

# Preemption and Competition Resale/Redirect Issues

NAESB OS Meeting

July 12, 2012

BPA Presenting



**Order 890-A Paragraph 819.** – With regard to reassignments of capacity in the secondary market, we clarify that the associated right of first refusal under sections 13.2 and 14.2 of the pro forma OATT to match a competing transmission service request applies to the primary transmission service, not the reassignment of scheduling rights.

### **NAESB Business Practice Standards**

- The confirmation of a Resale shall convey the rights to schedule Point-To-Point Transmission Service from the Reseller to the Assignee, but shall also convey any outstanding conditions that may exist on the Parent Reservation (such as conditional approval pursuant to Section 13.2(ii) of the OATT).
- The Assignee shall have the right to resell rights acquired through a Resale in accordance with these standards.
- The Assignee shall have the right to Redirect firm rights acquired through a Resale. The redirect of the resale will be queued and evaluated in the same manner as any other Redirect.
- In the event a Transmission Provider's Tariff requires that a higher priority, competing transmission service request must displace all or a portion of a confirmed lower priority reservation, the TP shall have the right to nullify any Resales that reference the displaced reservation as their Parent.

**NAESB Motion 11**

Redirect on a Firm basis shall be treated as any other ORIGINAL reservation and subject to preemption and competition on its own merit and afforded ROFR based on the nature of the challenging request. Conditionality of the Redirect on a Firm basis reservation shall be based on the service and term of the Redirect on a Firm basis reservation.

**NAESB Motion 13**

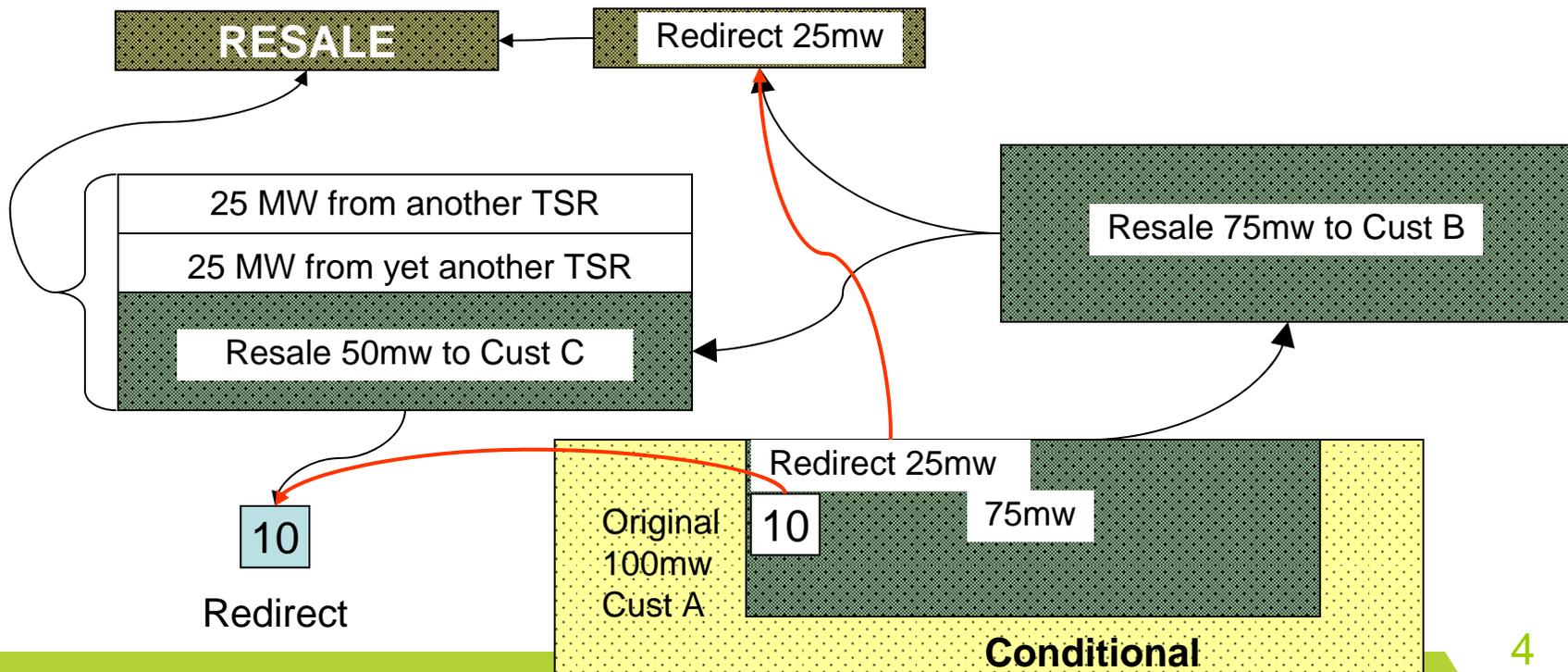
The request to exercise ROFR (REQUEST\_TYPE MATCHING) shall be processed in OASIS, upon confirmation, in such a manner that the Defending Reservation shall be modified as required to incorporate the attributes of service, term and capacity of the customer's request to exercise ROFR. *In other words, a Redirect will remain a Redirect, and AREFs will not change. – Question: Does that mean that a daily challenged by a weekly will remain a daily?*

