# Summary of Points made during 4-12-13 Webex

(1) Financial Outcomes uncertain (depends on MW's as well as duration)

   a. SPP to provide an analysis/case study of the results from their process which allows for unwinding of Defender elections if Challenger does not confirm Counteroffer

   b. Determine if a method can be devised to explore the financial impacts if a Challenger's intent is to submit requests without confirming counter offers

   c. Customers (aka Marketers) – consider exploring benefits/burdens of purchasing longer duration reservations

   d. Customers (aka Marketers) – general interruptions that result from having to modify schedules if exercise of ROFR is unsuccessful. How burdensome?

   e. Uncertain on financial impacts to TSP (many scenarios that can result in loss or gain).

(2) Timing Impacts – are there process changes that would allow overall time to complete competition to remain the same irrespective of Binding or not Binding the Defender? Currently see potential for increased duration to complete if timeframes for Challengers to accept Counteroffer left unmitigated.

(3) Queue Processing disruption as a result of reiterative Challenges because Defender Matches are unwound

   a. SPP to provide an analysis/case study of the results from their process which allows for unwinding of Defender elections if Challenger does not confirm Counteroffer

   b. In general it is believed that high volume systems are unlikely to have this problem.

   c. Queue Processing overall –

      i. To extent the queue stops processing to allow a competition to complete, does binding or not binding defender make a difference.

      ii. Available data from SPP where reiterative potential exists show this to be a nominal issue? Identical challenge may occur twice, but seldom more. (Note the example is for a system in which queue stops processing for identical paths). In theory there are other possible methods that don't halt the queue but preserve queue priority. May wish to explore what those alternative methods might be. May add value whether or not defender is bound or not bound.

(4) Tariff Language

   a. Some believe that tariff language to bind a Defender to a Match broadly applies to all circumstances (e.g. when only a partial offer is available). Others believe that FERC did not go this far and was only speaking of the narrow issue in which a full offer is available to the Challenger and thus TSPs/NAESB have options.

b. FERC section Preemption & Competition is to encourage customers to make longer term reservations (commitments) to TSP. Left out MW amount so that smaller entities may not be disadvantaged.

890-A Excerpt Paragraph 786. *"….. Similarly, we decline to alter the Commission's long-standing policy of giving longer duration requests for service priority over shorter duration requests. To do so would undermine the Commission's goal of encouraging longer term uses of the transmission system."*

*SPP – Reviewed Empirical Data – Note competition generally hourly non-firm markets where competitions take place*

*(1) Number of Competitions ~75% Matches ultimately not confirmed because Challenger does not accept Counteroffer (Number of Matches offered without being acted on) (Net Zero change in use)*

*(2) Of the Matches Look at whether or not Matched with minimum or extend to longer than minimum. (e.g. Challenger adds an hour or so.) Generally saw that Defenders Matched with the minimum required.*

(3) *Number of competitions that repeated that went beyond two rounds competition (e.g. same Defender and Challenger) were only able to definitively able to find one…*

(4) *Number of Matches that were confirmed – did he schedule or just sit on it? 85% of the time that a Defender matched with he actually scheduled (July-Dec Peak time is summer)*

(5) *Queue Processing – Transactions not involved in path continue to get processed and do not halt for competition. (Note: 12pm unscheduled firm released to non-firm hourly for next day) If Firm rights holder comes in prior to its scheduling deadline then they will preempt.*

a. *Stop Queue (on a given path Queue is stopped for ~~overlapping timeframes~~) otherwise queue continues for dissimilar timeframes/paths).*

*What is the percentage of time that no one opts to Match and Challenger gets through? SPP will follow-up.*

*Revenue issues? PCM may result in some issues? Under current method SPP doesn't believe this exists. Scenario – At least two Defenders with ROFR and 1 confirms the Match and the other one does not. The challenger is thus given a counteroffer and chooses not to confirm. Part of the rationale of the PCM tool is to not unwind defender recalls is because Defender that Matched may have borrowed capacity from the other Defender (outcome of allowing simultaneous matching).*

*TVA – most of the time when the challenger is competing with their own reservation, then the Challenger will withdraw (Challenger didn't realize he would compete with himself). Further clarification offered by TVA on 4-23-13- Just for clarification on my comment concerning competition. If a Marketer has submitted a request and the TC has multiple confirmed requests with the same POR / POD, but from a different Source or to a different*

*Sink, and it impacts the same flowgate, they could be technically be in competition themselves and decides to withdraw said request. This usually happens to our TC inside a BA scheduling for multiple IPPs. Or, when our scheduler has confirmed PTP and they submit a Network request. In both cases the marketer would usually withdraw their request from competition, if one or two of their request is competing against themselves.*

*With respect to flowgate(s) how do unconstrained flowgates get handled aka "shoulder flowgates" get handled? SPP generally does not deal with this because competitions are on contract paths (e.g. ATC).*

