

# Preserving Rights to BPA Transmission Service (Contract Lock)

February 12, 2003



# Meeting Overview & Objectives

Dennis Oster

BPA/T Account Executive

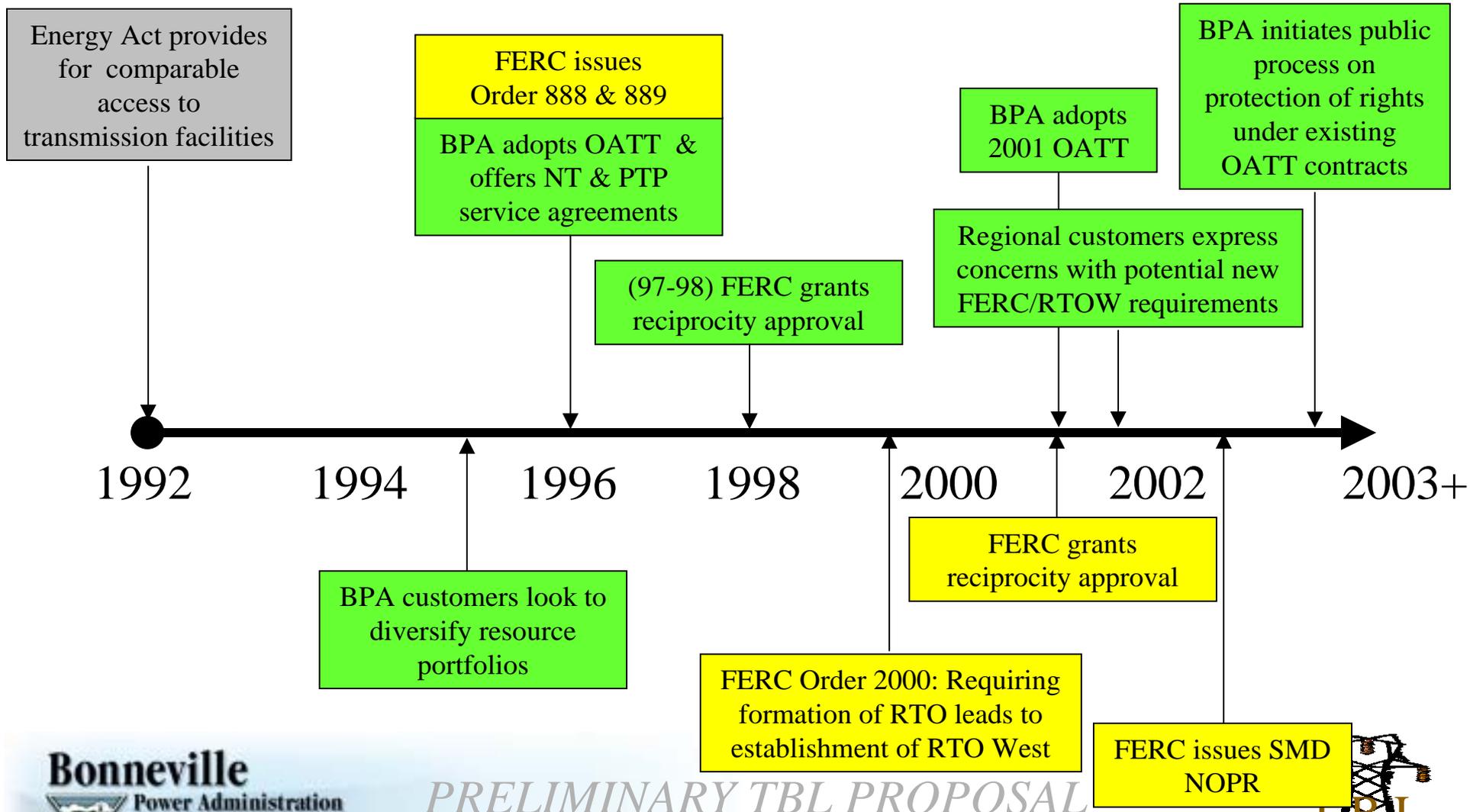


# Meeting Agenda

- Welcome & Introduction
- Management of Federal Network Resources (NT Rights)
- Congestion Rate Treatment
- Contract Lock Service Agreement Terms
- Contract Lock Service Agreement Replacement Process
- Wrap-up



# How we got to where we are today



# What's the Problem?

- Transmission provider is able to make unilateral changes to OATT w/ FERC approval.
- In event of conflict OATT governs service agreement
- Emerging FERC initiatives



# What is BPA's goal for Contract Lock?

- Provide existing long-term network integration (NT) and point to point (PTP) transmission contract holders with certainty that they will continue to receive adequate and reliable long-term transmission service from BPA.



# How is BPA proposing to accomplish this goal?

- Preserve the fundamental value of the transmission system for existing customers and uses.
- Limit exposure to market-based congestion costs for existing uses, but not preclude locational pricing for new uses.
- Don't preclude incentives to assure sufficient investment in transmission infrastructure.



