.
- Some customers raised questions and had additional suggestions.
- Despite its historical inclusion in BPA's tariff, Attachment M is a procedural document. Its content, therefore, is appropriate for a Business Practice.
- BPA supports its original proposal:
  - BPA proposes to maintain its ability to provide NT Redispatch solely from the FCRPS or from all Network Resources by replacing the "except as provided in Attachment M" language with language that accomplishes this objective.
  - BPA proposes to remove Attachment M from the tariff but retain the provision of Discretionary and Emergency Redispatch from the federal system through the Redispatch and Curtailment Business Practice.



# NT Conditional Firm

Pre-Decisional. For Discussion Purposes Only.

# What is the *pro forma*?

- Network (NT) Conditional Firm is not in the pro forma tariff.
- FERC noted it was not necessary for transmission providers to offer CF service to NT customers because the flexibilities of PTP CF are inherent in pro forma NT service.

# What are the Alternatives?

- Alternative 1: Status Quo
  - BPA retains Conditional Firm NT Service language in the new tariff.
- Alternative 2: Propose Pro Forma language in new tariff.
  - This alternative will not retain NT CF language
    - BPA will continue to define Pro Forma NT Service and develop a comprehensive implementation plan for doing so.
      - This may require a phased in approach as BPA defines, develops and implements service attributes.
      - Moves BPA closer to implementation of the Pro Forma Tariff for NT Service. (e.g. Modeling NT forecasts/DNRs in the ATC base case, Planning Redispatch, etc.)

# Feedback from June TC-20 Workshop

- BPA should not retain NT CF.
- Eliminate NT CF service.
- BPA should transition existing NT CF customers to regular NT service, as BPA has stated that it intends to do.
- BPA should avoid undue and unnecessary reliance on conditional firm.
- Supportive of BPA's approach toward conforming the NT Conditional Firm transmission product with the FERC Pro Forma tariff.
- Adopt Alternative 2, under which BPA would not retain NT conditional firm language in the tariff and move closer to implementation of the FERC pro forma tariff for NT service.



# Response to Customer Comments

- BPA should transition existing NT CF customers to regular NT service, as BPA has stated that it intends to do.
  - BPA intends to work with customers taking NT CF to transition to regular NT service.

# Response to Customer Comments

- BPA appreciates customer support in our efforts to move towards a pro forma tariff.
- BPA is committed to working with customers to define and provide pro forma NT service under the new tariff.

# What are we proposing?

- Based on the analysis performed, BPA is proposing Alternative 2: Pro Forma language in the new tariff.
  - We continue to scope out our IT system capability to support the removal of NT CF.

# Why are we proposing this position?

- Key Considerations:
  - Aligns with Pro Forma Tariff.
  - Aligns with BPA's Agency Strategic Plan.
    - 4c: Meet current and future needs of Network Integration Transmission Service customers through clear business practices and streamlined processes.
    - 4d: Offer more standardized products and services by better aligning BPA's Open Access Transmission Tariff with pro forma and industry best practices.”
  - One customer is currently taking NT CF service.
  - Continued collaboration with customers on the deployment, evolution, and management of the NT Service.

# What are the change impacts?

- For majority of NT customers, except one, there will be no change since they do not take NT CF service.

# NT Conditional Firm Tariff Proposal Summary

<p>1. What is the <i>pro forma</i>?</p>	<ul style="list-style-type: none"> <li>• <i>BPA's Open Access Transmission Tariff (OATT) includes Network Integration Service (NT) on a Conditional Firm (CF) basis. This language is not pro forma or industry standard.</i></li> <li>• <i>FERC noted it was not necessary for transmission providers to offer CF service to NT customers because these flexibilities were inherent in NT service.</i></li> <li>• <i>Network (NT) Conditional Firm is not in the pro forma tariff.</i></li> </ul>
<p>2. What did we hear?</p>	<ul style="list-style-type: none"> <li>• <b>BPA should eliminate NT Conditional Firm from its product portfolio.</b></li> </ul>
<p>3. What are we proposing?</p>	<ul style="list-style-type: none"> <li>• <b>BPA is proposing Pro Forma tariff language.</b></li> <li>• <b>There would be no NT CF language in the new tariff.</b></li> </ul>
<p>4. Which TC-20 tariff principles does it align to?</p>	<p><b>Removing NT CF language is consistent with the <i>pro forma</i> tariff.</b></p>
<p>5. Why are we proposing this position?</p>	<ul style="list-style-type: none"> <li>• <b>Aligns with pro form tariff.</b></li> <li>• <b>Aligns with BPA's Agency Strategic Plan.</b></li> <li>• <b>Supports streamlined processes and clear Business Practices.</b></li> </ul>
<p>6. What are the change impacts?</p>	<ul style="list-style-type: none"> <li>• <b>For majority of NT customers, except one, there will be no change since they do not take NT CF service.</b></li> </ul>
<p>7. Is there a rate case impact?</p>	<p><b>No rate case impact.</b></p>





# Hourly Firm

Pre-Decisional. For Discussion Purposes Only.

