Billing of ROFR Extensions for Redirects

CBPI

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Objective

- Present a billing problem introduced by the new NAESB standards on Short-term Preemption and ROFR.
  - Understand the current standards and current billing.
  - Understand the new standards and the problem it presents.
- Discuss BPA's planned approach for addressing it.

Project Background

- v003.2 of the NAESB standards introduce significant changes to the process for Short-term Preemption and Right of First Refusal.
  - This is the process that upholds section 13.2 of the OATT.

- BPAT has 2 drivers for implementing the v003.2 NAESB standards.
  - These changes were adopted by FERC in Order 676-I.
  - These changes also complete the terms of the TC-20 Settlement.

f. As soon as practicable, Bonneville will apply preemption and competition to daily and hourly firm, including redirects, if OATI implements NAESB standards to adopt FERC policy under *Entergy Services Inc.* 148 FERC ¶ 61,209.

Terminology Recap

- Preemption and ROFR: The overall process that carries out Section 13.2 of the tariff in which a higher priority request may challenge lower priority requests and reservations for constrained capacity.
- Right of First Refusal (ROFR): The ability for PTP customers to defend their existing short-term reservation by agreeing to match the terms of a challenging request.
- Defender: Request or reservation holding conditional capacity that is at risk from higher priority requests.
- Challenger: The higher priority request that can challenge.
- Preemption <u>without</u> ROFR: Scenario in which the Defender really has no defense. Their capacity can simply be taken by the Challenger. Most commonly involves an NT Challenger against any PTP Defender.
- Preemption <u>with</u> ROFR: Scenario in which the Defender may choose to exercise ROFR to keep their existing reservation. Only occurs between a PTP Challenger and a PTP Defender holding a reservation.
- PCM: The OATI software that carries out Preemption/ROFR.

Billing Overview

- The new standards for Short-term Preemption and ROFR introduce changes that will require a modification to billing as it relates to ROFR.
  - The change is related to how a PTP reservation that goes through ROFR is represented in OASIS. It does not change the actual service the customer is paying for.
  - The standards change applies to the entire industry. The impact on billing applies to some (but certainly not all) Transmission Providers.
- Project Goal: Customers pay for the short-term service they reserve and in the same amount as if there had been no standards change. The data structures used for billing need to change, but the amount customers pay should not.
- What is Changing: BPA needs to bill for the new service acquired when a Redirect successfully exercises ROFR.

Rates Overview

Short-term Preemption and ROFR applies to short-term firm and non-firm service. The rate schedule defines two Block rates that are based on duration.

3. ***PTP-20 Point-To-Point*** [2/ 3/]	
Long-Term	$1.533 /kW/mo
Short-Term (firm and non-firm)	
– Monthly, Weekly, Daily	
• Days 1 through 5	$0.070 /kW/day
• Days 6 and beyond	$0.050 /kW/day

Let's take a customer that has short-term firm service for 9 days.

$$\underbrace{\text{(100,000kW x \$0.070 x 5 days) = \$35k}} + \underbrace{\text{(100,000kW x \$0.050 x 4 days) = \$20k}}$$

100MW Original for 9 days

Total Cost = $55k

(100,000kW x $0.070 x 5 days) = $35k + (100,000kW x $0.050 x 4 days) = $20k

Current Standards for ROFR – Matching TSR

- When a defending PTP reservation is challenged by a longer-duration PTP request, the defender is offered ROFR. They can keep their reservation if they match the challenger duration.
  - Example: A 5-day Original or Redirect is challenged by a 9-day PTP request. The defending PTP customer must agree to match the 9 days to keep their reservation.

- The ROFR is currently done with a separate TSR called a Matching TSR which replaces the initial defending reservation (Original or Redirect). The customer is given a new AREF.
  - Problem: Penalty if customers forget to update tags with the new AREF.

