

PRELIMINARY DRAFT

Subject to BPA Internal Review and Approval.

Please Submit Comments to this Draft by COB, March 1, 2013.

BPA will also Post a Final Draft for Customer Review and Comments.

Preemption of Short-Term Requests and Reservations

Sections 13.2 and 14.2 of BPA's Open Access Transmission Tariff (OATT) allow a later-submitted transmission service request with higher reservation priority (challenger) to preempt an earlier-submitted request or conditional reservation with lower reservation priority (defender) when there is not sufficient capacity to grant all requests. As described below, a defender of a conditional reservation has a right of first refusal to match the challenging request's duration in certain circumstances.

The preemption process described in this business practice is performed through BPA's Open Access Same-Time Information System (OASIS) automation.

BPA is excluding requests and conditional reservations for firm and non-firm hourly transmission service from preemption at this time. BPA is continuing to work with customers regarding issues surrounding how, or if, these requests and reservations should be subject to preemption. Because BPA is currently selling unlimited hourly firm on its network, the possibility of conducting preemption in the hourly market is minimal. While BPA is currently working with customers regarding preemption in the hourly market, it does not expect to finalize any rules or business practices with respect to preemption in that market until it has successfully implemented preemption in the monthly, weekly and daily markets.

1. Types of Preemption

There are two types of preemption—bumping and competition. Bumping occurs when a defender does not have a right of first refusal, meaning a challenger takes a defender's capacity without the defender being able to match the duration of the challenger's request. Bumping occurs in two scenarios:

- A. When a point-to-point (PTP) transmission service request is pending (not confirmed on OASIS) and the challenger is a higher-priority PTP or network integration transmission (NT) service request.
- B. When a defender is a conditional PTP reservation and the challenger is a NT request.

Competition occurs when a higher-priority PTP request challenges a conditional PTP reservation. In this scenario, the customer with the conditional PTP reservation can defend that reservation by matching the duration of the challenging request in OASIS.

Process Flow Diagram No. 1, below, illustrates the preemption evaluation process.

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2. Reservation Priority and Preemption

Reservation priority is set forth in sections 13.2 and 14.2 of BPA’s OATT. Table A, below, shows the reservation priorities for preemption, including whether the defender has a right of first refusal (ROFR).

Table A: Reservation Priority and Preemption Scenarios¹		
Defending Request or Reservation	Challenging Request	ROFR
Long-Term Firm PTP or Firm NT	Not subject to preemption	NA
Conditional Short-Term Firm PTP Reservation	Pre-confirmed Long-Term Firm PTP or NT	No
Conditional Short-Term Firm PTP Reservation	Pre-confirmed Short-Term Firm PTP of longer duration	Yes
Pre-confirmed Short-Term Firm PTP Request	Pre-confirmed Short-Term Firm for longer duration	No
Not Pre-confirmed Short-Term Firm PTP Request	Pre-confirmed Short-Term Firm PTP of equal or longer duration	No
Conditional Short-Term Non-Firm PTP Reservation	Pre-confirmed Short-Term Non-Firm PTP of longer duration	Yes
Pre-confirmed Short-Term Non-Firm PTP Request	Pre-confirmed Short-Term Non-Firm PTP of longer duration	No
Not Pre-confirmed Short-Term Non-Firm PTP Request	Pre-confirmed Short-Term Non-Firm PTP of equal or longer duration	No

¹ This table sets forth the reservation priority for preemption in descending order. Therefore, challenging requests identified in higher rows can preempt defending requests or reservations identified in lower rows. Requests for Long-Term Firm PTP or Firm NT may preempt all lower tiered requests and conditional reservations.

Process Flow Diagram No. 1, below, illustrates how these reservation priorities are applied in the preemption process.

3. Preemption Timing Requirements

Subsections A and B, below, describe the timeframes for challengers and defenders in various preemption scenarios involving firm and non-firm service.