**NAESB Motion 14**

Resale reservations shall not be considered as eligible defenders to meet the requirements for granting a challenging request. The capacity resold shall be considered as still held by the original reservation for service from the Transmission Provider and subject to preemption and competition under the terms of the original reservation. (890A – 819)

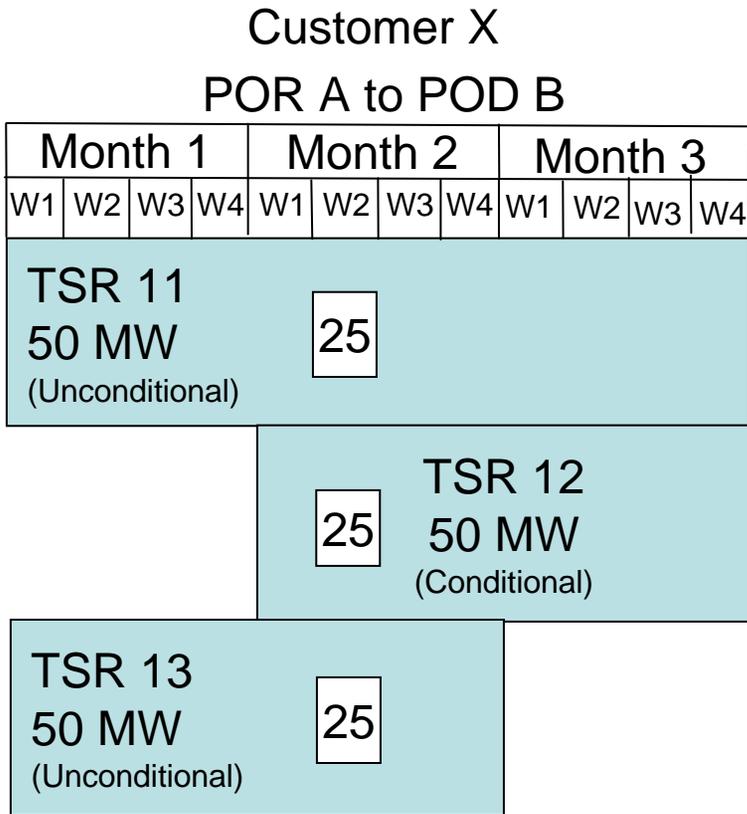
# Resales: Required Functionality

- ✓ Must allow Resale while Parent is still conditional.
- ✓ Resale TSR itself is “safe” from competition (Motion 14 – capacity stayed with the parent).
- ✓ Resale TSR can be resold or redirected in part or in whole.
- ✓ The Resale of the Resale can be aggregated with other Resales.
- ✓ The capacity for the Redirect from the Resale must come the original TSR.
- ✓ The Resale or Redirect of the redirected or resold Resale can be resold or redirected.
- ✓ If original TSR is challenged, ANY Resales associated with it can be annulled.
- ✓ Follow the chain back to the original parent.



