

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

United States Department of Energy)
Bonneville Power Administration) Docket No. NJ03-_____

**PETITION BY THE BONNEVILLE POWER ADMINISTRATION FOR A
DECLARATORY ORDER GRANTING RECIPROCITY APPROVAL OF ITS
REVISED OPEN ACCESS TRANSMISSION TARIFF AND REQUESTING
EXPEDITED PROCESSING**

Pursuant to 18 C.F.R. § 35.28(e) and 18 C.F.R. § 385.207, the Bonneville Power Administration (Bonneville) hereby petitions the Federal Energy Regulatory Commission (Commission) for a declaratory order finding that its Open Access Transmission Tariff (OATT), as revised by this filing, is consistent with or superior to the *pro forma* tariff and continues to maintain its reciprocity status.¹ Through this petition, Bonneville seeks approval of the following two items.² First, Bonneville requests Commission approval of revisions to four sections of its OATT, under which Bonneville reverts to a previously approved practice of awarding short-term point-to-point transmission service reservations on a first-come, first served basis. In 2001 Bonneville adopted *pro forma* section 13.2, under which short-term requests for firm transmission service are displaced by later requests for service of a longer duration unless the first customer agrees to match the

¹ The Commission previously found Bonneville’s existing OATT to be an acceptable reciprocity tariff in Order Granting Petition for Declaratory Order, *United States Department of Energy-Bonneville Power Administration*, 94 FERC ¶ 61,317 (2001); Order on Tariff Amendment, *United States Department of Energy-Bonneville Power Administration*, 96 FERC ¶ 62,337 (2001).

² Not included under this filing, but still pending Commission approval under Docket No. NJ02-3-000, is Bonneville’s petition for a declaratory order that its tariff, supplemented by replacement Attachment D, Methodology for Completing a System Impact Study, continues to maintain its reciprocity status. Bonneville submitted the replacement attachment in compliance with its 2002 Transmission Rate Case and Settlement and it is included in the paginated tariff enclosed with this filing.

term of the later request. After the Commission Staff informed Bonneville that it was implementing this section incorrectly, Bonneville engaged in rigorous efforts to develop a system to properly implement the *pro forma* process. Bonneville finally concluded, however, that its high volume of transmission requests made the *pro forma* approach impractical, and that it could better serve its customers by reverting to the system that had served the customers effectively from 1996 to 2001.

Second, Bonneville is submitting for approval a replacement Attachment K to its OATT. Drafted pursuant to the Settlement Agreement of its 2004 Transmission Rate Case, Attachment K provides for a methodology that Bonneville will use to redispatch Network Resources when necessary to maintain Network Integration service. Finally, with this filing, Bonneville also is voluntarily submitting its complete OATT paginated as set forth in the Commission's regulations at 18 C.F.R. Part 35, as applicable, in order to establish original pagination.

Bonneville is seeking expedited approval of the revisions to its OATT that deal with awarding short-term service.³ The revisions affect an automated process under which Bonneville will evaluate requests for short-term transmission. Because Bonneville determined that the automated evaluation process was not correctly implementing parts of the OATT, Bonneville has been manually processing requests for short-term transmission service for the past several months. Manual processing has been possible only because, at this time, most Available Transmission Capacity (ATC) on Bonneville's congested paths is fully subscribed, resulting in a low number of requests. However, by October 1, 2003, Bonneville projects a significant increase in ATC on these paths,

³ Approval of replacement Attachment K can be placed on a normal time track or included in the expedited approval process. Once approved, Attachment K is to take effect on October 1, 2003, in accordance with provisions in the rate case settlement.

making continued manual processing of transmission requests impractical.⁴ To facilitate a timely conversion from manual processing to a new automated system based on these proposed tariff revisions, Bonneville must begin software development promptly.⁵

Therefore, **Bonneville seeks expedited action on this filing to allow it to implement these revisions by August 15, 2003, or as soon as practicable thereafter.**

DOCUMENTS ENCLOSED WITH THIS FILING

Bonneville encloses the original and six copies of the following:

1. Revised pages of the Bonneville OATT and redlined versions of same;
2. Replacement Attachment K;
3. Draft Federal Register Notice (also enclosed on diskette); and
4. Complete OATT, fully paginated

PROPOSED REVISIONS TO PROCESS FOR RESERVING AND AWARDING SHORT TERM POINT-TO-POINT TRANSMISSION REQUESTS

A. BACKGROUND OF CURRENT FILING

Bonneville's first OATT, which the Commission approved in 1997, used the same approach that Bonneville seeks to return to under this filing.⁶ Section 12.1 of that OATT included the following definition of short-term firm point-to-point transmission requests:

⁴ Bonneville also anticipates that requests for short-term redirects of transmission service, which follow the same awarding methodology for new requests of transmission service described above, will also significantly impact the reservation system this fall.

⁵ Bonneville will not implement the revisions until the Commission has approved them.

⁶ Order Granting Petition for Declaratory Order, Subject to Filing of Tariff Modifications, and Granting Exemption from Filing Fee, *United States Department of Energy-Bonneville Power Administration*, 80 FERC ¶ 61,119 (1997); Order Accepting Compliance Reciprocity Tariff Subject to Certain Required Modifications, *United States Department of Energy-Bonneville Power Administration*, 84 FERC ¶ 61,068 (1998); Order Accepting Compliance Reciprocity Tariff, *United States Department of Energy-Bonneville Power Administration*, 86 FERC ¶ 61,278 (1999); Order Finding Amended Open Access Tariff to be Acceptable Reciprocity Tariff and Dismissing Complaint, *Enron Power Marketing, Inc. v. United States Department of Energy-Bonneville Power Administration*, 87 FERC ¶ 61,351 (1999).

The minimum term of Firm Transmission Service shall be one calendar day, and the maximum term shall be specified in the Service Agreement consistent with Commission principles generally applicable to Point-to-Point Transmission Service.

Reservation priorities were established in section 12.2:

Firm Transmission Service will be available on a first-come, first served basis (i.e., in the chronological sequence in which each Applicant has requested service.)

Bonneville changed this approach in 2001, after the Commission approved Bonneville's request for a tariff revision.⁷ The 2001 tariff revision replaced the first-come, first-served method of awarding short-term transmission service with *pro forma* language providing for a right of first refusal and an obligation to "match" a request of longer duration or be preempted ("bumped") and lose the reservation. Specifically, the *pro forma* language in section 13.2 of the OATT provides for the following methodology to determine priority:

... Reservations for Short-Term Firm Point-to-Point Transmission Service will be conditional based upon the length of the requested transaction. If the Transmission System becomes oversubscribed, requests for longer term service may preempt request for shorter term service up to the following deadlines: at 2:00 p.m., or as soon as practicable thereafter, of the preschedule day for the day of delivery for the hourly service; one day before the commencement of daily service; one week before the commencement of weekly service; and one month before the commencement of monthly service. Before the conditional reservation deadline, if available transmission capability is insufficient to satisfy all Applications, an Eligible Customer with a reservation for shorter term service has the right of first refusal to match any longer term reservation before losing its reservation priority. A longer term competing request for Short-Term Firm Point-To-Point Transmission Service will be granted if the Eligible Customer with the right of first refusal does not agree to match the competing request within 24 hours (or earlier if necessary to comply with the scheduling

⁷ Order Granting Petition for Declaratory Order, *United States Department of Energy-Bonneville Power Administration*, 94 FERC ¶ 61,317 (2001); Order on Tariff Amendment, *United States Department of Energy-Bonneville Power Administration*, 96 FERC ¶ 62,337 (2001).

deadlines provided in section 13.8) from being notified by the Transmission Provider of a longer-term competing request for Short-Term Firm Point-To-Point Transmission Service. After the conditional reservation deadline, service will commence pursuant to the terms of Part II of the Tariff. ...