100MW Original for 5 days → 100MW Matching TSR for 9 days

Billing of ROFR under Current Standards

- The current billing approach works for Original reservations under the current standards.
- The replacement Matching reservation is billed like an Original.
- The same current billing approach would work for Redirects that exercise ROFR under the current standards.

100MW Original for 5 days

A credit of $35k is given to void the Original billing.

(100,000kW x $0.070 x 5 days) = $35k

Customer is billed $55k for the Matching TSR.

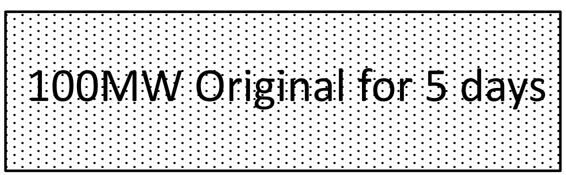
100MW Matching TSR for 9 days

(100,000kW x $0.070 x 5 days) = $35k + (100,000kW x $0.050 x 4 days) = $20k

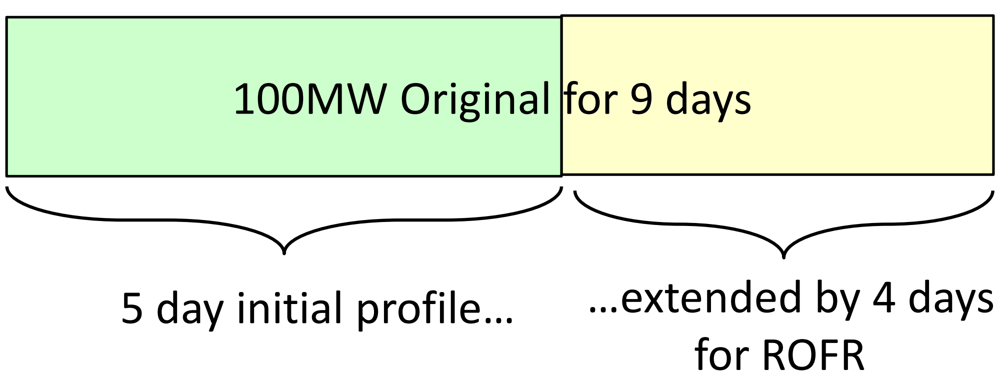
This is the same cost as if the customer had simply requested 9 days of Original firm service.

New Standards for ROFR – No Matching TSR

- The new standards eliminate the use of a separate Matching TSR.
- Instead, a customer who successfully exercises ROFR simply has the profile of the existing reservation updated to the longer duration. The customer gets to keep their same AREF.



This is the customer’s initial 5-day reservation.



After ROFR, the customer has the same AREF, but it is now a 9 day Original.

Billing of ROFR under New Standards - Original

- Current billing approach works for Original under the new standards.
- The customer will now be charged for 9 days of service rather than 5.
- The cost is the same under the current or new standards.

100MW Original for 9 days (No ROFR)

Total Cost = $55k

(100,000kW x $0.070 x 5 days) = $35k + (100,000kW x $0.050 x 4 days) = $20k

100MW Matching TSR for 9 days (old standards)

Total Cost = $55k

(100,000kW x $0.070 x 5 days) = $35k + (100,000kW x $0.050 x 4 days) = $20k

100MW Original extended from 5 to 9 days (new standards)

Total Cost = $55k

(100,000kW x $0.070 x 5 days) = $35k + (100,000kW x $0.050 x 4 days) = $20k

Problem is with Redirects under New Standards

- The current billing approach does not work for Redirects that successfully exercise ROFR under the new standards.

- BPAT (like some TPs) does not bill for redirected service.
  - The convention is that the redirected service falls within the profile of some Original parent (long or short-term), so the billing of the Original parent covers all redirected service.

- The new standards break this convention.
  - The ROFR Extension may not fall within the profile of the parent.
  - The ROFR Extension does not represent redirected service.
  - The ROFR Extension is not otherwise already paid for under a parent reservation.