A. Preemption Involving Firm Service

The challenger lead times shown in Table B, below, indicate the minimum amount of time necessary for BPA to complete a competition for the challenger prior to the challenger’s stop time as indicated. The challenger’s stop time is the latest time the preemption process can finish and allow the challenger sufficient time to finalize energy transactions needing the transmission

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capacity as well as to schedule that capacity. The stop times shown in Table B incorporate customers' input regarding their timing needs in the preemption process.

The lead time for a PTP challenger includes the challenger's confirmation time limit set forth in Table 4-2 of the North American Energy Standards Board (NAESB) Standards and Communication Protocols (S&CPs), the defender's matching timeframe (24 hours) set forth in section 13.2 of BPA's tariff, and the transmission provider's evaluation timeframe set forth in Table 4-2. No lead times are included for NT challengers because they bump all PTP requests and conditional reservations which do not have a right to match in that scenario.

The lead times indicated for PTP defenders include the defender's conditional reservation deadline set forth in section 13.2 of BPA's tariff, the challenger's confirmation time limit set forth in Table 4-2 and the defender's matching time limit set forth in section 13.2 of BPA's OATT. Firm NT service cannot be preempted so there are no defender lead times included for that service.

Table B: Competition Timeframes When Firm Defender Has Right of First Refusal					
Firm Challenger Lead and Stop Time			Lead Time for Firm PTP Defenders		
Challenger	Lead Time	Stop Time	Monthly	Weekly	Daily
Monthly PTP	Start of Preschedule Day ¹ + 9 Days	Preschedule Day + 24 Hours	35 Days Prior to Start	9 Days Prior to Start	1:00 AM Preschedule Day + 48 Hours
Weekly PTP	Start of Preschedule Day + 6 Days	Start of Preschedule Day	NA	9 Days Prior to Start	1:00 AM Preschedule Day + 48 Hours
Daily PTP	1:00 AM of Preschedule Day + 72 Hours	1:00 AM Preschedule Day	NA	NA	1:00 AM Preschedule Day + 48 Hours
Monthly NT	NA	1:00 AM Preschedule Day	30 Days Prior to Start	7 Days Prior to Start	1:00 AM Preschedule Day
Weekly NT	NA	1:00 AM Preschedule Day	30 Days Prior to Start	7 Days Prior to Start	1:00 AM Preschedule Day
Daily NT	NA	1:00 AM Preschedule Day	30 Days Prior to Start	7 Days Prior to Start	1:00 AM Preschedule Day

¹ "Preschedule Day" means WECC Preschedule Day, which starts at midnight Pacific Prevailing Time.

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The defender lead times set forth in Table B only apply to competition scenarios where the defender has a right of first refusal. In bumping scenarios, the conditional reservation deadlines set forth in section 13.2 of BPA's OATT do not apply to pending requests for firm service, and, therefore, they can be preempted up to noon of the WECC business day, which excludes weekends and holidays, prior to the defender's start of service. The challenger's lead time in a bumping scenario is the same as set forth in Table B.

B. Preemption Involving Non-Firm Service

BPA calculates and markets non-firm ATC such that preemption can only occur between non-firm requests of the same product type (e.g., monthly PTP versus monthly PTP). Preemption in the non-firm market cannot occur between requests of different product types (e.g., monthly PTP versus weekly PTP). Because non-firm (or secondary) NT is the highest priority service in the non-firm market and cannot compete against itself, Table C does not include that service. For more information on how BPA calculates non-firm ATC, please see BPA's ATC Implementation Document at http://transmission.bpa.gov/business/atc_methodology.

The challenger lead times shown in Table C, below, indicate the minimum amount of time necessary for BPA to complete a competition for the challenger prior to the challenger's stop time as indicated. The challenger's stop time is the latest time the preemption process can finish and allow the challenger sufficient time to finalize energy transactions needing the transmission capacity as well as to schedule that capacity. The stop times shown in Table C incorporate customers' input regarding their timing needs in the preemption process.

