

# Preemption and Competition Resale/Redirect Issues

Customer Review for NAESB OS Recommendations

March 6<sup>th</sup>, 2014

BPA Presenting



# Resale Goals for the Customer Meeting

- 1. To inform the region on BPA's narrowed scope for how Parent of Resales, Resales, and Redirects of Resales should be processed in light of Preemption and Competition.**
- 2. To review the issues around each with the region and reach a regional consensus on a preferred approach.**
- 3. To craft a recommendation on next steps and/or motion language to present to the March OS meeting in Portland.**

# Basic Concept

- 1. This presentation is dealing with problems associated with Short Term Preemption and Competition of “conditional” reservations which have resold capacity (Parent, Resale, Redirect of Resale). However, the solution we come up with must work for both conditional and unconditional reservations.**
- 2. Long Term and NT reservations are always unconditional when it comes to Short Term Preemption and Competition.**

# **What Should Happen when a Conditional Reservation with Resales is Competed and Loses Capacity to a Challenger?**

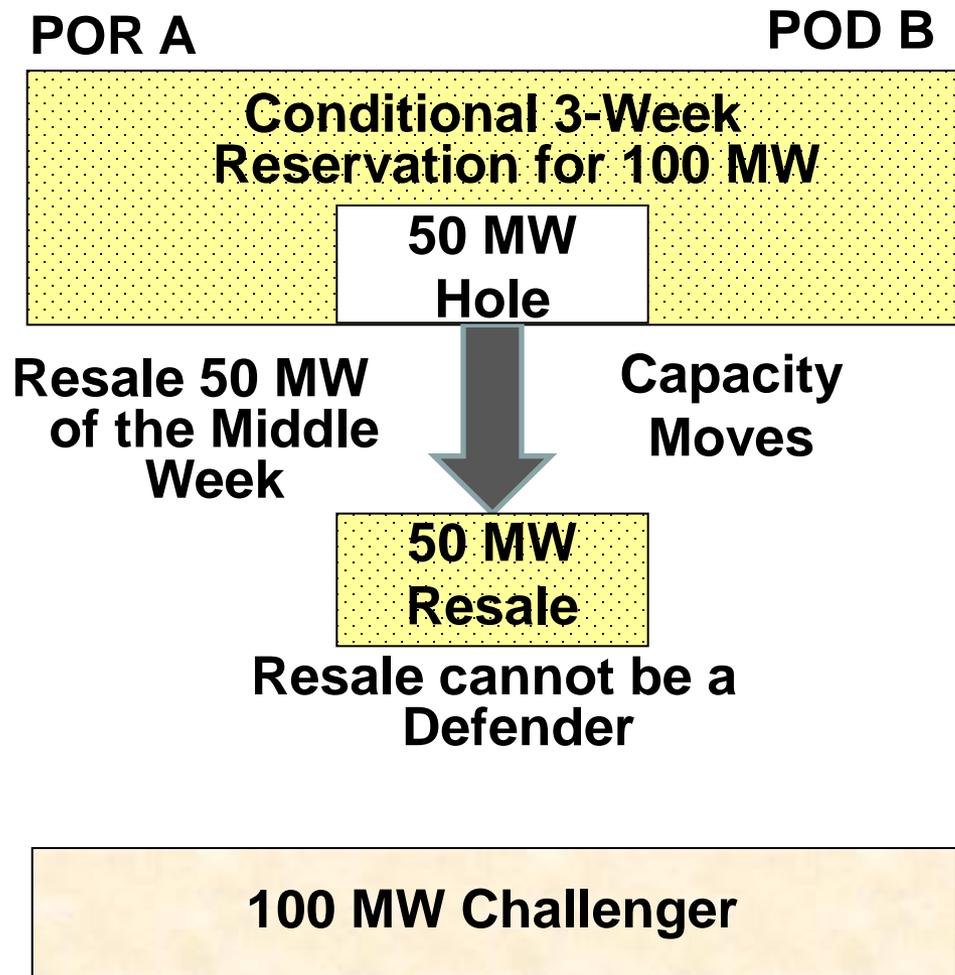
## **Options looked at last month and discarded**

- **Limit Resales to Unconditional Reservations.**
- **TP will annul “all” downstream associated transactions.**
- **Notify customers and leave it up to them to annul downstream transactions.**
- **Limit Redirects of Resales (require customers to redirect, then resell).**

