

HQT OATT Phase 2 Evidence

Attachment K and Section 15.4

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**WKM
Energy**

Presentation Outline

- Objectives of the FERC Orders
- Requirements for a Coordinated, Open and Transparent Transmission Planning Process (**Attachment K**)
- Transmission Service Subject to Re-dispatch or Curtailment (**Section 15.4**)

Objective of the FERC Orders

The general purpose of FERC Order 890 and the follow up re-hearing orders as stated in the SUMMARY is *“amending the regulations and the pro forma open access transmission tariff adopted in Order Nos. 888 and 889 to ensure that transmission services are provided on a basis that is just, reasonable and not unduly discriminatory or preferential.”*

More specifically the changes in each of the Orders *“are designed to:*

- (1) strengthen the pro forma OATT to ensure that it achieves its original purpose of remedying undue discrimination;
- (2) provide greater specificity to reduce opportunities for undue discrimination and facilitate the Commission’s enforcement;
- (3) increase transparency in the rule applicable to planning and use of the transmission system.”

**Requirements for a
Coordinated, Open and Transparent
Transmission Planning Process
(Attachment K)**

FERC Planning Process Requirements

Order 888 set certain minimum requirements for transmission planning and Order 888-A encouraged utilities to engage in joint planning

In the years since 1996 FERC became concerned about

the “***economic self interest of transmission monopolists***” who “***naturally wish to maximize their profit***” (890 P423),

the lack of “***clear criteria regarding the transmission provider's planning obligation***” (890 P424),

and that “***there is no requirement [in Order 888] that the overall transmission planning process be open to customers, competitors, and state commissions.***” (890 P424)

FERC required in the 890 Orders that a planning process be documented in Attachment K that meets nine planning principles.

FERC Planning Process Requirements

Follow up on planning concerns by FERC has continued with a “White Paper”, technical conferences, and a new “NOPR Transmission Planning and Cost Allocation” in June 2010

Reciprocity obligations apply to “planning processes”

*“With regard to **non-public utility** transmission providers, we reiterate our expectation of **participation in the planning processes** established pursuant to Order No. 890 **consistent with their reciprocity obligation**” (890A P214)*

Reciprocity obligations apply to foreign utilities

*“We reiterate that these reciprocity requirements apply equally to all non-public utility transmission providers, **including those located in foreign countries.**” (890 P191)*

WKM Position on Attachment K

The principles lay out a process that is in the interests of all concerned parties including the society served

Many non jurisdictional utilities are adopting compatible processes

- BC Hydro
- Bonneville Power Authority
- New Brunswick System Operator (NBSO)

The revised NBSO process was developed in consultation with stakeholders and filed with NB EUB under “Application for Changes to NBSO OATT” (Oct 18, 2010)

- Includes an Attachment K
- Includes updated Market Rules with alternative open proposals
- Includes other updates consistent with Order 890
- Includes redline version of OATT

Many of these documents are attached as Appendices to my evidence.

Others available at

www.nbso.ca/Public/en/op/regulatory/proceedings.aspx

HQT Position on Attachment K

It may be appropriate for FERC and US utilities but HQT “*considère qu’il n’y a pas lieu de joindre un processus de planification en appendice K à ses Tarifs et conditions.*”

Rationale:

- Primary reason of Order 890 was to relieve congestion and increase transmission investment neither of which is an issue in Québec.
- Current processes in Québec meet or are superior to the Attachment K principles desired by FERC in Order 890.
 - Regulatory approval processes before the Régie (rate case, S.73),
 - NERC (ERO) and NPCC processes and audits,
 - Environmental impact assessments,
 - OATT sections
 - Code of Conduct
 - Exploratory studies (Section 12A.5 of OATT)

Mr. Rose Support For HQ Proposal

Presentation (HQT-37-B163)

- Provided **historical background** on US transmission issues
- Stated that **lack of investment and increasing congestion** were the drivers behind Attachment K planning by FERC
- US coordination is needed because there are ***“hundreds of Transmission Providers ...Zones, RTOs [that] are all synchronized within one Interconnection”***
 - HQ grid has fewer participants so coordination is easier
 - HQ is a single Interconnection better coordinated than US grids
- The current planning process in Québec is working and ***“already meets the goals of FERC”***
- ***“Reciprocity requirements are met”*** but ***“Régie should ensure that reciprocity is not misused”***

WKM Position on HQT Rational (Investment)

HQT does not have superior transmission investment on a relative basis compared with other systems

<i>HQT Investment relative to its Tariff</i>			
	<i>(\$/kW-yr)</i>		
	<u>HQT</u>	<u>US</u>	<u>Ratio(%)</u>
Investment (2006-10) ¹	31	18	172%
Investment (2009-13) ¹	42	22	190%
Tariff (\$/kW-yr)	72 ²	35(40) ³	206(180)%

Notes - 1 HQT DOC 36-B162 page 7
2 HQT OASIS
3 Mr Rose testimony Oct 22 page 93

The vast nature of the HQ system is different but relative investment is the same (or even a little less) than the US

WKM Position on HQT Rational (Congestion)

HQT is not the only system with no internal congestion.

