



Transmission Services

Response to Customer Comments on Preemption and Competition Settings

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This document contains the Transmission Customer comments and Transmission Services' response to those comments for the Request for Customer Comments on Preemption and Competition Settings posted for review from November 13, 2012 through November 30 2012.

Thank you for your comments.

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1. Customer - Joint NT Customers

PCM is Transitional

The Joint NT Customers recognize NAESB Preemption and Short Term Competition standards are currently under development and that the OATI PCM BPA intends to implement is a transitional tool for use in the interim. The Joint NT Customers do not object to the implementation of Preemption and Short Term Competition in 2013 as a transitional approach provided the PCM is designed to effectuate the FERCs intentions surrounding Section 13.2.

BPA identified several issues in the November 13th meeting that would cause considerable market disruption and/or leave significant loopholes that would undermine the entire process. The most critical of these issues relates to resales where the parent reservation is conditional. In this situation, a PTP customer could avoid Preemption and Competition by reselling transmission to themselves. This functionality in the PCM would incentivize questionable optimization practices that essentially thwart the purpose of Preemption and Short Term Competition. The Joint NT Customers understand that the NAESB subcommittee standards will resolve this issue in the future. However, if BPA implements Preemption and Short Term Competition it must seek to minimize the opportunity for such practices. One solution would have BPA create a business practice that limits a customer's ability to make such resales or face consequences such as a call to FERC to report transmission abuse.

Transmission Service's Response

[The interim PCM will not compete or preempt resales. While this issue will be resolved to match the final NAESB practice on this, that won't likely be until around the summer of 2015. In the meantime, BPA will work with OATI and the customers to seek mitigation to this problem.](#)

Unconditional Deadline Issues

The Joint NT Customers do not believe it is necessary to extend the Unconditional Lead Times when the challenger is an NT customer. Specifically, BPA proposed to incorporate additional time for the Challenger and Defender processes to occur. These additions effectively extend the Unconditional Deadline and decrease the amount of time a transaction is subject to Preemption and Competition. Furthermore, in the case of a weekly transmission request this proposal would conflict with the reservation window leaving, at best, a day and a half for weekly requests to be subject to Preemption and Competition. Given the speed with which NT Preemption can take place, additional Challenger Lead Time should simply reflect the administrative time necessary for BPA to identify and award the transmission if any exists. Based on conversations with BPA the Joint NT Customers understand that it takes mere seconds to complete the Preemption process when an NT customer is the Challenger.

In regard to the PCM system parameters, BPA has indicated that they intend to include automatic start and end hours. BPA's stated purpose was to restrict decision making to WECC Business days. It is unclear how automatic start and end times achieves the stated purpose as there remains significant activity on the part of the real time desk over weekends in order to comply with deadlines required of active qualifying Competitions. Further, given that there is no response required from PTP customers for NT Challenges that can exercise Preemption the concern is moot. The true effect of this rule is to artificially cut-off Preemption and Competition and extending the Unconditional Window. This is an example of the rule sweeping much more broadly than necessary to achieve the stated purpose. If BPA insists on implementing the automatic start and end times the Joint NT Customers propose that they

not apply to NT Challengers exercising Preemption rights. This avoids unnecessarily limiting NT Preemption rights.

Transmission Service’s Response

Unconditional lead times only apply to competitions involving PTP requests as challengers. Preemption involving NT requests would only need to be complete before the unconditional reservation deadline. That said, using automatic end time will shorten the time that preemption can occur in some situations. This automatic end time proposal is to allow preemption or competition to start on a business day, so a defender at least is given notice on a business day that it is being challenged. A separate end time for PTP customers and NT customers isn’t possible in the PCM that will be used for the April start date.

BPA Must Address the Hourly Issues Raised By Preemption and Short Term Competition

The Joint NT Customers object to BPA’s failure to address the issues posed due to BPA’s practice of selling hourly firm transmission while choosing not to implement hourly competition in the short term. The Joint NT Customers recognize that BPA as well as the Pacific Northwest transmission markets and customers could be severely impacted if Preemption and Short Term Competition were implemented in hourly markets. However, BPA’s practice of selling hourly firm without Preemption upsets the balance set forth in the pro forma tariff. The Joint NT Customers appreciate that this issue is not overly pressing at this time given that BPA currently sells unlimited hourly firm and non-firm transmission. However, this is unlikely to be the case going forward. As a result, the Joint NT Customers believe it is essential for BPA to reconcile its practice of hourly firm sales with the intent of Preemption and Competition. The Joint NT Customers ask BPA to continue working with its NT customers to resolve the dilemma presented by its hourly sales practice.