# What is the *pro forma*?

FERC *pro forma* tariff does not include Hourly Firm in its service specification as outlined in Section 13.

# What did we hear?

- Some customers commented that BPA should analyze and assess alternatives to our current practice of offering unlimited quantities of our Hourly Firm product.
- Some customers commented that BPA has taken the position that Hourly Firm is superior to *pro forma*.
  - BPA would like to clarify its position that Hourly firm is not superior to *pro forma*.
- Some customers commented that BPA should replace Hourly Firm with Shaped Daily or Limit Hourly Firm – Recommendations of alternatives to hourly firm from several customers.
- Some customers commented that BPA said that nearly all customer support the inclusion of Hourly Firm in the BPA tariff.
  - BPA would like to clarify that it heard from several customers that they recommend eliminating the Hourly Firm product as an alternative to Status Quo.

# Hourly Firm Alternatives

Providing Unlimited Hourly Firm is not an option being considered moving forward.

Alternative*	Rationale for analyzing the alternative
Remove Hourly Firm	<ul style="list-style-type: none"> <li>• Only alternative that is <i>pro forma</i>.</li> <li>• Recommendation from the Utilicast assessment of BPA practices vs. industry standards and PFGA project.</li> <li>• Operational and planning concerns with product performance</li> </ul>
Replace Hourly Firm w/ Shaped Daily	<ul style="list-style-type: none"> <li>• Provides a daily product that maintains some of the flexibility of BPA's current hourly firm offering.</li> </ul>
Limit Hourly Firm	<ul style="list-style-type: none"> <li>• Maintains the product and adds an ATC limitation on sales and redirects.</li> <li>• Maintains some of the flexibility of BPA's current hourly firm offering.</li> </ul>

\*Note: Alternatives apply to both the BPA network and interties.

# What are we proposing?

- BPA proposes removing the Hourly Firm product from our product portfolio on the BPA network and interties.

# Hourly Firm decision criteria used to evaluate alternatives

<b>BPA Priority</b>	<b>Decision Criteria</b>
<b>High</b>	Supports reliable system operations Satisfies statutory and legal obligations
<b>Med</b>	Maintains FERC curtailment priority intent Does not negatively impact financial health
<b>Low</b>	Flexibility to serve regional load at least cost Supports BPA's participation in markets Increases customer participation in planning

Note: Hourly Firm decision criteria shared at the June TC-20 Customer Workshop.



# Why are we proposing this position?

BPA believes that removing Hourly Firm;

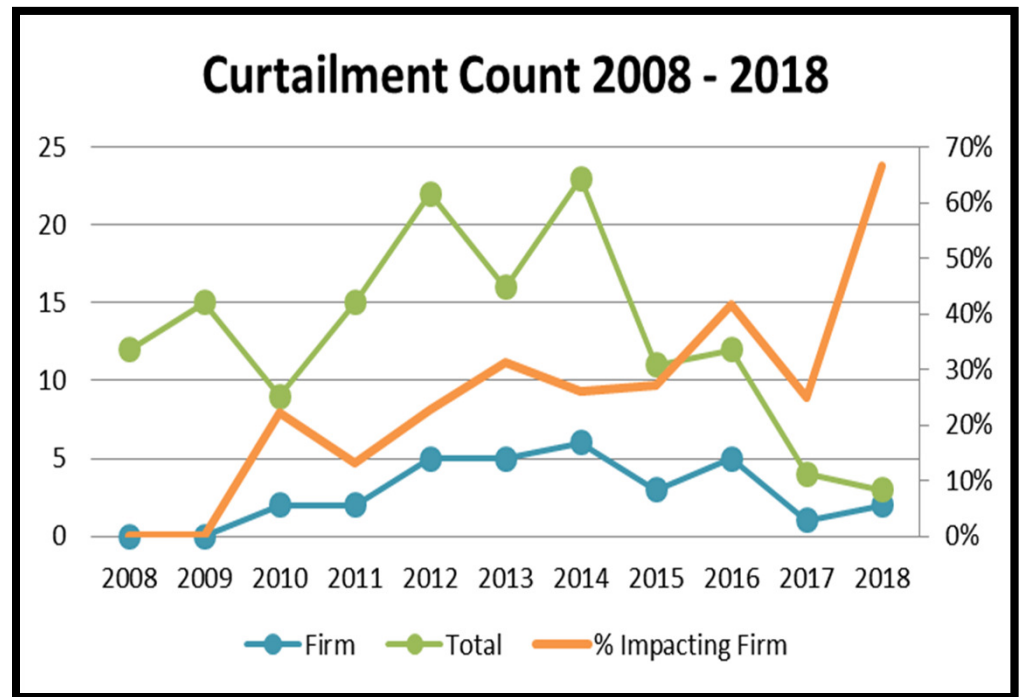
- Best supports BPA's strategic direction;
- Best supports the Transmission Business Model;
- Best reduces conflict among the products within BPA's product portfolio;
- Provides the most appropriate product differentiation; and
- Promotes better planning by more closely aligning reservations and expected usage patterns and incenting customers to secure transmission further in advance.