The lead times for non-firm PTP challengers include the challenger's confirmation time limit set forth in Table 4-2 of the S&CPs, the defender's matching timeframe (24 hours) set forth in section 14.2 of BPA's tariff, and the transmission provider's evaluation timeframe set forth in Table 4-2.

There are no conditional reservation deadlines for non-firm service provided in section 14.2 of BPA's tariff. After several discussions and input from customers regarding their needs relative to the timing of the preemption process, BPA decided to use the same 1:00 AM preschedule day timeframe used for daily firm service for market consistency. BPA added the challenger's confirmation time limit set forth in Table 4-2 and the defender's matching time limit set forth in section 14.2 of BPA's OATT to create the total lead time for non-firm defenders.

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Table C: Competition Timeframes When Non-Firm Defender Has A Right of First Refusal					
Non-Firm PTP Challenger Lead and Stop Time			Lead Time for Non-Firm PTP Defenders		
Challenger	Lead Time	Stop Time	Monthly	Weekly	Daily
Monthly	Start of Preschedule Day ¹ + 4 Days	Start of Preschedule Day + 1 Day	1:00 AM Preschedule Day + 48 Hours	NA	NA
Weekly	Start of Preschedule Day + 3 Days	Start of Preschedule Day	NA	1:00 AM Preschedule Day + 48 Hours	NA
Daily	Start of Preschedule Day + 1 Day	Start of Preschedule Day	NA	NA	1:00 AM Preschedule Day + 24 Hours

¹ “Preschedule Day” means WECC Preschedule Day, which starts at midnight Pacific Prevailing Time.

The defender lead times set forth in Table C only apply to competition scenarios where the defender has a right of first refusal. In bumping scenarios, requests for non-firm service can be preempted up to noon of the WECC business day prior to the defender’s start of service. The challenger’s lead time in a bumping scenario is the same as set forth in Table C.

4. Preemption Automation Window

BPA has implemented a preemption automation window in addition to the timing elements set forth above to ensure that customers with a right of first refusal are notified of a competition during normal business hours so that they can exercise that right without causing undue burden to those customers. BPA will initiate preemption between midnight and noon on WECC business days. Outside of these hours, BPA’s automation will evaluate its short-term queue for preemption opportunities, but will not initiate preemption until the window reopens. Once preemption is initiated, it is no longer subject to the automation window (*i.e.*, a defender may exercise its right of first refusal consistent with the timeframes set forth in Tables B and C, above, even if the window has closed).

The automation window must be combined with the timeframes set forth in Tables B or C to determine when a request must be submitted so that preemption can be initiated. The following illustration shows the relationship between the window and the timeframes shown in Table B for firm daily challengers and defenders.

