UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Potential New Wholesale Transmission Services	Docket No. RM05-7-000
Assessing the State of Wind Energy In Wholesale Electricity Markets	Docket No. AD04-13-000

NOTICE OF FINAL AGENDA FOR TECHNICAL WORKSHOP

(March 10, 2005)

As announced in the Notice of Technical Workshop issued on February 1, 2005, and March 2, 2005, the staffs of Bonneville Power Administration (BPA) and the Western Electricity Coordinating Council (WECC) will participate with the staff of the Federal Energy Regulatory Commission (FERC) at a workshop on March 16 - 17, 2005. The workshop will be held at the Doubletree Hotel & Executive Meeting Center Portland-Lloyd Center, 1000 NE Multnomah, Portland, Oregon 97232. The workshop is scheduled to begin at 9:00 a.m. and end at approximately 5:00 p.m. (PST) each day.

The goal of the workshop is to work with market participants to develop clear definitions for additional wholesale electric transmission services, e.g., conditional firm transmission service, develop applicable pro forma tariff language that could be included in public utilities' open access transmission tariffs and address attendant issues.

Attachment A of this Notice contains the final agenda for the workshop. Attachment B contains a table prepared by Commission staff that identifies and briefly describes the new transmission services proposed by other entities. Attachment C contains a proposal for a BPA "Conditional-Firm Product." Panelists are strongly encouraged to coordinate among themselves prior to the workshop to minimize overlap in the information presented at the workshop by using the information attached to this Notice.

The Commission will solicit comments related to the workshop to be filed in the captioned dockets by April 13, 2005. The comments will be available for review in the Commission's e-Library. The public will have the opportunity to file reply comments in response to these comments by April 29, 2005.

The conference workshop is open for the public to attend, and preregistration is not required; on-site attendees may simply register on the day of the event.

Capitol Connection offers the opportunity for remote listening of the conference via the Internet or a Phone Bridge Connection for a fee. Interested persons should make arrangements as soon as possible by visiting the Capitol Connection website at http://www.capitolconnection.gmu.edu and clicking on "FERC." If you have any questions contact David Reininger or Julia Morelli at the Capitol Connection (703-993-3100).

For more information about the conference, please contact Jignasa Gadani at 202-502-8608, jignasa.gadani@ferc.gov.

Magalie R. Salas
Secretary

Attachment A

Technical Workshop on
Additional Wholesale Electric Transmission Services
Under the Order No. 888 Open Access Pro forma Tariff

Day One:

9:00 a.m. – 9:30 a.m.: Opening Session

- Stephen J. Wright, Administrator, Bonneville Power Administration
- Senior Staff Member, Federal Energy Regulatory Commission

Note: While the agenda often references the conditional transmission services contained in Attachment B, this is not meant to preclude discussion of the other similar transmission services.

9:30 a.m. – 10:30 a.m.: Identifying and Addressing Customer Needs

Panelists will discuss the need for transmission service options that are different from those available in the Order 888 pro forma open access transmission tariff (OATT). Questions intended to be addressed include:

- Are there provisions of the current pro forma OATT that are inadequate in terms of service and rate flexibility? If so, elaborate.
- Do current tariff provisions limit the potential (or practicality) of certain business models?
- How can new tariff services balance the needs and rights of existing and new customers, without introducing cross subsidies?
- How can conditional firm transmission service facilitate the financing of new generation?
- What are the elements of a new transmission service option that would be critical to facilitating reasonable debt or project financing?

Panelists:

- James Caldwell, PPM Energy
- Tim Culbertson, Washington Public Utility Districts Association
- Aleka Scott, PNGC Power
- Cynthia S. Bogorad, Transmission Access Policy Study Group (TAPS)
- Gary Ackerman, Western Power Trading Forum
- J.D. Williams, Confederated Tribes of the Umatilla Indian Reservation
- Andrew Jeffries, Fortis Capital

10:30 a.m. – 12:00 p.m.: Preview of the New Services

Using Attachment B of this Notice, *Table of Existing/Proposed Transmission Services* and Attachment C as a reference, panelists will describe the transmission services they propose to offer as part of a pro forma OATT and any other services they have developed to meet customer needs. Panelists should address the conceptual aspects of the services. Questions to be addressed include:

- Explain the elements of the proposed transmission services.
- Can the different proposals be reconciled to create one standard service?
- How do these services address customer needs as stated in the first panel? Are additional services needed?
- What other characteristics should be included in the services?