Transmission Service’s Response

Transmission Services will continue to work with all impacted customers regarding competitions and preemptions in the hourly market.

2. Customer - BPA Power

PCM Issues

These are issues that were identified to have impacts that either BPAT or customers have raised. BPA has decided to exclude Hourly preemption and competition from the current April 2013 implementation plan. The first ten issues have known and relatively acceptable outcomes; the last four issues have known and unacceptable outcomes.

Issue Description	Intended Impacts (expected due to nature of P&C)
If a Defender is preempted or chooses not to exercise ROFR, they lose their confirmed capacity.	This is the intended purpose of preemption and competition. Customer must unwind their tags or be subject to a UIC.

1. BPAP comment: The NAESB OASIS Subcommittee is currently reviewing an alternate methodology that would seek to return Defenders back to their original state (prior to

competition) if the Challenger (under certain circumstances) opts to withdraw its request (the methodology is currently referred to as “the Sandbox”). It is understood that the current procedure does not plan to alert schedulers of an e-tag impact. BPAP considers this to be inconvenient, and prefers a procedure that provides an alert. Due to the TP not notifying customer via E-tag curtailments or some such mechanism, the customers are exposed to significantly higher risk than under current processes and procedures. Westtrans currently has elements that can or are updated when reservations are displaced or altered, and scheduling entities could modify scheduling systems to provide an automatic notification on those unanticipated changes. Understanding how PCM impacts reservations and reservation elements is a detail that has not been fully discussed during workshops, so we request time to do so to ensure that customers are aware of this and have the opportunity to consider changes to their scheduling systems and practices.

Transmission Service’s Response

Transmission Services will be providing significant training and “hands on” time to allow each customer the opportunity to see how the PCM works and to allow the customer to use this knowledge to make modifications to their systems. In addition, having the unconditional window start at midnight prior to the WECC preschedule day will mean that reservations are safe from competition going into the WECC Preschedule day. The issue of unwinding tags will only occur if they tag prior to the WECC Preschedule day.

If a Defender chooses to exercise a ROFR, they are left with a new Aref on a matching request.	This is how preemption/competition is designed to work. Customer must change their tags to the new Aref or be subject to a UIC. NAESB is considering a better way.
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- BPAP comment: BPAP agrees that this intended impact of replacing an existing AREF that successfully matches with an entirely new AREF is inconvenient as it requires any e-tag that uses that original AREF to be replaced. BPAP prefers that, when the AREF is a Defender that successfully matches, that the AREF is not replaced, and the portion that is extended is either added to that original AREF, or issued under a new and related AREF.

Transmission Service’s Response

The current PCM version will only create a new AREF when a match occurs. In addition, having the unconditional window start at midnight prior to the WECC preschedule day will mean that reservations are safe from competition going into the WECC Preschedule day. The issue of unwinding tags will only occur if a customer submits a tag prior to the WECC Preschedule day. Transmission Services will work closely with OATI to create a new version of PCM after the NAESB process has concluded.

Redirects do not inherit the conditionality of the parent, but are subject to the preemption and competition process like a new request.	Choosing to Redirect outside the unconditional window will put the redirected portion of a parent’s unconditional capacity at risk. All other issues apply to Redirects also.
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3. No BPAP comment.

Transmission Service's Response

No response.

Defender capacity is recalled at the start of the competition. If Challenger is not awarded full capacity, he can decline the counter-offer.	If Defender chooses not to exercise ROFR, he might lose his capacity even though the Challenger walks away from the competition.
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4. BPAP comment: BPAP agrees that the intended impact is a concern, and if the Challenger withdraws its request due to being offered a partial offer (through a Counter-offer), it seems reasonable to return losing Defenders to their capacity/duration profile prior to being displaced. The Sandbox Task Force of the NAESB OS is currently developing such a proposal for review which BPAP strongly encourages BPAT to consider.

Transmission Service's Response

Transmission Services and its customers should continue to engage NAESB for an improved approach that returns defender's capacity should the Challenger walk away.

A pending ROFR can still be preempted by a higher tier or same tier longer duration request.	Exercising a ROFR is no guarantee it will be granted.
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5. No BPAP comment.