# Alignment with the BPA 2018-2023 Strategic Plan and Transmission Business Model

- Although BPA is not required to adopt FERC's *pro forma* tariff, we believe that there is value (and in fact is a critical step to achieving this strategic vision) in adopting the FERC *pro forma* tariff for our transmission services to the extent possible. Through this tariff, we offer open access transmission service that is consistent with industry products, services, and standards.
- 2018-2023 BPA Strategic Plan, Objective 4d: Offer more standardized products and services by better aligning BPA's Open Access Transmission Tariff with *pro forma* and industry best practices
- Transmission Business Model: Transmission will ensure business certainty and stability for our customers by offering our product portfolio and standardized options under a comprehensive open access transmission tariff, modeled to the extent possible after FERC's *pro forma* tariff.

# Reliable System Operations/Curtailment Priority

- The total number of curtailments are decreasing. However, the I-5 no build decision is a leading indicator that we will not be able to build our way out of congestion so the decreasing trend is likely to reverse as system utilization increases.
- The % of curtailments impacting firm and the amount of firm as a % of the total cut in each event has been on the rise since 2009.
- Removal of Hourly Firm from our product portfolio will be the most effective in enabling curtailment priority to function as intended and to provide clear congestion signals (if everyone is firm, no one is firm).



# Financial Impact

- BPA believes that removing Hourly Firm will result in a reduction in the amount of firm service impacted by curtailments, thereby reducing the cost of NT redispatch and administrative activities associated with firm curtailments.
- No material differences in revenue are expected for any of the options.

# Flexibility to serve load at least cost

BPA believes that even with the removal of the Hourly Firm products, customers have products available to them to take advantage of economic opportunities (other ST firm products and non-firm).

# Supports BPA participation in markets

BPA believes that removing Hourly Firm neither helps nor hinders participation in the EIM or other organized markets.

# What are the change impacts?

BPA believes that removing Hourly Firm will result in customers using hourly non-firm or daily or longer products to secure transmission (firm and non-firm).



# Is there a rate case impacts?

Removing Hourly Firm will result in the removal of Hourly Firm from the rate schedule.

# Hourly Firm Transmission Service Tariff Proposal Summary

<p><b>1. What is the <i>pro forma</i>?</b></p>	<p>FERC <i>pro forma</i> tariff does not include Hourly Firm in its service specification outlined in Section 13.</p>
<p><b>2. What did we hear?</b></p>	<p>Analyze and assess alternatives to our current practice of offering unlimited quantities of our Hourly Firm product.</p>
<p><b>3. What are we proposing?</b></p>	<p>Remove the Hourly firm product from BPA’s product portfolio.</p>
<p><b>4. If not proposing <i>pro forma</i>, then which TC-20 tariff principles apply?</b></p>	<p>Removing Hourly firm is <i>pro forma</i>.</p>
<p><b>5. Why are we proposing this position?</b></p>	<p>Removing Hour Firm supports BPA’s strategic direction and the Transmission Business Model, reduces conflict within BPA’s product portfolio, provides the most appropriate product differentiation, and incents customers to secure transmission in advance.</p>
<p><b>6. What are the change impacts?</b></p>	<p>Removing Hourly Firm will result in customers using hourly non-firm or daily or longer products to secure transmission (firm and non-firm).</p>
<p><b>7. Is there a rate case impact?</b></p>	<p>Removing Hourly Firm will result in the removal of Hourly Firm from the rate schedule.</p>



# Ancillary Service (Schedule 9)

# What is the *pro forma*?

- FERC *pro forma* Tariff includes a Schedule 9 “Generator Imbalance Service”
- At the June TC-20 workshop, BPA provided modified draft language for Schedule 9 “Generator Imbalance Service” which deviated from *pro forma*.
  - BPA modified the initial proposed language based on customers comments. BPA added “*Pursuant to Schedule 10, ...*”
  - BPA provided an opportunity for customers to submit comments on the modified language

# What did we hear?

In summary, Customer support was mixed.

