

August 10, 2011

Sent Via email

Tech Forum
Bonneville Power Administration
Techforum.bpa.gov

RE: Network Open Season and Generation Interconnection Reform Process

NRU is a trade association consisting of 50 BPA Load Following customers that each hold Network Transmission (NT) contracts with BPA Transmission Services. As such, NRU's members are responsible for paying for costs incurred by the Agency via both the power and transmission rate schedules. Consequently, NRU members are interested in ensuring costs and risks are equitably assigned based on causation. NRU appreciates this opportunity to submit comments on the Network Open Season (NOS) and Generation Interconnection (GI) reform process.

Process

The NOS and GI reform process focuses on NOS and GI, but it is important to note that these issues are intricately related to many other Agency initiatives currently underway, such as BPA's Open Access Transmission Tariff (OATT) process, reciprocity, Environmental Redispatch and wind integration, the VERBS and DERBS rates, BPA's borrowing authority and use of capital, providing firm NT service to NT customers, and implementation of Regional Dialogue. It is important that both BPA and its stakeholders thoroughly investigate how these interrelated issues impact one another and understand the effect of changes in one area on other areas. BPA's goal of concluding the NOS and GI reform process by the end of this calendar year is aggressive. NRU asks that BPA provide sufficient information, analysis and discussion during this process to ensure we can fully assess the options available to BPA and its stakeholders and how all of these issues interrelate.

Analysis and Assignment of Costs and Risks

BPA has highlighted the main issues facing the Agency based on the experiences gained after three years of NOS. These range from the rate of deferrals, to use of BPA's limited borrowing authority, to whether the current Precedent Transmission Service Agreements (PTSAs) can be modified or terminated and what those agreements should look like in the future, to assumptions used in the NOS cluster studies and Commercial Infrastructure Financial Analysis (CIFA), to how certain costs should be assigned.

NRU asks that the Agency compile data and analysis that will allow stakeholders to fully understand the potential costs and risks associated with NOS and potential transmission builds.

This will allow us to submit more informed comments in the months ahead. At this time, we offer the following observations:

- BPA has limited borrowing authority, which is currently projected to run out in 2016. NRU believes BPA's capital should be used primarily for reliability purposes and meeting BPA's NT service obligations and other Agency initiatives, such as funding energy efficiency and Corps and Bureau projects. If additional capital is needed for commercial builds, BPA and stakeholders should explore alternative sources of capital.
- In order to better allocate costs and risks based on cost causation, BPA should consider increasing its Performance Assurance requirements (such as magnitude and timing of deposits), evaluating the creditworthiness of NOS participants (such as parental guarantees), having NOS participants share in the funding of CIFA, NEPA and other analysis, and other ways of more equitably allocating costs and risks to those causing them.
- Require more specific information from NOS participants so BPA can more realistically run powerflow studies.
- Work with customers to update the assumptions and scenarios used in the powerflow and other models.
- Reevaluate the assumptions included in the CIFA analysis based on recent activities, such as deferral rates, etc.

Managing Transmission Services' Limited Staff and Resources

Transmission Services has a number of issues on its plate and has spent much time focusing on addressing the challenges associated with integrating large amounts of wind onto the transmission system. Transmission Services should ensure sufficient staff time and resources are made available to focus on other initiatives, such as reliability and NT service. We appreciate the increasing focus on these issues, and encourage Transmission Services to continue to more equitably allocate its time and resources to all of the major issues teed up, including access to firm NT transmission.

Principles

In addition to the principles listed on page 7 of the Initiative Overview packet, we suggest BPA add a principle that BPA continue to ensure it meets its NT service obligations to its NT customers, particularly in the new world of Regional Dialogue where customers have the incentive to use non-federal resources in addition to federal resources to serve load growth.

One of the questions posed in the list of questions related to potential PTSA modifications asks how "regional interests" are affected by allowing modifications. While the term "regional interests" is vague, NRU asserts that "regional interests" should refer to maintaining a reliable, cost-effective transmission system where costs and risks are assigned to those causing them, and that firm NT transmission must be available to NT customers to support the goals of Regional Dialogue which include expanding regional infrastructure and diversifying power supply.

Closing Comments

NRU appreciates that BPA has pressed “pause” on the NOS process in order to have the time to understand, analyze and evaluate the circumstances we face today and provide the opportunity to revise how costs and risks are assigned and how analyses are conducted. We encourage BPA to provide data in a comprehensive and understandable fashion to allow stakeholders to fully understand the implications of NOS and related Agency initiatives and provide meaningful feedback. Given the aggressive timeline BPA is proposing, we ask that BPA provide this information on a timely basis and provide plenty of opportunity for regional discussion. These issues are very complex and deserve our careful, focused attention so we can develop a path forward that is viable.

Sincerely,



John Saven, CEO