Panelists:

- Terrin Pearson, Bonneville Power Administration
- Natalie McIntire, Renewable Northwest Project
- Ron Lehr, American Wind Energy Association
- Mark Maher, PacifiCorp
- Dr. Ren Orans, Energy and Environmental Economics, Inc. (E3)

12:00 p.m. – 1:00 p.m.: Lunch

1:00 p.m. – 2:30 p.m.: Arranging for Service

Panelists will describe and discuss the process in which a customer will arrange for service. Questions intended to be addressed include:

- Should Conditional Firm service be offered to all customers on a non-discriminatory basis?
- What is the minimum term of the services: is it one hour with no maximum term, similar to point-to-point?
- Will customers designate receipt and delivery points and "reserve" capacity over specified periods?
- Should Conditional Firm service be required to be offered as a standard service under the OATT, or should Conditional Firm offerings be at the discretion of the Transmission Owner?
- Should Conditional Firm service only be offered when a customer's request for long-term firm point-to-point service cannot be met?
- How would the transmission queue be affected with the addition of the new service?
- Should deposits be identical to those for firm point-to-point service?

- Should a potential Conditional Firm Customer fund incremental studies to determine what Conditional Firm capacity may be available?
- How would a transmission customer arrange and schedule for this service through OASIS?

Panelists:

- Kevin Prickett, Bonneville Power Administration
- Natalie McIntire, Renewable Northwest Project
- Ron Lehr, American Wind Energy Association
- Brian McClellan, PacifiCorp
- Dr. Ren Orans, Energy and Environmental Economics, Inc. (E3)
- Allen Mosher, American Public Power Association
- Karen Hyde, Xcel Energy
- Robert L. Sims, SeaWest Wind Power, Inc.
- Gary Ackerman, Western Power Trading Forum
- Jim Manion, Confederated Tribes of the Warm Springs Reservation

2:30 p.m. – 2:45 p.m.: Break

2:45 p.m. – 4:30 p.m.: Service Availability

Panelists will describe and discuss how a transmission provider will determine the amount of capacity available for Conditional Firm service in an open and transparent manner. Questions to be addressed include:

- What system studies must be performed to determine the availability of Conditional Firm service?
- How is the level of expected curtailment determined?
- Should the level of expected curtailment be fixed or should it grow, for example, with demand growth?
- Should there be a limit on the availability of Conditional Firm service when expected curtailment reaches some threshold (e.g., 5 percent, 10 percent, 50 percent?)
- Should Conditional Firm service be offered in tranches (e.g. 98 percent firm, 95 percent firm, etc) or should all Conditional Firm service be subject to the same curtailment exposure?
- How will transmission planners alter the modeling of their systems, if at all, to account for Conditional Firm service?

Panelists:

- Terrin Pearson, Bonneville Power Administration
- Ron Lehr, American Wind Energy Association

- Ken Morris, PacifiCorp
- Dr. Ren Orans, Energy and Environmental Economics, Inc. (E3)
- Allen Mosher, American Public Power Association
- Gregory Miller, Public Service Company of New Mexico
- Mark Smith, FPL Energy
- Gary Ackerman, Western Power Trading Forum

4:30 p.m. –5:00 p.m.: Re-cap Consensus Items and Highlight Action Items for Day 2 of Workshop

<u>Day Two</u>:

9:00 a.m. – 9:30 a.m.: Recap of Workshop Day 1

9:30 a.m. – 11:00 a.m.: Curtailment Priority

Panelists will describe and discuss the specific details that characterize the new services. Questions intended to be addressed include:

- Presently, under the OATT, all firm service is curtailed on a pro rata basis. Should Conditional Firm service be curtailed after non-firm point-to-point and short-term firm, but before long-term firm point-to-point?
- Does this service require distinct rules for curtailment that can only be addressed through individual contracts? If so, why?
- How will curtailment beyond the level specified in the contract be addressed?
- How are curtailments implemented over multiple paths where the hours of availability are different for each path?
- Do all Conditional Firm service customers have the same curtailment priority? If not, explain the need for differing priorities.
- What is the effect of Conditional Firm service on the availability of short-term firm service? Would the Commission need to revise the provisions for short-term firm service to accommodate Conditional Firm?
- Should Conditional Firm service be required to be offered as a standard service under the OATT, or should Conditional Firm offerings be at the discretion of the Transmission Owner?
- Should there be a requirement that a Conditional Firm customer must take firm service if it becomes available after it has arranged for Conditional Firm service?