NAESB weighs in on the ROFR Extension

The new NAESB standards actually preclude using any parent capacity for the ROFR Extension.

001-25.4.6.2.7	Defenders shall not use reserve capacity from a Parent Reservation to fulfill the internal extensions associated with the matching profile.

Result: For ROFR to be successfully granted, the additional ROFR capacity must come from ATC rather than the parent reservation.

Example 1: ROFR Extension is not Redirected Service

The ROFR Extension does not represent service that has been redirected from any parent. It is new ATC added to an existing TSR.

1

100MW Original for 5 days

This is the original Parent profile.

2

100MW Redirect for 5 days

Assume all 100MW has been redirected from this Parent.

The 4-day ROFR Extension did not come from any parent reservation.

3

100MW Redirect extended from 5 to 9 days for ROFR

Redirect has been extended to match 9 day Challenger.

4 day ROFR Extension

After ROFR, the customers has 9 days of service…

Example 1: Current Billing under the New Standards

- The current billing approach does not work for Redirects under the new standards because the ROFR Extension is not paid for.

1

100MW Original for 5 days

(100,000kW x $0.070 x 5 days) = $35k

Total Cost = $35k

2

100MW Redirect for 5 days

(No charge for the 5 day Redirect)

Total Cost = $0

3

100MW Redirect extended from 5 to 9 days for ROFR

(Still no charge for the Redirect, which is now 9 days of service)

Total Cost = $0

Customers would get 9 days service, but are only paying for 5 days.

Example 2: ROFR Extension is not Redirected Service

Here is a different example illustrating that the ROFR Extension does not represent service that has been redirected from any parent.

1. 100MW Original for 10 days

This is the original Parent profile of 10 days.

2. 100MW Redirect for 5 days

Assume 100MW has been redirected for the first 5 days.

3. 100MW Redirect extended from 5 to 9 days for ROFR

Redirect has been extended to match 9 day Challenger.

4 day ROFR Extension

- The 4 day ROFR Extension comes from ATC, not the Original parent.
- The customer still has 5 days left on the parent.
- Total: 5 + 5 + 4 = 14 days of service.

Example 2: Current Billing under the New Standards

Here is a different example illustrating that the ROFR Extension is not paid for using the current billing approach for the new standards.

1 | 100MW Original for | 10 days

Total Cost = $60k

(100,000kW x $0.070 x 5 days) = $35k + (100,000kW x $0.050 x 5 days) = $25k

2 | 100MW Redirect for 5 days

Total Cost = $0

(No charge for the 5 day Redirect)

3 | 100MW Redirect extended | from 5 to 9 days for ROFR

Total Cost = $0

(Still no charge for the Redirect, which is now 9 days of service)

Customers would get 14 days service, but are only paying for 10 days.

Problem Summary

- The current billing approach does not work for Redirects that successfully exercise ROFR under the new standards.
- Under ROFR, the new standards extend an existing Redirect reservation to match the terms of the Challenger.
- The current billing approach does not charge for the Redirect TSR. Because the ROFR Extension does not represent redirected service, it is not paid for by charges for any Original parent reservation.
- The ROFR Extension is left unpaid.

Options

- ❑ Do not implement the new NAESB standards.
- ❑ Do not change the billing approach. Do not charge for the ROFR Extensions for Redirects.
- ❑ Do not allow ROFR for Redirect reservations.
- ❑ Start billing all Redirect reservations, regardless of ROFR.
- ✓ Start billing only for the ROFR Extensions of a Redirect that has successfully exercised ROFR.

Billing Solution

- Continue to bill Original reservations.
- Continue to not bill service that has been redirected.
- For Redirects that successfully exercise ROFR, start billing only for the ROFR Extension.
- Bill the ROFR Extension consistently between Original and Redirects.

Example 1: New Billing under the New Standards

Bill the Original reservation + the ROFR Extension.

1

100MW Original for 5 days

Continue to bill the Original.

