

***De Minimis* Policy - Final Decision, Customer Comment and BPA Responses**

February 26, 2021

I. Introduction

Bonneville and stakeholders have been engaging on Bonneville's *de minimis* policies and implementation since July 2019. As part of its business practice process, Bonneville is separately providing responses to the comments received on its proposed business practice, setting forth its *de minimis* policies and describing their implementation. In light of the many workshops and rounds of customer comment on this topic, Bonneville is also providing the following collection of its responses to all customer comments received on the *de minimis* topic since beginning this engagement in 2019. With this document and the responses to comments in the business practice process, Bonneville has fully considered all aspects of this issue and all perspectives shared by customers. Bonneville has now closed its consideration of its *de minimis* policies and implementation. This is a final decision with respect to this matter.

II. Customer Comments

The following numbered entries in italics reflect the various comments that Bonneville has received on the *de minimis* topic since July 2019. Bonneville has attempted to group related comments together where possible. Bonneville's responses follow each numbered entry or group of entries.

***De Minimis* Documentation**

- 1. Customers have informed Bonneville that the De Minimis Dead Band document on its website appears to apply to all TSRs. Customers have suggested that this interpretation is consistent with the Requesting Transmission Service Business Practice dated June 24, 2019.*

Bonneville did not intend the *De Minimis* Dead Band document to apply to all transmission service requests. It was intended only to apply to long-term requests. Bonneville understands that customers were under the impression that the document applied to all transmission service requests because it was placed in the "reference" section of Bonneville's ATC website, in addition to the long-term section. The document did not expressly state that it was limited to long-term requests, but it also did not indicate that it applied to short-term requests. When this issue was brought to Bonneville's attention, Bonneville removed the document from the reference section in order to avoid further confusion.

While customers may have misunderstood the *De Minimis* Dead Band document based on its placement in the "reference" section of Bonneville's ATC website, Bonneville's Available Transfer Capability Identification Document (ATCID) correctly explained that Bonneville applies test 1 to short-term requests. Although the verbiage used in conjunction with Bonneville's Power Transfer Distribution Factor Calculators contained mistakes, the calculations were accurately applying only test 1 to short-term original and redirect requests, not test 2. The Requesting Transmission Service Business Practice dated June 24, 2019, which referenced the ATCID (not the Dead Band document) was consistent with Bonneville's implementation of its *de minimis* tests. In section J.5.h, this business practice specifically says, "New Firm Redirect TSRs will fail the network congestion validation process if the Firm Redirect has a greater ATC impact than the Firm Parent TSR on the impacted Flowgate(s) during the impacted hour(s)."



This language does not include the use of a test 2 criteria. If the Redirect exceeds the parent by any amount, the request will fail. There is no test 2 *de minimis* criteria applied.

2. *Customers request more transparency surrounding Bonneville's implementation of de minimis.*

Bonneville has heard and responded to this request. It has held a number of educational sessions, workshops, and discussions on this topic as follows:

- August 6, 2019: Bonneville hosted a Webinar to discuss hourly firm and covered the netting of redirects during short-term stop sales (TLR Avoidance).
- November 12, 2019: Bonneville hosted an ATC 101 Workshop where Bonneville's implemented *De Minimis* Policy practices were explained.
- November 14, 2019: Bonneville hosted a customer call and committed to addressing *De Minimis* Policy issues raised by customers through the 6-step customer workshop process.
- December 12, 2019: Bonneville hosted a customer workshop, provided a *De Minimis* Policy update, and offered customers the opportunity to provide feedback on how we are characterizing the issue.
- January 28, 2020: Bonneville hosted a customer workshop and announced that we were identifying *De Minimis* Policy alternatives and shared an initial draft of alternatives.
- February 6, 2020: Bonneville hosted a Webinar to continue discussion of the *De Minimis* Policy alternatives.
- March 17, 2020: Bonneville hosted a customer workshop and shared the *De Minimis* Policy objective, decision criteria, and numerical examples of each of the policy alternatives under consideration.
- May 29, 2020: Bonneville hosted a customer WebEx to share two options and respond to customer comments from the March 17, 2020 workshop.
- July 30, 2020: Bonneville hosted a customer WebEx to share its intended direction selecting to maintain the status quo *de minimis* implementation.
- February 2021: Bonneville further engaged with customers and responded to customer comments and concerns through its Business Practice Process.

