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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Information Requirements for Available Transfer Capacity	))	Docket No. RM05-17-000

COMMENTS OF POWEREX CORP.

On May 27, 2005, the Federal Energy Regulatory Commission (the "Commission") issued a Notice of Inquiry ("NOI") seeking comments on:

(a) the North American Electric Reliability Council's recent Long-Term AFC/ATC Task Force Report (the "LTATF Report");

(b) the advisability of revising and standardizing available transfer capability ("ATC") calculations; and

(c) the most expeditious way to obtain an industry-wide standard for ATC calculations.

Interested parties were invited to submit comments on these matters and any related matters or alternative proposals that the parties wish to discuss by August 15, 2005.

I. COMMUNICATIONS

All correspondence and communications in this proceeding should be addressed to the following persons that should be designated on the Commission's official service list in this proceeding:

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II. INTEREST OF POWEREX

Powerex Corp. ("Powerex") is a corporation organized under the Company Act of British Columbia, with its principal place of business in Vancouver, British Columbia, Canada. Powerex is the wholly-owned marketing subsidiary of British Columbia Hydro and Power Authority ("BC Hydro"), a provincial Crown Corporation owned by the Government of British Columbia. Powerex sells power at wholesale in the United States, pursuant to market-based rate authority originally granted by the Commission on September 24, 1997, and renewed effective July 29, 2000 and October 30, 2003, after triennial reviews.

Powerex sells power from a portfolio of resources in the United States and Canada, including Canadian Entitlement resources made available under the Columbia River Treaty, BC Hydro system surplus resources, and various other power resources acquired from other sellers within the United States and Canada. Powerex also markets power in Canadian provinces other than British Columbia and in Mexico.

Powerex's marketing activity is primarily directed toward physical markets within North America. Its sales in United States and Canadian markets require Powerex to acquire and rely heavily on United States transmission resources, particularly in the West and Midwest regions, to deliver power products to purchasers. In general, many of the transmission resources Powerex relies upon as a transmission customer are held by federal power marketing agencies obligated to adhere to FERC standards under their reciprocity tariffs. Other resources Powerex relies upon are managed by RTOs, ISOs and larger investor-owned utilities that have developed complicated methods of calculating and managing ATC to address internal

congestion and seams issues. Still other resources fall within smaller transmission service territories wherein ATC calculations remain subject to less sophisticated procedures and protocols. Because of its need to transmit power across broad geographic areas, Powerex has a particular interest in resolving the discrepancies in the way a variety of transmission providers calculate and publish ATC information. In addition, Powerex has a keen interest in resolving the recurring seams issues related to ATC methodology that make it difficult to transmit wholesale electricity from one service territory to another, or from one region to another.

III. COMMENTS

Powerex is submitting the following comments regarding the issues raised by the Commission in its NOI:

A. THE ADVISABILITY OF REVISING AND STANDARDIZING ATC CALCULATIONS

Powerex is very supportive of the concept of standardizing ATC calculations. Inconsistent methods for calculating and posting ATC have enormous financial and reliability impacts for the industry. The ATC postings of some transmission providers are very unreliable. In many cases, transmission customers are purchasing transmission which does not exist, and curtailments inevitably occur. This can jeopardize reliability in the region as generators may be turned off in the assumption that they will not be needed.

Standardizing ATC calculations will promote greater market transparency; reduce opportunities for discriminatory practices by transmission providers; increase market efficiency and liquidity; and enhance reliability. Powerex agrees with the Commission that transmission providers have a great deal of discretion in the calculation of ATC. Powerex also agrees that more rigorous and consistent standards and procedures for

ATC calculations would help ensure that transmission providers' exercise of discretion in ATC calculations does not result in undue discrimination with respect to interstate – or international – transmission.

However, while Powerex believes in principle that it is advisable to standardize ATC calculations, Powerex believes there are distinct regional issues (such as differences in Capacity Benefit Margin ("CBM") requirements) that could bear on any proposed methodologies for standardizing ATC. It is important that the industry is given the opportunity to comment on any proposed methodologies and to understand and explore any seams impacts.

Powerex strongly believes that the ATC calculations of each transmission provider should be transparent and consistent. The industry should clearly be able to determine how each transmission provider determines:

(a) The physical components of ATC calculation (*i.e.*, Total Transfer Capability ("TTC"), Operating Transfer Capability ("OTC"), CBM, Transmission Reserve Margin ("TRM"), etc.)

(b) Its classes of transmission products (*i.e.*, how it defines firm and non-firm transmission and any other custom product it may sell); and

(c) What is posted as ATC for each different product on its OASIS site.

In the current market, Powerex has encountered many situations where ATC has not been calculated consistently. For example, ATC calculations made by some transmission providers may vary widely depending upon the staff that is on-shift, because transmission staff has been given considerable discretion and flexibility when making ATC calculations. Powerex believes any standardized methodology should seek to eliminate discretionary procedures to the extent practicable.

