



**BPA Southern Intertie Hourly Non-Firm Transmission
Public Generating Pool Comments
January 22, 2016**

PGP is encouraged by the progress made by BPA on unilateral solutions to address the seams issue of BPA's Southern Intertie hourly non-firm transmission service having the same priority as long-term firm service in the CAISO's Day-Ahead Market. PGP continues to be of the opinion that BPA needs to be engaging the CAISO in collaborative discussions in parallel with other unilateral actions. PGP requests an update from BPA on the forum, timeline, process, proposed alternatives and communication plan for the collaborative approach(es) BPA is considering. PGP expects BPA will engage customers in collaborative approaches in the same manner and with the same level of transparency and collaboration as it has in determining unilateral actions.

PGP also requests an update on BPA's progress regarding addressing seams issue #1 - BPA does not limit use of firm reservations during line de-rates - and seams issue #3 - OATT transmission providers do not recognize the curtailment priority of neighboring OATT transmission providers – as these continue to be important issues to PGP members.

Alternatives

PGP appreciates the broad range of rate and non-rate alternatives explored by BPA in its whitepaper. PGP believes that a rate solution that fairly prices hourly non-firm transmission service on the Southern Intertie is critical to ensuring the benefits of long-term firm transmission service over the Southern Intertie are preserved and should be done through an expedited 7i process.

PGP supports Alternative #2 – Calculate the Southern Intertie HNF rate based on a different assumption of “high value” hours. PGP believes Alternative #2 satisfies the criteria that BPA has established for this process with regard to BPA's statutory obligations and ratemaking principles and provides the proper balance of risk and benefit. Alternative #2 raises the HNF rate to an amount that is material and in a price range similar to what other BAAs price their export transmission. This change will ensure long-term firm transmission customers maintain the economic benefit of purchasing long-term transmission service over the Southern Intertie.

PGP also agrees with BPA's current leaning towards Alternative #5 – Eliminate the HNF interruption credit. While Alternative #5 introduces some financial risk to customers relying on HNF transmission service, the risk of curtailment is relatively small and the alternative has no effect on the HNF transmission rate. Alternative #5 is not effective on its own but has some benefits if implemented alongside Alternative #2.

PGP does not oppose Alternative #6 – Sell HNF inventory once – if implemented in addition to Alternative #2. While this alternative slightly decreases the availability of HNF transmission on the Southern Intertie, the impact is minimal and the alternative implemented by itself is not effective.



PGP would like to continue discussions regarding Alternative #9 – Change the HNF release time on the Southern Intertie – to better understand all of the impacts and potential unintended consequences. PGP agrees with BPA that releasing HNF after the CAISO DAM bids are submitted, but prior to the posting of the DAM awards may actually increase certainty of some customers’ ability to acquire HNF and may over-release HNF inventory from long-term firm reservations that have yet to be scheduled against prior to close of the WECC preschedule window. Regarding BPA releasing HNF inventory at t-60 minutes prior to the operating hour, PGP would like to better understand potential unintended consequences both to sales of HNF transmission service and BPA’s ability to forecast flows in future hours, which is an important reliability tool for BPA.

BPA Power Services’ Involvement

Lastly, PGP requests that BPA provide clarity on how BPA Power Services will engage on this issue in the rate making process.