- Some customers are still concerned that BPA plans to define the quality of service in a business practice and not in the tariff. They state that this is a deviation from the *pro forma* OATT.
  - Customers state that BPA has failed to provide a single principle that would serve as a basis for identifying the amount of reserves needed on a planning basis for balancing load and generation in BPA’s Balancing Authority Area in the Balancing Reserve Business Practice.
- Some customers objects to the “new” language of Schedule 9 arguing that this language creates no obligation for BPA to provide any quantity of balancing reserve capacity.
- Some of the customers supported the new language modifying Schedule 9 to expressly link to Schedule 10 “physical feasibility” and capacity forecasts. These customers also recommend additional language that clearly states that BPA’s statutory obligations also limit “physical feasibility” as contemplated in Schedule 9.
- Some customers ask that Schedule 3 be clarified to highlight that customers paying the Regulation and Frequency Response rate are receiving the capacity services necessary for energy imbalance under Schedule 4.

# What are we proposing?

- For Schedule 9 we are not proposing any change to our proposed language provided at the June workshop.
- BPA does not propose to deviate from *pro forma* language in Schedule 3.
- BPA continues to believe that the level of service is an operational determination made to ensure reliability of the transmission system, and should be defined in the business practice.

# Which TC-20 tariff principles does it align to?

BPA's proposed schedule 9 is substantially pro forma. The deviation from *pro forma* in schedule 9 language aligns to Principle 2: Deviation maintains the reliable and efficient operation of the federal system.

# Why are we proposing this position?

1. Maintain the reliable and efficient operation of the federal system,
2. Clearly describes the services BPA provides, and
3. Provides clear guidance on how BPA will implement the physically feasible requirement of schedule 9, with BPA's proposal for Schedule 10 and the underlying draft Balancing Reserve Business Practice.





# Loss Factors

# What is the *pro forma*?

- The *pro forma* OATT addresses Losses in Sections 15.7 and 28.5.
- BPA is vacating Schedule 9 so that it may be used by the *pro forma* Schedule 9 Generation Imbalance Service.
- Alternatives BPA considered for locating the loss factors.
  - Placing the loss factors in the tariff in either Sections 15.7 and 28.5.
  - Placing the loss factors in a new schedule.
  - Placing the loss factors in a business practice.

# What did we hear?

Customer comments received from June TC-20 workshop comment period.

- Generally, the commenting parties do not support moving the loss factor into a separate business practice. An example comment:

*“Fundamental change to terms and conditions of service, such as real power losses (including percentage loss factors), should only be undertaken in a tariff revision proceeding.”*

- Customers desire a process that allows for their input on the methodologies used to establish loss factors. An example comment:

*“a transmission tariff revision proceeding provides a forum in which BPA transmission customers can test BPA real power loss factor studies and provide rebuttal testimony with respect to those studies.”*

- Customers would like more information on other loss policies such as the calculation methodology, methods for returning losses, or financial settlement pricing. An example comment:

*“It is difficult to provide BPA with feedback on its proposal to capture the loss factor in a business practice due to a lack of information on other aspects of BPA’s loss policy.”*

# What are we proposing?

- We have heard and have reviewed the customer comments, however, we are continuing to propose to identify the transmission loss factors in the Real Power Loss Return business practice.
- Additionally, a summary of BPA's industry scan can be found here:
  - <https://www.bpa.gov/Finance/RateCases/BP-20/Pages/Meetings-and-Workshops.aspx>
- After completion of other loss policy reviews such as the calculation methodology, methods for returning losses, or financial settlement pricing there may be a need to further update the proposed tariff language.

# Why we believe the Business Practice is the right approach?

- Loss factors are an operational occurrence on the transmission system.
- Use of BPA's transmission system will continue to evolve, possibly necessitating the need for more frequent loss factor updates.
  - Lowers the region-wide time, personnel, and costs a formal 212 process requires.
  - Still provides customers with the ability to request information supporting a business practice change as well as the ability to submit comments for or against to which BPA will provide a response.
- The loss factors are not a rate. Additionally, BPA's business practice offers multiple return methods which provides customers with choice in how they will return their obligation and make BPA whole.