Transmission Service's Response

No response.

A confirmed TSR can be a Defender even if it does not improve the offer to the Challenger across all constrained flowgates.	More TSR's will be valid Defenders. It could also result in a small mw longer duration request (5m) to take capacity from a shorter duration large mw reservation (100mw). NAESB is considering a better way.
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6. BPAP comment: BPAP encourages BPAT to continue researching this issue through the NAESB OS. The Commercially Similar Path task force, which includes participants from the Northwest and national entities, believes that this treatment may cause a challenger to potential impact many existing reservations for little gain, and questions if that results in "more efficient utilization of the transmission system". BPAP recommends that in order for a successful challenge the request must include impacts on all flowgates included in the defender. If this is not workable, as a minimum BPAP would recommend a "de minimis" limit be set for a success challenge, similar to other BPAT practices.

Transmission Service's Response

Transmission Services will continue to work with NAESB and the Commercially Similar Path task force to seek a satisfactory solution to this problem.

A secondary non-Firm Redirect cannot be relinquished back to a conditional parent reservation that has been displaced.	For 1-NS, the capacity exists on both parent and child. If the parent capacity is lost, you lose the right to relinquish.
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7. BPAP comment: BPAP agrees that this intended result is acceptable, and there would need to be some billing adjustments to account for that non-firm reservation since the parent has been lost and not charged.

Transmission Service’s Response

Transmission Services is developing a billing solution for this concern.

Redirects are currently not billed. This will need to change with preemption and competition.	Need a solution to avoid double-billing for Redirected matching requests and avoid billing for Redirected capacity that is lost via preemption/competition.
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8. BPAP comment: Redirected reservations that matched would need to be charged for that additional matched amount appropriately. The charge should be as if it is an extension of the redirected reservation, and not a new reservation, when possible. This could be challenging as matched reservations may be identified in a single new AREF (rather than an AREF for the redirect and an AREF for the matched portion). BPAP’s concern is that customers will be double-billed due to preemption and competition due to billing automation not being available, or OASIS tracking mechanisms not robust enough to track the difference between the matching requests and the original redirect.

Transmission Service’s Response

Transmission Services is developing a billing solution for this concern.

A competed Redirect that exercises ROFR uses AFC inventory rather than parent for matching.	Should be no impact as long as billing issues are worked out.
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9. No BPAP comment planned.

Transmission Service’s Response

No response.

Planned 5-months of testing may not be sufficient.	BPAT will make every effort to meet April timeline, but will not sacrifice quality for schedule.
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10. BPAP comment: BPAP agrees that every effort should be made to meet our customer-sponsored April 2013 implementation plan to seek reciprocity status on BPA’s transmission tariff. We also agree that quality should not be sacrificed to meet it. BPA’s training and business practices should be posted for comment prior to when short-term competition and preemption is to be in effect (BPA suggested that there be different effective dates for different types of requests, i.e. Monthly, Weekly, etc.). BPAP believes it is imperative for BPAT to ensure enough time for thorough testing to ensure that processing issues are mitigated prior to going live.

Transmission Service’s Response

Transmission Services intends to provide a draft of the business practice changes shortly and to start the customer training and the ability for the customer to practice on the PCM in the BPA test environment. This should allow customers sufficient time to be prepared to go live in April with PCM.

Issue Description	Unintended Impacts (problems with OATI PCM version)
For a conditional parent reservation with a Resale, PCM only subjects the parent’s remaining capacity to competition.	This is not compliant with existing regulations. Resold capacity is expected to reside with the parent for the purpose of preemption and competition.

11. BPAP comment: This issue with PCM must be resolved. What is the timeline for the resolution, if any? Currently, BPAT allows customers to resell to self (or consolidate) firm reservations of similar type in order to manage the number of AREFs that it tracks. BPAT proposes to not allow consolidations to one AREF as a way to eliminate actions that could unfairly protect eligible reservations from being identified for competition/preemption. However, there may be other ways that could be used to take advantage of this PCM loophole. Please describe such tools to resolve this in a formal business practice procedure.

Transmission Service’s Response

Transmission Services is working with NAESB to resolve this issue. BPA expects that a future version of PCM will provide the functionality to allow preemption and competition of parent reservations that have been resold but are still within their condition window. Unfortunately, the current version of PCM moves the capacity from the parent to resale TSR once it is confirmed. BPA is considering putting a business practice in place that does not allow a customer to resale capacity once the competition window of the parent reservation has been changed to “Y”.