Materials for these workshops can be found on the [ATC Methodology](#) and the [TC-20 Implementation](#) meetings web sites. These workshops and discussions have been thorough and provided the transparency that customers have requested with respect to Bonneville's application of *de minimis* tests in the short and long-term. If customers continue to have specific questions or concerns, Bonneville encourages further engagement through customers' Account Executives.

3. *Customers commented that Bonneville should not modify its implementation of a business practice without modifying the business practice.*

Bonneville agreed to follow a specific business practice process during TC-20 discussions. Bonneville has followed this process when updating or modifying its business practices and has not deviated from this process. While customers may have misunderstood posted documents, as discussed in response to entry 1 above, Bonneville has not modified its *de minimis* implementation.

Customer Understanding During TC-20 Settlement Discussions

4. *Customers have commented that they are experiencing impacts that were unexpected during the TC-20 settlement discussions.*
5. *Once the limits on hourly firm were in place, customers realized and BPA subsequently acknowledged that there was a gap between the written policy and implementation of the policy.*
6. *Customers entered into the TC-20 settlement with the understanding that BPA was implementing de minimis tests in accordance with its written policies.*
7. *BPA should apply both tests in the short-term, consistent with customers' understanding of how de minimis was applied at the time of the TC-20 settlement.*

Bonneville understands that customers may be experiencing denials of short-term requests that they did not expect during the TC-20 settlement discussions. During the TC-20 settlement discussions, Bonneville was unaware of the customer confusion that apparently surrounded its *De Minimis* Dead Band document. Bonneville was also unaware of the impacts that customers did or did not expect during the TC-20 settlement discussions with respect to *de minimis*. To the extent that *de minimis* was discussed during the TC-20 settlement discussions, the parties did not delve into the level of detail that would have been required in order to uncover this apparent confusion. The TC-20 settlement does not contain any stipulations, terms or conditions relating to Bonneville's *de minimis* policy. Bonneville is unable to justify changing its *de minimis* policies due to its reliability and operational concerns, discussed below.

***De Minimis* Treatment in the Short-Term and Long-Term**

8. *Customers have commented that the de minimis rules should be consistent across all transmission service requests.*
9. *Long-term firm customers who previously believed that their rights were interchangeable with other points based on posted methodologies have been forced to revert to lesser alternatives, such as secondary redirects with less priority than hourly firm, re-purchasing firm rights across the same flowgates from others, or needlessly modifying long-term firm rights to more constrained paths using the more lenient long-term de minimis criteria. This has eroded the value of long-term firm rights.*
10. *Bonneville's proposed Option 1 only applies test 1, which forecloses the evaluation of redirects based on net impact.*
11. *Bonneville's current implementation means that it grants short-term requests for transmission when short-term redirects with a lesser net impact on the same flowgate are being denied, even though both requests would have a de minimis impact on a given flowgate.*
12. *Customers commented that short-term redirects should not have a more punitive de minimis test than short-term original requests.*
13. *Bonneville should not unnecessarily deny redirect requests and artificially restrict the market.*

As Bonneville explained in its May 29, 2020 workshop, Bonneville applies *de minimis* test 1 in the same way for all short-term requests, and it applies *de minimis* tests 1 and 2 in the same way for all long-term requests. An original request and a redirect request with the same points of receipt and delivery and in the same short-term horizon will receive the same results. This is consistent with section 22.2 of Bonneville's Open Access Transmission Tariff (OATT).

While it is true that the *de minimis* tests differ between the short and the long-term horizon, this is consistent with the inherent differences in calculating short and long-term available transfer capability (ATC). In the long-term, there are more unknowns such as outages. Because there are more unknowns and uncertainty in long-term ATC, it is more likely that ATC will not be as accurate a reflection of the actual transfer capability of the system. It thus makes sense for Bonneville to apply both test 1 and test 2 in the long-term, potentially allowing more *de minimis* awards. However, in the short-term, more factors are known and can be reflected in the calculation of ATC. ATC in the short-term has fewer unknowns and less uncertainty. As such, there is likely to be less capacity that is not reflected in the short-term ATC, warranting less *de minimis* awards.