# Next Steps

## Loss Factor Methodology

- Currently under review/study.
- This will be completed along the TC-22 timelines.

## Loss Factor Return Methods

- These issues will be addressed in the TC-22 timeframe.

## Pricing of Financial Returns

- The timing for this effort is dependent on decisions made with the Methodology, the Return Methods and resources available for the analysis.



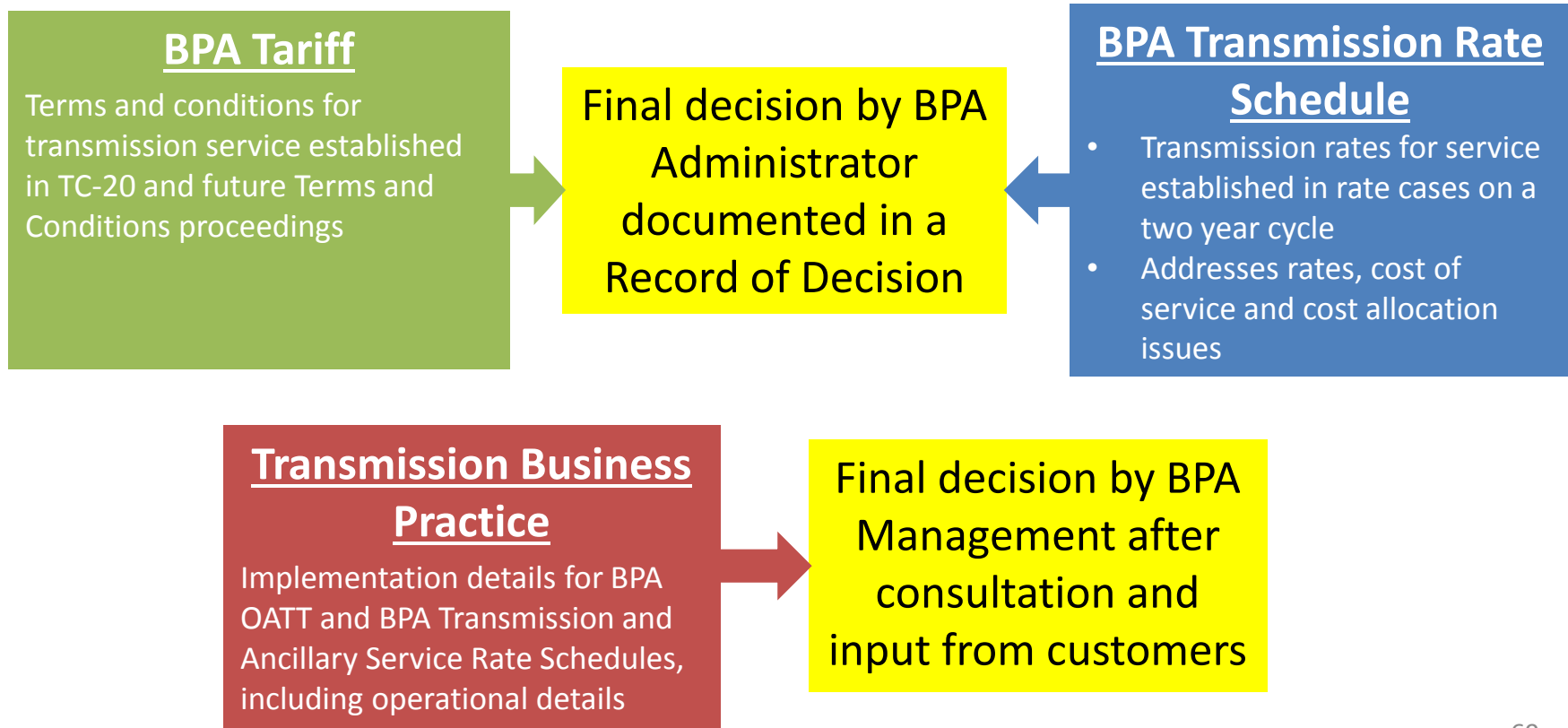


# Business Practice Process



# Tariff, Rate Schedule and Business Practices Distinctions

Customers want to understand the distinction between what is included in the tariff, the rate schedule and Business Practices.



# Business Practice Process Update

- The posted Business Practice (BP) process documentation of 12 Transmission Providers in June 2018 to identify common practices.
- At the July TC-20 Tariff Customer Meeting, BPA shared the information gathered through the scan, reviewed concepts for potential adoption, and requested comments.
- With consideration of common practices and comments received, BPA has developed a draft update to the BPA Business Practice process.