# **Three Basic Concepts that Remain**

- 1. Status Quo**
  - Leave the process as it currently is in PCM
  - The capacity moves to the resale
  - Neither the Parent capacity or the resale can be competed.
- 2. Change the NAESB standards to match the implementation**
  - Move the capacity from the parent to the Resale
  - The Resale can be competed
  - The Parent cannot be competed for the resold capacity
  - The Resale inherits the conditionality of the parent.
- 3. Change the implementation to match the NAESB standards**
  - Keep existing NAESB Resales standards and C&P motions with maybe some modifications
  - Resale is scheduling rights only and cannot be competed
  - The parent keeps resold capacity and can be competed in whole.
  - The resale inherits the conditionality of the parent and can be annulled if the parent loses capacity

# Concept #1 – Status Quo

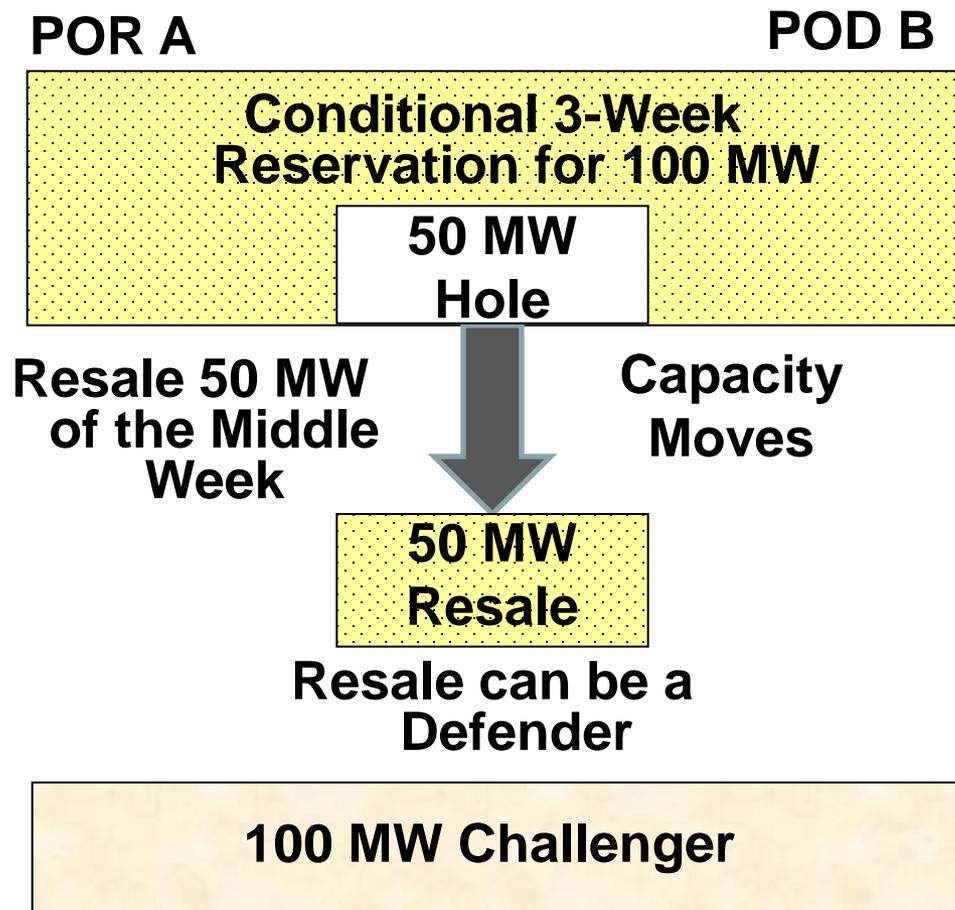


1. Current PCM leaves the hole in the capacity of the parent.
2. Resales are excluded from P&C.
3. A customer can resell to avoid P&C.
4. Conditional parent capacity that should be available for C&P is not.
5. This is contrary to the intent of P&C and not a good business practice.
6. Status quo as stated here is not acceptable.

# **Concept #1 – Status Quo – Capacity Moves to the Resale, but the Resale is not Subject to P&C**

- 1. One of the foundations of WebTrans is that capacity moves from the parent to the child whether it be a Resale or a Redirect. This allows for ease of tracking up and down the daisy chains of the secondary market.**
- 2. When the NAESB standards were created capacity and ROFR stayed with the conditional parent.**
- 3. Implementation (e.g., System changes) for compliance were too complex and were only half implemented.**
- 4. A customer can shelter their reservation against competition by reselling to themselves or someone else.**
- 5. Only the Original Reservation is Billed by the TP.**
- 6. This option is unacceptable to BPA.**

## Concept #2 – Capacity Moves to the Resale, but the Resale can be a Defender



1. The capacity sold from the conditional parent (in whole or in part) will not be available for P&C via the parent.
2. The capacity on the resale is available for P&C.
3. The Resale inherits the conditionality of the parent.
4. The Original Reservation is still billed as today, but if the Resale is competed and extends, they will be billed for the extension.
5. The same will be true for Redirects.