- If transmission upgrades are installed as part of new firm service requests, would Conditional Firm customers be required to step up to firm and participate in funding those upgrades?
- In the case of transmission upgrades, would a Conditional Firm customer be subject to the same "higher of" standard of the FERC's transmission pricing policy?
- How will system growth affect the integrity of the Conditional Firm service?

Panelists:

- Terrin Pearson, Bonneville Power Administration
- Natalie McIntire, Renewable Northwest Project
- Ron Lehr, American Wind Energy Association
- Dr. Ren Orans, Energy and Environmental Economics, Inc. (E3)
- Allen Mosher, American Public Power Association
- Mike Evans, Shell Trading Gas & Power

11:00 a.m. – 12:30 p.m.: Impact on Existing Customers and Reliability

Panelists will describe and discuss the potential impact that implementation of Conditional Firm service will have on existing customers. Panelists will also address potential reliability impacts associated with the implementation of Conditional Firm service. Questions intended to be addressed include:

- What should a transmission provider do to ensure that current firm customers retain the same level of service?
- Will a Conditional Firm service customer ever be curtailed on a pro rata basis with long-term firm customers?
- What is the curtailment priority of the new service with respect to secondary network service and short-term firm service?
- Are there any potential reliability impacts due to this new service?

Panelists:

- Vicki VanZandt, Bonneville Power Administration
- Bill Wylie, Oklahoma Gas & Electric Company
- Cynthia S. Bogorad, Transmission Access Policy Group (TAPS)
- David Lemmons, Xcel Energy
- Ed Beck, Western Electricity Coordinating Council

12:30 p.m. – 1:30 p.m.: Lunch

1:30 p.m. – 2:30 p.m.: What Should a Customer Pay?

Panelists will discuss how the rates for Conditional Firm service should be determined. Questions intended to be addressed include:

- Should the rates for Conditional Firm service be lower than that of firm service to reflect the lower quality of service?
- Will the implementation of Conditional Firm impact how the rates are presently calculated? Will they result in deriving new billing determinants? Should the revenue from Conditional Firm service be credited against the transmission revenue requirement?
- What are the potential revenue effects of these new services?
- How do we design the rates for Conditional Firm service that would prevent subsidization by traditional transmission customers?
- What are the cost obligations of Conditional Firm customers if the transmission provider builds new facilities to alleviate congestion across a path?
- What should be the rules for allocating costs to the Conditional Firm service category?

Panelists:

- Lon Peters, Washington Public Utility District Association
- Dr. Ren Orans, Energy and Environmental Economics, Inc. (E3)
- Natalie McIntire, Renewable Northwest Project
- Christopher Ellison, Ellison, Schneider & Harris
- Dennis Metcalf, Bonneville Power Administration
- Jack Stamper, PacifiCorp
- Dan Klempel, Basin Electric Power Cooperative

2:30 p.m. – 4:00 p.m.: How it All Fits Together, Including What Other Parts of the Tariff Must be Revised

Panelists will discuss how the Conditional Firm service will function in relation to the existing terms and conditions of the OATT. In addition, panelists will discuss potential modifications to existing tariff provisions that must be made to implement Conditional Firm service. Questions to be addressed include:

- What other sections of the OATT must be modified to accommodate Conditional Firm service?
- Do transmission providers consider Conditional Firm transmission service a new tariff provision or a variant of point-to-point service?

- Where will the proposed service fit into the existing tariff, i.e., will a new service section be needed?
- Should Conditional Firm service be regional, transmission operator specific, or generally applicable under FERC's *pro forma* tariff?