PCM offers an "auto-match" feature to save time for users in generating matching requests. Compliance requires a customer to be allowed to exceed the Challenger's request if desired. PCM cannot currently do both.	BPAT and customers will need to agree on a trade-off between customer productivity and compliance.
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12. BPAP comment: If the option is either (a) auto-match only (minimum match required), or (b) manually enter match request, with the ability to exceed, then BPAP would select “a”. The preferred option would be (c) auto-match with the ability to manually enter amounts to exceed, if desired. Since (c) is not part of the current PCM, BPAP agrees with the plan to set this to “auto-match”, and to tolerate the inability to exercise the Defender option to exceed in the matching response. Also, BPAP prefers the “Extend to Match” option for this (over “Fill to Match” and “Manual Match”).

Transmission Service’s Response

Transmission Services is working with NAESB and its OASIS vendor to address this issue. In the meantime, there is regional consensus that using auto-match is more important for customer convenience and simplifying the competition process.

A conditional parent reservation is still a valid Defender while a Redirect request is still Pending.	Can potentially result in an oversold situation if the parent reservation loses capacity via competition and the Redirect request is later Confirmed.
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13. BPAP comment: This issue with PCM must be resolved.

Transmission Service’s Response

Transmission Services has determined that its internal processes will not allow a redirect request to be confirmed if the parent reservation is recalled.

The version of PCM that BPAT will implement is unique in the industry due to use of both MOD29 and MOD30.	This raises the possibility of unforeseen and unintended impacts not discussed above. Such issues are expected to be found during testing.
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14. BPAP comment: Due to this complexity, OATI, the PCM developer, has not had the opportunity to test and implement the two modules together. There are several POR/POD combinations that require both MOD29 and MOD30 to enable an award of transmission. This poses a risk to BPAT in that the software has not been fully vetted and there may be flaws

that have not been identified until the BPAT testing and implementation. This could cause unforeseen timing issues for BPAT's implementation of PCM. If such concerns are suspected, BPAT must be prepared to modify/suspend the PCM until solutions are implemented in order to avoid undesirable negative impacts.

Transmission Service's Response

Transmission Services is the third OATI client utilizing multiple NERC MOD standards to receive the PCM module. The version which Transmission Services intends to use incorporates what OATi has learned from those other clients. That said, Transmission Services will vigorously test PCM, and if it determines that there are issues, it will address those issues prior to implementing PCM.

15. Proposed PCM Parameters - Annotated: This is a table of 50+ parameter settings that could be made on PCM, and several settings appear to not be finalized. BPAP's comments will be on those that BPAT is seeking additional comment.

Settings for Firm and Non-Firm PTP Challenger:

a. "Information Only = Yes/No": propose that if BPAT can turn on PCM before April 2013 with this set to "Yes", observe the identified challengers and defenders that would have initiated a competition/preemption if this setting was "No". It may be helpful to monitor activity to minimize the possibility of unexpected undesirable outcomes.

b. "MatchAttempts = 1": Defenders have 1 attempt to submit a qualified Matching TSR before being considered to have not exercised ROFR. Because the setting for matching will be to automatically offer, BPAP agrees with this setting. If, in the future, the option for matching is changed, customers should have more opportunities to supply a valid matching response.

Settings for NT Challenger:

c. "Information Only = Yes/No": No BPAP comment.

d. "GrantBeforeMatch = Maybe Yes": BPAP proposes that this is set to "Yes".

e. "FullServiceRequired = Maybe No": BPAP proposes that, along with "GrantBeforeMatch=Yes", this is set to "No". Identified defenders that are displaced with no ROFR by an NT challenger will be immediately displaced, as the NT challenger will be bound to accept partial offers. NT challengers should not be given the opportunity to withdraw their request because their full request was not offered at the end of the competition. Alternatively, NT reservations (which are Designated Network reservations) could be undesignated. This seems appropriate, and a right of NT service.

Setting for Firm PTP Defender against an NT Challenger:

f. "UnconditionalLeadTime = 30 days for Monthly, 7 days for Weekly, and Daily for 1 day?": Why is Daily setting a question? What is the concern?

Transmission Service's Response

Thank you for your comments.

