Bonneville Power Administration – (11/30/2016)

Long-Term Firm Rollover Rights Competition (OATT Section 2.2) Formal Comments

**Introduction**

The Bonneville Power Administration (BPA) would like to thank the NAESB WEQ Executive Committee for accepting our appeal to consider this version of the proposed standard for Long-Term Firm Rollover Rights Competition (OATT Section 2.2). BPA believes this effort will help move the industry towards increased transparency and consistency on this topic, which we believe benefits both Transmission Providers and their customers.

**Background**

To begin, BPA believes it is important for the WEQ Executive Committee to understand the importance and need for the revisions to WEQ-001-20 “Rollover”. Rollover rights (also referred to as “the right of first refusal”) are an essential feature of the *pro forma* Open Access Transmission Tariff (OATT). They enable existing Transmission Customers to continue to use (or rollover) their current transmission service into a new agreement upon the expiration, termination, or rollover of their service. These rights are guaranteed by Section 2.2 of the OATT, and are the only mechanism by which current, long-term Transmission Customers retain their rights to the existing transmission system. Without rollover rights, loads or resources could be stranded within a Transmission Provider’s system, as other newer requesters with more recent transmission requests crowd out existing users for limited transmission capacity. At the same time, the right to rollover transmission service is not unlimited. The right to rollover existing service is a “right of first refusal” – other new requests can compete for those same transmission rights. The incumbent can lose its transmission rights if it chooses not to extend its service agreement to match a competing transmission request. This aspect of the rollover provision ensures that transmission capacity is being used by the customers that are the most willing to commit to pay for it for the longest duration. Having a well-defined process for exercising rollover rights, as well as procedures for determining whose rights prevail over others, is therefore extremely important to the orderly transfer and award of transmission rights under the OATT paradigm.

The currently approved version of WEQ-001-20 “Rollover” provides that orderly process (in part) by describing the procedures and steps for exercising and granting rollover rights associated with Point-to-Point (PTP) transmission users. It omits, however, any mention of the procedures or processes that would govern the rollover of the other major transmission service offered under the *pro forma* Open Access Transmission Tariff (OATT): Network Integration Transmission Service (NITS). Like PTP service, NITS users are entitled to rollover their service in accordance with section 2.2 of the OATT. As a result, omitting NITS from WEQ-001-20 “Rollover” renders the standard incomplete, and leaves a significant gap in the NAESB national standard that can cause confusion and uncertainty to Transmission Customers and Transmission Providers when addressing a NITS rollover request. For instance, if two competing NITS requests were made, one for a rollover, and the other for new service, WEQ-001-20 “Rollover” would provide no guidance as to how to exercise the rollover rights, in what amounts, or how competition between the two requests should be addressed.

The absence of any mention of NITS in WEQ-001-20 “Rollover” also creates uncertainty when competition for transmission rights occurs between PTP users and NITS users. As the current standard now reads, three possible conclusions could be drawn from the omission of NITS: (1) PTP requests always prevail in a competition; (2) NITS requests always prevail in a competition; (3) there is never a competition between the PTP Service and NITS. All three conclusions, however, are incorrect, as the Commission has expressly acknowledged that NITS and PTP service must follow the competition rules, and they both can compete with each other. As noted by the Commission in Order No. 890-A, 73 Fed. Reg. 2984, at P 666 (Jan. 16, 2008):

We reiterate our existing policy that, in the event of competing, mutually exclusive requests for network resource designations, the network customer seeking rollover must match the term of the competing network resource power contract. However, we agree with TAPS that, given the differing nature and obligations of network service versus point-to-point service, a network customer seeking rollover of its network service for a designated resource should be able to match a competing point-to-point request by extending its network service agreement rather than the power contract supporting the network resource designation.

**Comment**

It was because of these significant omissions with the current standard that the OASIS Subcommittee spent months working to revise WEQ-001-20 such that it would be consistent with the OATT, Commission precedent, and best practices in the industry. BPA reiterates its support for the work that has been done on this standard and earnestly recommends the EC reconsider the revised WEQ-001-20. The proposed revised WEQ-001-20 “Rollover” has been substantially redesigned to address the significant gaps in the prior standard, and now comprehensively addresses both the notice and competition requirements for PTP and NITS requests. By adopting it, the revised WEQ-001-20 “Rollover” will be the model standard for the industry, providing a comprehensive process for addressing the most common issues with rollover and the right of first refusal for both PTP and NITS.

BPA understands that certain parties were concerned with language in the proposed preamble to the WEQ-001-20 recommendation that required approval by the “Applicable Regulatory Authority” (e.g., FERC) in order to vary from the terms of the proposed standard. BPA notes that it supported that language in the version of WEQ-001-20 that was considered by the 04/26/16 WEQ Executive Committee meeting because such language was consistent with the status quo requirement that a FERC waiver be obtained before deviating from the NAESB standards. Nevertheless, BPA appreciates the concerns that have been raised that led to that version of the proposed recommendation failing to achieve a super majority vote by the EC notational ballot on 05/16/16.

In an effort to move the industry towards increased transparency and consistency on this topic, BPA is willing to support language that would make the WEQ-001-20 “Rollover” the standard *only if* the Transmission Provider has not otherwise adopted its own process for addressing NITS and PTP rollover rights. Transmission Providers that have developed a customized process for evaluating NITS and PTP rollover right requests, and have gone through the effort of developing a Business Practice or Tariff amendment to put it in place, should be able to continue to use their own processes without further regulatory review or action. The primary purpose of the revised WEQ-001-20 “Rollover” standard, in BPA’s view, is to provide a “default” national standard in situations where the Transmission Provider has otherwise taken no steps to describe and formalize its process for rolling over and competing PTP or NITS requests.

In summary, BPA would like to thank the WEQ Executive Committee for reconsidering the recommendation for Long-Term Firm Rollover Rights Competition. For the reasons stated above, BPA encourages members of the WEQ EC to support the newly proposed recommendation for WEQ-001-20 “Rollover”.