

Supplemental Statement RM05-5-013

SUMMARY: The Commission is revising its regulations to incorporate by reference in its regulations at 18 CFR 38.2 the latest version (Version 002.1) of business practice standards adopted by the Wholesale Electric Quadrant of the North American Energy Standards Board (NAESB). NAESB's Version 002.1 Standards include standards adopted by NAESB in response to Order Nos. 890, 890-A, and 890-B. The Version 002.1 Standards FERC is incorporating by reference in the Final Rule modify NAESB's Commercial Timing Table (WEQ-004 Appendix D) and Transmission Loading Relief Standards (WEQ-008) to provide clarity and align NAESB's business practice standards with the reliability standards adopted by the North American Electric Reliability Corporation, and amend certain ancillary services definitions appearing in the Open Access Same-Time Information Systems Standards (WEQ-001) relating to the inclusion of demand response resources as potential providers of ancillary services. Incorporating these revised standards by reference into the Commission's regulations will provide customers with information that will enable them to obtain transmission service on a non-discriminatory basis and will assist the Commission in supporting needed infrastructure and the reliability of the interstate transmission grid.

Background: FERC is incorporating, by reference new and revised business practice standards adopted by NAESB in response to FERC's Order No. 890. (By standards, these include principles, definitions, data elements, process descriptions and technical implementation instructions.) In Order No 890 et. al, the Commission directed public utilities, working through NERC, to revise the related MOD reliability standards to require the exchange of data and coordination among transmission providers and, working through NAESB, to develop complementary business practices. The following data will, at a minimum, be exchanged among transmission providers for the purposes of Available Transfer Capability (ATC) modeling: (1) load levels; (2) transmission planned and contingency outages; (3) generation planned and contingency outages; (4) base generation dispatch; (5) existing transmission reservations, including counterflows; (6) ATC recalculation frequency and times; and (7) source/sink modeling identification.

Order No. 890 focused on incremental improvements to the Open Access Transmission Tariff (OATT) such as: 1) consistency and transparency of available transfer capability calculations; 2) coordination of the transmission planning process; 3) transparency of creditworthiness requirements; 4) efficiency of energy and generator imbalances; 5) providing transmission credits for network customer-funded transmission facilities owned by transmission providers and allowed in a rate base; 6) elimination of the price cap for transmission capacity reassignment; 7) creation of a new type of long-term firm point-to-point service; 8) lengthening the term of service eligible for rollover

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rights; 9) clarification of the requirements for network service; 10) integration of NERC and NAESB standards into OASIS¹; and 11) enforcement of new OATT standards. With respect to specific improvements, the Commission directed changes in the following areas:

Available and Total Transfer Capability²: One of the FERC’s objectives in Order No. 890 was to reduce the potential for transmission providers to unduly discriminate when they provide transmission service by limiting their discretion to calculate available transfer capability using unknown assumptions and methodologies.³ For this reason, the Commission found that “all [Available Transfer Capability] components (i.e., [total transfer capability], [existing transmission commitments], [capacity benefit margin], and [transmission reliability margin]) and certain data inputs, data exchange, and assumptions be consistent and that the number of industry-wide ATC (Available Transfer Capability) calculation formulas be few in number, transparent and produce equivalent results.”⁴ (Previous Orders (888 and 889) did not prescribe a specific methodology for calculating ATC, but encouraged industry to develop a consistent, industry-wide approach. Order No. 890 found that this process has been unsuccessful in response to earlier orders and that inconsistencies were apparent across the industry). Order No. 890 directed industry through NAESB’s Wholesale Electricity Quadrant (WEQ⁵) to define each ATC component (i.e. Transmission Transfer Capability (TTC⁶),

¹ OASIS (Open Access Same-Time Information System) was mandated by FERC, and specifies the methods and information that must be exchanged between Market Participants and Market Operators for market transactions in the wholesale electric industry, including provisions for both a physical and financial rights market. OASIS provides information by electronic means about available transmission capability for point-to-point service and will provide a process for requesting transmission service. OASIS I enables Transmission Providers and Transmission Customers to communicate promptly requests and responses to buy and sell available transmission capacity offered under the Transmission Provider’s tariff.