## **Concept #2 – Capacity Moves to the Resale, but the Resale can be a Defender**

- 1. Modify the NAESB BPs to match the best implementation.**
- 2. In Order 676-C (58 – 60) FERC implies that if the TPs find that the standards are too burdensome to implement, they can work with NAESB to modify the rules. The complexity involved in the current standards impacts both systems and the secondary market business practices.**
- 3. Resales in Concept #2 can be a defender.**
- 4. The parent is billed by the TP for the original reservation, but if the Resale chooses to exercise their ROFR, they will be billed for the extension.**
- 5. The same is true if the Resale is Redirected since the parent of the Resale is still billed for the original reservation. The Redirect will only be billed for any extension due to exercising ROFR.**
- 6. Requires modification to NAESB standards and motion 14.**
- 7. This is BPA's preferred approach.**



# **Concept #3 – Capacity Stays on the Parent**

**Change the implementation to match the rule.**

- 1. The Resale is scheduling rights only and thus exempt from having to defend capacity to Preemption and Competition.**
- 2. The resold capacity stays on the conditional parent**
- 3. The conditional parent's capacity can be challenged.**
- 4. Downstream transactions (e.g., Resales) from the parent are at risk of losing the supporting capacity enabling their scheduling rights and might be annulled.**
- 5. Concept #3 aligns with existing citations and standards.**
- 6. Only the original reservation is billed by the TP.**

# **Concept #3 – Capacity Stays on the Parent**

## **Modifications needed to WEQ001-11.1.7.**

- a) Some sort of notification to let the reseller and 1<sup>st</sup> generation assignee(s) know that the capacity supporting their scheduling rights may have been lost.**
- b) Some time available for the reseller to decide where the lost capacity should come from.**
- c) The ability (a new template) for the reseller to notify the TP of where the lost capacity should come from.**
- d) The TP may then annul or Recall that capacity to guard against over allocation or reliability issues.**
- e) If the reseller fails to notify the TP within the given timeframe, the TP may annul all associated downstream transactions associated with the conditional reservation that lost capacity.**

