



Elliot Mainzer  
Administrator and Chief Executive Officer  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208-3621

Re: Oversupply Management Protocol Version 6 and Real Power Loss Return Version 13

Dear Elliot:

The Northwest and Intermountain Power Producers Coalition (NIPPC) writes to bring to your attention to commercial and reliability issues associated with recent changes made to BPA's Business Practice on Real Power Loss Return. NIPPC supports comments by PacifiCorp, Avangrid, EWEB and Powerex on BPA's proposed Version 13 of its Business Practice on Real Power Loss Return and offers the following observations worthy of your attention.

As a threshold matter, NIPPC notes that BPA failed to follow its standard process in rushing to implement changes to its Business Practice on Real Power Loss Returns. Tech Forum posted Version 13 for comment on March 30. On April 13, Tech Forum announced the Business Practice on Real Power Loss Returns would become effective that same day — well before the end of the usual comment deadline and even before BPA had developed the internal functionality to implement it. On April 26, BPA implemented the new business practice without scheduling a single customer conference call. The truncated timeline between release of the draft business practice and its final implementation has limited the opportunity for BPA's customers to educate BPA on the implications of its new policy.

Furthermore, a review of staff's responses to comments filed by concerned transmission users demonstrates that BPA does not fully understand the challenges the agency's new policy has created for customers. Staff's responses are essentially legal and technical justifications for BPA's ability to act unilaterally in waiving loss returns without any apparent effort to fine tune implementation so to help BPA achieve its purpose but also minimize negative impacts on BPA customers and neighboring balancing authorities. While development of businesses practices is usually a collaborative effort between BPA and its customers, that dialogue did not occur in this instance.

NIPPC urges you to read the comments submitted by PacifiCorp, Avangrid and Powerex. NIPPC members share the challenges they describe. Not all customers delivering loss returns to BPA necessarily have a generator they can back off in response to a late BPA decision to waive loss returns. In many cases, customers have arranged market purchases of energy during Pre-Schedule for delivery to BPA for loss returns the next day. When BPA later waives the loss return obligation, customers must either dump the energy into the source balancing authority area as generator imbalance, or if time allows sell the energy at a substantial loss.

NIPPC recognizes BPA's desire to reduce the costs associated with OMP. As transmission customers, NIPPC's members bear a share of those costs. But just as the original Environmental Redispatch program unfairly shifted the costs of BPA's oversupply management (and the costs of BPA's compliance with its environmental obligations) to wind projects, Version 13 of BPA's Business Practice on Real Power Loss Returns unfairly shifts costs of oversupply management to BPA's wheeling customers.

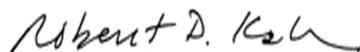
NIPPC suggests that BPA has sufficient expertise to accurately predict the hours when OMP is likely to be triggered. Ideally, BPA would use its forecasts of wind output, hydro conditions, load, and market prices in California to waive loss returns prior to Pre-Schedule. Even if BPA's prediction proves incorrect and OMP does not need to be triggered in an hour where BPA waived loss returns, the financial implication to BPA is likely to be minimal. NIPPC believes BPA should undertake to waive loss returns prior to Pre-Schedule.

In the event changing system conditions require BPA to waive loss returns for additional hours after the close of Pre-Schedule, BPA should inform customers as soon as possible. In no event, should BPA waive loss returns without giving customers an opportunity to mitigate the financial impact of BPA's decision. NIPPC suggests that BPA should issue any waiver of loss returns no later than 40 minutes prior to the operating hour. And under no circumstances should BPA waive loss returns during an operating hour.

NIPPC is concerned about the potential impact to grid reliability of the recent changes to this business practice; especially when BPA's customers have insufficient time to react to BPA's implementation. The frustration of NIPPC and its members on this issue results from the rushed development and implementation of the revised business practice, staff's failure to understand and acknowledge customer concerns, and unfair cost shifts. Please have your staff contact me once you have had the opportunity to consider this matter. I look forward to learning how BPA will respond to this pressing situation.

Thanks for your consideration.

Sincerely,



Robert Kahn  
Executive Director

cc: Richard Shaheen, SVP, Transmission Services  
Angela DeClerck, Customer Account Executive