*PCM have safeguards/fence around constrained and shoulder flowgates that are tied in with competitions. Without this the Match feasibility test would be flawed. If new one coming doesn't take it to zero then only put a fence on what is required for competition and remainder not required for competition then next reservation can be processed?*

**Roll Call – 4/22/13 Webex/Conference Call**

**Ken quimby**
**Ron Robinson**
**Rebecca berdahl**
**Ann Shintani**
**Marie Pompel**
**Joel Jenck**
**Rhea Payne**
**Cory Anderson**
**Paul Sorenson**
**Michael Bohan**
**Matt Schingle**
**Shawn Davis**
**Rick Applegate**
**Bob Zerfing**
**Terrin Pearson**

# Binding the Defender – Process comments

## Scenario:

- Valid competition exists
- Result of Competition is such that at least one Defender has elected to exercise his Right of First Refusal
- Challenger cannot be offered Full Capacity and receives a counteroffer
- Challenger withdraws request or allows Counteroffer to go retracted

## Points of Resolution

***Should the Defender be Bound to his decision to Match in the event the Challenger withdraws his request that has been Counteroffered, or allows the Counteroffer to be retracted?***

***Should the Defender be Bound to his decision to <u>not</u> Match in the event the Challenger withdraws his request that has been Counteroffered, or allows the Counteroffer to be retracted?***

## Issue: Financial impact ?–

**Provider's reference:** A confirmed Matching Request, whose status is not contingent upon actions of the subsequent actions of the Challenger, represents an increase in revenue. This outcome is not assured depending on scenario.

What is the negative financial impact if Challenger's submit requests without the intent or need to purchase Tx?

To do

A: (Will decide which below most efficient approach to explore issue is)

(1) May wish to ask providers to provide an analysis for the task force.

(2) Or alternatively exhaustively and then determine whether lead to conclusions on balance.

B: Explore the negative financial impact if Challenger's submit requests without the intent or need to purchase Tx

A confirmed defender who chose not to match, and who is not restored if the challenger is offered a counteroffer and chooses not to accept it, represents a loss of revenue to the provider.

**Marketer's reference:** A confirmed Matching Request, whose status is not contingent upon actions of the subsequent actions of the Challenger, represents an increase in expense.

If Match adds value to the overall Marketing activities (e.g. maintains relative value of original contemplated transaction or leads to additional power sales etc…) that expense could result in additional value.

A confirmed defender who chose not to match, and who is not restored if the challenger is offered a counteroffer and chooses not to accept it, has a financial impact of some sort to the customer.

Labor impacts that may not result in net benefits to customer or providers? (schedules need to be modified in the event elect not to match, resell actions if not needed for underlying transaction(s))

## Issue: Timing (Time to reach completion of the competition activity)

**Provider's reference:** Binding the Defender to a Matching Request – as opposed to a system generated Matching request (which is essentially a counteroffer carrying the standard response time) potentially reduces the requisite time to complete competition. Challenger still has standard counteroffer response time. Remaining queue cannot be processed for like transactions until the competition is concluded.

**Marketer's reference:**

In this circumstance where only a counteroffer is available to the challenger, shortening the Challenger's response time could solve this problem.

Equity –Make Challenger counteroffer response time equal to the Defender's Matching response time would shorten up the Firm queue processing time.

(Under current paradigm shortens decision making timeframe for Challenger)

## Issue: Potential of Reiterative Actuations of Competition

**General reference:** Binding the defender has the potential of eliminating reiterative effects.

**Provider's reference:** In systems with moderate to high volumes of transmission services requests, the change in ATC and the change in position of the challenger relative to the Defender in the queue after re-submittal by the Challenger mitigate the likelihood that reiterative effects will occur. For systems with lower volume reservations this may be more of an issue.

(To extent the queue stops processing to allow a competition to complete.)

**Marketer's reference:** Available data where reiterative potential exists show this to be a nominal issue. Identical challenge may occur twice, but seldom more. (Note the example is for a system in which queue stops processing for identical paths). In theory there are other possible methods that don't halt the queue but preserve queue priority.

## Issue: Tariff Language Supporting or Requiring Provider to Bind a Defender

**General reference:** Tariff language supports the right of a Defender to enter a Matching request to retain their capacity and priority. NASEB language refers to this right but only addresses situations where the Partial Service may not be offered to the Challenger. No explicit FERC/NAESB/pro forma OATT language to support Binding in a circumstance in which the Challenger can only be afforded of Partial Service and the Challenger chooses not to accept the Partial Service. However, some provider's feel that this language applies more broadly to such instances.

## Issue: If Bound, The Additional Capacity supports FERC's desire for 'Increased Use of the Bulk Electric System"

**General reference:**

Additional capacity a customer is required to purchase to preserve the original capacity and priority (the delta of the Matching request) represents increased RESERVATION of the BES. As the customer has the right to elect to use or not use the reserved transmission, the additional reserved capacity does not represent increase USE of the BES. (Binding Defender may have the result of increasing **perceived** use.)