# **Concept #3 – Capacity Stays on the Parent**

## **Implementation Issues**

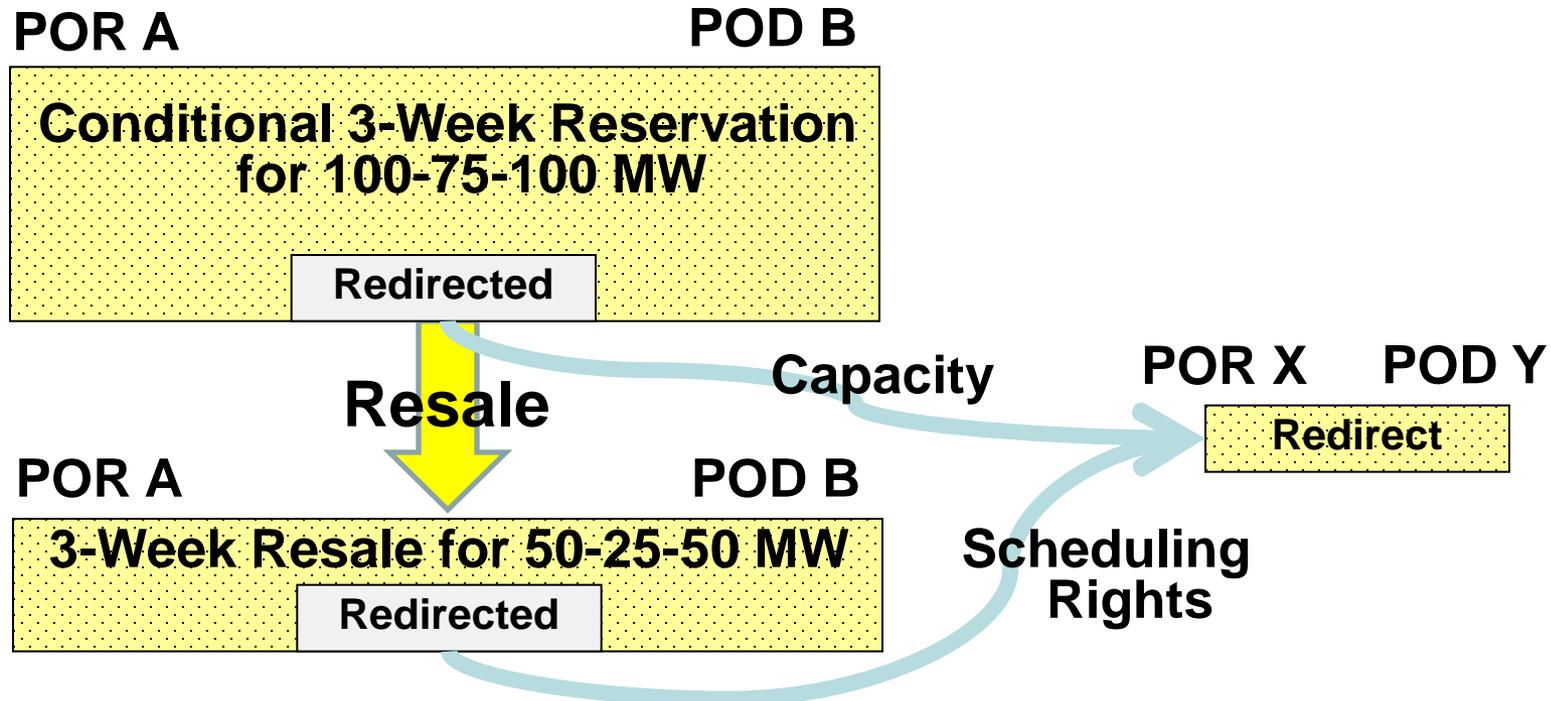
- 1. The automation of the NAESB standards for the P&C project is critical, especially for a high volume secondary market like BPA's.**
- 2. Tracking what capacity goes with what Resales and Redirect of Resales in the daisy chain of possibilities in the secondary market.**
- 3. Tracking the Aggregation of Resales back to their original reservations.**
- 4. Backward Data Conversion for all of the existing Resales.**
- 5. Notification and annulment process for implementation.**
- 6. Reseller's ability to determine where the lost capacity should come from and to inform the TP of that choice.**
- 7. Mike's list. See Reference section.**

# Redirect of a Resale

## Proposal:

- 1. Any decision by the OS concerning Preemption and Competition of the Redirecting of Resales will be put off until after the final outcome of the Entergy Order at FERC.**
- 2. If as expected FERC upholds their order, then the OS will need to rewrite or modify standards associated with Redirects, including the Redirect of a Resale, and how they are impacted by P&C.**
- 3. If FERC reverses itself on their order, then what do we do? Should we submit the following just in case?**

# Setting Redirects of Resales Free



1. The capacity for the Redirect of the Resale has been removed from the parent of the Resale and placed on the Redirect.
2. The original Reservation now only has 75 MW that can be challenged in Week 2.
3. Scheduling Rights of the Resale on Path A to B are reduced in Week-2 to 25 MW.
4. The Redirect now has capacity and scheduling rights on Path X to Y.
5. The Redirect has become its own Original per Motion 11. It is no longer impacted by what happens to the Original Parent of the Resale.

# Setting Redirects of Resales Free

**According to Motion 11, a Redirect will be treated as an original, and according to Motion 41, a Redirect of a Resale is the same as a Redirect of an original. This means:**

- 1. A Redirect of a Resale must contain both the capacity and scheduling rights for the new path.**
- 2. The scheduling rights that were redirected are no longer available on the Resale.**
- 3. The capacity for the Redirect must come from either the Resale (Concept #2) or the original parent of the Resale (Concept #3).**
- 4. The capacity moved to the new path of the Redirect is no longer encumbering on the original path. It is no longer available for a Challenger on the original path, but could be on the new path.**

# Setting Redirects of Resales Free

## Recommendation

When all or a portion of a Resale Reservation is redirected, the capacity supporting the redirected scheduling rights shall be removed from the parent reservation of the resale and no longer be eligible for Preemption and Competition on the parent reservation. The redirected scheduling rights from the resale will no longer be associated with the resale and shall not be subject to any annulment caused by the parent of the resale losing capacity due to Preemption and Competition.

Or simply, A Redirect of a Resale will stand on its own and be exempt from any impacts from P&C activity to a conditional parent of the Resale.