With these inherent differences between the long and short-term ATC calculations, it is reasonable for Bonneville to apply both tests in the long-term, but only test 1 in the short-term. In either case, original and redirect requests are treated the same, consistent with section 22.2 of the OATT.

De Minimis Analysis and Impacts on Bonneville's Transmission System

14. *Customers have commented that inconsequential quantities that do not have a meaningful or measurable impact on the system are unnecessary barriers to granting service.*
15. *Bonneville has not provided sufficient explanation as to why the other alternatives were summarily eliminated from consideration.*
16. *Bonneville's supporting data and analysis for the two options are incomplete and fail to address customers' concerns adequately.*
17. *Bonneville has not demonstrated a material negative impact to reliability by applying both de minimis tests to short-term redirects*
18. *Bonneville has not done a strong analysis showing that system integrity would be jeopardized by test 2. The May presentation shows the large volume of redirect activity and what might happen with repeated redirects, but it fails to show a threat to reliability.*
19. *Bonneville should apply test 2 and monitor results for predetermined risks chosen in collaboration with customers and then reconvene with the benefit of actual data.*
20. *Bonneville should reject both options, apply test 2, collect data, and perform additional analysis. If Bonneville identified issues that require further engagement or options that need to be considered, then these options can be considered once test 2 is in place.*
21. *Both options would wrongly perpetuate a difference in treatment of the rights to transmission based on whether the request is a firm redirect or an original stand-alone request. Original requests are granted when redirects are not when they may have the very same de minimis impact on a given flowgate.*
22. *Bonneville has not demonstrated that granting short-term firm redirects with a de minimis impact would present an immediate reliability concern.*
23. *Bonneville should implement test 2 and monitor the effects of implementation and collect and provide further data and analysis to customers. This should evaluate the magnitude of de minimis capacity during periods of constraint. It should also track whether the net impacts of awards granted through de minimis tests are becoming too significant, as measured against a reasonable*

standard. If there is a material reliability impact, Bonneville should work with customers to consider other options that would be less detrimental to customers.

24. *The presented data or analysis does not support a reliability concern with implementing de minimis test 2 for short-term redirects.*
25. *The worst-case scenario of compounding effects assumptions do not support a conclusion that de minimis capacity has actually been a concern—this is merely a hypothetical and is not based on actual system conditions experienced by Bonneville.*

Bonneville understands and agrees with comment number 14 in principle. However, it differs from customers in what it views as an inconsequential quantity or a meaningful or measurable impact on the system. In its May 29, 2020 workshop, Bonneville presented data indicating the amount of short-term *de minimis* capacity that had been awarded for a representative sample of flow-based paths expressed as a percent of total path capacity. The results ranged from 3.3% for SOALSN to 7.1% for RAVR_PAUL. This may translate to up to 150MW of transmission capacity that is awarded, but not counted against ATC. It is treated as if there is no impact. During an example period of congestion, the *de minimis* capacity for North of Echo Lake represented up to 6.9% of total path capacity. On an already congested path, this may result in well over 100MW of flow that is unaccounted for. This is not inconsequential. This has a meaningful impact on flow that leads to actual congestion.

From an operations and reliability perspective, Bonneville is presently comfortable with the level of *de minimis* flowing on its system. Adding a test 2 in the short-term would increase the level of *de minimis* awards, increasing flows on potentially already congested paths. This could result in consequential impacts such as curtailments, which would impact all customers with service across those same paths. While there is always a risk of curtailment for operational or reliability reasons, Bonneville believes that adding a *de minimis* test 2 in the short-term would increase that risk beyond a level that is acceptable at this time.

26. *Customers have suggested that PTDf calculations that ignore de minimis impacts strip customers of the value of strategically positioned transmission paths. This decreases the value of such paths in the hourly firm redirect market.*
27. *Neither option 1 or 2 allows customers to retain the full value of their long-term point-to-point portfolio.*
28. *Bonneville has either failed to grasp or is choosing to ignore how customers and the bilateral market in the Northwest rely on redirects and how much of long-term firm's value is attributable to it.*

Bonneville understands this perspective and has taken it into consideration. By retaining its *status quo* implementation of *de minimis*, it has not altered the way in which it applies its *de minimis* tests. If customers are experiencing what they believe is a decrease in value of strategically positioned transmission paths, this would not be due to Bonneville's *de minimis* decision announced herein.