Powerex is also aware of situations where transmission providers use one method to calculate ATC to grant capacity for transmission requests, and a different method for posting ATC on OASIS. In certain situations, Powerex's transmission requests have been granted when no ATC was posted, and at other times Powerex's requests have been denied notwithstanding the posted ATC. There have also been instances where transmission providers have over-sold non-firm transmission. Transmission providers should be required to consolidate their ATC calculations, and to ensure that the ATC that is posted on OASIS reflects the ATC calculation that is used to grant or deny transmission requests.

Moreover, when short-term transmission is awarded to requests where no ATC has been posted on OASIS, and when requests are denied when there is ATC posted, market transparency is affected and discrimination is more likely to be possible and to go unrecognized. The uncertainties caused by unreliable ATC calculations or methodology also results in more work for both customers and transmission providers, as customers must submit many repetitive requests in an attempt to ensure that one request may be awarded.

In addition to supporting standardized ATC calculations, Powerex believes it is important to establish a curtailment threshold level for firm transmission; to ensure transmission providers are accountable for ensuring ATC calculations are correct; and to account for outages in ATC calculations. Powerex’s comments on these issues are set out below:

1. Curtailment Threshold

In Powerex's view, as part of the process of standardizing ATC calculations, it will be important to determine what constitutes an appropriate curtailment threshold. The LTATF Report notes that the task force did not reach a conclusion regarding an appropriate curtailment threshold level, and suggests that a larger stakeholder body would be necessary to reach a consensus. Powerex believes this is an important issue and one that should be pursued. In the Western Electricity Coordinating Council ("WECC") region, for example, there are some flowgates where firm transmission rights are frequently curtailed. And in some cases, transmission customers experience curtailments on interties because the transmission provider is unable to determine which transmission schedules are causing the constraint and, therefore, unable to curtail that transmission.

In order to determine ATC, it is essential to have a clear understanding of what constitutes "firm" transmission. Powerex believes it would be beneficial to have Commission guidance or industry discussion regarding the number of curtailments that can occur before transmission should no longer be considered "firm" for the purpose of being included in ATC calculations.

2. Accountability of Transmission Providers for ATC Calculations

Transmission customers, not transmission providers, bear the risk of incorrect ATC calculations. If a transmission provider incorrectly calculates its ATC and transmission is subsequently curtailed, most transmission providers still charge the transmission customer for the cost of the curtailed transmission. Transmission providers are not penalized in any way for incorrectly calculating ATC or mismanaging ATC postings on OASIS. Powerex submits that if transmission providers were assessed a penalty and/or could not charge transmission customers for curtailed

transmission, (except in circumstances involving force majeure), transmission providers would be incented to ensure their ATC calculations are correct. In Powerex's view, it is appropriate that the party who is responsible for an event occurring (*i.e.*, a curtailment) should be the party that bears the risk or loss if that event occurs. Powerex submits that it is inequitable that a transmission customer should be required to pay for transmission it did not receive through no fault of its own. Powerex urges the Commission to consider a method whereby transmission providers can be held accountable for incorrect ATC calculations which negatively impact customers. Powerex acknowledges that if monetary penalties were imposed, these costs would be passed on to customers in the form of increased rates in cases where the transmission provider is a non-profit organization. Nevertheless, Powerex suggests that the Commission should still consider this option. Imposing penalties would draw necessary attention to the issue and transmission providers could develop metrics to show the steps they intend to take to improve their performance in this regard.

In addition, Powerex believes that all transmission providers, including non-jurisdictional transmission providers offering services under reciprocity tariffs, should be subject to periodic Commission audits of their methods for calculating and posting ATC. The audit results should be made public once the audit is complete, which would be beneficial to transmission customers.

3. Calculation of Outages in ATC

Powerex believes there should be transparency and consistency in the manner in which outages are reflected in ATC calculations. Powerex is aware of situations where transmission providers have posted ATC which includes transmission which the transmission provider knew would be subject to an outage during the applicable period for which the rights were sold.

In some areas in WECC, the costs of transmission outage congestion are not tracked. As a result, Powerex believes the importance of minimizing outage days is often understated, and outage planners are unaware of the value of minimizing maintenance outages. Powerex is aware of situations where the link between planning outages and estimating ATC seems to be different than the ATC number that is calculated when allocating short term firm transmission capacity. This can lead to inconsistent treatment and inconsistent awards of transmission capacity. In some cases, transmission capacity is awarded when significant outages are seen. In other cases, short term transmission is not awarded because outages are posted.

In Powerex's opinion, there should be one method for calculating ATC for outages that are part of the outage planning process, and it should be used consistently throughout all parts of a transmission provider's organization. It is also important to address and coordinate outage issues which occur between neighboring transmission providers. If inter-regional transmission outages are not coordinated by transmission providers, transmission customers may experience more curtailments than necessary.

Powerex has reviewed and supports the time-frames related to transmission outage schedules which are set out in the draft Standard Authorization Request Form attached to the LTATF Report.

B. THE LTATF REPORT

Powerex is generally supportive of the recommendations in the LTATF Report. Powerex agrees that the lack of standardization and limited coordination between transmission providers negatively impacts the market and reliability.

