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VIA E-MAIL

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Dear Don Watkins:

The Public Power Council (PPC) submits the following comments on Bonneville Power Administration's (BPA) Transmission Business Line's (TBL's) draft proposal for calculating short-term firm (STF), network available transmission capacity (ATC) (the Proposal)[1]. PPC supports TBL's objectives set out in the Proposal: 1) avoid degrading or impairing reliability; 2) preserve existing commitments for firm transmission; 3) preserve ATC needed to process higher-priority long-term firm (LTF) ATC requests and; 4) develop an STF ATC methodology that is compatible with the LTF ATC methodology[2]. PPC is uneasy about two areas of the STF ATC Proposal.

I. Understanding the Implications and Balancing the Risks

While PPC supports the sale of uncommitted STF ATC as a way to increase TBL revenues and reduce rates, we do not have sufficient information to determine whether the proposed methodology will create additional risks and costs. TBL staff indicated that they believe the Proposal is sufficiently conservative and will not increase either the risk of curtailment or redispatch costs for existing transmission customers.

If the Proposal's calculations are not sufficiently conservative, TBL faces an increased risk of overselling transmission capacity. Overselling STF ATC may reduce TBL's ability to sell LTF ATC, and manage existing LTF transmission

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[1] "TBL Draft Proposal for STF Network ATC" Powerpoint presentation, April 13, 2004

[2] p. 3

obligations. TBL customers ultimately bear the risk of ATC calculation errors and overselling. That risk translates into increased costs from curtailments (*i.e.*, non-federal redispatch) or federal system redispatch. In order to keep the existing customers whole, TBL must balance the risks of increased federal and non-federal redispatch costs against any assumed benefit to these customers from lower transmission rates. Because power costs are orders of magnitude larger than any reasonably expected reductions in transmission rates, it is incumbent on TBL to take a consciously conservative and incremental approach.

In light of the information available, PPC cannot make a reasonable estimate of the risks and benefits of the Proposal. TBL staff said they plan to perform a qualitative analysis of the proposed methodology using historic data[3]. PPC withholds judgment on the Proposal until we have the opportunity to review this analysis. PPC appreciates this effort and believes that this analysis is necessary in order to make an assessment of the degree of conservatism built into the Proposal.

II. Transmission Reliability Margin (TRM)

As currently proposed, the STF ATC calculation includes the TRM reserved for LTF ATC. According to the "Transmission Business Line (TBL) Available Transfer Capability Methodology" (revised March 15, 2004), TRM is a "margin inserted into ATC calculation to account for nomograms, load forecast error and inherent modeling uncertainty"[4]. TBL applies a TRM of 25% of the difference between the Planning and Contract Accounting ATC in cases where the Planning ATC is larger than the Contract Accounting ATC[5]. In cases where the Contract Accounting ATC is greater than the Planning ATC, TBL applies no TRM. On paths that are susceptible to wide variation in generation patterns, TBL has made "special case TRM adjustments" (Raver-Paul, Cross-Cascades, and North-of-John Day).

PPC is apprehensive about the use of TRM in STF ATC calculations. By definition, TRM is designed to account for forecasting and modeling errors/anomalies (especially across paths with wide variation in generation patterns). Selling off TRM negates the intended purpose of TRM. If TBL staff have a different view on this matter, we are interested in understanding it.

PPC urges TBL to use a more prudent approach when dealing with TRM. The reduction of available TRM is worrisome because it shifts greater risk to TBL's existing customers. TBL has indicated that the new STF ATC methodology

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[3] Statement made during the April 13, 2004 customer workshop.
[4] p. 3
[5] appendix 4, p. 1

will be refined over time. To minimize the risk to the agency and its existing customers, TBL should start with more conservative estimates and, over time, if necessary, TBL can revisit these assumptions.

In conclusion, PPC is encouraged by the four objectives set out in the Proposal and the statements made by TBL staff regarding the conservative nature of the Proposal. But, at this time we are unable to assess properly the Proposal. We look forward to reviewing further TBL analysis using historical data. Additionally, we urge BPA to make available historical and current, short and long-term, redispatch and curtailment data so we can track the effects of this and other methodological changes. We also look forward to continued discussion regarding additional refinements of the Proposal (such as the possible addition of a *de minimus* dead-band to the STF ATC methodology).

Sincerely,

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