Panelists:

- Barry Bennett, Bonneville Power Administration
- Cynthia S. Bogorad, Transmission Access Policy Study Group (TAPS)
- Christopher Ellison, Ellison, Schneider & Harris
- Laura Skidmore, PacifiCorp

4:00 p.m. – 5:00 p.m.: Recap Consensus Items/Tasks Accomplished and Listing Outstanding Issues/Questions

During this part of the workshop participants and moderators will:

- Recap solutions/tasks accomplished.
- Develop lists of questions and issues requiring further work.
- Agree on roles and responsibilities to develop possible solutions on questions and issues that requiring further work at the end of the Workshop as well as the filing of these in the proceeding for the Workshop.

Attachment B

Table of Existing/Proposed Transmission Services[1]

	BPA – Conditional Firm	**PacifiCorp - Partial Firm**	**RMATS – Conditional Firm**	**RMATS – Priority Non-Firm**
Nature of Service	Conditional Firm – The service is Firm for a number of years but limited during certain months, weeks, days, and hours. Determined during application procedures. Guarantee certain levels of service.	Partial Interim Service – The service is Firm but available only a portion of a day, week, month, or year. Determined during application procedures.	Conditional Firm -- Offered Firm during defined period of year and Conditional Firm for balance of year. Determined during application process. Curtailment hours during month will be designated in an Appendix.	Non-Firm PTP – Right of First Refusal to any service that may become available.
Eligible Customer	Available to customers when TP determines insufficient ATC exists to meet customer's full request. Must be in existing queue.	Available to customers when TP determines insufficient ATC exists to meet customer's full request.	Available to LTF PTP customers when TP determines insufficient ATC exists to meet full request of traditional LTF PTP.	Available to any party.
Completed Application	Customer must first submit an application for LTF.	Customer must submit an application for Partial Interim Service.	Offered to customers who submit a LTF application.	Not Stated.

1 CF – Conditional Firm
PTP – Point to Point
LTF – Long Term Firm
STF – Short Term Firm
NF – Non-Firm

	BPA – Conditional Firm	**PacifiCorp - Partial Firm**	**RMATS – Conditional Firm**	**RMATS – Priority Non-Firm**
Type of Service	PTP only.	PTP only.	PTP only.	PTP only.
Service Availability	Not a standard OATT product. Limited number of offers based on historic usage data and studies of proposed conditions.	Not a standard OATT product. A customer cannot come in and specifically request this service. Service is only available if a customer comes in requesting Firm PTP Transmission Service and the full amount is not available.	Available when ATC is insufficient for full amount of request of traditional Firm PTP.	Offered when there is insufficient ATC in most hours of the year.
Determination of Available Periods	Not yet resolved, but will likely be based on a level of probability to be determined.	Not Stated.	Not Stated.	Not Stated.
Curtailment	Not stated.	Not Stated.	Curtailed after all Non-Firm but prior to traditional Firm Service.	Curtailed after redirects from secondary points; hour/daily/weekly/monthly, Firm, but prior to network service from secondary non-network resources, and Firm Service. Subject to curtailment for reasons of reliability or to relieve a constraint.
Rates	OATT rate or the OATT rate reduced by the same percentage as the reduction in capacity.	Percentage of OATT rate.	Priced relative to LTF to reflect higher potential for curtailment.	Based on proportionate use of system.
Term	Same as LTF.	Not Stated.	Same as LTF.	1-10 years.
Impact on existing LTF PTP Customers	None.	Not Stated.	None.	None.
Queue	Customers will remain in	Not Stated.	Customer would retain	Customers would retain original

	BPA – Conditional Firm	**PacifiCorp - Partial Firm**	**RMATS – Conditional Firm**	**RMATS – Priority Non-Firm**
	queue for capacity to meet full capacity requests.		original queue status.	queue status.
Impact of STF on CF	Sale of STF will not degrade CF. CF upgraded to Firm prior to offering to STF.		Not Stated.	None.
Impact on ATC	Same as LTF. Affects the amount of available ATC for LTF, STF and NF.	Not Explicitly Stated.	Not Explicitly Stated.	Not Explicitly Stated.
Reduction to Capacity	Can be made to pre-schedule. In real time treated same as LTF PTP.	Not Stated.	Not Stated.	Not Stated.
Rollover Rights	Yes, but if customer refuses extra capacity at a later date, removed from queue and will not have Rollover Rights.	Not Stated.	Not stated.	Not Stated.
Assignment/ Deposits/ Deferrals/Redirect Rights	Same as long term procedures set forth in OATT.	Not Stated.	Not Stated.	Not Stated.