# Business Practice Comment Period

What we heard:

- Minor BP changes could have unforeseen impacts and should not have a reduced comment period.
- The comment period should be fixed at 4 weeks.

Proposed process:

- A BP updated with administrative changes may be posted as effective with a 5 business day comment period.
- All other BPs will have a 20 business day comment period.



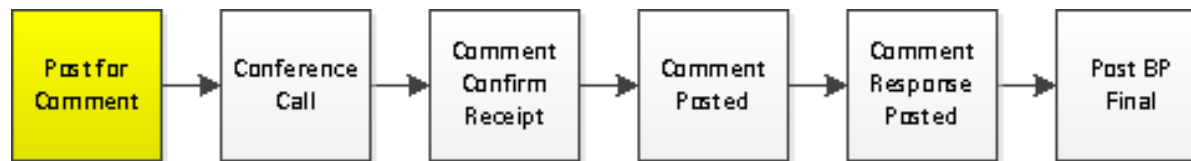
# Business Practice Comment Period

What we heard:

- Comment period extensions should be allowed.
- BPA should not have the ability to expedite the adoption of Business Practices.

Proposed process:

- BPA may initiate a longer comment period to anticipate customer needs.
- BPA replaced the option to post a BP as effective with no comment period and unspecific language with a defined process.



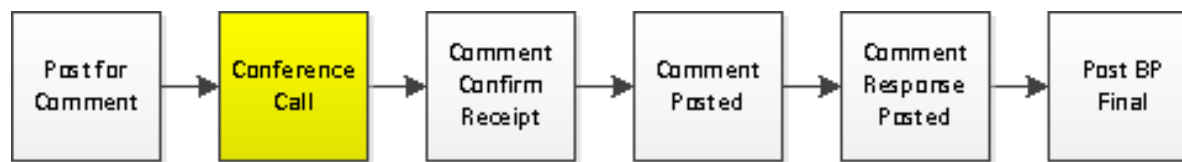
# Conference Call

What we heard:

- BPA should continue to host calls to review BP changes

Proposed process:

- Schedule conference calls approximately 6 days after a comment period begins to provide more time to draft comments.

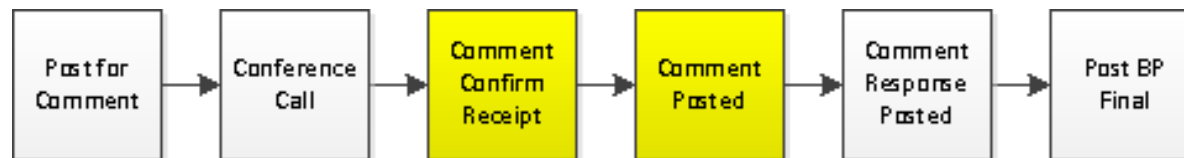


# Comments, Concerns, and Questions

No comments were received regarding the comment intake process.

Proposed process:

- Confirmation of receipt and comment posting will be done within 1 business day.
- Comments received after the close of a comment period will not be posted or appear in the comment response.

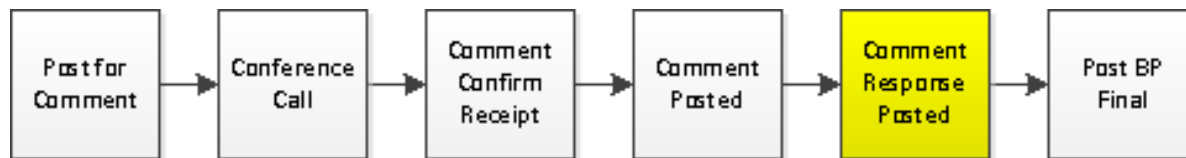


# Response to Comments, Concerns, and Questions

No comments were received regarding BPA's comment response process.

Proposed process:

- BPA will prepare a written response to comments within 15 business days after the close of a comment period and the response will be posted the next business day.
- If more time is needed to prepare the response, BPA will send notification of the expected completion date.



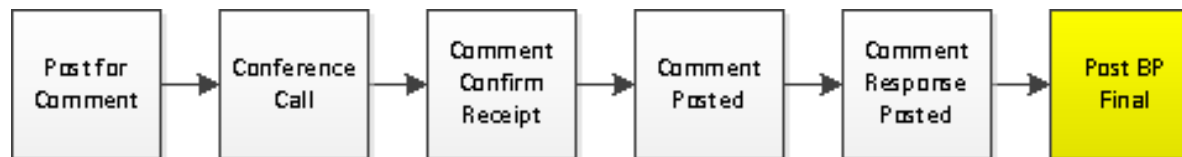


# Revisions

No comments were received regarding the revision of a proposed BP or on the final posting process.