Pre-decisional. For discussion purposes only

# Resale Consolidation



**Customer Y**



1. Customer X has three monthly TSRs for a total of 150 MW for Month 2 across the POR A to POD B path.
2. TSR 11 and TSR13 are unconditional, but TSR 12 is not.
3. Customer X does not need 75 MW for Month 2, Week 2, so finds a buyer for that capacity.
4. To simplify the transaction, they consolidate 25 MW from each TSR for that week into a single reservation via a resale to themselves.
5. They resell that reservation to Customer Y.
6. Has the resale lost value since 1/3 of it is at risk having come from TSR 12 (Conditional).
7. According to Motion 14, Customer Y has the scheduling rights to that capacity, but Customer X still owns and must defend that capacity.
8. What if TSR 12 is challenged by a six-month request and chooses not to match? Can you do a partial recall or annulment against the resale?

# Resales and Redirects

Customer X

POR A to POD B

Month 1				Month 2				Month 3			
W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4
TSR 11 50 MW (Unconditional)				25							
				25				TSR 12 50 MW (Conditional)			
TSR 13 50 MW (Unconditional)				25							

1. Customer Y will most likely redirect that capacity to a different path (Redirect of a Resale).

POR A to POD C

Customer Y



# Resales and Redirects

Customer X

POR A to POD B

Month 1				Month 2				Month 3			
W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4
TSR 11 50 MW (Unconditional)				25							
				25				TSR 12 50 MW (Conditional)			
TSR 13 50 MW (Unconditional)				25							

75  
MW

POR A to POD C

Customer Y

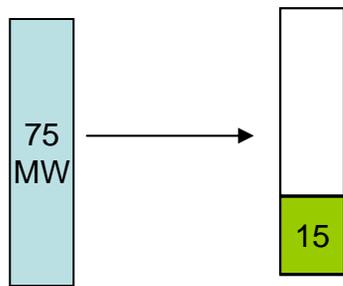
75  
MW

1. Customer Y will most likely redirect that capacity to a different path (Redirect of a Resale)..
2. Or Customer Y may want Customer X to redirect the capacity first to ensure ATC is available before buying it (Resale of a Redirect).
3. Is there a difference in how Preemption and Competition handles each scenario?
4. What happens in each scenario if TSR 12 is challenged?

Customer X  
Path P1

Month 1				Month 2				Month 3			
W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4
TSR 11 50 MW (Unconditional)				40 ?							
50 MW Challenger				20				TSR 12 50 MW (Conditional)			