NB has no congestion in its system or its Balancing Area.

“NPCC 2010 Maritimes Area Comprehensive Review of Resource Adequacy”¹ in Section 2.6 states

“Within the Maritimes Area ... a transmission congestion issue of consequence to the LOLE results occurs for only one of these three interconnections, the tie between New Brunswick and Nova Scotia”.

NB-NS interface is external congestion

- It is a NS issue that is currently being addressed

NB IS single node like HQT but external congestion exists in NB and HQT

- Many interconnections have more requests than capacity

Most of the US congestion is between systems not within systems

HQT’s advantage is its large geographic territory with little internal congestion but there is still congestion at the interconnections

WKM Position on HQT Rational (Mr. Rose Points)

Coordination is not dependent on a large number of market participants

- Should a few market players be ignored?
- Openness and transparency is more important to mitigate potential discrimination in a monopolistic market like Québec

The characteristic of the HQ system as a single synchronized Interconnection is irrelevant

- Coordinated open planning is still needed for internal customers and to connect neighbouring systems

The fact that current planning processes appear to work is also irrelevant

- Processes can always be improved
- Attachment K is a necessary OATT addition
- Meeting the nine planning principles will improve the situation

WKM Position on HQT Rational (Planning Processes)

HQT type planning processes (or an equivalent) have existed throughout North America since Order 888 in 1996 and prior to Order 890.

- Explanation and examples provided in response to Q4.1 of September 2010 IRs from HQT (C-6-61)

Order 890 requires an Attachment K process that is an improvement on these existing processes.

HQT process does not meet the nine planning principles of FERC as detailed in WKM evidence, for e.g.

- No process for consultation and coordination with customers
- No open planning meetings except before the Régie
- No provision of models and data for transparency
- No study procedures for economic upgrades

Onus is on HQ to demonstrate that its process comply with Order 890 P 602 and ***“substantially conforms or is superior to”*** the Attachment K process and that it be properly documented

**Transmission Service
Subject to Re-dispatch or Curtailment
(Section 15.4)**

Requirement for a “Written Request”

Words added *“upon reception of a written request from the Transmission Customer”* by HQT but not FERC

Obligation is on HQT to inform a customer of possible options after submission of a Completed Application

Customer may (or may not) proceed to SIS Agreement where “written request” with specifications is provided

Problematic for two reasons

- It's redundant and could delay provision of service.
- It places burden on customer to have prior knowledge of the system

Mitigation of the issue could be

- Remove the redundant wording so obligation is on HQT
- Invoke an open planning process so customer is informed

Issue of HQ Corporation as the Transmission Provider

FERC View

- Response to IR 9.1 of C-6-33 traces FERC's view that the Transmission Provider is the integrated utility corporation

“Because a transmission provider may use its system in different ways (e.g., to integrate load and resources when serving retail native load, to make off-system sales or purchases, or to serve wholesale requirements customers), the Commission set for hearing the factual issues associated with identifying those uses, as well as any potential impediments or consequences to providing comparable services to third parties”. (Order 888, P. 37)

Québec Law

- In the law respecting the Régie the Transmission Provider (“transporteur”) is defined as *“Hydro-Québec in the act of carrying on electric power transmission activities”*
- In the HQ tariff “Transmission Provider” is defined as *“Hydro-Québec when carrying on electric power transmission activities”*
- There is no mention of HQT

Re-dispatch in the HQT “Control Area”

HQT expand re-dispatch from “its own resources” to “resources in the Transmission Provider’s Control Area”

Transmission Provider is “HQ Corporation” not just HQT so an internal agreement between HQT and HQP can be struck for re-dispatch that will enable sales of more transmission for the overall benefit of HQ corporation

Obligation on HQT to a Customer is to

- Study all possible re-dispatch options
- Offer “re-dispatch from its own resources” if available
- Inform Customer of third party re-dispatch options

Customer can then accept HQT re-dispatch offer or negotiate with third party

Having HQT negotiate with third party for re-dispatch puts it into conflicting commercial activity

Summation

Attachment K Planning Process

- An open coordinated process with all stakeholders prior to regulatory review is required
- Lack of a process is discriminatory to third parties
- HQT arguments re congestion and investment are not valid
- Lack of a process does not fulfill HQ's reciprocity obligations
- **The Province of Québec would be better served with an open coordinated planning process**

Service Subject to Re-dispatch or Curtailment (Section 15.4)

- Obligation to offer service is on HQT
- Wording should revert to that in the FERC proforma tariff