Proposed process:

If comments result in substantive revisions to a draft BP, the BP may be posted for a 10 business day comment period and a conference call may also be scheduled.





# Price Cap and Financial Middleman

# Price Cap and Financial Middleman Tariff Proposal Summary

<p><b>1. What is the <i>pro forma</i>?</b></p>	<ul style="list-style-type: none"> <li>• FERC <i>pro forma</i> lifts the price cap and allows market based pricing for resales.</li> <li>• FERC requires the Transmission Customer’s contract supporting resales at market based pricing and the Transmission Provider’s involvement in the resale validation and settlement activity</li> </ul>
<p><b>2. What did we hear?</b></p>	<ul style="list-style-type: none"> <li>• There were a few comments on the Price Cap issue from the July 26 workshop.</li> <li>• Comment Overview:             <ul style="list-style-type: none"> <li>• Historical BPA documentation including the BPA financial middleman study and resale transaction data history</li> <li>• Some concern with market manipulation</li> <li>• Not opposed to migrating to resales on OASIS.</li> </ul> </li> </ul>
<p><b>3. What are we proposing?</b></p>	<ul style="list-style-type: none"> <li>• Price Cap: For tariff Section 23.1 (a), BPA will replace its current tariff language to <i>pro forma</i> language.</li> <li>• Financial Middleman: For Section 23.1 (b) BPA will retain its current tariff language.</li> </ul>
<p><b>4. Which TC-20 tariff principles does it align to?</b></p>	<ul style="list-style-type: none"> <li>• BPA is aligned with its strategic direction including mission, cost objectives and customer needs.</li> <li>• BPA is aligned with the Section 23.1 of the <i>pro forma</i> tariff and the associated 18 § CFR 38.2</li> </ul>
<p><b>5. Why are we proposing this position?</b></p>	<ul style="list-style-type: none"> <li>• BPA conducted a 2-year pilot on price cap removal and no market manipulation was found</li> <li>• Consideration of current resource demands for both BPA and its customers, given on-going initiatives (e.g., other TC-20 proceedings).</li> </ul>
<p><b>6. What are the change impacts?</b></p>	<ul style="list-style-type: none"> <li>• Replacement of a portion of Section 23.1 tariff language that addresses the treatment of the pricing for resale transactions</li> </ul>
<p><b>7. Is there a rate case impact?</b></p>	<p>There is no rate case impact.</p>

# Feedback and Response from July Workshop

- Historical resale transaction data should be publicly available
  - BPA files Electronic Quarterly Reports to FERC that include information about transmission capacity reassignments (e.g., resales). These reports are available for public viewing on FERC’s website at <https://eqrreportviewer.ferc.gov/>.
- BPA should determine what the energy market impacts are by removal of the price cap before doing so
  - BPA recognizes that energy market impacts can be attributed to many factors and not exclusively to resale transaction pricing. BPA is unable to evaluate energy market impacts based exclusively to resale pricing data.
  - BPA recognizes that transmission customers establish resale bilateral agreements unique to each transaction situation
- BPA should provide historical materials associated with the BPA’s price cap considerations
  - BPA monitored its resales transactions during the FERC two-year pilot and did not find evidence of market manipulation

# Proposed Tariff Language

## Section 23.1 Procedures for Assignment or Transfer of Service

Price Cap: For tariff Section 23.1 (a), BPA will replace its current tariff language to pro forma language.

Financial Middleman: For Section 23.1 (b) BPA will retain its current tariff language.



# TC-20 Tariff Development

Pre-Decisional. For Discussion Purposes Only.



# Updates on Miscellaneous Tariff Sections

- Proposal to retain *pro forma* language
  - Section 18.4, Determination of Available Transfer Capability: BPA is proposing to use the language from its current tariff that is already aligned with the *pro forma* tariff.
- Additional proposed differences to the *pro forma* tariff related to rates which are set pursuant to the Northwest Power Act
  - Section 17.7, Extensions for Commencement of Service of the *pro forma* tariff requires a reservation fee to be paid within 15 days of notification of the customer's intent to extend the service commencement date. Since BPA applies the reservation fee through its rate schedules, BPA does not include the 15 day requirement in the tariff. This is no change from the current tariff.
  - Section 30.9, Network Customer Owned Transmission Facilities of the *pro forma* tariff describes billing credits that may be applied to customer owned facilities that are considered part of the transmission provider's network facilities. BPA omits this section because it is a segmentation and rate design issue that must be addressed in the rate case pursuant to section 7i of the Northwest Power Act.