² The amount of energy above —base case conditions that can be transferred reliably from one area to another over all transmission facilities without violating any pre- or post-contingency criteria for the facilities in the PJM Control Area under specified system conditions.

³ The Commission reasoned that the potential for discrimination does not lie primarily in the choice of an available transfer capability calculation methodology, but rather in the consistent application of its components.

⁴ Order No. 890, P 207.

⁵ The WEQ is concerned with activities necessary or desirable to achieve the objectives and purposes of the commercial aspects of the wholesale electric industry, and are appropriate to the operation of the wholesale electric market.

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⁷ The capacity of a transmission path taking into account ATC and all of the complex transmission network

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Existing Transmission Commitments (ETC), Transmission Reliability Margin⁷ and to update the OATT, after the NERC/NAESB process of revising any standards including ATC. Order No. 890 also required annual Capacity Benefit Margin (CBM⁸) studies and narrative of CBM practices. Lastly Order No. 890 directed utilities to provide detailed explanations of any derivation for both operating and planning horizons.

In response, NAESB developed standards for the posting of narratives explaining changes in available transfer capability and total transfer capability; underlying load forecast assumptions for available transfer capability calculations and actual peak load, as well as metrics relating to the provision of transmission service and the completion of planning studies.

For instance, transmission providers are to post a brief but specific, narrative explanation of the reason for change in monthly and yearly available transfer capability values on a constrained path when a monthly or yearly available transfer capability value changes as a result of a 10 percent change in total transfer capability. This standard requires the narrative explanation to include the specific events that give rise to the change and the new values for available transfer capability on that path.

Once components of ATC are made consistent and ATC calculation methodologies are made transparent, opportunities for discretion that may lead to undue discrimination in the calculation of ATC will be sufficiently eliminated to invalidate the need for the creation of independent entities to oversee that calculation. To the extent that, even following the adoption of these reforms, customers have complaints regarding the calculations performed by individual transmission owners; they can be addressed on a **Supplemental Statement RM05-5-013**

operating factors.

⁷ Amount of transmission transfer capability necessary to provide reasonable assurance that the interconnected transmission network will be secure. TRM accounts for the inherent uncertainty in system conditions and the need for operating flexibility to ensure reliable system operation as system conditions appear. ATC is defined as the total transfer capability (TTC), less the transmission reliability margin (TRM), less the sum of existing transmission commitments (which includes retail customer service and grandfathered agreements) and any allowable capacity benefit margin.

⁸ The amount of transmission transfer capability reserved by load serving entities to ensure access to generation from interconnected systems to meet generation reliability requirements. Reservation of CBM by a load serving entity allows that entity to reduce its installed generating capacity below that which may otherwise have been necessary without interconnections to meet its generation reliability requirements. See Available Transfer Capability.

case-by-case basis. Transmission providers are required to coordinate the calculation of TTC/TFC and ATC/AFC with others and this requires a standard means of exchanging data.

FERC directed public utilities, working through NERC and NAESB, to modify the ATC-related reliability standards and business practices in accordance with specific direction as provided in Order No. 890.⁹ The development of a more coherent and uniform determination of ATC across a region will help limit the potential for undue discrimination in the calculation of ATC. The Commission concluded that the NERC reliability standards development process and the NAESB business practices development processes are the appropriate forums for developing this consistency. These revisions support methodologies for computing available transfer capability, load forecast and actual load, rebid of partial service, pre-confirmation priority, and conditional firm service.

Conditional Firm Service: NAESB developed business practice and technical standards to support conditional firm service relying on FERC's description of the attributes of that service in Order No. 890. (The existing pro forma OATT allows a transmission provider to deny a request for long-term point-to-point service if the request cannot be satisfied in only one hour of the requested term. This practice discourages the efficient use of the existing grid and precludes access to alternative power supplies. FERC reformed this practice by requiring that a conditional firm option be offered to customers seeking long-term point-to-point service, i.e., conditional firm service).¹⁰ (These standards address: (1) the limitations and conditions under which the Conditional Curtailment Option is offered; (2) the posting requirements for information concerning a Conditional Curtailment Option reservation and its curtailment criteria; (3) the process for performing the biennial reassessment; (4) the curtailment of a Conditional Curtailment Option reservation; and (5) the redirect, transfer, and resale of a Conditional Curtailment Option reservation.

