

ACCESS

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TBL enters rate case

The Bonneville Power Administration's Transmission Business Line is holding public workshops with customers on transmission rate and tariff issues in preparation for its upcoming rate case. The rate case will determine both the terms and conditions of transmission service and the price for transmission products for the rate period Oct. 1, 2001 through Sept. 30, 2003.

This is the first time the TBL has had a rate case separate from the Power Business Line. This clearly shows the extent to which BPA's transmission function has already separated from its power merchant function.

As required by the Federal Energy Regulatory Commission, transmission providers in a competitive world need to be independent of power merchants to ensure fair prices and equal access to customers. To that end, the Transmission and Power business lines of Bonneville separated most of its business functions in 1997. Transmission employees relocated to Vancouver, Wash., while power employees moved to Portland, Ore., in 1998. At the same time, shared computer systems were split along business lines to prevent the PBL power marketing group from having preferential access to TBL information or work areas.

KEY COMPONENTS OF TBL RATE CASE

- 1—Initial proposal by Spring 2000
- 2—Modified NCD product option
- 3—Two-year transition rate case
- 4—PBL a party to the rate case, not a partner

The PBL is currently in the middle of its own rate case and expects to set prices by April 2000. Once that is done, the subscription strategy provides for a window of 120 days after the power rates record of decision is issued to negotiate and execute contracts for power sales to begin Oct. 1, 2001.

Customers and constituents have already provided comments about transmission product alternatives, timing of the rate case and terms of the rate period. With these comments in mind, TBL will prepare an initial product and rate proposal by March 2000, and a final record of decision by November 2000. ■



Customers have told us what they want

TBL held 12 workshops around the region with customers and constituents to discuss new transmission product alternatives, timing of the rate case and terms of the rate period.

At these workshops, TBL asked customers about their thoughts on four product alternatives. Those products are:

1. FERC pro forma tariffs
2. Surcharge on current rates
3. Network contract demand in addition to the pro forma tariffs
4. Access charges with zonal firm transmission rights at flowgates

Customers told us:

- That overlapping rate cases when power prices are set before transmission prices and in separate rate cases are awkward for their businesses. They said they want to know what the transmission products and prices will be before negotiating power purchase contracts.
- They want a tariff that allows partial requirements customers to purchase power, including the "Slice of the System" product, from PBL. Customers sent a strong message that they want a product that facilitates power marketing.
- The rate period should be 2 to 3 years to minimize the need for net revenues for risk and to retain flexibility to respond to the final Federal Energy Regulatory Commission's regional transmission organization rule, or to continue to progress toward something like product option 4.
- They liked option four, a zonal FTR approach, but thought it would slow the rate case, affect the development of the NCD option, and should only be developed as part of a RTO process. ■

Key components of TBL rates and terms and conditions proposal

1. TBL will provide an initial proposal by Spring 2000, with a final record of decision November 2000. That way customers can begin to negotiate power purchase agreements with a general knowledge of what transmission products and prices will be available.

2. TBL will offer a modified NCD product option that allows for system sales where the energy being transmitted is not from a specific power plant, but instead from a system of power plants. NCD will be the third open access tariff option.

PTP and NT are currently available. These services will be conformed to the FERC pro forma open access tariff with limited modifications to fit BPA circumstances. All jurisdictional utilities must comply with the pro forma open access tariff. BPA is not a jurisdictional utility, but is complying voluntarily.

3. TBL will treat this proceeding as a two-year transition rate case, thus anticipating that an RTO should be in place before the conclusion of the rate period.

4. TBL will treat the PBL as a party to the rate case, not as a partner.

- PBL will file separate testimony and briefs.
- PBL will follow ex parte rules just as other parties must.
- Within BPA, PBL employees will not be able to discuss transmission rate case issues with anyone other than PBL employees and certain Corporate employees.
- There will be no limitations on PBL's ability to discuss transmission rate case issues with parties outside of BPA.
- However, unlike other parties, PBL will not be able to appeal decisions of the Administrator to FERC or in the courts because BPA remains one legal entity. ■

Why a transition rate case?

FERC's RTO notice of proposed rulemaking anticipates the formation of RTOs on Dec. 15, 2001. For that reason, TBL considers this an interim rate case that will bridge the gap between the expiration of its current rates and RTO formation. The proposal:

- Allows time for an RTO rate case prior to Dec. 15, 2001.
- Provides "safety net" rates if an RTO is not ready on Dec. 15, 2001.

"From a practical standpoint, we have to have products and rates set by Oct. 2001, but also the RTO may not be operational by December," said Brian Silverstein, acting vice president of TBL marketing and sales.