In the some scenarios with multiple Defenders with ROFR it's possible that the Competition and Preemption process to result in reduced reservations compared to the system prior to kicking off the process.

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FERC's Goal for Preemption & Competition is to encourage customers to make longer term reservations (commitments) to TSP. Left out MW amount so that smaller entities may not be advantaged.

## Issue: If Bound, Defender may Resell/Redirect the additional capacity he acquired through acceptance of his Matching Request

**Provider's reference:** No significant impact. For periods of low demand this provides the TP with a potential to increase reservations during low demand periods when TP may otherwise may not make a sell..

**Marketer's reference:** while the Defender may resell this capacity, available data indicates the amounts do not necessarily represent a commercially marketable item. Additionally, in systems where demand for a path or set of flowgates is seasonal, the additional duration may be available because the there is no demand during that period and thus the individual customer, rather than the customers as a whole must pay for the stranded capacity.

## Issue: SAMTS is analogous to Competition, as it relates to Binding a customer

**General Reference:** **In SAMTS, the request is not "bound" until the customer knows the results of the various segments. If one segment is not "accepted", then he can walk away.** Following this same logic when it comes to a defender with ROFR, he should not be "bound" until he knows the results of the competition (all segments "go" or not). If the challenger "accepts" (all segments "go"), then the defender's action is confirmed and he can't change it. If the challenger doesn't "accept" (not all segments "go"), then the defender is not bound any more than the request under SAMTS.

Basic concept is that the Defender's decision to match is based on the actions of the Challenger.
Decision flow:

1. Customer submits a request that cannot be accepted without using part of a confirmed reservation - Challenger Decision 1
2. Challenger and Defender(s) are identified
3. Competition begins
4. Defender elects to Match to retain capacity and priority – Defender Decision 1
    a. Partial capacity remains available
5. Challenger offered a Counteroffer of remaining capacity
6. Challenger withdraws request or allows Counteroffer to go Retracted - Challenger Decision 2
7. Defender revisits decision to Match, based on challenger actions – Defender Decision 2

Decisions are based on current topology of the system. As things change, the decisions should be able to be changed.

## Issue: Statement that "FERC has approved WEQ-013-2.4.2 which binds the matching request independent of any action taken by the challenger (the challenger has no choice)"

**General reference:** **No issue that FERC has accepted WEQ-01302.4.2** WEQ-013-2.4.2 only covers the situation where the challenger doesn't get a counter-offer. In the case of no counteroffer – consensus is that Defender IS bound. The situation where a Challenger receives a counteroffer is not addressed – directly or tangentially in WEQ-2.4.2. Assumption cannot be made that the lack of specifics can be taken to mean a defined result.

**013-2.4.2 Displacement – With Right of First Refusal**
Confirmed Transmission Service reservations may be subject to displacement in the event competing, higher priority requests are received by the Transmission Provider, but have the right of first refusal to retain their Transmission Service.

If the Transmission Provider's tariff obligates, or the Transmission Provider elects to grant the original Transmission Customer the right of first refusal, the existing Transmission Customer shall be notified of the competing request.

The Transmission Provider shall set the existing lower priority reservation's COMPETING_REQUEST_FLAG to Y and update the SELLER_COMMENTS to include the ASSIGNMENT_REF associated with the higher priority competing request.

These actions will initiate electronic notification, provided the Transmission Customer has elected to receive such notification.

If the existing Transmission Customer elects to meet the terms and conditions of the competing request, that Transmission Customer shall submit a new MATCHING reservation request using the ***transrequest*** template.

The specific requirements associated with submission of MATCHING requests are detailed in Business Practice Standard WEQ-013-2.6.3.

If the Transmission Provider accepts and the Transmission Customer confirms the MATCHING request, the Transmission Provider shall set the STATUS of the competing request to REFUSED and set the STATUS of the existing lower priority confirmed reservation to DISPLACED.

The STATUS of DISPLACED indicates that the reservation has been displaced in its entirety and has been replaced by the confirmed MATCHING reservation.

If the existing Transmission Customer does not elect to meet the terms of the competing request, the Transmission Provider shall displace the existing lower priority reservation, in whole or in part, in the same manner as described in Business Practice Standard WEQ-013-2.4.

Once the result of the competition is resolved, whether through MATCHING or displacement of the existing reservation, the Transmission Provider shall reset the COMPETING_REQUEST_FLAG to N in the reservation subject to displacement.

Because the deciding factor for priority is generally duration and does not include capacity, the Preemption & Competition process itself results in uncertain outcomes with respect to the increased use of the system (whether it be based upon reservations or “Increased Use of the Bulk Electric”).