With that said, there are inherent risks associated with relying on the hourly firm redirect market. As Bonneville explained in its July 30, 2020 workshop, redirects on a firm basis are subject to limited capacity on constrained flow-based paths. While customers have a right to request redirects, there are no guarantees that those redirects can be granted, particularly when they involve constrained paths.

De Minimis Treatment of Original vs. Redirect and Long-Term vs. Short-Term Requests

29. *Customers commented that applying test 1 and not test 2 in the short-term is inequitable treatment for short-term redirects and apparently does not align with long-term redirect analyses.*
30. *Options 1 and 2 continue to treat redirects less favorably than a new short-term request.*
31. *Option 2 would create a test that is only available to PTP customers, not NT customers. BPA should adjust option 2 so that test 1 continues to use the higher 10% threshold for NT customers and a lower threshold for PTP customers that can take advantage of the test 2.*
32. *This issue is part of an overall trend of BPA considering accommodations to meet the demands of PTP customers that would come at the expense of NT customers.*

Bonneville believes that customer comment 29 is based on a misunderstanding of the way that it applies its *de minimis* test. Please see the responses in the section titled *De Minimis Treatment in the Short-Term and Long-Term* above.

33. *Customers have suggested that the applicability of both de minimis tests to all transmission requests has been clear from the start. Section 2 of version 15 of the De Minimis Impact Dead-Band business practice states that “All requests for Transmission that use Network Flowgates will be evaluated to determine if such request has a de minimis impact on one or more of the Network Flowgates.” The Dead Band business practice applies broadly to short-term and long-term requests as well as original and redirected requests.*

Bonneville understands that customers drew conclusions from the *De Minimis Impact Dead Band* document that differed from Bonneville’s intent and from Bonneville’s implementation of *de minimis*. It was placed in the “reference” section of Bonneville’s website, which customers took to mean that it applied equally to short and long-term. Had the document only been placed in the “long-term” section of Bonneville’s website, the statement would fairly be read to apply to all requests for Transmission in the long-term. Bonneville did not intend to indicate to customers that both *de minimis* tests 1 and 2 would apply in the short and long-term.

As Bonneville explained in section 1 above, its documentation on *de minimis* tests in some places reflected its implementation correctly and in others, was confusing. Bonneville’s implementation of *de minimis* in the short-term has consistently involved solely test 1 and not test 2 for at least the past 10 years. Customer confusion regarding the placement of the *De Minimis Impact Dead Band* document or its contents is unfortunate; however, it does not override years of actual implementation as well as the areas in which Bonneville’s documentation correctly reflected that implementation.

34. *Customers commented that section 22.2 of the Tariff provides that firm redirects “shall be treated as a new request for service” so the de minimis rules for original and redirect requests should be the same.*

Bonneville agrees and shares this perspective. Its *de minimis* rules for original and redirect requests are, indeed, the same. They differ solely by whether the request is short or long-term, which is consistent with the inherent differences in calculating ATC in the different time horizons, as discussed in section 1 above and Bonneville’s May 29, 2020 workshop.

35. *Customers suggested that they have long understood that de minimis applied to all requests for service, short and long-term, original and redirect requests.*

De minimis was not used in the long-term market from 2006 to 2010 because Bonneville used a composite point of delivery during this period. Sometime after 2010, Bonneville implemented its *de minimis* tests in the way they are currently applied today for the long-term. *De minimis* does, indeed, apply to all requests for service. It only differs in the short versus the long-term. Please see sections 1 and 3 above.

36. *Bonneville's concept of "total impact" in the May presentation is not appropriate. Total impact and net impact are the same in this context. Bonneville considers total impact as simply the standalone impact of a request assuming no credits for any parent rights.*

37. *The May presentation suggests that transmission primarily used in a geographically distant location with impacts on a given flowgate somehow constitutes a different analysis as compared to transmission closer to the constrained flowgate. The geographic comparison is irrelevant and should not be the basis for making policy decisions—it is the impact to the flowgate that matters.*

38. *If a redirect as a 4% additional net impact to a constrained flowgate compared to a 4% standalone impact to the very same flowgate, the total impact is the same, regardless of the geographic location of the awarded transmission rights.*

The industry practice is to apply the *de minimis* criteria to the total impact of the short-term reservation rather than the net impact. Bonneville is following that industry practice using industry software for its short-term TSR evaluation. This makes the policy consistent for original and redirect requests and for both PTP and NT customers in the short-term market.