Attachment C

Proposal for a Conditional-Firm Product with Bonneville Power Administration's Transmission Business Line

Background

BPA's transmission system inventory is nearing zero, particularly on some constrained flowgates. Posted ATC indicates that on many flowgates there is limited long-term firm Available Transfer Capability (ATC) remaining. However, data from planning and operations shows that congested flowgates are at peak capacity for only a limited number of hours each year. We propose that the TBL offer a new transmission product, referred to here as the "Conditional-Firm" (CF) product, which could optimize use of the existing transmission system and the ability to obtain transmission service as well as provide customers more flexibility.

Rationale

There is a need for additional ATC for generators and utilities to be able to engage in long-term contracts to serve growing Northwest loads. The CF product would offer transmission service that would have more certainty than non-firm service, but would not be required to be available for the full year assuming all lines in service. (Current long-term firm service does allow for some outages throughout the year.) Many generators and utilities feel they could work with a transmission product with limited risk to transmission capacity availability. Intermittent generators like wind, do not always need the full transmission capacity of their contracts and would be less impacted by small incremental risks to capacity availability and therefore more likely to purchase CF. Generators and utilities are not comfortable signing twenty-year contracts for non-firm transmission for new resources with the risks inherent in transmitting that power strictly via non-firm transmission service. It is also difficult to get funding for new generators without transmission certainty. Since additional transmission lines are unlikely to be built soon to serve generators in many locations, customers have requested that BPA offer innovative products like CF that make more efficient use of the transmission system over constrained paths and allow new generators to get their power to market.

A significant number of utilities and generators need to be able to finalize their contracts in the near future. For renewable generators this is especially true since their costs depend on the Federal Production Tax Credit (PTC). The PTC has been extended through 2005. Further extensions beyond 2005 are anticipated, but still unclear. A CF product defined by the end of 2005 and implemented in 2006 could provide a bridge until such time as more ATC is available from BPA via new transmission line construction or expiring contracts.

Proposed Conditional-Firm Product

TBL needs to develop a new type of long-term transmission service that provides for as many months of firm service as possible during the year, combined with a certain number of hours

identified for potential unavailability of capacity over a set number of months, weeks, or days. The amount of capacity that would not be available and may require reductions to capacity availability is yet to be determined.

The CF product would provide a year round, long-term transmission product that would guarantee a certain level of availability of capacity and therefore identified number of potential hours of reductions to capacity availability. It could be "less firm than firm" but "more firm than non-firm" in months that firm ATC is not available.

Elements of the Conditional Firm Product

- This CF product would be available for PTP service using the existing long-term firm transmission service queue. Customers would have to ask for long-term firm service and be in the existing queue. If the requested long-term firm service is not available but there is some CF available over the flowgates requested, then an offer of CF will be made to the customer.

- This product would provide firm service for a number of identified years within which certain months, weeks, or days would be identified where capacity may not be available and could be cut or limited. Within each year, the months where capacity is available and no additional reductions to capacity availability are needed beyond those associated with standard long-term firm PTP service is needed, will be treated identically to any other PTP service Agreement.

- A specific number of hours would be identified per year of service that may not have capacity available and could be curtailed. This identified limit would not be exceeded. The number of potential hours that could be potentially curtailed would be based on a particular level of probability (to be determined) and no greater than this identified occurrence. This may limit the numbers of offers for this product based on probability level selected and based on historic data and future modeling results. Example: If 5% of the year was the level identified, the number of hours of capacity not available and that could be curtailed could be as great as 438 hours per year. There's still the question of how to calculate the number of curtailable hours over several flow gates. We propose calculating the given probability level over each flowgate and adding them together. This will be a conservative estimate and lessen the risk of impacting other firm PTP contracts. (We are currently working to determine what this level will be for the CF Product.)