# Updates on Miscellaneous Tariff Sections (Continued)

Topics BPA proposes to defer consideration of to TC-22

- Section 18.3, Reservation of Non-Firm Point-To-Point Transmission Service of the *pro forma* tariff requires the reservation window for non-firm hourly PTP service to open at 12 noon. In its current tariff, BPA has diverged from *pro forma* and set the reservation window earlier, to 10 AM. Given the impact of BPA's proposal for Hourly Firm, BPA is proposing at this time to defer consideration of changing the reservation window for non-firm hourly PTP service. BPA will propose its current language and address whether it would change section 18.3 to be aligned with *pro forma* in the TC-22 proceeding.
- Attachments L and N: BPA is proposing to defer consideration of Generator Interconnection related language to TC-22 proceeding.
  - Team will continue with the tariff analysis and stakeholder engagement
  - Team is reviewing the implementation of our current procedures to ensure BPA is doing everything possible to enable new generation to interconnect and energize as timely and as cost-effectively as possible.

# Updates on Miscellaneous Tariff Sections (Continued)

## Section 2, Renewal Procedures

### 2.1 – Intentionally omitted

*Pro forma* section 2.1 dealt with the transition from pre-Order 888 transmission service (e.g., bundled and wheeling) to OATT service (all unbundled). Since this transition has already taken place, the *pro forma* language is not necessary in BPA's tariff and would be misleading to include. This is no change from the current tariff.

### 2.2 – More closely aligned with *pro forma*

#### *Proposed language compared to pro forma*

- The *pro forma* tariff requires the customer to pay the just and reasonable rates as approved by FERC. This reference does not apply to BPA because BPA must set rates consistent with section 7i of the Northwest Power Act. The proposal replaces the *pro forma* rate reference with a reference to 7i process.
- The *pro forma* tariff includes language added in 890 to deal with transition from the 1 year to 5 year rollover requirement. This language is not needed because the transition period is over. All requests under new tariff must be 5 years to have rollover rights.
- Formatting aligns with the *pro forma* (does not retain the formatting of the current tariff, which divided sections into (a), (b), (c), etc.)

# Updates on Miscellaneous Tariff Sections (Continued)

## 2.2 continued and 2.3 (Reduction in Transmission Demand)

### *Proposed language compared to BPA's current tariff*

- Retains deviation for PTSA language. The study process, including PTSAs, is deferred to TC-22.
- Does not retain deviation in 2.2(d) and 2.3 that was added as part of a settlement agreement and dealt with transition from 96 tariff, which did not include rollover rights, to 2000 tariff, which added rollover rights.
- Section 2.2(d) explained that BPA's historic transmission contracts (i.e., pre-OATT) had the right to convert to the new tariff. BPA does not believe it is necessary to specifically reference pre-OATT contracts because the *pro forma* language is broad enough to cover any remaining historic contracts.
- Section 2.3 explained that service agreements that did not qualify for section 2.2 rights had the right to reduce its reserved capacity or terminate service. It is not necessary to retain this unique language.

# Tariff Topics

**TC-20 Topics**  
(April to August  
TC-20 Workshops)

- Ancillary Services
- Hourly Firm
- Losses
- NT Conditional Firm
- NT NOA and Attachment G
- NT Redispatch and Attachment M
- Price Cap
- Section 9

**Topics  
deferred to  
TC-22**

- Study Process
- Attachment C (ATC Methodology)
- Attachment K (Regional Planning)
- Creditworthiness
- Excluding undesignations for firm market sales less than 1 yr
- PTP and NT Agreement templates
- Financial Middleman
- Simultaneous Submission Window (SSW)
- Reservation window for non-firm hourly PTP
- Generator Interconnections (Attachments L and N)



# Wrap Up and Next Steps

# Next Steps

- Comment period
  - Customers should submit comments on the topics covered today by August 28, 2018 to the [techforum@bpa.gov](mailto:techforum@bpa.gov)
- After considering those comments, BPA will post the an updated tariff draft on September 5 as a starting point for settlement negotiations beginning on September 10.
- The proposed TC-20 Settlement schedule has been posted on bpa.gov TC-20 Settlement page. <https://www.bpa.gov/Finance/RateCases/Pages/TC-20-Settlement.aspx>