16. **Unconditional Parameters:** BPAP agrees that, to minimize impacts of unwinding e-tags that have already been submitted in the normal course of business, to limit preemptions to something like the preschedule window for weekends/holidays, and not strictly 1 day prior, which does not comport with WECC practice/requirement of using the WECC Scheduling Calendar. Until there is a solution to unwinding of tags, BPAP supports BPAT suggestions for reducing the impact of unwinding e-tags.

Transmission Service's Response

Thank you for your comments.

3. Customer - PGE

Portland General Electric (PGE) appreciates the opportunity to comment on BPA's proposed model for implementing automated Short-Term Preemption and Competition (PCM). PGE commends BPA and its transmission customers for working diligently together to help develop, guide and analyze the varying processes and issues that could arise during a short term competition. During this planning process of BPA's Tariff Compliance Automation Program (TCAP), concerns were raised about including hourly competition in the scope of work of which BPA agreed that it would not be included in the proposed PCM implementation plan. BPA also acknowledged that the inclusion of hourly competition could create significant market ramifications that could seriously impact system reliability. PGE supports BPA's decision to exclude hourly competition from this process and requests that *serious consideration* be given in the future should BPA chose to include hourly requests in a later version of PCM.

Transmission Service's Response

Thank you for your comment. BPA will have a thorough public process to address any consideration of preempting and competing the hourly products.

Based on the proposed PCM plan, PGE requests that BPA reconsider their anticipated April 2013 target date. It would be premature to implement the proposed plan in four months considering BPA staff and customers have noted several issues and concerns surrounding the PCM process, including unintended impacts associated with OATI's current PCM module. BPA staff has made note that they will be the first company to use OATI's version 3 PCM package. BPA also notes version 3 of the OATI PCM package may have other unnoted issues that are unforeseen by BPA and its transmission customers. In addition, NAESB is working on specific guidelines surrounding short-term competition that will not be finalized by April 2013. These important discussions at a national level could impact the region's standards for transmission competition and BPA should consider aligning their PCM go-live date with the developing NAESB's initiatives.

Transmission Service's Response

Transmission Services believes it can move forward with a staged implementation of preemption and competition as proposed. As you noted above, Transmission Services has pulled consideration of implementing of its hourly products by April 2013 because of the potential adverse market impacts it could have. Transmission Services will rigorously test and train its customers before implementing any aspect of preemption and competition. Should issues arise as a result of that testing and training, Transmission Services will move the implementation date accordingly.

PGE is concerned that challenging TSRs have the ability to jeopardize the capacity of defending TSRs simply by strategically submitting a request, creating a competition and then extracting the challenging request, while preempting the defending TSR. What sort of guidelines or business practices will BPA put into place to prevent customers from gaming the PCM process? This practice could result in creating adverse reliability impacts to transmission customers with existing TSRs.

Transmission Service's Response

Transmission Services is working with NAESB and its OASIS vendor to develop a process to return a defender's capacity if the Challenger walks away. Should the activity described in the comment above occur (or another manipulative or gaming behavior for that matter), BPA will address that behavior with the customer(s) involved.

PGE is also disconcerted with several potential byproducts of the proposed PCM process: the additional financial risk that will be involved with unauthorized increase charges; having to unwind eTags that are already in a confirmed status; having to retag completed and verified Preschedules due to new AREF values that are a result of a short term competition; and the risk of double billing during the settlements process. Based on these concerns, PGE strongly recommends that BPA not implement this proposed module until these matters can be resolved or provide proof that the vendor can sufficiently meet the needs of the PCM process.

Transmission Service's Response

Transmission Services will make sure all billing issues are resolved prior to implementing PCM. Between now and April, BPA will provide training and use of the OASIS test system to better prepare the customers for competition and preemption in April. If the current proposal for the base PCM operation goes forward, this unconditional window would start at the beginning of the WECC preschedule day. Most schedules are not submitted prior to the WECC preschedule day, which reduces the potential to unwind schedules.

PGE requests that BPA reconsider allowing its transmission customers the ability to utilize their own firm transmission capacity should they be faced with competition, and not requiring additional purchases from BPA's AFC inventory. Also, PGE would like to have a more transparent and orderly process of being notified when a TSR has been impacted by competition. The manual practice of referencing the Reductions page or expecting email notification is insufficient for the scope of the new processes. Due to personnel changes and movement within PGE and other BPA customers, long term or legacy TSRs may no longer contain accurate contact information, thus email notifications may be invalid.

