

ORDER NO. 890 IMPLEMENTATION

Stakeholder Consultation No. 2

July 14, 2008

Agenda

- 1. Meeting Goals**
- 2. Firm Service to Alberta**
- 3. Conditional Firm Service**
- 4. Report and Discussion on Other Outstanding Items**

Meeting Goals

1. Explore options for the development of a tariff section which formally establishes provisions on how BCTC will handle future sales of LTFPTP service on BC>AB path
2. Explore options for Conditional Firm Service
3. Discuss Other outstanding items on tariff changes

Firm Service to Alberta

- BCUC in its decision on BCTC's Application for temporary suspension, directed BCTC to
 - Include in its next rate Design review and/or FERC-890 compliance filing, whichever comes first, a Tariff section which formally establishes, consistent with general OATT principles, and the FERC 890 guidelines, provisions for how BCTC will handle future situations, similar in nature to that addressed in the Application
 - Submit a report, by August 8, 2008, containing the stakeholder submissions made to BCTC, and any BCTC commentary in response to those submissions, concerning the resolution of LTFPTP services to Alberta, and Customer Proposals on Conditional Firm Service.
 - Stakeholders are requested to submit stakeholder submissions on the resolution of LTFPTP service to Alberta and revised or additional proposals on Conditional Firm Service to brenda.ambrosi@bctc.com by July 24, 2008

Firm Service to Alberta– The Choices

- Option 1: Provide Long Term Firm Point-To-Point (LTFPTP) service based on BC System only
 - Status Quo: All firm service have same firm priority and service is cut by load ratio share if needed.
 - Something New: Work with AESO to develop near-term and longer-term mitigation measures
- Option 2: Stop selling any additional LTFPTP service on BC to Alberta Path and issue new LTFPTP service conditional on limits of neighboring systems
 - Requires defining the Alberta constraint over a period of at least 1 year.
- Option 3: Stop selling any additional LTFPTP service on BC to Alberta Path, with all incremental ATC, ***conditional on limits of neighboring systems,*** released as Short-Term Firm Service.
- Other Options?
- ***[NOTE: the text in italicized red font above was added on July 15th subsequent to the consultation session, in response to a customer request for clarification during the session]***

Some Questions to Consider

- Option 1- Continue to Sell Up to ATC per Tariff
 - Is there interest in such sales and why?
 - What will be the implications and potential solutions?
 - Other Questions?
- Option 2- Only sell incremental LTFPTP service that is conditional on conditions in neighboring jurisdiction
 - Should this service be offered?
 - If so, can the conditions be defined?
 - How to determine the level of long term service available?
 - When should additional long term firm sales be offered?
 - How to implement?
 - Other Questions?
- Option 3- Only sell incremental short term service on this path
 - Economic justification
 - Other Questions?
- Other Options?

Conditional Firm Service

What is CFS

- It is a modified LTFPTP service that includes less-than-firm service in some defined periods when firm PTP service is not available.
- It is designed to be a bridge product.
- It is conditional upon system conditions within the transmission providers own system.
- It can be curtailed on the same priority as secondary network service for a ***defined numbers of hours*** of the year or during ***defined system conditions***.
- If firm service is curtailed, CFS on the same path will also be curtailed.

How does CFS compare with “Shaped Service”

- Both Shaped Service and CFS are different forms of Partial Service Under Section 19.7 of the Tariff
- Shaped Service provides firm service in all periods where it is available, and no service where it is not.
 - Shaped Service is based on forecast of committed use
- CFS provides firm service where it is available and conditional firm where it is not.
 - CFS is based on forecast occurrence of certain system conditions and frequency of occurrence

Customer Proposals

1. Business Practice to set out:

- a complete list of the specific types of system conditions that could form the basis of CFS (without revealing confidential information);
- the methodology and risk criteria BCTC will use to determine conditional curtailment hours that could form the basis of CFS;
- a requirement that any system impact study that identifies curtailment options be posted for comment before any CFS service is offered, and
- a requirement that any CFS service agreement be filed with BCUC for approval

2. Offer CFS only if

- AESO can accept all existing LTFPTP volumes and new CFS service
- No curtailments on LTFPTP are occurring
- Offering CFS would not cause curtailment on LTFPTP
- Public and transparent process on the determination of curtailment criteria for CFS

3. Offer CFS with only “System Conditions Option”

Customers Comments

- Impact on existing firm services on BC>AB path
- Clarify system conditions
- Don't like "Number of Hour Option"

Choices for Curtailment Conditions

- With system condition defined as:
 - Shaped Service
 - Firm service in periods where it is available and no service in periods where it is not available as determined by the current methodology
 - CFS
 - “System Conditions” determined in SIS
 - Combined Shaped + CFS
 - Firm service in periods where it is available as determined by the current methodology used for Shaped Service
 - CFS in period where no service is available with curtailment conditions based on the methodology of Shaped Service
 - Both the periods where firm service is unavailable and the conditions that cause no firm service will be defined in the System Impact Study.
 - Other Options?