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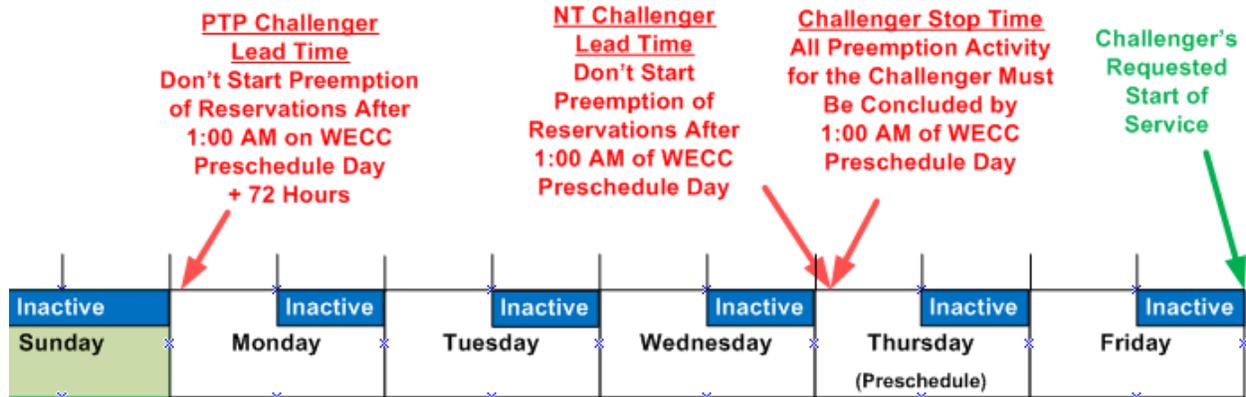
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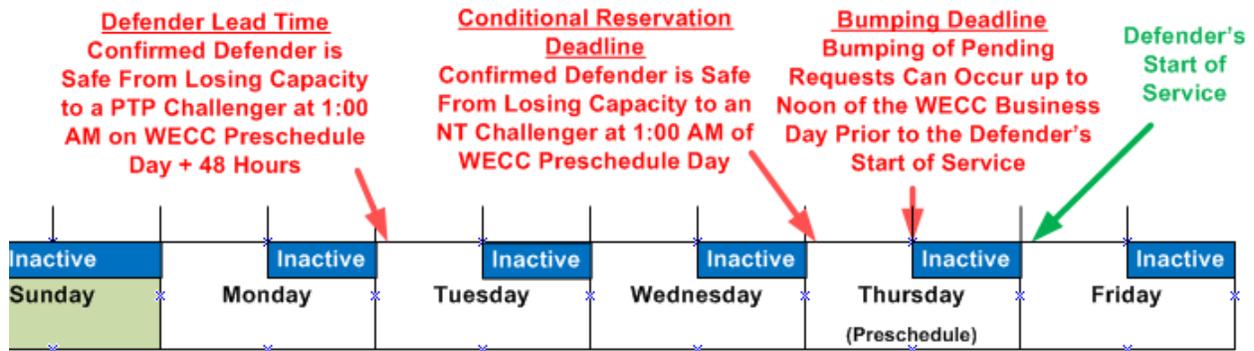
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Preemption Automation Window

Daily Firm Challengers



Daily Firm PTP Defenders



5. The Preemption Process

BPA conducts preemption through its OASIS automation. In situations where a request is submitted and capacity is constrained, BPA's preemption automation will evaluate the short-term queue and conditional reservations to determine if it can provide a full offer of capacity through preemption. BPA will only initiate preemption if a full offer is feasible. If not, BPA will counteroffer the request with any capacity that is otherwise available without preemption.

If there are multiple, pending requests in the short-term queue needing capacity on the same constrained path/flowgate(s) or against common defender(s), BPA will initiate preemption for those requests sequentially based on their queue time. However, if BPA has initiated preemption and a higher-priority request is subsequently queued, BPA will not suspend that preemption. When BPA initiates preemption, a static "snapshot" of the applicable short-term Available Flowgate Capability (AFC) or Available Transfer Capability (ATC) is used to conduct that

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preemption. Changes in actual AFC or ATC will not impact ongoing preemption activity. Once the preemption is complete, BPA will recalculate ATC or AFC incorporating the results of the preemption and then reevaluate the short-term queue for preemption opportunities.

If the automation determines that there are sufficient requests and reservations to potentially make a full offer to the challenger within the applicable timeframe and preemption window requirements described above, then it will initiate the preemption process in the following sequence. First, it will evaluate pending short-term PTP requests with lower reservation priority that can be bumped without the right of first refusal. If there is not sufficient capacity provided through bumping those requests to make a full offer to the challenger, it will then initiate preemption of enough conditional, lower-priority short-term PTP reservations to provide a full offer of capacity to the challenger. As described below, these PTP reservations may or may not have a right of first refusal depending on who the challenging request is.

Process Flow Diagram Nos. 2 and 3, below, illustrate the preemption and matching processes.

A. Bumping of Pending PTP Requests

When the defender is a pending PTP request without a right of first refusal, BPA will supersede that request in full when a higher-priority request is submitted within the applicable timeframes and the automation window described above. BPA will include the AREF number of the challenging request in the Seller Comment field of the superseded request in OASIS.

