



# Lottery Method in BPA's Simultaneous Submission Windows and Potential Application to the Simultaneous Defender Matching Process

NAESB Meeting  
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## Background

- Prior to Order 890, it was a first come first served when offering available ATC to competing requests. This meant that the requesting parties that had automated systems to request transmission had an advantage over non-automated systems.
- In Order 890, FERC required transmission providers (TPs) to develop simultaneous windows processes if the TP had “no earlier than” language in its business practices to mitigate the race to reserve. This provides a level playing field for automated and non-automated systems when requesting transmission service.
- BPA is one of those TPs that needed to develop a simultaneous windows process.
- Part of this process was to develop an allocation process – there are three alternatives from which BPA chose the lottery method.
- NAESB is considering using an allocation process for simultaneous matching to address the race to match. This process would then allow a level playing field for getting the ATC needed to match a challenger’s term.
- The following pages describe the three alternatives for allocating ATC with pro’s and con’s of each.

## FERC Policy regarding Simultaneous Windows

- Simultaneous windows is used to re-prioritize queued requests submitted within a specified window that have otherwise equal reservation priority (duration, pre-confirmation status, price) under OATT section 13.
- The *pro forma* OATT does not contain language to provide a level playing field for parties wanting to match under preemption. If NAESB moves forward with considering this, will there need to be a OATT change requested to accommodate it?

# FERC-Approved SSW Transmission Allocation Methodologies

1. Short-term Firm Requests submitted within the Simultaneous Window are first processed as follows:
  - a) Service Duration: longer duration has priority over shorter duration
  - b) Pre-confirmation Status: pre-confirmed has priority over not pre-confirmed
  - c) Bid Price: higher price has priority over lower price
  - d) Simultaneous Window Allocation Methodology
2. For Short-term Firm requests, an Simultaneous windows transmission allocation methodology only applies if there are multiple requests with equal priority by duration, pre-confirmation status, and bid price.
3. There are 3 approaches to allocate transmission for Simultaneous windows currently in use that are FERC approved
  - a) Pro rata
  - b) Equal amount
  - c) Lottery

# Allocation Option 1: Pro rata

1. Approach: Capacity is allocated to all requests based on the total amount requested by the customer. If a customer submits multiple identical requests (same POR/POD), only 1 request will be included. The process for selecting which request differs by provider. Some use the customer's first request and others use the largest capacity request.
2. Used by: Duke, Idaho Power, NorthWestern
3. Considerations:
  - ✓ In a constrained situation, all customer requests receive an allocation of capacity.
  - ✓ Customers receive a larger allocation if they submit a larger request.
  - ✗ In a constrained situation, none of the customers receive a full grant to meet their request.
  - ✗ Some customers might receive unusable allocations.
  - ✗ Can result in customers inflating their request quantity in order to receive a prorated share to meet what they actually need.
  - ✗ Technically difficult to implement for a flow-based system.

## Allocation Option 2: Equal Amount

1. Approach: Capacity is allocated in equal amounts to each customer, but not in excess of the requested amount. If a customer submits multiple identical requests (same POR/POD), only 1 request will be included.
2. Used by: Avista, PacifiCorp, and Puget Sound Energy
3. Considerations:
  - ✓ In a constrained situation, all customer requests receive an allocation of capacity.
  - ✓ Some customers do receive a full grant to meet their request.
  - ✓ Avoids the problem of inflated requests with the pro rata approach.
  - ✗ Many customers still do not receive a full grant to meet their request.
  - ✗ Some customers might receive unusable allocations.
  - ✗ Also technically difficult to implement for a flow-based system.

## Allocation Option 3: Lottery

1. Approach: Provider makes full capacity offers in a random lottery order until there is no more capacity to offer. Counteroffers will be made when only partial capacity is available. A customer with multiple equal priority requests will only have a single request considered in each successive round of the lottery.
2. Used by: BC Hydro, WAPA, MAPP, MidAmerican, BPA
3. Considerations:
  - ✓ In a constrained situation, all customers have an equal chance to get a full grant of their request.
  - ✓ Minimizes gaming opportunities.
  - ✓ Most similar transmission allocation to first come, first served (order of requests is different, but approach for allocating capacity is the same).
  - ✓ Straightforward to implement.
  - ✓ Only approach currently offered by OATI for a flow-based system.
  - ✗ For short-term requests, when capacity is constrained, some requests may be Refused (also true of first-come, first-served).

# BPA's Lottery Method

- For eligible requests submitted within the simultaneous window, if, after prioritizing by duration, pre-confirmation status, and bid price, there are multiple Customers with requests equal in priority, BPA will allocate available capacity based on a random lottery in the following manner:
  - BPA will run successive rounds of lotteries in which a Customer can have one (1) request considered in each round until there are no more requests to be processed.
  - In each round, BPA will select Customers in random order and offer available capacity to the first (next) of the selected Customer's requests (based on the AREF number).
  - BPA will make a full offer depending on the capacity available based on the Customer's POR/POD or Source/Sink combination.
  - If there is not sufficient capacity available to make a full offer, BPA will initiate the preemption and competition process pursuant to section 13.2 of BPA's Tariff and its business practices.

# BPA's Lottery Method

- If there is no available capacity, BPA will REFUSE the request.
- Once BPA has processed one (1) request of each Customer in a round, it will repeat the lottery allocation process until all eligible requests have been processed. After the customer order is randomly determined via the lottery for the first round, that same order will be used for all successive rounds.
- If one Customer submits multiple short-term requests with equal priority and no other Customer submits requests within the window, the lottery allocation methodology will result in offering available capacity in queue order based on the request's queue time (AREF number).

## Considerations for a NAESB Allocation Process

- Use of an allocation process for Simultaneous Windows is provided for in the OATT. There is no similar language in the OATT or Order 890 to provide a level playing field for simultaneous matching.
- No lottery method encourages participants to respond quickly to match.
- Considerations for simultaneous matching:
  - Pro's
    - Provides a level playing field for those participants that don't have systems in place to match quickly.
    - Provides participants more time to consider whether to match or not. The allocation process wouldn't start until the earlier of all the defenders responding that they want to match or the time allowed for a defender to say they want to match.
  - Con's
    - Increases time to process matches. It could take up to four days for all the monthly defenders to respond that they want to match.
    - Encourages participants to take their time to consider a match.
    - May need to wait the full response time to get all the participants responses.

## Considerations for a NAESB Allocation Process

- The methodology that the TP employs for the allocation process should be up to the TP. NAESB should not prescribe a lottery method over the other two possible processes.
- One question that needs to be raised is if a defender extends its matching request beyond the minimum time period required, would that extension also be part of this allocation process?