Following adoption of the *pro forma* approach Bonneville and its customers negotiated short-term firm reservation procedures for an automated system using pre-set parameters.⁸ Through these parameters, customers could determine, in advance, whether, and to what extent, the customer would agree to exercise a right of first refusal to match a competing request. Although customers were allowed to adjust these pre-set parameters up to the conditional reservation deadline, Bonneville did not notify the customer when there was a competing request. Instead, the automated system evaluated the pre-set parameters to determine the transmission award, i.e., if the competing request was longer than the longest term the first customer had indicated it would accept, the transmission was awarded to the competing request. Bonneville activated the automated pre-set parameters system in February of 2002, after numerous meetings with customers and a subsequent electronic posting on its website explaining the system. The system ran without event until January of 2003, when several customers informally contacted Bonneville and the Commission indicating concern regarding whether the system was properly implementing the reservation priority as provided in Section 13.2 of the OATT.

⁸ The parameters were a set of variables for which the customer determined a value. An algorithm evaluated the variables against the given conditions and determined the transmission award. For example, one of the parameters established the maximum duration a customer's request could be expanded to if there was a competing request. In this example, assume customer A requests 72 days of transmission and sets the maximum duration parameter for up to 125 days. If a subsequent competing request came in for more than 72 days but less than 125 days, customer A would be awarded the transmission for the duration of the competing request. However, if Bonneville received a subsequent competing request with a duration greater than 125 days, customer A's request would be "bumped," and the capacity would be awarded to the competing request. Customers could also leave the parameters blank, in which case the algorithm would consider the reservation only as submitted; that is, any request greater than 72 days would "bump" customer A.

Given the customers' newly expressed concerns, Bonneville determined that it would review and adjust, if necessary, its interpretation and implementation of section 13.2 of the OATT.⁹ However, any adjustment would have to account for the high volume of transmission service requests Bonneville processes. Upon review, Bonneville determined that to comply with the tariff, it would need to move away from pre-set parameters and instead provide the customer notice whenever Bonneville received a competing request. This approach would accommodate the 24-hour time period called for in section 13.2, which allows a customer to match longer-term competing requests after receiving notice that there is a competing request. However, given Bonneville's high volume of transactions, the iterative process under which Bonneville would have to compare multiple requests and allow for multiple customers to exercise a right of first refusal would quickly become exceedingly complex and time consuming.

The complexity involved with a high volume and multiple iterations can be illustrated with an example. The iterative process occurs when several requests must be evaluated, one at a time, against the reservation holding the right of first refusal. For example, assume there are four competing requests: customer A requested 50 MW for 3 months; customer B, the same amount for 5 months; customer C, the same amount for 6 months; customer D the same amount for 7 months. The first iteration determines if customer A will match the duration of customer B's request. If yes, then customer B is out of the queue. Then, customer A is asked to match customer C's request. If yes, customer C is out; if no, customer A is out and customer C is asked to match customer

⁹ On February 7, 2003, Bonneville posted an electronic notice on its website letting customers know that the process was under review. The notice advised customers that the "bumping" process for awarding short term transmission would no longer use parameters and would strictly follow the *pro forma* approach as outlined in section 13.2 of the OATT. Customers were also advised that as of that date transmission service awards would be made manually.

D's request. The OATT provides that in each repetition of the matching process, the customer exercising the right of first refusal may take up to 24 hours to decide to match the duration of a competing offer. So, in this example with four requests, it could take four days to get to the final decision point. If there had been 30 or more competing requests – a normal occurrence - it could take longer to work through the iterations than there is time before the delivery start date.

Working through a queue with dozens of transmission requests to determine which customers will “match” or be “bumped” by a competing request could conceivably take weeks. For example, initial delays occur as each customer is given time to confirm its reservation, which can take up to four days for requests of firm monthly transmission service.¹⁰ A long queue of requests is further complicated when multiple paths are also involved, such as when different paths relating to each request might be constrained. A request using more than one constrained path would have to “match” or “bump” in each path's queue in order to receive an award of transmission service. The possibility exists that the requestor might successfully “match” on one queue where it has the right of first refusal, but be unable to “bump” a different customer on a different path where that different customer held the right of first refusal. In such a case, the requestor would not know whether its transmission request would be awarded until the “bumping” queue cleared on the second path. During this time, bumping cannot be run in the first queue and all involved paths must wait while this one request is resolved.