B. Bumping of Conditional PTP Reservations by NT Requests

When the defender is a conditional PTP reservation, BPA will recall capacity from that reservation needed by a later-submitted NT request submitted within the applicable timeframes and automation window described above. A PTP reservation does not have the right to match in this scenario. BPA will include the AREF number of the challenging request in the Seller Comment field of the defender's reservation in OASIS.

C. Competition of Conditional PTP Reservation(s) by a Higher-Priority PTP Request

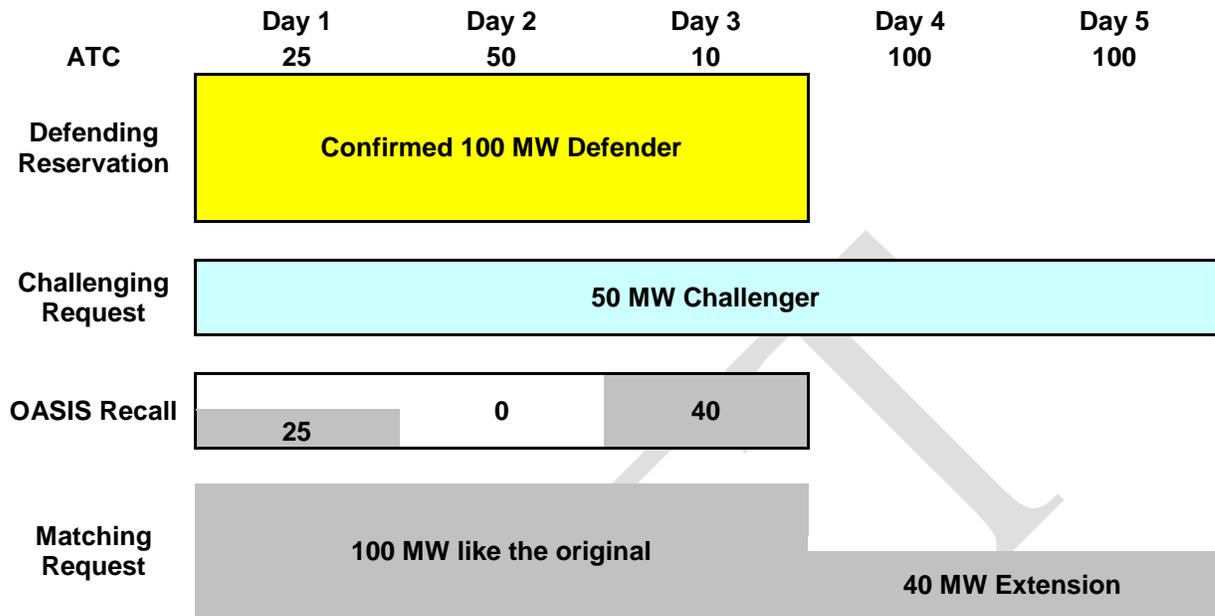
When the defender is a conditional PTP reservation challenged by a higher-priority PTP request, the defender has the right to match (or right of first refusal) the duration of the challenger's request. BPA's OASIS automatically generates a pre-confirmed matching request as a counteroffer to the defender which cannot be modified by the defender. The matching request will extend the defender's stop date to match the duration of the challenger's request. The matching request will be profiled such that the capacity for the extended portion will be the largest amount of capacity recalled from the defender's reservation to satisfy the challenger's request but the capacity for the defender's original reservation term will remain the same. The following chart illustrates how BPA creates a profiled matching request.

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Competition Sequence:

- i. This chart shows a three-day 100 MW conditional PTP reservation as the defender.
- ii. There is 25, 50 and 10 MW of ATC available in Days 1 through 3, respectively.
- iii. A five-day 50 MW PTP challenging request is then queued. Due to lack of ATC in Days 1 through 3, the challenger can potentially take enough capacity from the defender through preemption to get a full offer.
- iv. The defender has the right to match the challenging request.
- v. OASIS recalls the amount needed from the defender for the challenger's request: 25 MW is taken from Day 1, 0 MW from Day 2, and 40 MW from Day 3.
- vi. OASIS creates a pre-confirmed matching request as a counteroffer to the defender. The request is made up of two parts, the original term of the defending reservation and the extension needed to match the challenging request. The term and capacity of the defending reservation remains the same (100 MW on Days 1 through 3), and the extension (Days 4 and 5) is profiled to match the challenger's duration using the largest amount of capacity recalled on a daily basis (40 MW).