# Contract Lock Requirements

- Complete the contract lock proposal, approvals and offer replacement NT and PTP agreements by October 1, 2003
- Need an acceptable reciprocity tariff/form of service agreement approved from FERC
- Contract lock must allow BPA to adjust its rules and practices to conform with regional and western market requirements



# Principles for Contract Lock

- Contract lock shall be voluntary and shall replace existing long term agreements
- Contract lock includes Federal Network Resources, congestion cost treatment, and agreement on service terms to be locked
- Failure to lock an OATT provision or rate treatment is not signaling an intent to change



Contract Lock  
Principles



# Management of Federal Network Resources (NT Rights)

Dennis Metcalf

John Anasis



# OATT Requirements Concerning Network Resources

- Provide information concerning the customer's Network Resources
- Procedures for requesting new Network Resources and terminating Network Resources
- Service from non-Network Resources



# BPA's Goal for Management of Federal Network Resources

- Reconcile NT Service Agreement treatment of Federal Network Resources with OATT requirements
- Provide information essential to management of ATC



# Background: Network Resources (NT)

- Non-Federal Generation Owned or Purchased
  - Current NT Service Agreements designate Network Resources for non-federal generation owned or purchased as required by OATT
  - Current NT Service Agreements specify PORs for non-federal generation consistent with OATT
- Federal Power Purchases
  - Current NT Service Agreements designate Network Resources for Federal power purchases in a general manner
  - Most NT Service Agreements specify PORs for federal power purchases as Federal Columbia River Transmission System (FCRTS)



# General Approach for Federal Resources

- PBL/TBL joint proposal covers resource related provisions of the NT tariff
  - A base set of Network Resources are identified in a PBL/TBL agreement
  - PBL uses OATT procedures and associated business practices to terminate or designate additional Network Resources
  - TBL will seek to revise NT agreements to reference the PBL/TBL agreement for the purpose of designation of Network Resources



# Resource Flexibility Issues

- Reserving transmission for every conceivable dispatch to serve NT peak loads would be extremely expensive
  - NT customers' peak load served by federal resources is 7,000 – 8,000 MW while the capacity of such resources is 15,000 MW (minus the amount of PTP & grand-fathered transmission demand)



# PBL/TBL: Joint Proposal

1. TBL, PBL and the Network (NT) customers will define NT rights based on a forecast of the monthly peak NT loads served by federal resources and an H/K calculation methodology currently being used to determine ATC.
  - These inputs will be used to determine demand limits for service to NT loads over each constrained path on the Network, based on a power flow analysis.
  - The inputs will not include any portion of Federal resources that are committed for sale to PBL's grand fathered obligations or point to point (PTP) sales, or to other PTP customers.
2. PBL will manage the federal generation so that use of that generation to serve NT loads stays within the demand limits over each constrained path, even if NT loads exceed the monthly peak forecast, based on power flow analyses. This methodology does not limit specific federal resources; the demand limits are based on constrained paths.
3. Use of federal resources other than network resources, and use of any available transmission capacity (ATC) above the demand limits for service to NT customers will be treated as secondary service from other than network resources under the Tariff.



# PBL/TBL: Joint Proposal

4. If PBL generation cannot be managed within the demand limits, and secondary service is not available, then TBL will limit the NT service to the demand limits.
  - If NT load does not exceed the monthly peak forecast, NT customers will be responsible for finding alternate generation for which transmission capacity is available to serve their loads
  - PBL will be responsible for alternate generation costs caused by NT load exceeding the monthly peak forecast.
5. If TBL is unable to provide service that is within the demand limits, the re-dispatch and curtailment provisions of the Tariff will be utilized.
6. TBL will not limit PBL's ability to make surplus firm sales provided PBL acquires transmission for such sales in accordance with the Tariff.
7. The demand limits over constrained paths will be established annually to document changes in NT load and any terminated or new designated Network Resource
8. PBL will provide TBL with planning data on resource operation for the federal "base" resources on a long and short-term basis.



# Impact of Proposed Methodology

- Preliminary analyses of existing internal paths show that some may have negative ATC
- TBL is refining analyses to reflect netting of PTP contracts to the extent allowed by WECC
- It is possible for the ATC to be negative, when traditional planning models and actual loadings show no problem because of netting and diversity among PTP contracts, and between PTP and NT contracts
  - Key Issue: What should the region do in this situation?