Until recently the constraints on Bonneville's transmission system were concentrated mainly on Bonneville's Southern Intertie, which links the Pacific Northwest

¹⁰ Order No. 638, *Open Access Same-Time Information System and Standards of Conduct*, FERC Stats. & Regs. ¶ 31,093 at 31,422-23 (2000).

with California. Volume is now so high on the Bonneville system, however, that Bonneville will soon be posting several internal paths on its OASIS as constrained. This increase in constraints would make the bumping process even more difficult. Awards would be at a standstill while the evaluation and iterative process takes place, leaving the market stagnant and leading to inefficient use of the Bonneville transmission system and uncertainty for customers.

These complications could be increased exponentially by requests to redirect transmission on a firm basis, which transmission customers may submit pursuant to OATT section 22.2. Bonneville expects customers to make substantial use of this section.¹¹ Bonneville is different from many transmission providers in that Bonneville's customers serve a significant amount of load with point-to-point (PTP) transmission. Unlike Network Transmission service, under which the customer purchases only enough transmission to serve its load, PTP customers must purchase a flat annual amount of capacity. Therefore, they often have unused transmission capacity during certain times of the year, when loads are lower, and can benefit by redirecting capacity from their contractual points of delivery. On the resource side, the abundance of hydro-electric capacity in the Pacific Northwest means that power resources are also highly variable. Thus, Bonneville's customers can also be expected to make significant use of section 22.2 to modify their points of receipt.

A substantial number of requests for firm redirects would significantly complicate the bumping process because the transmission provider must hold the original path open

¹¹ Bonneville is in the process of developing systems to fully implement the Commission's firm redirect policy. Under the settlement agreement settling Bonneville's 2002 transmission rate case, the parties agreed that Bonneville would fully implement the Commission's firm redirect policy as of October 1, 2003.

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until the customer has a confirmed and accepted reservation on the redirected path.¹²

Therefore, Bonneville would be unable to commit the capacity freed up by the request to redirect until the request became unconditional. For example, if a customer submits a monthly request for a firm redirect sixty days before the commencement of service, the request remains conditional for thirty days. During that time Bonneville may receive requests for transmission on the original path. If the path is constrained, Bonneville will not know whether it has capacity on that path until the request becomes unconditional. If Bonneville must implement the right of first refusal at that time, the complexity and the period of uncertainty for customers are significantly increased. Under a first-come, first-served system, Bonneville can determine quickly whether it can grant the request for a firm redirect and thus whether it has capacity to award on the original path.

B. PROPOSED REVISIONS

The revisions proposed by Bonneville through this filing are consistent with or superior to the *pro forma* tariff because they favor longer-term requests but rectify the practical problem created by a high volume of transactions through: (1) adopting staggered reservation windows that allow longer-term reservation service requests to be submitted before shorter-term requests, thus giving longer-term requests a priority status; and (2) awarding transmission service requests in the order received, on a first-come, first served basis, which allows for an orderly process to award multiple requests.

Specifically, this filing revises four sections of the Bonneville tariff:

1. Section 13.2 is amended to specify that all firm point-to-point transmission service shall be available only on a first-come, first served basis, with no bumping rights.

¹² *Dynegy Power Marketing, Inc. v. Southwest Power Pool, Inc.*, 99 FERC ¶ 61,054, at 61,233 (2002).
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2. Section 14.2 is amended so that nonfirm transmission service is available on a first-come, first served basis; however, if the transmission system is constrained, competing requests will be prioritized based on the highest price. There will be no bumping based on duration.
3. Section 17.1 is amended to provide staggered windows for placing reservations for firm point-to-point transmission service. Requests for monthly service may be submitted no earlier than 60 days prior to the commencement of service, requests for weekly service no earlier than 14 days prior to the commencement of service, and requests for daily service no earlier than 7 days prior to the commencement of service. In each case, requests may be submitted no later than the normal scheduling day for the service commencement day, such normal scheduling day and hour deadline established by Bonneville.
4. Section 18.1 is amended to provide that reservations for nonfirm service will have staggered reservations windows. Reservations may be submitted no earlier than 60 days for monthly service, 14 days for weekly service, and 7 days for daily service. In each case, reservations may be submitted no later than the normal scheduling day before commencement of service.