Customer X    Customer Y



Path P2

25

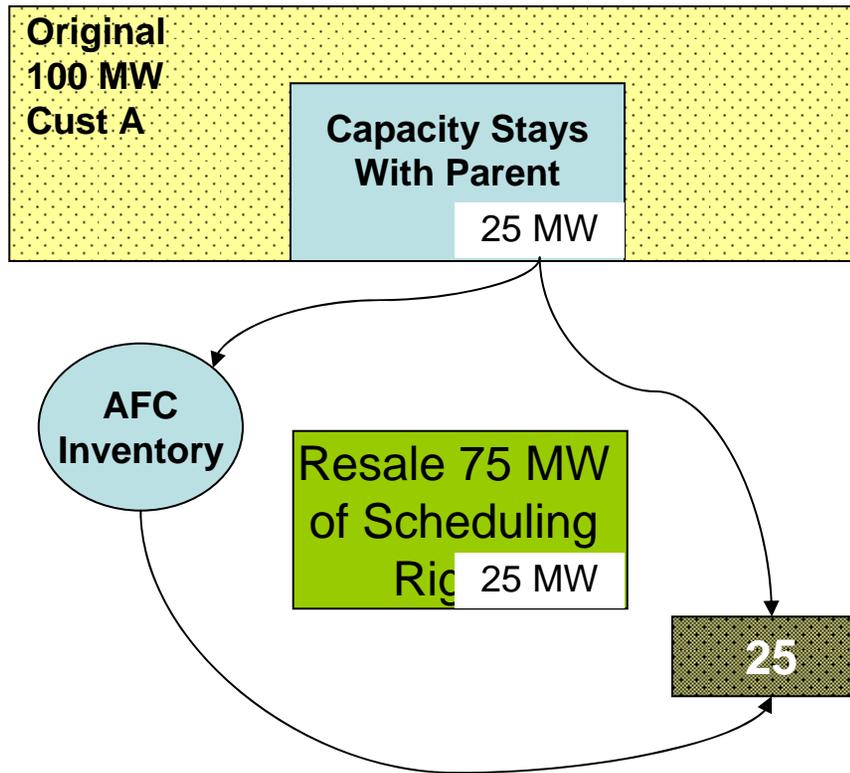
Path P3

35

**Question – Can annulments happen without TP Manager approval?**

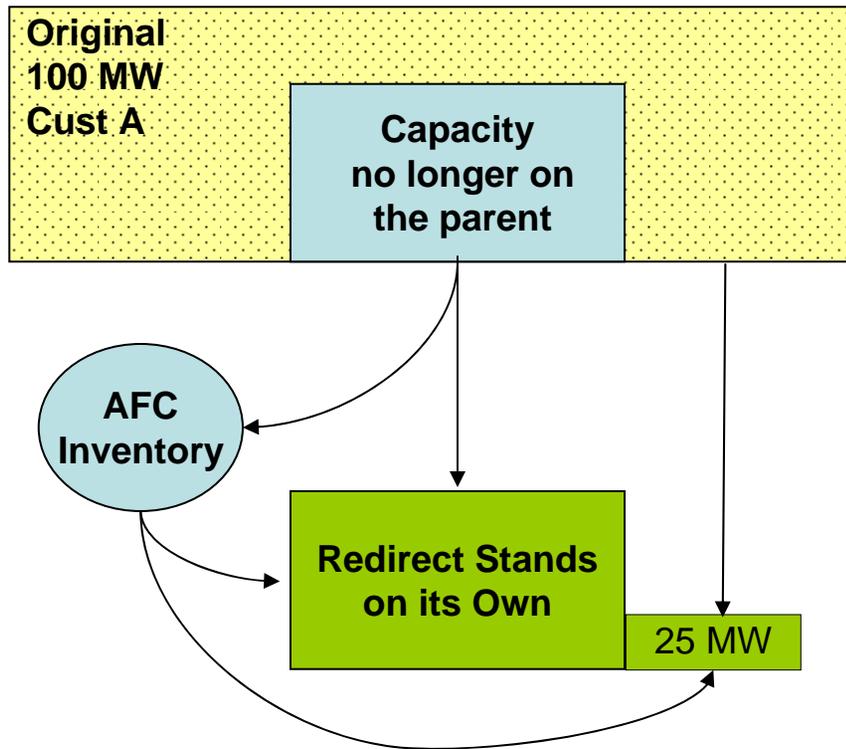
1. Customer X resells to himself 50 MW from the unconditional TSR 11 and 25 MW from the conditional TSR 12, then sells all 75 MW for one week to Customer Y.
2. Customer Y redirects 35 MW to Path P2 and 25 MW to Path P3, leaving 15 MW on the resale. According to Motion 14 the capacity of a Resale remains with the parent, and redirects of a resale must get their capacity from the original parent. Which parent gets decremented by what?
3. TSR 12 is then challenged for 25 MW. Since TSR12 still has 30 MW in W2, can he compete without getting any of the resale back?
4. TSR 12 is challenged for 35 MW, so needs 5 MW back. Does he annul what is left of the resale? What does that do to the redirects?
5. TSR 12 is challenged for 50 MW, does he annul what is left of the resale and go after the redirects, or are the redirects safe?
6. If TSR 12 does not defend and thus is recalled or displaced, what happens to the Resale? Can it be annulled while child redirects exist?

# Simple Resale Followed by a Redirect



1. Customer A has a one month Firm reservation for 100 MW.
2. Customer A resells 75 MW of scheduling rights for two weeks to Customer B.
3. Customer Redirects 25 MW of the Resale to a different path.
4. Does Netting of Redirects apply where whatever capacity is available from the original parent is applied to the redirect and the rest comes from and to AFC?.