- If service is scheduled (in real time), the Customer will receive the CF product similar to any other firm service. Reductions to capacity availability can only be made in pre-schedule. In real time, the CF Agreement will be treated identically to any other PTP Agreement; there will be no reductions prior to other firm contracts in real-time. If CF service is not available on pre-schedule and a CF customer is curtailed, but then firm service becomes available, the CF Customers service will be restored on a pro-rata basis after the existing long-term firm PTP customers have had their transmission rights restored.

- This firm product could be the same Tariff rate as the current long-term firm service product or a new proposed Tariff rate, to be determined. For example, if the long-term PTP rate is used, the Customer could be charged on a probability basis, i.e. would be charged for 98 or 95% of PTP for a 2% or 5% reduction to capacity availability right. There will be times that Customers may not be curtailed up to the limit put in the CF contract but Bonneville is securing the right.

- This Product will not degrade existing long-term firm Customer rights or service.

- The number of reductions to capacity availability would be identified as a limit to everyone receiving this service. This would be done when the Agreement offered is signed and would not change for the duration of the Agreement. Any reductions after the limit is reached would be done on a pro rata basis along with all other firm Agreements.

- Assignments, deposits, deferrals and Redirects would be the same as existing Tariff provisions allow, but would have to take into account the reduction to capacity availability associated with the CF contract.

- A Limited number of offers will be available for this product based on the reduction of capacity availability probability. The limit would be determined by TBL based on historic usage data and studies of projected future conditions.

A CF product would be offered only to a customer who has submitted a request for long-term firm service that cannot be filled due to lack of ATC on one or more flowgates. Given this requirement, the CF product that is offered to customers should be as close to long-term firm as possible. And those offered a CF product should remain in the queue to be upgraded to year round firm service should it become available. If a CF contract holder is offered the firm service they requested at a later date and they refuse the offer, the CF customer will be removed from the queue. In this case, the CF contract holder will keep their CF contract for its term and they will not be given roll over rights for a future CF contract. This policy is the same as that offered to customers purchasing partial or Seasonal Partial firm service.

Other ways this product should be treated as firm service are:

- Ability to do firm and non-firm redirects in the same way as firm service.
- Similar OATT Section 22 Reservation Priority rights as currently allowed.
- Available for the same length of service term allowed for long-term firm service.
- Same de minimus rule as defined in Bonneville's current ATC Methodology.
- Sale of this product affects amount of ATC available for LTF, STF, and NT service in the same way as firm. (The product should be modeled as firm even during months where there is no ATC available. In this case ATC would look negative on some paths and should limit availability of STF and non-firm for other parties.)
- Same long-term request procedures and deposits required as identified in the OATT.

- Same standards for managing the queue and granting requests
- Same Extension of Commencement of Service Rights
- And same Deferral of Service Rights

Additional Conditions

It is critical that new sales of STF transmission service not degrade the value of the conditional firm transmission product. All CF contract amounts will be treated as firm obligations when determining the amounts of STF and nonfirm transmission available for future periods. The renewable generators propose that CF customers be upgraded to firm service during conditional months when firm service is determined available on a monthly, weekly, daily or hourly basis. Once CF customers are upgraded to firm, additional STF could then be sold during the same time frame and without gaining the reduction in capacity availability priority over CF customers. If there is more than one conditional-firm customer impacting a constrained path, and the available STF on that path is less than the combination of CF customer requests, the available STF must be allocated among those customers in a fair and reasonable way.

Customers offered new CF Agreements will be provided clear guidance on the risk of reductions in the capacity availability based on historic transmission usage data.

Price

Renewable generators and other independent power producers who have expressed interest in this product believe that the price should reflect the fact that customers of conditional-firm are more likely to experience reductions in capacity availability than customers with firm transmission. Given this increased curtailment potential, there is an expectation on the renewable generator's part that the resulting cost would be less than a full year of firm transmission. In order to avoid the need for a rate case, the renewable generators propose a pricing structure that uses current TBL transmission rates. The proposal is that CF customers pay firm transmission rates for the percentage of the year that they are guaranteed to receive firm transmission. For example, if a customer is offered a CF product that will be firm 95% of the year, this customer will pay 95% of the cost of a year of PTP service. We invite other opinions and suggestion on this pricing issue.