A higher priority is given to longer-term requests under this first-come, first served approach. This is accomplished through the staggered opening of reservation windows, where a request for longer-term transmission service can be submitted and awarded well in advance of the time a request for shorter-term service can be submitted. Prioritizing longer-term transmission service requests in this way enhances the efficient use of the transmission system and furthers the Commission's policy favoring longer-term transactions. It should be noted that the staggered reservation windows in the revised sections 17.1 and 18.1 are reflected in existing Bonneville business practices. They are being proposed for inclusion in the OATT to codify the principle that longer-

term requests have priority over shorter-term requests even if preemption rights are eliminated.

Revising the OATT, as described above, returns Bonneville to its previously approved practice, which was used in this region for five years, of awarding requests for short-term point-to-point transmission service on a first-come, first-served basis.¹³ As revised, this approach would apply to both firm and nonfirm transmission reservations.¹⁴ Under this previously approved and regionally accepted practice, certainty will return to the market, as customers will know quickly whether their request has been accepted. Moreover, making quick and certain awards of transmission promotes efficient use of Bonneville's transmission system.

This solution is similar to an approach already approved by the Commission for another high volume provider, PJM Interconnection, L.L.C. (PJM), in 1998.¹⁵ To efficiently process its high volume of transactions, PJM found it necessary to replace the *pro forma* section 13.2 provisions that gave customers up to 24 hours to exercise a right of first refusal and match the duration of a competing request with an alternative

¹³ Bonneville Power Administration Open Access Tariff, effective September 1, 1998 (Revised June 16, 1999); Order Granting Petition for Declaratory Order, Subject to Filing of Tariff Modifications, and Granting Exemption from Filing Fee, *United States Department of Energy-Bonneville Power Administration*, 80 FERC ¶ 61,119 (1997); Order Accepting Compliance Reciprocity Tariff Subject to Certain Required Modifications, *United States Department of Energy-Bonneville Power Administration*, 84 FERC ¶ 61,068 (1998); Order Accepting Compliance Reciprocity Tariff, *United States Department of Energy-Bonneville Power Administration*, 86 FERC ¶ 61,278 (1999); Order Finding Amended Open Access Tariff to be Acceptable Reciprocity Tariff and Dismissing Complaint, *Enron Power Marketing, Inc. v. United States Department of Energy-Bonneville Power Administration*, 87 FERC ¶ 61,351 (1999).

¹⁴ The previously approved tariff did not provide for the first-come, first served approach to be applied to non-firm, but that provision of the tariff had not yet been implemented. Bonneville believes that upon implementation, the same difficulties would be realized when making awards of non-firm transmission requests, thus the same reservation and awarding method is proposed for firm and non-firm in this filing. Section 14.2 also provides that nonfirm transmission service will retain a priority for higher price between competing requests in the event the transmission system is constrained.

¹⁵ Order Conditionally Accepting for Filing Revisions to Open Access Transmission Tariff, *PJM Interconnection, L.L.C.*, 84 FERC ¶ 61,212 (1998).

approach. Just as Bonneville proposes, PJM replaced this provision with a first-come, first-served priority and staggered reservation windows.¹⁶

The Commission found that PJM’s use of staggered windows “is consistent with the *pro forma* tariff.”¹⁷ An intervening party protested the elimination of “bumping” rights, under which a request for longer-term service can preempt a request for shorter-term service. The Commission said that the purpose of bumping was “to implement the Commission’s desire to maximize use of the transmission provider’s system.”¹⁸ It then held that PJM’s proposal also implements this policy by “allowing requesters of the longer-term products the opportunity to reserve service before the requesters of shorter-term service.”¹⁹

The Commission approved the PJM approach in 1998. About the same time, the Commission also approved Bonneville’s proposal to use this same approach to award short-term firm transmission requests under its tariff.²⁰ Through today’s filing, Bonneville proposes to return to this approach using staggered windows combined with first-come, first-served awarding of transmission.