2

100MW Redirect for 5 days

(No charge for the 5 day Redirect)

The Redirect is not charged on the 5 day profile that is invoiced on the Original.

3

100MW Redirect extended from 5 to 9 days for ROFR

(Do not bill the initial 5 day profile) (4 day ROFR extension)

Bill the ROFR Extension.

Customers would pay for the 9 days of service they receive.

Example 2: New Billing under the New Standards

Bill the Original reservation + the ROFR Extension.

1

100MW Original for 10 days

Continue to bill the Original.

2

100MW Redirect for 5 days

(No charge for the 5 day Redirect)

The Redirect is not charged on the 5 day profile that is invoiced on the Original.

3

100MW Redirect extended from 5 to 9 days for ROFR

(Do not bill the initial 5 day profile)

(4 day ROFR extension)

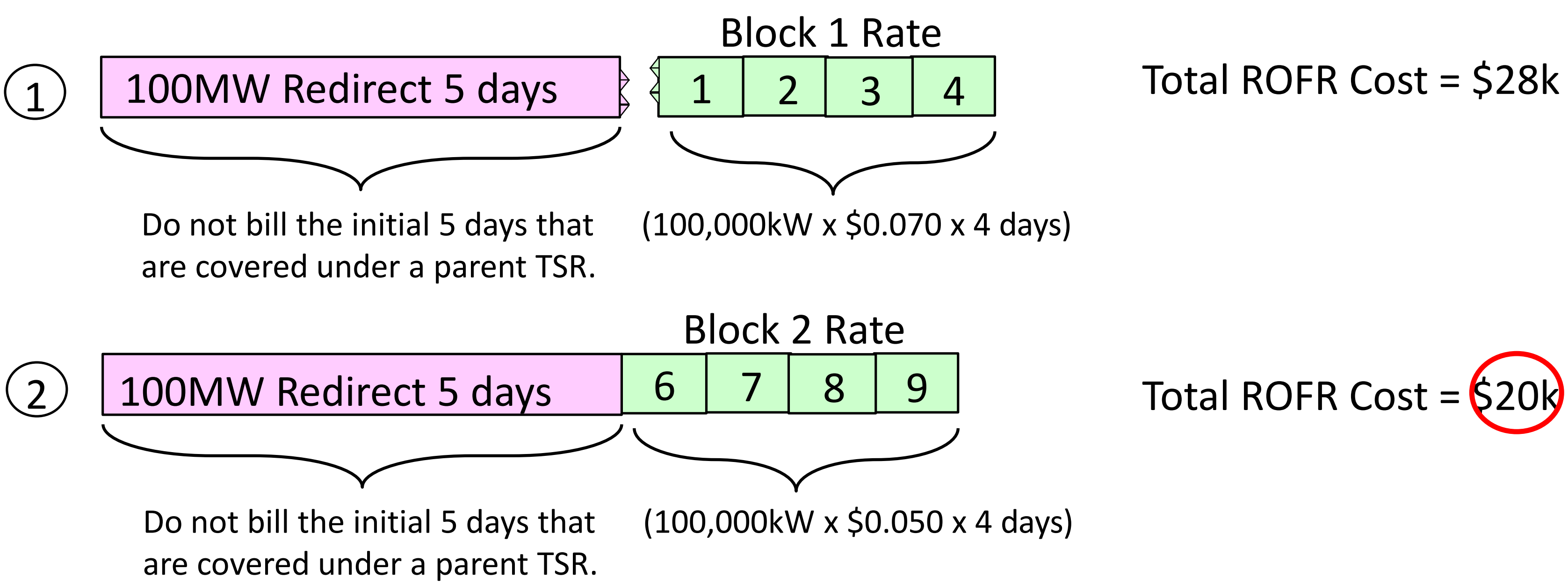
Bill the ROFR Extension.

Customers would pay for the 14 days of service they receive.

What Rate to use for the ROFR Extension?