Transmission Service's Response

The current NAESB standards require that the old reservation be recalled and new one put in its place for matching. A change in the NAESB standards would need to be made before changes in the PCM would be done. Regarding email notifications, PCM does indeed rely on the same email notification process used to notify users of any changes to their reservations. The issue of stale email contact information for legacy or long-term TSR's is not an issue. Long-term TSR's will not be subject to short-term

competition process. Only newly queued requests may be subject to PCM, so the email notification should be accurate.

With respect to the proposed PCM parameters, PGE also requests that the automated start hour begins at 06:00 on the first day of competition and not at midnight as proposed.

Transmission Service's Response

Thank you for the comment.

4. Customer - Puget Sound Energy

It has been PSE's impression that the discussions within the region over the past six months appropriately settled on a theme that software would not drive policy within the region. Therefore, PSE has been of the impression that BPA would not move forward with implementing the PCM Implementation Proposal until all issues had been resolved with respect to both the policy and the technology. Now, BPA proposes to implement full preemption and competition functionality using the OATi Base PCM for Daily, Weekly, and Monthly PTP and NT service by April 2013. Implementation of the OATi Base PCM in April 2013 could potentially introduce unintended and unnecessary risk into a relatively well-functioning transmission system and resale market.

Transmission Service's Response

Transmission Services recognizes that the current version of PCM is an interim solution. Between now and April, BPA will provide training and use of the OASIS test system to better prepare the customers for competition and preemption in April. If any unforeseen adverse issues emerge, Transmission Services will reevaluate its implementation schedule and communicate any changes to stakeholders.

BPA has identified numerous unresolved issues with the OATi Base PCM. Attached as Exhibit A to these Comments is a list of issues with the OATi Base PCM identified by BPA. A few of the more troubling issues identified by BPA are summarized below.

BPA has identified a problem with the current version of OATi Base PCM that prohibits any capacity resold from a TSR to be considered as available for Competition. The current *pro forma* Open Access Transmission Tariff ("OATT"), however, states that resale capacity remains with the Parent for the purposes of Competition. Therefore, BPA is proposing to implement PCM with software that BPA knows is not compliance with the *pro forma* OATT. This issue has the potential to disrupt competition by making less capacity available to challengers and could disrupt the market in the region.

Transmission Service's Response

In regard to resales of parent reservations still within their conditional window, Transmission Services is working with NAESB to resolve that issue. BPA expects that a future version of PCM will provide the functionality to allow preemption and competition of parent reservations that have been resold but are still within their

condition window. Unfortunately, the current version of PCM moves the capacity from the parent to resale TSR once it is confirmed.

Another OATi Base PCM issue identified by BPA involves TSRs (both original and counteroffers) that are pending confirmation. BPA reports that the OATi Base PCM will subject such TSRs to competition and preemption from TSRs with a later queue time. This effectively renders queue time meaningless with respect to TSRs pending confirmation and allows a type of queue jumping. Such an outcome is contrary to the important policy achieved by the queue in promoting open access to transmission.

Transmission Service's Response

The intended purpose of preemption and competition by FERC is to elevate criteria other than queue time (i.e., service increment, service duration, pre-confirmation status) as the basis for awarding capacity in the short-term. Section 13.2 of BPA's tariff is consistent with the FERC's *pro forma* tariff in regard to reservation priorities

BPA also reports that the OATi Base PCM will allow a Conditional Parent to remain a defender while a Redirect from that Parent is Pending. Under such a scenario, the Parent could lose a competition, but the Redirect could be Confirmed. This could cause the Provider to oversell transmission on the system. Moreover, BPA intends to implement PCM on a flowgate by flowgate basis as opposed to a direct/similar paths basis. This could lead to issues of larger TSRs competing against and losing to smaller TSRs, particularly when BPA has not indicated what *de minimis* levels would be used on flowgates to institute PCM.

Transmission Service's Response

Transmission Services has determined that its internal processes will not allow a redirect request to be confirmed if the parent reservation is recalled.

The current version of the OATi Base PCM will recall the AREF number of any TSR that has been flagged as a Defender in competition. This will automatically make all submitted ETags with that AREF potential UIC charges. If the transmission provider does not issue curtailments to E-tags using these AREFs, then the customer must manually Withdraw or Terminate those E-tags. If the AREF holder does not have access to make such changes because it is not the E-tag author, the AREF holder could still be subject to potential UIC charges for something over which it has no control.