¹⁶ *Id.*

¹⁷ *Id.* at 62,035.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ Order Granting Petition for Declaratory Order, Subject to Filing of Tariff Modifications, and Granting Exemption from Filing Fee, *United States Department of Energy-Bonneville Power Administration*, 80 FERC ¶ 61,119 (1997); Order Accepting Compliance Reciprocity Tariff Subject to Certain Required Modifications, *United States Department of Energy-Bonneville Power Administration*, 84 FERC ¶ 61,068 (1998); Order Accepting Compliance Reciprocity Tariff, *United States Department of Energy-Bonneville Power Administration*, 86 FERC ¶ 61,278 (1999); Order Finding Amended Open Access Tariff to be Acceptable Reciprocity Tariff and Dismissing Complaint, *Enron Power Marketing, Inc. v. United States Department of Energy-Bonneville Power Administration*, 87 FERC ¶ 61,351 (1999).

C. CUSTOMER COMMENTS

These proposed tariff revisions were posted on the Bonneville Transmission Business Line's website on May 20, 2003. On this same day, Bonneville hosted a meeting with its customers to explain the proposed changes. A customer comment period through June 6, 2003 was established. The meeting was well attended by customers, both in person and by telephone.²¹

Comments were received from five parties. Two parties supported the revisions proposed by Bonneville. Two parties expressed concern regarding anticipated problems with the race to be first in time under the first-come, first-served approach, with one comment supporting an allocation approach.²² The other party advocated keeping a modified pre-set parameters approach, which would retain the preemption of shorter-term requests by longer-term requests and the 24-hour right of first refusal.

Bonneville evaluated and rejected both the parameter and allocation alternatives.²³ Bonneville has determined that, given its normally high volume of transactions expected to return this fall, parameters cannot be used to successfully implement "bumping" as provided for in section 13.2 of the *pro forma* tariff. As explained below, Bonneville rejected the allocation approach in favor of offering customers the flexibility to match transmission service reservations to marketplace transactions.

²¹ During the meeting, several customers raised questions about the technical aspects regarding implementation of the proposed procedure, such as whether ATC would be posted only at fixed times instead of when it becomes available and whether the 9:00 A.M. awarding deadline could be moved to 10:00 A.M. Technical implementation questions such as these will be answered during future customer meetings dealing with business practices.

²² Under an allocation approach, all requests received during a predetermined window of time, *e.g.*, 15 minutes from the top of the hour, are considered received simultaneously. If the transmission system is oversubscribed, then each request received within the window of time is allocated a portion of the available transmission capacity.

²³ However, Bonneville has retained the use of customer pre-set parameters for the limited purpose of allowing a customer to predetermine the minimum capacity it will accept if only partial service is available.

PJM uses an allocation approach to address problems created by customers racing the clock to be first in time for placing transmission requests. Bonneville notes, however, that the same race-the-clock problem exists under the *pro forma* approach, since it is still a great advantage to be first in the queue. Although under the *pro forma* approach, later requests may still be awarded transmission, the earlier request controls the outcome because it holds a right of first refusal to match any competing offer. Bonneville has addressed this problem by limiting customers to ten requests per hour for transmission with the same terms.

In 1998, PJM received a complaint from one of its customers about having to “race the clock” to be first in line and the Commission directed PJM to try to improve the first-in-time process.²⁴ PJM responded by adopting an opening session at the beginning of each reservation window whereby all requests received during the opening session were considered to be filed simultaneously.²⁵ If the transmission system is oversubscribed PJM allocates an equal amount of the available transmission capacity to each requestor that submitted a request within the window.²⁶

This allocation approach works for PJM because it uses fixed products and fixed reservation window closings, and because the products can be purchased only in single increments.²⁷ For example, under PJM’s tariff, monthly service must begin on the first of the month, must be reserved during the monthly reservation window, which closes before the weekly reservation window opens, and may be purchased only in one-month

²⁴ Order Conditionally Accepting for Filing Revisions to Open Access Transmission Tariff, *PJM Interconnection, L.L.C.*, 84 FERC ¶ 61,212 (1998).

²⁵ *Id.*

²⁶ For example, assume that 180 MW are available and two requests are received during the open session. Request A is for 100 MW and Request B is for 200 MW. Under this scenario, each requestor is awarded 90 MW.