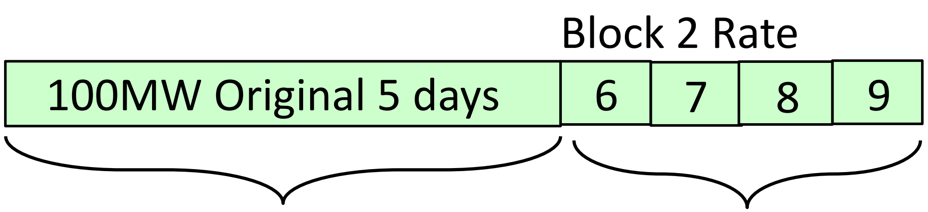
A ROFR Extension is really new service added onto an existing TSR.

1. Block 1: View the ROFR Extension in isolation. Bill it as if it were a standalone 4 day reservation (i.e., days 1 to 4).
2. Block 2: View the ROFR Extension considering the total duration of service for the updated TSR. Bill it as days 6 to 9 of a 9 day TSR.



Consistency between Original and Redirect

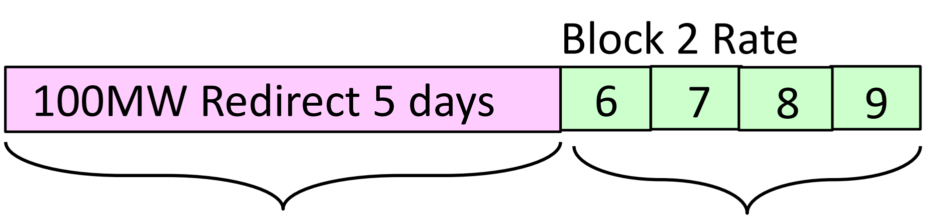
- Consider the ROFR Extension as new service that has been added to existing transmission rights.
- Bill this new service using the Block rate based on the total duration of the updated reservation.



Original that successfully exercises ROFR is billed as a 9 day reservation. The ROFR Extension is billed as days 6 to 9.

Total ROFR Cost = $20k

Redirects and Originals are treated comparably for the ROFR Extension.



Total ROFR Cost = $20k

Same approach is used for a Redirect that exercises ROFR. The ROFR Extension is also billed as days 6 to 9 of a 9 day reservation. The first 5 days are billed under a separate parent.

Cost Comparison: 9 Days of Service

100MW 9 day Original	Old / New standards	Total Cost = $55k
100MW 5 day Original replaced by 9 day Matching	Old standards	Total Cost = $55k
100MW 5 day Redirect replaced by 9 day Matching	Old standards	Total Cost = $55k
100MW 9 day Original (Challenger)	Old / New standards	Total Cost = $55k
100MW Original 5 days + ROFR | 6 | 7 | 8 | 9	New standards	Total Cost = $55k
100MW 5 day Original 100MW Redirect 5 days + ROFR | 6 | 7 | 8 | 9	Block 2 Rate	Total Cost = $55k

Summary of Proposed Billing Changes

- No change to the billing of Original reservations for ROFR.
- Continue to not bill service that has been redirected.
- Specifically for Redirects that successfully exercise ROFR, start billing only for the ROFR Extension.
  - The ROFR Extension does not represent redirected service.
  - The ROFR Extension did not originate from a parent reservation.
  - The ROFR Extension is not otherwise paid for.
- Bill the ROFR Extension consistently between Original and Redirects.
  - Bill the ROFR Extension as new service using the Block rate based on the total duration of the updated reservation.

Next Steps

- This proposal represents what BPAT considers the most consistent and equitable (and only viable) path forward for the situation imposed by the new standards.
- Yet, we are open to further suggestions and discussion.
- Please raise concerns, ask questions, or ask for additional discussion if needed via Tech Forum by Wednesday September 8th.
  - We anticipate posting the Business Practice for comment soon thereafter.
  - Of course, concerns and questions can always be raised during that comment period. But informal discussions outside of the Business Practice comment period might permit more unimpeded discussion if needed.