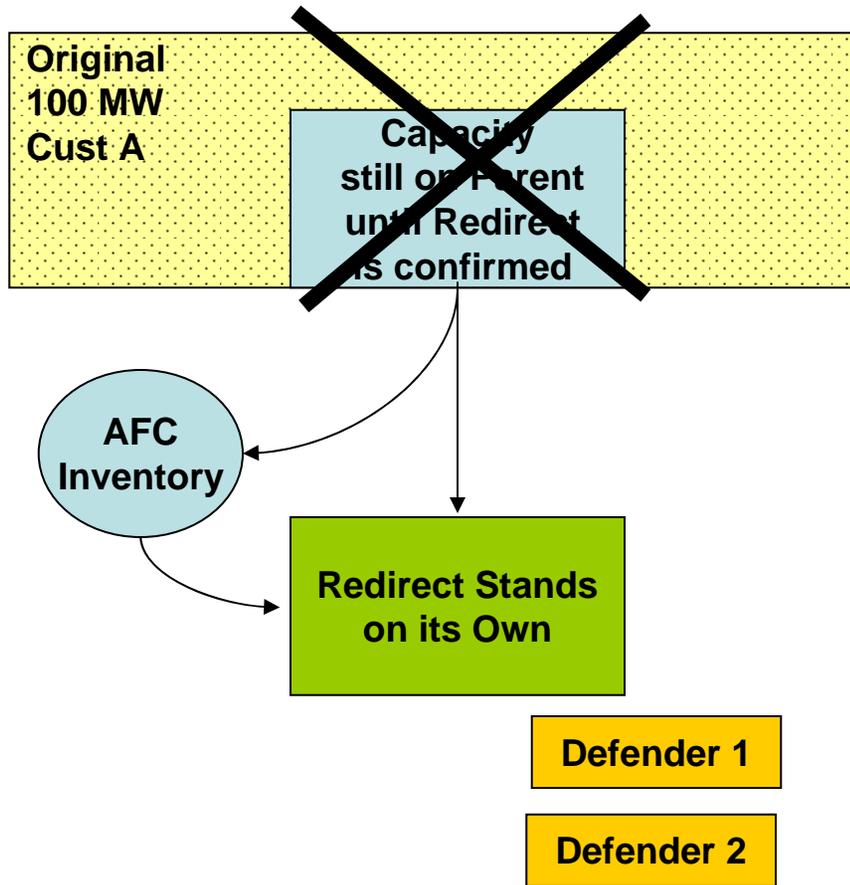
# Simple Redirect



1. Customer A has a one month Firm reservation for 100 MW.
2. Customer A redirects 75 MW for two weeks to a different POR-POD.
3. The redirect gets some capacity from the parent and some from AFC. Whatever the parent does not give to the redirect goes back into inventory.
4. The parent can only be challenged for what is left.
5. Say the Redirect is challenged for 25 MW and must extend by an extra week.
  - a) Does the defender have to buy the extra week from inventory?
  - b) Or can the defender get **some** of the needed capacity from the parent if it is available?
  - c) Does Motion 13 mean that this Defender remains a Redirect?

**If a redirect is challenged, should the customer have to buy new capacity if they already have available capacity that can be redirected? Does the same principle of “netting of redirects” apply when a Redirect needs to extend?**

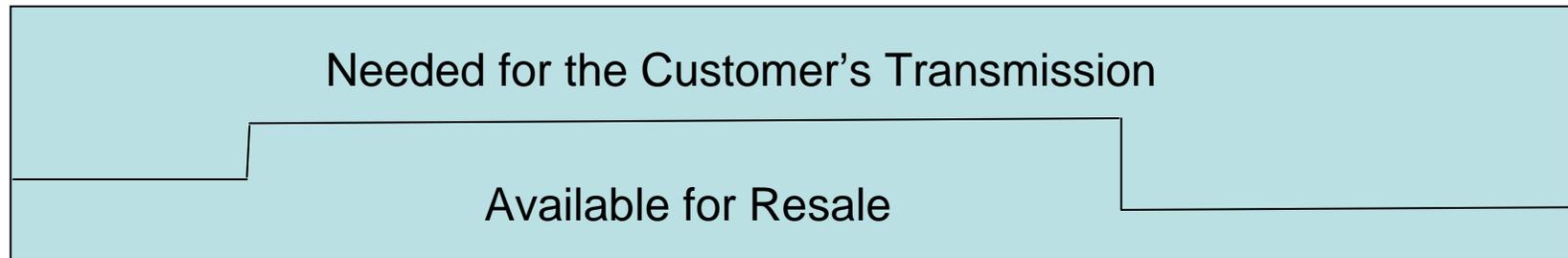
# Redirect as a Challenger



1. Customer A has a one month Firm reservation for 100 MW.
2. Customer A redirects 75 MW for two weeks to a different POR-POD.
3. The redirect gets some capacity from the parent and some from AFC.
4. There is not enough AFC for the Redirect, so it must challenge other TSRs for it. Defender capacity is recalled.
5. While waiting for the Defenders to match, the Redirect's parent is preempted by an NT TSR.
6. Now what?
7. Let's say that the original parent is not bumped? If you have Grant Before Match on and a defender matches, you have to recall capacity from the confirmed Redirect. Does the capacity go back to the parent?