²⁷ *Id.*

increments. These three requirements - the reservation window must close early enough to prevent different products from overlapping (e.g., weekly requests competing with monthly requests); the monthly product must begin on the first day of the month (and the weekly product on the first day of the week); and the customer may purchase only one increment at a time - are essential to the success of an allocation process.

Overlapping of products cannot be allowed because different products might all end up in the same open session allocation, where daily and weekly products would receive equal priority with monthly service. Allowing equal priority for these products, instead of giving higher priority to longer-term requests, would defeat the Commission's goal of maximizing use of the transmission system. Additionally, since different levels of ATC may be available in different weeks or months, only one week or month at a time may be considered. To do otherwise and allow a customer to request service for multiple weeks or months would require either an exceedingly complex allocation method or an award of shaped service.²⁸

When PJM adopted a first-come, first-served process for awarding short-term transmission capacity, it also codified in its tariff its existing requirement that requests for short-term service be made for standardized products of one day, one week, and one month. PJM explained that without the standardized product categories, "incompatible

²⁸ For example, assume that ATC in month one is 20 MW, in month two 50 MW, and in month three 30 MW. Customer A requests 40 MW for months one through three. Customer B requests 50 MW for months one and two. Bonneville awards transmission only in flat amounts. Under this very simple scenario, it would either have to award shaped transmission service – award an individual customer different amount of ATC in different months – or develop a different formula for awarding transmission. Multiplying this example by numerous months and customers leads very quickly to an extremely high level of complexity.

configurations of multiple daily or weekly service requests would become extremely complicated to administer and susceptible to gaming.”²⁹

Bonneville has elected not to adopt PJM’s opening session and allocation approach in order to preserve flexibility in the reservation process. If Bonneville were to adopt the allocation approach used by PJM, it also would have to adopt the use of fixed products and restricted reservation windows. Currently, Bonneville’s customers may reserve flexible, extended products, rather than fixed products.³⁰ For example, under Bonneville’s business practice the monthly service product may begin at any time during the month and may be purchased in any increment between 28 and 364 days. Moreover, Bonneville allows a customer to reserve both weekly and monthly service up to 9:00 A.M. on the normal prescheduling day (which is often the day before the service commencement day and never more than seven days before service commences), thus offering significantly more flexibility than the PJM approach where each product’s reservation window closes prior to the opening of the next. This flexibility allows customers to match transmission reservations precisely with customers’ needs. Bonneville believes that this flexibility offers superior service in the market that outweighs the possibility of occasional difficulties that might be experienced by some customers with their efforts to be first in time with a request.

The proposed revisions to the OATT are consistent with or superior to the Commission’s *pro forma* tariff because they favor longer-term requests of Bonneville’s transmission system, service is awarded on a non-discriminatory first-come, first-served

²⁹ *Id.* at 62,033.

³⁰ “Products” refers to length of transmission service as further defined by attribute values defining the period of service, as standardized by Commission Order. *Open Access Same-Time Information System and Standards of Conduct*, Order No. 638, FERC Stats. & Regs. ¶ 31,093 (2000); 18 C.F.R. Part 37.

basis, and customers have the flexibility to request transmission service up to the preschedule day in an amount and duration that precisely matches their transaction requirements. For the foregoing reasons, Bonneville respectfully requests the Commission to issue a declaratory order finding that its OATT, as revised in this filing, continues to satisfy the Commission's reciprocity conditions and maintains its reciprocity status.

PROPOSED REPLACEMENT ATTACHMENT K

As part of the settlement of Bonneville's 2002 transmission terms and conditions proceeding, the parties agreed to Attachment K, "Procedures for Redispatch at Preschedule and in Real Time," a new attachment to Bonneville's OATT. The revised OATT with Attachment K went into effect on October 1, 2001. Section 33.2 of the *pro forma* tariff, "Transmission Constraints," provides that the transmission provider may take whatever actions are necessary, consistent with Good Utility Practice, to relieve constraints on the transmission system and preserve reliability. It further provides that, if reliability can be maintained by redispatching resources, the Transmission Provider will do so on a non-discriminatory basis. The parties developed Attachment K to define redispatch procedures to carry out this provision.