Transmission Service's Response

If the current proposal for the base PCM operation goes forward, this unconditional window would start at the beginning of the WECC preschedule day. This should greatly reduce the risk of needing to modify etags.

BPA has not adequately indicated that it will resolve all issues identified with the OATi Base PCM prior to its proposed implementation in April 2013. PSE cannot support the implementation of the OATi Base PCM until all issues associated with the software—including issues currently known to BPA and issues identified during testing—are addressed. The risk to the market of premature implementation of the software is simply too great, and BPA has provided no rational basis that would require implementation by April 2013. Accordingly, PSE respectfully suggests that BPA defer

implementation of the OATi Base PCM until such time that NAESB has updated the NAESB Standards.

Transmission Service's Response

Transmission Services recognizes that the current version of PCM is an interim solution. Between now and April, Transmission Services will provide training and use of the OASIS test system to better prepare the customers for competition and preemption in April. If any unforeseen adverse issues emerge, Transmission Services will reevaluate its implementation schedule and communicate any changes to stakeholders.

The PCM Implementation Proposal offers no guarantee that transmission Redirected from a Resale will not be flagged as a Defender and potentially lose its capacity, thereby leaving the Buyer owing the Seller but receiving no transmission. Furthermore, even if the Seller were to refund the amount paid by the Buyer, the Transmission Provider would bill the Seller for the "resold" transmission capacity, but the Seller would be unable to use that capacity resulting in payment for a service it is unable to use. Implementation of the PCM Implementation Proposal in such a manner in April 2013 could very well upset the robust transmission resale market within the region.

Transmission Service's Response

Transmission Services will make sure all billing issues are resolved prior to implementing PCM. Between now and April, BPA will provide training and use of the OASIS test system to better prepare the customers for competition and preemption in April.

BPA has stated that a transmission Long Term Firm ("LTF") rights holder should not have to pay for capacity lost from a Redirect that loses in Competition, although BPA has proposed no method to enforce this policy. BPA has also stated that Redirects from LTF rights that Defend using BPA inventory would only have to pay for the additional capacity needed to successfully Defend. However, BPA currently cannot distinguish between the two different Transmission segments (Redirect and Inventory).

Transmission Service's Response

Transmission Services will make sure all billing issues are resolved prior to implementing PCM. Transmission Services will discuss a possible solution to the customers' billing concerns at the January 9 2013 Customer Meeting

BPA has admitted that there are additional billing issues that require resolution but has failed to propose resolutions to such issues. Implementation of the PCM Implementation Proposal in April 2013 prior to the resolution of these billing issues has the real potential of subjecting customers to inaccurate bills that may double or triple charge for the very same issues. BPA must resolve these billing issues prior to the implementation of the PCM Implementation Proposals.

Transmission Service's Response

Transmission Services will make sure all billing issues are resolved prior to implementing PCM. If these issues are not resolved, Transmission Services will revise its implementation schedule accordingly and communicate any changes to stakeholders.

Notwithstanding the issues identified above, PSE approves of several of the issues resolved by BPA to date. For example, PSE approves of BPA's proposed parameters in the OATi Base PCM that would allow for the commencement of competitions only on a WECC Business Day during the hours between midnight and noon. PSE also supports BPA's decision to not implement the PCM Implementation Protocol in the hourly market. The hourly market is the most used and is potentially the most complicated market in which to implement competition, and BPA's decision to not implement any sort of hourly competition in the near term is the right decision.

Transmission Service's Response

Thank you for the comment.

NAESB is currently working on all of the above-listed policy and technical issues. BPA should not rush into the PCM Implementation Protocol in April 2013. Instead, PSE recommends that BPA continue to work with the region, at NAESB, and with OATi to develop solutions to the issues identified above and any other issues identified prior to the implementation of the PCM Implementation Protocol.

Transmission Service's Response

Thank you for the comment.

The potential for disruption of the market within the region due to a premature implementation of the PCM Implementation Protocol outweighs any benefit potentially achieved by implementing competition by April 2013. The policy and technical issues associated with such a complicated market change require resolutions that are intentional and deliberate, and BPA should allow itself, the region, and OATi with the time to ensure that all of the details are right prior to implementation.

Transmission Service's Response

Thank you for the comment.