# Call to Question Straw Poll

- 1. Prefer Concept 1**
- 2. Prefer Concept 2**
- 3. Prefer Concept 3**
- 4. Prefer to wait for Entergy on Redirect of Resales.**
- 5. Prefer to make the recommendation now for delinking the Redirect of Resales from the parent of the Resale.**

# Reference Material

**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**

- **WEQ-001-11.1** 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).
- **WEQ-001-11.1.5** The Assignee shall have the right to resell rights acquired through a Resale in accordance with these standards.
- **WEQ-001-11.1.6** 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.
- **WEQ-001-11.1.7** 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.

# Current Passed Motions

## **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)

# Current Passed Motions (Continued)

## **NAESB Motion 34**

Redirect Request of the defenders should be processed as regular WEQ Business Practice Standards process and will not be prevented from submitting a redirect. WEQ Business Practice Standards should therefore be silent about limiting the redirects.

## **NAESB Motion 41**

Limitation on redirecting the resale shall be the same as that applied to redirecting the parent of the resale which is a defender. If Business Practices are silent about redirect of Defender, these will also be silent about redirect of resale.

## **NAESB Motion 42**

While submission of redirect requests are permitted in Motions 34 and 41, new WEQ Business Practice standards shall be written to require that 1) the Competing\_Request\_Flag shall be set to “Y” for all defenders and all resales associated with defenders and 2) the Transmission Provider shall suspend taking action on redirect of request/reservation with the Competing\_Request\_Flag set to “Y” until completion of the preemption and competition process.

# Mike's List of Issues with Concept #3

1. To model a Resale as scheduling rights only, a TSR must be redefined to have 2 profiles: one for Capacity ownership and one for Scheduling rights. This redefinition impacts core functionality in both webTrans and OASIS.
2. All functionality in webTrans dealing with tagging must be changed to look at the Scheduling profile. For us, this is things like our pain-in-the-arse demand-check functionality, as well as Portfolio Manager, Contract Portfolio Manager, etc.
3. All functionality in webTrans dealing with capacity must be changed to look at the Capacity profile. This is things like ATC calculations. Portfolio Manager and Contract Portfolio manager will be impacted here also.
4. The Resale functionality will need to be changed in both webTrans and OASIS to represent a change in the Scheduling profile.
5. The Redirect functionality will need to distinguish between Capacity and Scheduling rights if the Redirect is from a Resale (capacity comes from the original and scheduling comes from the Resale).
6. Our netting functionality for Redirects will also need to be able to net from the parent of a Resale rather than from a Resale itself.
7. Not sure what to do with Recall functionality. I guess you need to be able to Recall both Scheduling and Capacity independently.

# Mike's List of Issues with Concept #3

8. Not sure what to do with Reduction Details functionality in webTrans and OASIS. Today this is a consolidated view of all reductions against a TSR (Resale, Redirect, Recalls, tags). Today these are all reductions from the same "bucket". If Scheduling and Capacity ownership is modeled separately, then you need to be able to view such reductions separately.
9. Not sure what you do with Resale aggregation functionality. I guess it just represents an aggregation of Scheduling rights only. But then what do you do with a Redirect from an aggregated Resale? What parent do you pull the capacity from?
10. Does Contract functionality change? Not sure.
11. Curtailment Manager will be impacted in some way I cannot envision. There is a part of CM that curtails based on reservation rights. I don't know if that will need to change to just look at the Capacity profile or whether it will also somehow need to look at Scheduling rights also.
12. There are TSR validations that will need to change based on either the Capacity profile or the Schedule profile.

# Mike's List of Issues with Concept #3

13. There are TSR validations that will need to change based on either the Capacity profile or the Schedule profile.
14. So....., you've only changed about 75% of webTrans and OASIS. Let's say you can wave that magic wand and get these enhancements. Next you need to worry about migrating all of your existing TSR's to separate the Capacity profile from the Scheduling profile. All of the existing capacity values on a Resale would need to be moved to the Scheduling profile, while setting the Capacity profile to zero. Then all of that Scheduling rights on all Resales would need to be pulled back and put into the Capacity profile of all parents. Good luck with that.
15. webData would need to change to accommodate both Scheduling and Capacity rights.
16. All industry systems that interface with OASIS and webTrans would also need to change to accommodate both profiles. For us, this includes TSAS, CBSA, and perhaps billing. All of the Long-term ATC functionality in CBSA would need to change for Resales and Redirects also.