Example

- Responding to a request for LTFPTP service for one year, BCTC determines that there is firm service available in the months March to November, based on forecasted committed use.
- Choice of curtailment condition based on:
 - Shaped Service
 - Firm service for the months between March to November
 - No service in the months of December, January and February
 - CFS
 - Firm service can be curtailed any time during the period if actual committed use exceeds the level defined by BCTC
 - Shaped + CFS
 - Firm service for the months between March to November
 - CFS in the months of December, January and February which will be curtailed if the actual committed use exceeds the level defined by BCTC

Report and Discussion on Other Outstanding Items

Context

1. BCTC posted its red-lined OATT and associated Business Practices for customer comment, following its consultation on its proposed implementation of FERC Order No. 890
2. BCTC received comments from BC Hydro, Northpoint and TransCanada
3. On the basis of the comments received, BCTC arranged, in part, to:
 1. Meet with BC Hydro directly on specific Network Customer issues that it raised in respect of:
 - the coordination of BCTC's proposed Planning Process with BC Hydro's Planning Process, and
 - the requirements for Designation and Undesignation of Network Resources.
 2. Respond in writing to other comments where clarifications were warranted and to invite further comment on such clarifications.
4. BCTC provided clarifications on specific customer comments, and arranged for a second consultation today to include:
 1. Report on the discussions with BC Hydro on the specific Network Customer issues, and
 2. Discussion of the outstanding issues raised in customer comments, where necessary.

Outstanding Discussion Items based on Customer Comments

FERC 890 Provision	Customer	Outstanding Discussion Item
Planning Process	BC Hydro TransCanada	BCTC to report on discussion
Designation and Undesignation of Network Resources	BC Hydro	BCTC to report on discussion
Performance Metrics and Operational Penalties	BC Hydro TransCanada	Definition of 'Affiliate'; Adoption of reform Definition of 'Affiliate'
Simultaneous Submission Window	BC Hydro	Applicability to Non-firm service

Meeting with BC Hydro on the Proposed Planning Process

BC Hydro Comments on the Proposed Planning Process

- How the proposed Attachment K process will be coordinated with BC Hydro's planning process and BCTC's existing planning process
- How the proposed Attachment K process fits with Parts II and III of the OATT

Coordination with BC Hydro's Planning Process

- The proposed planning process is a documentation of the current Capital Planning Process for the Growth Portfolio with a 2-year planning cycle
- There will be no change in the coordination with BC Hydro's planning processes
 - re-alignment of dates may be required because of the change in the length of planning cycle

Coordination with Part II & III of OATT

- BCTC will continue to respond to service requests under Part II & III of OATT following current practices
- These requests will inform the determination of the “need and requirements” of the planning process
- To the extent allowed by the timing and schedule of the service requests, BCTC will combine studies required under Part II and III of OATT with the planning studies in the proposed planning process

Meeting with BC Hydro on Designation of Network Resources

Designation of Network Resources - Attestation

890 Provision

- Statement required that, for existing and new Network Resources (OATT Sections 29.2(h) and 30.2):

“...(1) The Network Customer owns the resource, has committed to purchase the generation pursuant to an executed contract, or has committed to purchase generation where execution of a contract is contingent upon the availability of transmission service under Part III of the Tariff; and (2) the Network Resources do not include any resources, or any portion thereof, that are committed for sale to non-designated third party load or otherwise cannot be called upon to meet the Network Customer’s Network Load on a non-interruptible basis; ...”

Customer Comment

- The requirements and form of the contemplated attestation are not clear in respect of:
 1. Designation of Split-Bid IPP as a Network Resource
 2. Forecast generation resources (not under contract)
 3. Entitlement Agreement Resources

Designation of Network Resources - Attestation

Discussion

- Attestation aligns with definition of Network Resource in Section 1.25 of the OATT
 - Attestations not required until service request confirmed
1. Designation of Split-Bid IPP as a Network Resource
 - Attest only to the portion of output in a split-bid EPA that is designated as Network Resource, as such could be called upon to meet the Network Customer's Network Load on a non-interruptible basis.
 2. Forecast generation resources
 - Attestations can be submitted at the time a resource designation is confirmed (Order 890-B), consistent with obligations of Section 30.7 of the OATT
 - Attestations required in respect of designated Network Resources, so no concern to attest to forecast resources that are not under contract and designated.
 - Capitalize "Network Resources" listed pursuant to Section 29.2(e) of the OATT, in preamble to attestation requirement in Section 29.2(h)
 3. Entitlement Agreement Resources
 - BCTC's Business Practices define BC Hydro's firm scheduling rights on the US > BC intertie under its Network Integration Transmission Service for the return of energy under the Canadian Entitlement Agreement.