As provided in sections 13.2 and 14.2 of BPA's OATT, a defender must confirm the matching request in OASIS within 24 hours of being notified by OASIS that it is in a competition.

Process Flow Diagram No. 3, below, shows the matching process.

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6. The Billing Process for Preemption

Customers granted transmission through preemption or retaining transmission through exercising their right of first refusal (matching) will be billed in accordance with BPA's applicable rate schedule(s) in effect at the time.

PTP customers whose confirmed capacity is recalled, in whole or in part, due to preemption will receive a credit based on the amount of time capacity was recalled. The rate applied to this credit will be based upon the actual time recalled rather than the rate paid for the original capacity. For example, a recall of five days will be credited at the Block 1 (days 1-5) Monthly, Weekly, Daily PTP rate, even if the customer is being billed at the lower Block 2 rate for the reserved capacity it originally requested. The same holds true for a recall associated with a short-term firm redirect of a long-term firm reservation which is subsequently preempted.

With regard to redirects of resales that are subsequently preempted, BPA will credit the assignee of the resale based on the amount of capacity recalled as described above. The reseller of the resold capacity is still billed in full consistent with BPA's Resale of Transmission Service Business Practice. BPA does not serve as the financial intermediary in resale transactions between the assignee and reseller. The assignee and reseller may negotiate a bilateral agreement with respect to the final disposition of the credit provided to the assignee by BPA.

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7. BPA OASIS-Generated Messages Involving Preemption

As described in Table D, below, BPA’s OASIS generates the following messages in the Seller Comment Field on all requests, reservations, recalls, and matching transactions involved in the preemption scenarios described below. <aref> denotes the AREF No. of the applicable challenger or defender(s) involved.

Table D: OASIS Messages Related to Preemption	
Message	Preemption Scenario
Request SUPERSEDED to accommodate Challenger <aref>.	This is applied to a pending PTP request when it is bumped by a higher-priority NT or PTP request.
Reservation without ROFR was RECALLED to accommodate Challenger <aref>.	This is applied to a conditional PTP reservation when it is bumped by an NT request.
Competition completed resulting in full offer.	This is applied to a challenger when it gets a full offer through preemption.
Competition completed resulting in partial offer.	This is applied to a challenger when it gets a partial offer through preemption. Occurs when one or more defenders exercise ROFR.
RECALL to accommodate Matching TSR <aref>.	This is applied to the final recall of the defender’s capacity if it has chosen to exercise ROFR.
Capacity with ROFR has been RECALLED to accommodate Challenger <aref>. MATCHING and RECALL requests have been created.	This is applied to a defending reservation with ROFR when a competition has been initiated and capacity has been recalled to satisfy the challenging request.
Confirm this MATCHING request to exercise ROFR and match Challenger AREF <aref>. Withdraw to decline ROFR.	This is applied to matching requests created by OASIS which must be submitted by the defender.
RECALL to accommodate Challenger <aref>.	This is applied to the initial recall of the defender’s capacity when a competition has been initiated.