# Reselling Unconditional or LT Firm Reservation

- Customer owns a long term reservation on a constrained path.
- Customer figures out just what is needed for their own transmission.
- Customer finds buyers for their excess transmission scheduling rights.



Customer A

Customer A

Customer A

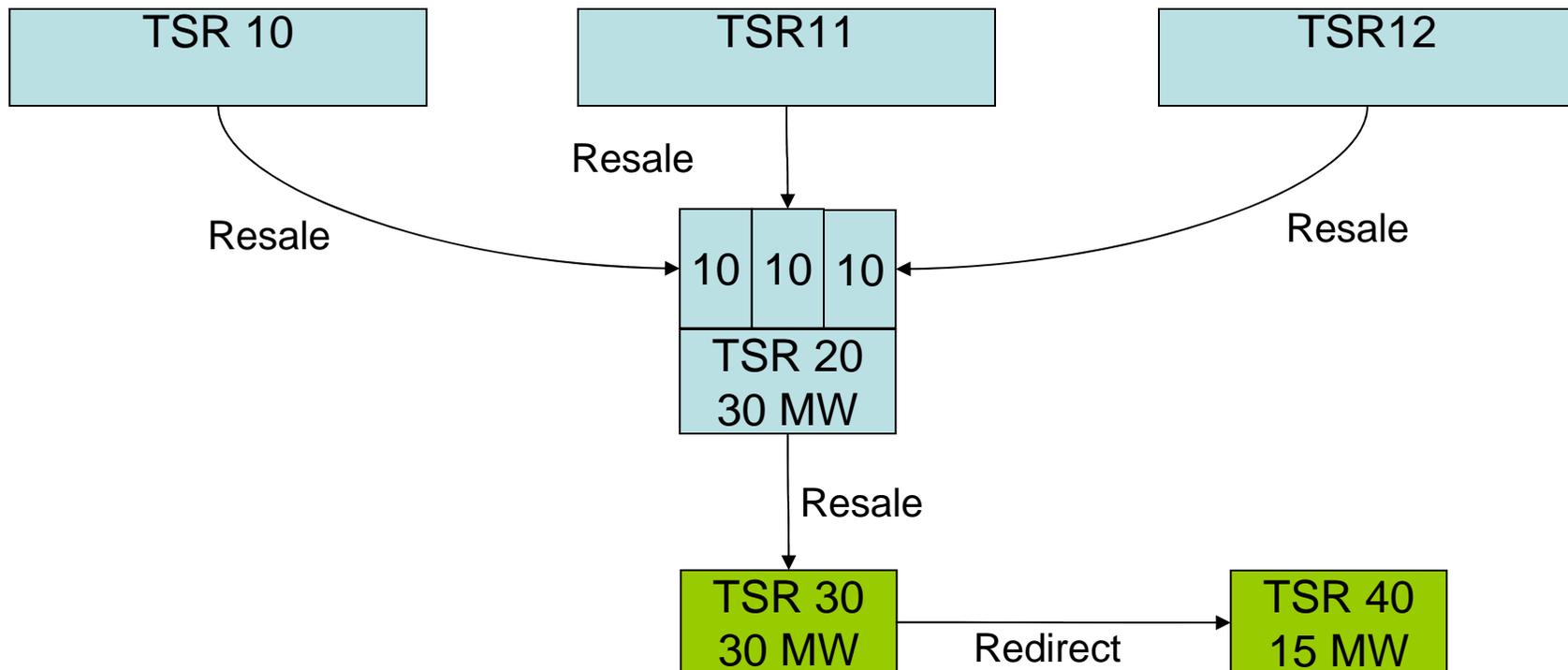
Customer B

Customer B

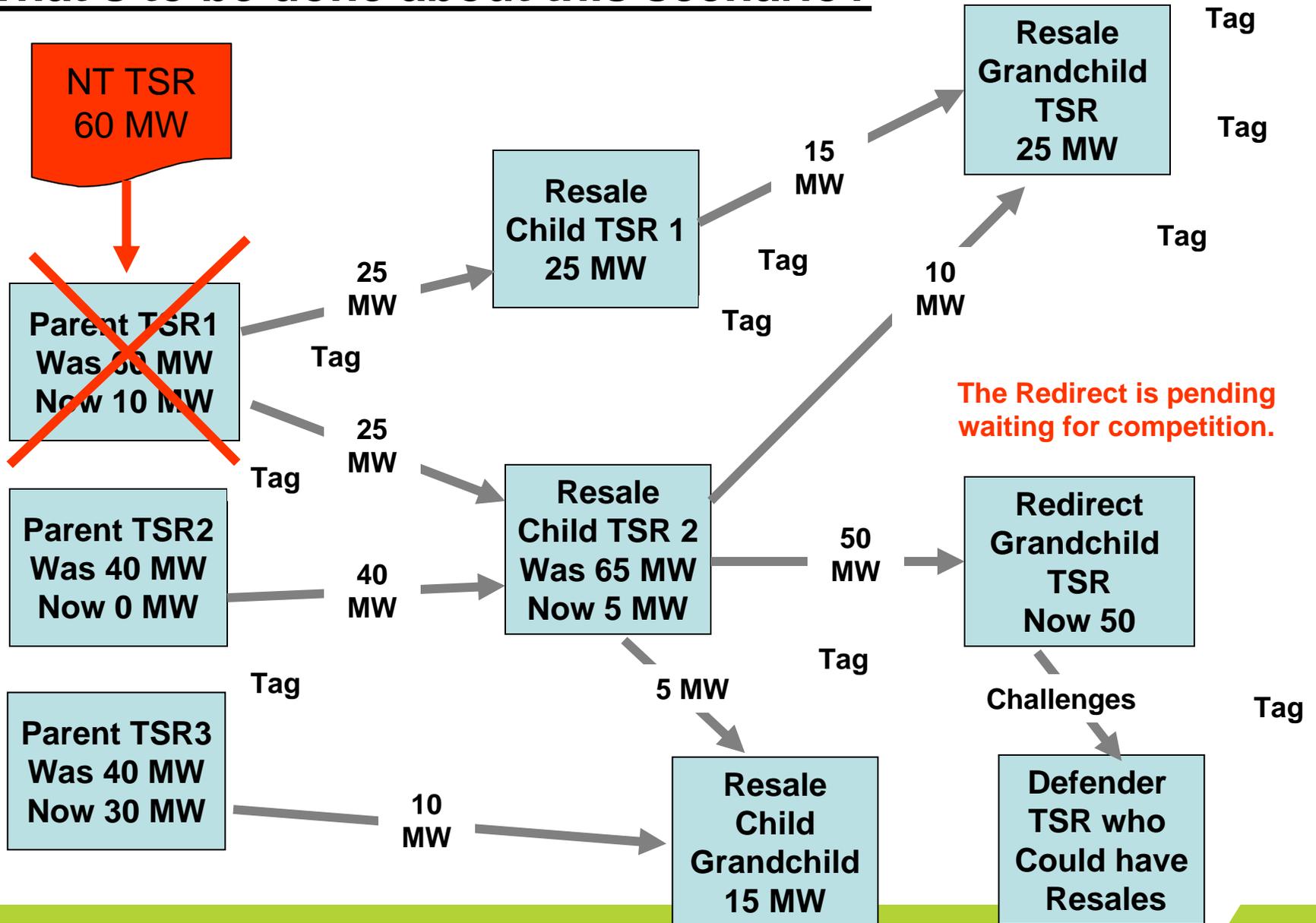
Everyone is safe unless they redirect

## Unraveling the chain

- A customer has three TSRs for the same path.
- He resells 10 MW from each to himself, consolidating them into TSR 20.
- He then resells those scheduling rights to a different customer, TSR30.
- That new customer then redirects 15 MW from TSR 30 to TSR40.
- Where does that capacity come from? 5 MW from each original? Lowest priority?
- What happens if TSR11 and TSR12 are preempted by an NT Request?



# What's to be done about this scenario?



Pre-decisional. For discussion purposes only