Total impact and net impact are *not* the same in the short-term market. Credits are not available to NT customers in the short-term market. Therefore, a *de minimis* policy based on the net impact provides additional benefit to PTP customers not available to NT customers. Bonneville feels this is not tenable. The policy is based on equitable application of the policy to all customers. The geographical examples provided simply demonstrated the real-world implications of applying *de minimis* rules to a net impact calculation when one class of customers receives no credit under the net impact calculation.

This is another key reason for the difference in *de minimis* policy between the short-term and long-term markets. NT customers *do* benefit from a net impact evaluation in the long-term market because crediting is considered based on the forecast TSR. This provides a basis of similarity between PTP and NT customers that is relevant in the long-term market, but lacking in the short-term market. Therefore, it is indeed suitable for the *de minimis* policy for long-term TSRs to be based on the net impact. As a result, Bonneville has concluded that it is just and reasonable for all customers for the *de minimis* policy in the short-term market to be based on the total impact of a reservation per industry practice, while the policy in the long-term market is based on a net impact evaluation.

39. *The May presentation shows a high volume of short-term redirects, but this does not mean that Bonneville is awarding a high amount of de minimis capacity because many redirects that were confirmed did not require de minimis capacity (i.e., the redirect has a total impact less than or equal to the parent)*

40. *Data concerning invalid redirect requests is of no help to the analysis and should not be included in a volume analysis. This does not support concerns about de minimis capacity creating reliability issues, especially given the fact that confirmed or invalid redirects in the previous year would not have impacted reliability.*

Bonneville agrees with these statements in part. The intent of showing the volume of redirects was to show the volume of these requests Bonneville receives on an annual basis.

41. *Bonneville should consider a managed threshold, which seems to align with its policy goals and decision criteria. It would retain flexibility, address concerns about cumulative capacity creating a reliability concern, and would not differentiate between originals and redirects. If the threshold is reached frequently, Bonneville might engage with customers to discuss whether lowering the percentages in tests 1 and 2 would be appropriate.*

While we raised the idea of a managed threshold—a “bucket”—we identified a number of concerns with the impacts of a “bucket.” For flow-based paths that are important to customers, Bonneville would need to determine what the threshold would be. In this case, Bonneville would set the threshold at 3-5%. Bonneville is currently already at this limit under its existing *de minimis* policy. Allowing a threshold limit would not only impact redirect requests, but also it would impact original requests, as well as NT customers. Bonneville also described to customers the transparency issues that would be faced when a customer is denied service due to threshold limitations. The basis for the denial would not be immediately apparent. This issue is due to how the OATI system is configured, which is something that is out of Bonneville’s control.

42. *There is a much bigger surrounding issue, which is that Bonneville needs to build new transmission lines. Future renewable portfolio standards will require it.*

Bonneville runs an annual Cluster Study to address customer transmission needs. Based on those Cluster Study results, Bonneville works with customers to determine if there is a need to build to meet customers’ needs. We encourage customers to contact your Transmission Account Executives for further assistance.

Closing

Bonneville thanks all customers and stakeholders for your involvement in this process. After weighing all of the customer input and all other important factors such as impacts to reliability and operations, Bonneville has decided to continue with its *status quo* implementation of *de minimis*. Bonneville understands that this decision will not satisfy certain groups of customers that rely heavily on short-term redirects. Bonneville hopes, nevertheless, that the workshops and dialogue have increased transparency and added clarity to its ATC and *de minimis* processes. With this document and the responses to comments in the business practice process, Bonneville has fully considered all aspects of this issue and all perspectives shared by customers. Bonneville has now closed its consideration of its *de minimis* policies and implementation. This is a final decision with respect to this matter. Please direct any further questions or concerns to your Transmission Account Executive.