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The WEQ Version 002.1 standards establish the procedure for input of total transfer capability and available transfer capability methodologies and values to be used by public utilities in calculating their total transfer capability and available transfer capability. These standards require Transmission Providers to post links on

⁹ Reliability standards are directed to the continuous operation of the power grid, and address the performance adequacy and security of the bulk electric system. Business practices are focused on the transparency of the power market and support a strong and diverse market. Much of the business practices are directed toward streamlining commercial transactions between trading partners. Both Standards and Model Business Practices are protocols for the conduct of specified acts or transactions.

¹⁰ Order No. 890, P 1043-47.

the ATC Information Link, including links to their Available Transfer Capability Implementation Document, CBM Document and Transmission Reserve Margin Implementation Document.

Capacity Benefit Margin (CBM):¹¹ The Version 002.1 standards allow for auditing of the use of capacity benefit margin using OASIS. This standard was developed in response to Order Nos. 890 and 890-A, and necessitated modifications to WEQ-001, WEQ-002, WEQ-003, and WEQ-013. While the Commission also directed that public utilities, working through NERC and NAESB, “develop clear standards for how the CBM value shall be determined, allocated across transmission paths, and used” in Order No. 890,¹² the NAESB subcommittees determined that the NERC reliability standard MOD-004 adequately addressed this directive and therefore it was not necessary to develop any supporting NAESB business practice standards.¹³

Business Practice Standards to Coordinate with Reliability Standards Unrelated to Order No. 890

In the Version 002.1 standards for Coordinate Interchange¹⁴, (WEQ-004), Area Control Error (ACE) Equation Special Cases (WEQ-005), Inadvertent Interchange Payback (WEQ-007), and Transmission Loading Relief - Eastern Interconnection (WEQ-008), NAESB made minor modifications to the format of the standards and revised section titles.

Also in the Version 002.1 standards, NAESB added Standard 004-18 to the Coordinate Interchange Standards (WEQ-004), which describes the requirements for submitting a Request for Interchange that uses a Transmission Provider’s capacity benefit margin to support energy imports into a load balancing authority area served by the Transmission Provider. Additionally, the Version 002.1 standards include modifications to the timing tables in Appendix D of the Coordinate Interchange Standards (WEQ-004). These tables were modified to reflect time changes for Generator-Provider Entity,

¹¹ Amount of firm transmission transfer capability preserved by the Transmission Provider for Load Serving Entities, whose loads are located within the Provider’s area, to enable access to generation from interconnected systems to meet generation reliability requirements -Intended for use only during emergency generation deficiencies. CBM is reserved to import capacity assistance from external areas under emergency conditions. CBM allows a system to reduce its installed generating capacity below that which may have otherwise been required if transmission interconnections did not exist.

¹² Order No. 890, P 257. See also, Order No. 890-A, P 68 and 83.

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[?] See, NAESB Version 002.1 cover letter filed on Feb. 19, 2009 at 69.

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¹⁴ Order No. 676, P36. Standards define procedures for market participants to request implementation of transactions crossing one or more balancing authorities.

Load-Serving Entity, and Purchase-Selling Entity market assessments so that they are concurrent with the Balancing Authority and Transmission Service Provider reliability assessments. Also, timeline diagrams for each table were added for clarification.¹⁵

Lastly, in the Version 002.1 standards for Transmission Loading Relief¹⁶ Eastern Interconnection (WEQ-008), NAESB made a minor modification to a standard to accommodate conditional firm service and the use of capacity benefit margin. Additionally, NAESB modified these standards to clarify the intended use of the nine Transmission Loading Relief levels addressed in the standards, and to ensure consistency between WEQ-008 and the NERC reliability standard IRO-006, both of which address transmission loading relief.

¹⁵ NAESB Version 002.1 cover letter filed on Feb. 19, 2009 at 8.

¹⁶ The procedures used in the Eastern Interconnect to relieve potential or actual loading on a constrained facility. These requirements may be used to relieve congestion on any facility modeled within the IDC or an equivalent interconnection model.