Section 33.2 of Bonneville's OATT is identical to section 33.2 of the *pro forma* tariff, except that under Bonneville's OATT procedures for redispatch are included in Attachment K rather than in the Network Operating Agreement. Under the existing Attachment K, Bonneville agreed to redispatch only federal hydro-electric projects. Designated resources of Network Integration (NT) customers are not subject to being redispatched.

The existing Attachment K provides that Bonneville will implement redispatch “in order to alleviate transmission constraints over the FCRTS [Federal Columbia River Transmission System] Network.” That is, the obligation to redispatch is a general one, regardless of whether the constraint is caused by NT or Point-to-Point transmission schedules. Second, the existing Attachment K provides that the Transmission Provider “shall have no obligation to compensate [its Power Business Line] for the costs incurred by [the Power Business Line] for any redispatch.”

By its terms, Attachment K terminates on October 1, 2003. As part of the 2004 transmission rate case settlement discussions, the parties agreed to a revised Attachment K that, although much of the language is changed, is different from the existing Attachment K in only two material respects. First, revised Attachment K provides that Bonneville will dispatch resources “to maintain Network Integration (NT) Service.” This change conforms to the placement of the redispatch obligation in the NT portion of the OATT (section 33.2) and Commission cases holding that the obligation to redispatch extends only to NT service.³¹ In this respect, therefore, Bonneville’s proposed Attachment K is consistent with the *pro forma* tariff.

Second, under the settlement agreement Bonneville’s Transmission Business Line (TBL) agreed to compensate its Power Business Line (PBL) (whose resources remain the only resources subject to redispatch) for redispatch services. During the FY 2004-2005 rate period, Bonneville’s TBL will pay the PBL \$3 million per year for redispatch.³² In the Settlement Agreement, the parties agreed that redispatch of hydro-electric resources

³¹ See, e.g., *Mid-Continent Area Power Pool*, 87 FERC ¶ 61,190, at 61,726-27 (1999); *North American Electric Reliability Council*, 88 FERC ¶ 61,046, at 61,123-24 (1999).

³² See Commission Docket No. EF03-2021-000, Direct Testimony of Metcalf, Gilman *et al.*, TR-04-E-BPA-03, at 8.

had value, and further agreed that during the FY 2004-2005 rate period the parties would work on a methodology for valuing the redispatch of hydro-electric and other resources.³³

The *pro forma* tariff assumes that parties whose resources are redispatched will be compensated.³⁴ Therefore, this provision is also consistent with the *pro forma* tariff.

Attachment K was a product of settlement; the parties, who represented almost all of Bonneville's transmission customers, agreed that \$3 million was an appropriate payment to PBL for redispatch service, pending the development of a methodology.

REQUEST FOR EXPEDITED RULING AND EFFECTIVE DATE

Bonneville requests an expedited effective date for the tariff revisions of August 15, 2003. The effective date for replacement Attachment K should be October 1, 2003, in keeping with the rate case settlement. Bonneville requests that the Commission waive its notice requirements to allow the tariff revisions submitted in this filing to be implemented in an expedited manner. To accomplish this, Bonneville asks that the Commission notice this filing immediately and require protests, interventions, or other comments to be filed within 21 days, by July 28, 2003. Bonneville requests that the Commission issue its order by August 15, 2003 or as soon as practical following that date and provide for the immediate implementation of the tariff revisions. Bonneville will not implement the revisions until the Commission acts. Good cause exists for this expedited treatment because (1) the revisions will remedy existing problems, (2) Bonneville needs adequate lead time to adapt its software to the revised practices while endeavoring to meet the increased transaction volume expected this fall, and (3) the revisions return to a Bonneville practice previously approved by FERC and accepted in the region.

³³ Commission Docket No. EF03-2021-000, Administrator's Record of Decision, TR-04-A-01, Appendix A, at 1.

³⁴ See Pro Forma Tariff § 33.3, Cost Responsibility for Relieving Transmission Constraints.

CONTACT INFORMATION

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DATED this 3rd day of July, 2003.

Respectfully submitted,

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