5. Customer - Seattle City Light

As stated previously in the comments of the “Puget Sound Area Customers” submitted March 30, 2012, Short Term Preemption and Competition (“Short-Term Competition”) is a fundamental change in the way BPAT makes short-term transmission available on its system. As such, Seattle urged BPA to approach implementation with extreme caution, taking utmost care to ensure that there are no unintended consequences. Seattle further advised BPA to engage in deliberative discussions with its customers to ensure that BPAT and its customers have a common understanding of the business rules and the potential impacts to what are currently, highly functional short-term power markets.

Since that time, BPAT and its customers have been engaged in a series of customer workshops. Through these discussions, BPAT and its customers have discovered some key process flaws in the PCM business rules. BPAT and its customers have been working through development of modifications to correct these flaws and much of the development work is currently ongoing or incomplete. Moreover, BPA has acknowledged that it is not feasible to complete the development work and incorporate the related PCM software modifications by its target date of April 2013.

Seattle earnestly hopes that BPAT’s proposed method for implementing the PCM by April 2013 without modification significantly reduces the risk of large-scale market disruptions, reliability standard violations, and commercial damages claims. Seattle believes that individual customers may still be exposed to significant risk of harmful, unintended consequences. Furthermore, other processes at the North American Energy Standards Board (“NAESB”) are still underway to develop more comprehensive national standards for implementing Open Access Transmission tariff terms (Section 13.2) for Short-Term Competition.

Seattle would therefore prefer that BPA delay its implementation of PCM until all processes, including the NAESB committee process, can be completed.

Transmission Service’s Response

Transmission Services has acknowledged that there is not time to make any changes to the base PCM but it feels that the base PCM can handle the preemptions and competitions for the Daily, Weekly and Monthly products for an April 2013 implementation date. If Transmission Services waited for the conclusion of the NAESB process and the subsequent inclusion of the new methods by OATI into the updated PCM, it would likely be the summer of 2015 before it could implement automation to conduct preemption and competition. Between now and April, BPA will provide training and use of the OASIS test system to better prepare the customers for competition and preemption in April. If any unforeseen adverse issues emerge, Transmission Services will reevaluate its implementation schedule and communicate any changes to stakeholders.

Furthermore, Seattle believes that important policy issues related to equal access to transmission for load serving entities relying upon different forms of transmission service remain unresolved. In the near-term, significant risks to native load service may be low. However, as customers adjust their respective business practices over time to incorporate Short-Term Competitions, Seattle believes that equal access to short-term transmission service for load serving entities to deliver power to native load could be significantly compromised. Therefore, Seattle urges BPAT to modify its business rules to ensure equal access to short-term transmission service when it is used to deliver power to native load.

Transmission Service's Response

Transmission Services acknowledges Seattle's concern about meeting its firm load requirements. However, FERC set forth how NT and PTP service are to be administered in its *pro forma* tariff and Transmission Services, which has adopted FERC's *pro forma* relative to the reservation priorities between NT and PTP, will adhere to the rules and FERC-approved industry standards regarding those priorities.

Finally, a key flaw is the treatment of Long-Term Point to Point ("PTP") transmission reservations modified for short-term use on alternate Points of Receipt and/or Points of Delivery, commonly known as Redirects. Seattle continues to believe that Redirects originating from modifications to Long-Term PTP transmission reservations should not be subject to Short-Term Competition. However, if BPAT chooses to go forward with implementation of the PCM by April 2013, it is *paramount* that BPAT make its planned accommodations in its billing processes to preclude the forfeiture of transmission capacity rights without compensation. If BPAT is unsuccessful in such efforts, it should postpone the April 2013 implementation until such billing processes have been successfully modified.

Transmission Service's Response

Transmission Services will not implement the PCM until the billing issues are resolved.

In conclusion, if BPAT decides to implement PCM by April 2013, to the extent there is significant harm to overall market functionality or to individual customers, Seattle urges BPAT to cease its PCM implementation. In addition, Seattle strongly recommends that BPAT delay any future implementation until both NAESB and BPAT processes for modifying the business rules and PCM software are complete.

Transmission Service's Response

Transmission Services recognizes that the current version of PCM is an interim solution. Transmission Services has acknowledged that there is not time to make changes to the base PCM but it feels that the base PCM can handle the preemptions and competitions for the Daily, Weekly and Monthly products for an April 2013 implementation date. Between now and April, BPA will provide training and use of the OASIS test system to better prepare the customers for competition and preemption in April. If any unforeseen adverse issues emerge, Transmission Services will reevaluate its implementation schedule and communicate any changes to stakeholders.