Powerex specifically agrees that:

1. Transmission providers should be required to publish their methodology for ATC and Available Flowgate Capability ("AFC ") calculations.

Powerex agrees that transmission providers should be required to publish their ATC/AFC calculations. In order to be meaningful, transmission providers must include sufficient detail. For example, Powerex recommends that transmission providers should:

(a) Provide definitions on issues such as CBM (where applicable); contingencies; nomograms; OTC; path rating; TTC; TRM, etc;

(b) Provide information regarding the methods of calculating and the path ratings for its interties;

(c) Set out the principles and methodology for determining TTC, firm TTC, non-firm TTC, ATC, TRM, and CBM (if applicable), including formulae; and

(d) Set out the methodology for determining ATC for sale for real-time (next hour) transactions; counterflow ATC; and real-time (next hour) grants of remaining capacity.

Powerex suggests that transmission providers use a standard template as this would help to show any differences between the ATC calculations of different entities or regions.

2. Coordination between neighboring transmission providers is important.

Improved coordination between transmission providers will lead to fewer transmission curtailments. It is essential that each transmission provider has the ability to adequately represent the values of flowgates on adjacent transmission systems. Powerex has been affected by differences and/or inconsistencies in the determination of ATC due to poor coordination amongst adjacent control areas.

ATC inconsistencies can result in foregone transmission revenues because transmission capacity that was available to be sold was not. They may also result in higher costs as transmission customers incur costs when they purchase transmission which is subsequently curtailed, and further costs when they are then required to purchase additional capacity and power in order to fulfill a transactional obligation.

3. Transmission providers should ensure consistency between their ATC calculations and their internal planning processes.

As noted by the Commission in the NOI, discrepancies between a transmission provider's internal planning processes and ATC calculations can result in inaccurate calculations of the transmission that is available to the market. Powerex agrees, and consequently supports the findings and recommendations in the LTATF Report that:

(a) The assumptions used in the calculation of AFC/ATC and CBM/TRM should be consistent with those used in the transmission provider's planning and operating horizons;

(b) Transmission providers should document these calculations and make them transparent to everyone who uses the transmission network;

(c) Both the internal planning processes and ATC calculations should reflect the same counter flows and the same components of TRM; and

(d) Transmission service requests should be evaluated consistent with each transmission provider's planning criteria, and should not be subject to evaluation scenarios that exceed or are "beyond" the applicable planning criteria.

4. Review of Current NERC Standards on CBM and TRM

Powerex agrees with the findings in the LTATF report that consistency is important in the calculation of CBM and TRM.

C. THE MOST EXPEDITIOUS WAY TO OBTAIN AN INDUSTRY-WIDE STANDARD FOR ATC CALCULATIONS

Inconsistent ATC calculations have been a persistent problem for some time and is sufficiently widespread that this issue must be addressed promptly to prevent it from further interfering with reliability and competitive electricity markets. Although a Commission policy statement providing guidance on ATC calculation standards may be viewed as the most expeditious path to obtain industry-wide standardization, Powerex believes adoption of regulations formulated through a rulemaking proceeding will provide significantly more assurance that the desired level of standardization would be realized. Ideally, the Commission could institute a Notice of Proposed Rulemaking proceeding that proceeds on a parallel path with the new mandatory reliability requirements rulemaking proceeding.[1] Powerex urges the Commission to consider including an obligation to adhere to ATC calculation and methodology standards as one of the components of its mandatory transmission reliability requirements. It is essential that the industry is given an opportunity to comment on any proposed methodologies for standardizing ATC, and to understand and resolve any seams impacts.

Finally, Powerex again recognizes that significant transmission resources within the United States are managed by governmental agencies operating under reciprocity tariffs. Powerex urges the Commission to continue to encourage these non-jurisdictional transmission providers to participate in the industry-wide process of developing appropriate standards for calculating, revising and publishing ATC information.

[1] The Energy Policy Act of 2005 requires the Commission to issue a final rule implementing the new reliability provisions within 180 days after enactment.

IV. CONCLUSION

In summary, Powerex agrees in principle that it is advisable to standardize ATC calculations and strongly believes that the ATC calculations of each transmission provider should be transparent and consistent. Inconsistent ATC postings and calculations have a significant reliability and economic impact on the industry. Powerex recommends that a curtailment threshold level should be established, and that transmission providers should be accountable for ensuring ATC calculations are accurate, transparent, and consistent.

Standardizing ATC calculations will promote market transparency; reduce opportunities for discriminatory practices; increase market efficiency and liquidity; and improve reliability.

To achieve standardization, Powerex suggests the Commission consider instituting a Notice of Proposed Rulemaking proceeding that proceeds on a parallel path with the new mandatory reliability requirements rulemaking proceeding. Powerex suggests the Commission also consider including an obligation to adhere to ATC calculation and methodology standards as one of the components of its mandatory transmission requirements. It is critical that the industry is given the opportunity to comment on any proposed methodologies for calculating ATC and that seams issues related to ATC methodology are resolved.

Powerex would like to thank the Commission for giving market participants the opportunity to comment on this issue.

Respectfully submitted,

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