# CONTRACT LOCK SERVICE AGREEMENT TERMS

Dennis Oster



# Fundamental Characteristics of OATT Service

- NT Service
  - Transmission Provider (TP) plans, constructs, operates, and maintains transmission system for NT service
  - TP provides firm transmission service for delivery of capacity and energy from designated Network Resources to serve designated Network Loads (subject to redispatch)
  - TP provides secondary service from non-Network Resources on an as available basis at no additional charge and at a higher priority than non-firm PTP service.
  - Network customers may terminate or designate new Network Resources
  - Network customers may add new delivery or interconnection points
  - Curtailments are shared



# Fundamental Characteristics of OATT Service

- PTP Service:
  - TP provides long-term firm service between designated PORs and PODs up to Reserved Capacity
  - Customers may change PORs and PODs on a non-firm or firm basis as available
  - Customers may assign firm PTP service
  - Curtailments made on a non-discriminatory basis



# What does it mean to have “locked” transmission service?

- A replacement PTP and/or NT service agreement will be offered
- Specific provisions will be locked and subject to change by mutual agreement
- Changes to locked provisions require majority approval (need to define) of customers holding the replacement service agreements
- OATT terms not specifically identified or locked are subject to change by BPA with FERC approval
- New OATT terms that do not conflict with terms that are locked may be added by BPA with FERC approval



# Congestion Rate Treatment

Dennis Metcalf



# Congestion Rate Treatment

- Treatment for existing levels of service
  - Spread OATT redispatch costs\* over all NT contracts not converted to RTOW.
  - Spread costs\* incurred by BPA for taking RTO/ITP service for the contracts not converted to an RTO/ITP tariff and congestion management responsibilities over all customer contracts not converted to RTOW.

*\*BPA would commit not to directly assign these congestion management costs.*



# Congestion Rate Process

- Conduct a 7(i) process to adopt a congestion management rate treatment
- Request FERC approval for the congestion management rate treatment for 20 years
- Include rate method in replacement service agreement



# Contract Replacement Process

Bob King



# Contract Lock Service Agreement Replacement Process

## General Parameters:

- The Contract Lock proposal shall be a one-time 60-day offer.
- The replacement Service Agreement shall govern if there is a conflict between it and OATT.
- The replacement Service Agreement shall be for a term of 20 years. In the event roll-over rights are limited in an existing Service Agreement, the term of the replacement Service Agreement shall be equal to the term of the existing Service Agreement.
- Existing Service Agreements with terms beyond 20 years would be limited to 20-year terms in the replacement Service Agreement.
- Existing Service Agreements with terms less than the 20-year lock period and no roll-over right limitations shall be eligible for a 20-year term with the replacement Service Agreement,
- The Contract Lock is applicable to existing NT or PTP service.
- Existing IR and FPT service may convert to PTP or NT replacement Service Agreements. (BPA may establish criteria for conversion)
- Existing PTP service may convert to NT replacement Service Agreements. (BPA may establish criteria for conversion)



# Contract Lock Service Agreement Replacement Process

## Who is eligible:

- Customers with Long Term OATT service as of 1/10/03 (Date of Contract Lock Notice) shall be eligible for the replacement Service Agreements.
- Customers with existing IR and FPT contracts may convert to OATT service for IR/FPT uses existing as of 1/10/03 – no partial conversions shall be permitted.
- The PBL for its grand-fathered long term contracts/arrangements.

## Process for adopting Replacement Service Agreements:

- Develop Replacement Service Agreement in regional discussions
- File Replacement Service Agreement with FERC as change to OATT; request reciprocity approval
- After FERC approval, offer Replacement Service Agreements to customers (individual service agreements not filed with FERC)



# Wrap Up

- Follow-On Meeting Proposals
  - Management of federal Network Resources (D. Metcalf, J. Anasis, A. Paschke)
  - Congestion Rate Treatment (D. Metcalf)
  - Contract Lock Terms & Conditions (D. Oster)
  - FERC Approval (S. Millar, D. Metcalf)



# Today's Expectations

- Reach agreement on:
  - The scope for contract lock
  - A process and schedule to conclude a proposal in 45-60 days
- Identify:
  - Issues associated with the proposed treatment of Federal Network Resources
  - Issues and alternatives associated with the protection of existing transmission service from market-based congestion costs
  - Fundamental rights of the existing OATT for NT and PTP services



# Contract Lock Web Site

BPA-Transmission Business Line | Business | Business Practices Technical Forum - Microsoft Internet Explorer provided by BPA 00

Address: http://www2.transmission.bpa.gov/business/ContractLock/contractlock.cfm

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## Business

### Contract Lock

In response to issues raised by FERC restructuring initiatives such as RTO West and Standard Market Design, TBL's transmission customers have asked that TBL lock certain aspects of existing network transmission (NT) and point-to-point (PTP) service so that future changes to locked provisions would be by mutual agreement only.

#### Contract Lock News

- February 12, 2003: Contract Lock Public Meeting - see calendar for details

#### Contract Lock Work Groups

- Keep watch here for future news and developments with specific Work Groups developed under the Contract Lock process.

#### Contract Lock Documents

- Agenda for February 12, 2003 initial meeting
- Initial Posting of intent to develop Contract Lock proposal

If you have questions or comments on Contract Lock or the process involved, please contact the Contract Lock administrator at [contractlock@bpa.gov](mailto:contractlock@bpa.gov).

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