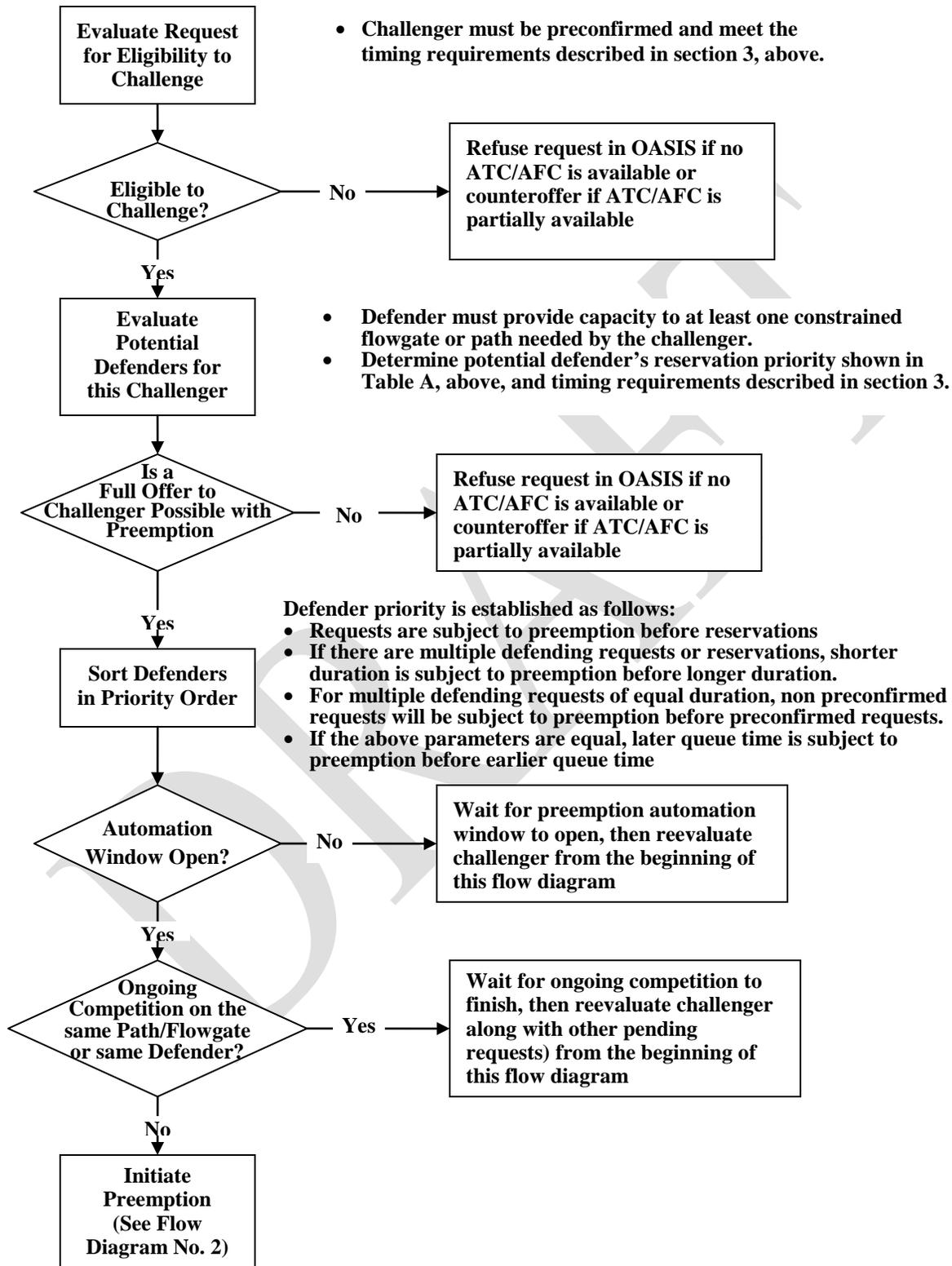
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Flow Diagram No. 1 – Preemption Evaluation when ATC or AFC is Constrained