Meeting with BC Hydro on Undesignation of Network Resources

Undesignation of Network Resources – Notification Deadline and Process for Temporary Termination

890 Provision

Temporary and Indefinite Terminations

- A request to undesignate that is submitted concurrently with a request to re-designate at a specific point is considered a temporary termination - no forfeiture of rights.
- Transmission Provider must post change in ATC on OASIS.
- A requests to undesignate without any concurrent request to re-designate is considered a request for indefinite termination - no continuing rights.
- Transmission Provider must develop OASIS functionality and, working through NAESB, business practice standards describing the procedural requirements for submitting both temporary and indefinite terminations.

Other

- Network customers not permitted to make firm third-party sales from any designated network resource without:
 - undesignating that resource for the period of the third-party sale pursuant to pro forma OATT section 30.3 and
 - providing notice of such undesignation before the firm scheduling deadline

Undesignation of Network Resources – Notification Deadline and Process for Temporary Termination

Customer Comment

- Given the complexity of the hydro-based system, and that operational decisions are often made in real-time, a lengthy notification period and onerous process could reduce the ability to optimise the system in real-time, which would result in losses to BC Hydro and its customers, and could possibly impact reliability.

Potential Solution

- FERC approved a joint application by Pacific Northwest utilities in response to this issue, in particular:
 - For purposes of temporary undesignations to support firm third-party sales, all or part of generation owned, purchased, or leased by the Network Customer associated with an OASIS-registered POR, behind which there are no transmission constraints that could affect offerings of transmission service to other customers, should be treated as a single generating unit.
 - ATC would not be affected by the selection of any particular generating unit behind the POR that the Network Customer might choose to support the third-party sale.
 - Reduces an unnecessary accounting and operational burden related with unit by unit undesignations when no ATC impact.

Undesignation of Network Resources – Notification Deadline and Process for Temporary Termination

Proposed Plan for Moving Forward

- Potential solution has merit.
- However, with ongoing development of ATC methodologies required under Order No. 890, current uncertainty about:
 1. what constitutes a transmission constraint in respect of ATC calculations;
 2. the associated determination of Network Resource groupings; and
 3. the associated business practice under which undesignations would occur when there is a transmission constraint.
- BCTC therefore proposes to finalize its proposed approach to deal with temporary undesignations, including the necessary revisions to its OATT and business practices, at such time that NERC approves the ATC methodologies.
 - BCTC will post for customer comment, will consult with customers if necessary, and will file an application to the BCUC for the necessary tariff amendments.

Other Comments and Clarifications

Performance Metrics & Penalties

890 Provision

1. Quarterly posting of performance metrics – Long-Term Transmission Requests Only
2. Notification and additional metrics filed with Commission and penalties for routine poor performance
3. No revenue requirement recovery of penalties allowed - allocation to all non-affiliate customers.

Customer Comments

- BC Hydro requests that BCTC reconsider its existing view that BC Hydro and Powerex are Affiliates for the purpose of Section 19.9 of the OATT.
- TransCanada maintains BCH/Powerex are affiliates of BCTC under the new definition in the OATT, for reasons set out in page 3 of their comments, dated June 17, 2008
- BC Hydro also comments that the operational penalty mechanism will not be particularly helpful, being difficult to administer and possibly requiring significant effort and process to document and defend extenuating circumstances.

Simultaneous Submission Window

890 Provision

Window within which all transmission service requests will be deemed to have been submitted simultaneously

- Required, as applicable, for transmission providers that have adopted a “no earlier than” time for the submission of firm PTP service
- Discretion to determine which transmission services subject to window
- A change to the current first-come, first-served policy to ensure that service is not awarded in an arbitrary fashion, and that less sophisticated customers with fewer financial resources have equal access.
- BCTC proposes to use a 5 minute window for firm and non-firm service, beginning at start of service request period, pre-schedule only, excluding LTF PTP

Customer Comment

Applicability to Non-Firm Service

- It should only apply to short-term firm services, and not also to short-term non-firm services, as proposed by BCTC.

Simultaneous Submission Window

Discussion

Applicability to Non-Firm Service

- FERC notes in Order 890-A that the pro forma OATT contains a “no earlier than” time that applies to requests for non-firm service, but it did not intend that this trigger the requirement to establish an SSW. The requirement applies to TPs that adopted a no earlier time for the submission of firm PTP or network service
 - Clarification of the trigger given that otherwise the SSW would be triggered in all instances given the language of the pro forma OATT in respect of non-firm service
 - BCTC proposal to apply the SSW to non-firm service intended as a consistent approach to meet the principles that embody FERC’s enhancement of open and non-discriminatory access through the establishment of the SSW
- Are there other customer views on applying the SSW only to Short-term Firm service?

Questions ?

Comments?

Wrap-Up & Next Steps

- Stakeholder submissions on
 1. tariff provisions with respect to future sales of LTFPTP service to Alberta and
 2. revised or additional proposals on Conditional Firm Service, by July 24, 2008

- Additional comments on other items discussed today, by August 1, 2008.

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