It is likely that any RTO will define firm transmission rights at flowgates rather than on a network or point-to-point basis, as TBL's tariffs currently define service. Conversion of existing rights will likely be a major issue in developing an RTO. Customers can be expected to request new long-term rights and extensions of current rights on BPA's transmission between now and RTO formation. TBL is committed to offering such long-term service, but will seek ways to avoid having these rights increase the magnitude of the RTO conversion problem.

TBL will be considering potential mechanisms short of a zonal approach for sending some locational price signals for generation. These include:

- Locational — Incremental — Losses
- Locational discount for generation

TBL proposes that the southern intertie remains a separate segment for rate and tariff development, and will explore the possibility of a seasonal rate design. ■

Proposed Modified Network Contract Demand Service

TBL will offer an additional service under its open access tariff. The network contract demand service allows for system sales where the energy being transmitted is not from a specific power plant, but instead from a system of power plants. For example, many customers are considering buying the "Slice" product from the PBL.

"Slice is a very flexible power product and those who buy that product will also want a flexible transmission tariff to go with it," said Dennis Metcalf, transmission rates manager for TBL.

These customers and others will be reluctant to be tied to demand levels at a particular point of interconnection, Metcalf explained. Instead, they would like flexible firm rights to transmission from a system of resources. The point to point tariff doesn't allow that kind of flexibility and the NT tariff is for full requirements customers. FERC has approved Network Contract Demand service for Florida Power Corp. and BPA is proposing it as a third tariff alternative.

Components of the NCD service are:

1. Modified NCD Description

- Available as a third service on the Network in addition to the PTP and NT services.
- Similar to NT service in the way service is provided from Network Resources and to BPA's original PTP tariff in the way service is provided to points of delivery, including firm service at secondary PODs.

2. Long-Term Service

- NCD service is available only on an annual contract demand basis for the October through September time period to reduce scheduling complexities.

3. PORs

- Service from identified network resources at point of receipt, also called point of interconnection.
- Customer does not specify and pay for demands at resources.
- Service from non-Network Resources provided on an hourly nonfirm basis.

4. PODs

- Demands specified in the service agreement the same as for long-term PTP service.
- NCD billing determinant is the sum of the POD demands.
- Short-term firm secondary service at any BPA network POD on an as-available basis.

5. Congestion Management: Least-Cost Redispatch

- In the event of congestion:
- All nonfirm service (PTP/NCD/IR first, then NT) will be curtailed before redispatch procedures are implemented.
- Then a least cost redispatch will be instituted, based on presubmitted incremental or decremental cost bids and path utilization factors.
- Any qualified entity, regardless of the kind of transmission purchased, is eligible to submit redispatch bids.
- The cost of the redispatch will be charged to NCD and NT customers as an adder to their monthly bills.
- If congestion cannot be relieved through nonfirm curtailment and redispatch, then pro rata curtailment of all firm transmission affecting the congested path will be implemented. ■

TBL Rate Case Glossary

FERC NOPR — The Federal Energy Regulatory Commission May 13 issued a notice of proposed rulemaking to help form regional transmission organizations. All utilities under FERC jurisdiction that own interstate transmission must by Oct. 15, 2000 file with FERC a proposal for an RTO or a description of their efforts to take part in an RTO. RTOs formed would have to be operational by Dec. 15, 2001.

FERC pro forma tariff — Transmission open access tariff that is very similar to what TBL offers under network and point-to-point tariffs under today.

Flowgate — A congested or constrained area on the transmission grid.

FTR — Firm transmission rights: The rights to use a portion of the transmission path through a flowgate at the choke point rather than at the point of delivery or point of generation.

IR — Integration of resources rate: Pre-open access service wheeling rate that melds together all sources of power to points of delivery.

NT — Network service tariff: Utilities use NT to serve load from a variety of resources.

PTP — Point-to-point transmission service tariff used to deliver power from specific point

of generation to specific point of delivery.

RTO — Regional transmission organizations would operate, but not necessarily own, the facilities of all transmission operators in a given region, a step FERC believes would remove opportunities for discriminatory transmission practices.

Slice — a power product where a customer buys a fixed percentage of the total output of the system of a power producer's system.

Southern intertie — The alternating- and direct-current 500-kilovolt lines that connect the Northwest and California. ■

Proposed Schedule

TBL will pursue the terms and conditions of its products and rates in concurrent, but separate, processes.

Workshops on rate and tariff issues

September - December, 1999 ^{1/}

Prepare Initial Proposal

August 1999 - February 15, 2000

Prehearing Conference

March 2000

Beginning of formal 7(i) rate case process ^{2/}

Final Proposal to FERC

November 2000

^{1/} Workshops on issues that do not affect rate calculations may continue past 12/99.

^{2/} Section 7(i) of the Northwest Power Act

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