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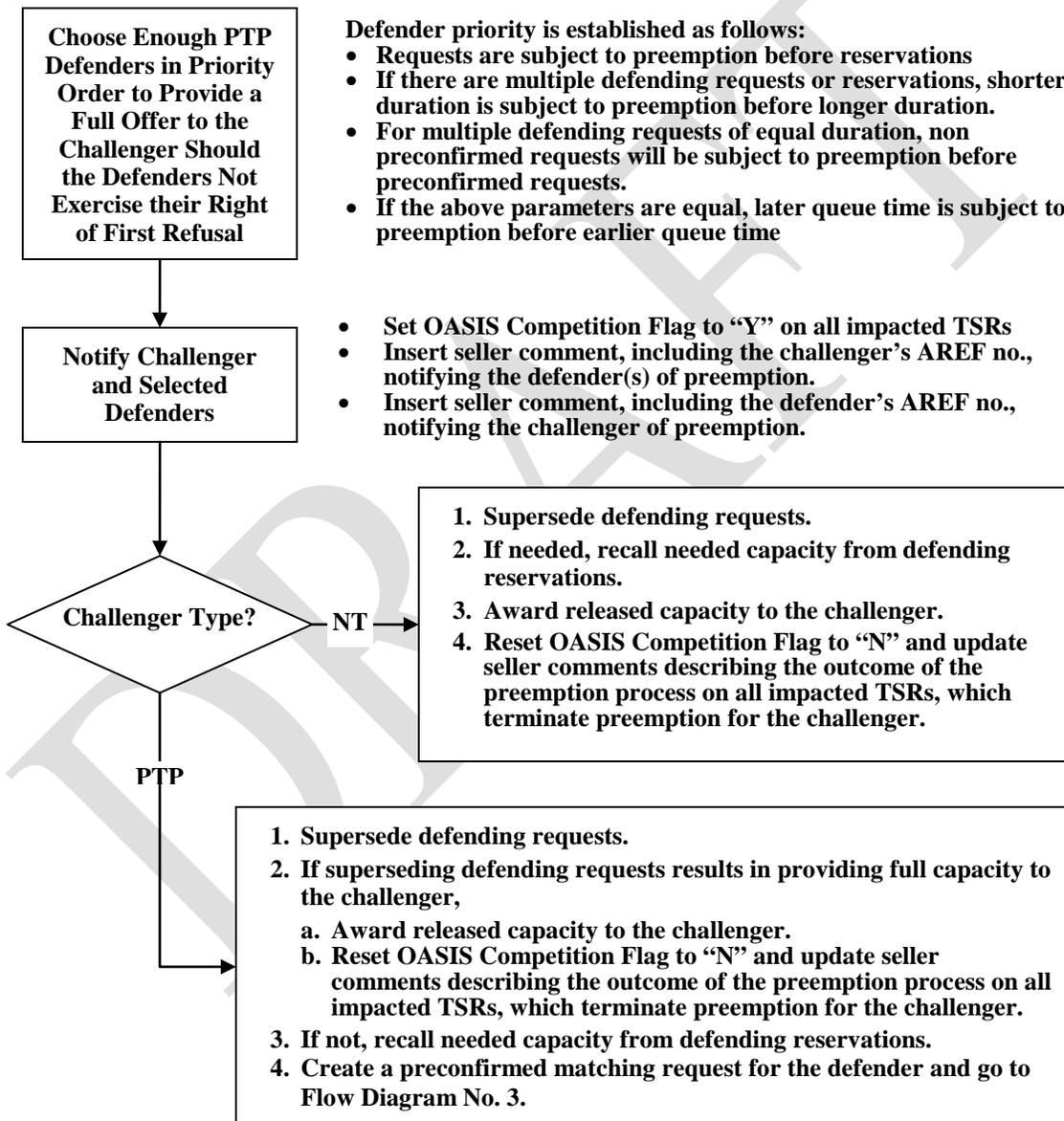
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Flow Diagram No. 2 – Bumping and Competition

As shown in Table A, NT and PTP challengers have different reservation priorities with respect to preemption. A PTP challenger can only preempt PTP defenders of equal or shorter duration. A NT challenger can preempt short-term PTP defenders regardless of duration.

There are three classes of PTP defenders. The first are requests (pending, not confirmed) which have no right of first refusal. The other two classes are conditional reservations (confirmed) -- one being challenged by an NT request and has no right of first refusal, and the other being challenged by a PTP request and has the right of first refusal.



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Flow Diagram No. 3 – Matching Request Process

This diagram illustrates the matching request process for defenders who have the right of first refusal to match a challenger’s duration.

