

**Industry Report to the
Federal Energy Regulatory Commission
on OASIS Phase 1-A Business Practices**

June 17, 1998

**Prepared by
Commercial Practices Working Group
and OASIS How Working Group**

Executive Summary

Purpose

The purpose of this report is to offer for adoption by the Federal Energy Regulatory Commission (FERC), a set of business practice standards and guides for Phase 1-A of the Open Access Same-time Information System (OASIS). The proposed business practices will enable implementation of FERC policy on transmission service price negotiation and improve consistency of Customer-Provider interactions across OASIS nodes.

The recommendations contained in this report have been adopted by the Commercial Practices Working Group (CPWG) and represent the best available consensus of diverse Provider and Customer industry segments. While this first report is focused specifically on Phase 1-A OASIS, the CPWG intends to continue working toward consensus-based solutions related to implementation of FERC's transmission access policy and OASIS.

Requested Action by the Commission

The CPWG respectfully requests that the Commission adopt the proposed business practice standards and guides in this report, and incorporate them into the OASIS regulations as a "Business Practice Standards and Guides" document to complement the existing Standards and Communications Protocols (S&CP). The CPWG also requests that the Commission approve certain amendments to the *pro forma* tariff to implement the business practices proposed in this report.

Key Recommendations

Examples of key recommendations include:

1. Transmission Providers shall use standard terminology to describe transmission services offered on OASIS. Innovative products may be offered by registering new service attributes at the OASIS Home Page at www.tsin.com. [Report Section 2]
2. All users of OASIS information shall register on the OASIS Home Page at www.tsin.com. This registration will assure the identity of business entities and provide contact information for OASIS reservations and energy interchange transaction tagging. [Report Section 3]
3. Transmission Providers shall register Points of Receipt (POR) and Points of Delivery (POD) on the OASIS Home Page at www.tsin.com and shall designate for each Path, for which they offer service on OASIS, only PORs and PODs that have been registered. This step will clarify for Customers the available Paths to connect energy sources and sinks, and will encourage coordination of Path naming and ATC posting among Providers. [Report Section 3]

4. An updated definition of what constitutes “on the OASIS” is proposed in order to clarify the requirements for electronic entry of reservations. [Report Section 4]
5. Customer confirmation time limits are proposed, as are Provider time limits for each iteration after a Customer rebid. [Report Section 4]
6. This report clarifies the relative priorities for the handling of competing bids for limited transmission resources. [Report Section 4]
7. Several new practices are recommended to assure greater Customer certainties related to price and reservation rights. As examples: a) a confirmed non-firm reservation should not be preempted by a subsequent request of equal duration and higher price; b) a confirmed non-firm reservation should not be preempted within the last hour prior to the start time by a subsequent non-firm request of longer duration; and c) an unconfirmed request should not be preempted solely for price unless the subsequent request is pre-confirmed. [Report Section 4]
8. Recommendations are made for implementation of right-of-first-refusal. [Report Section 4]
9. Recommendations are made to support implementation of ancillary services arrangements on Phase 1-A OASIS. [Report Section 5]
10. Several revisions to the *pro forma* tariff are offered to assure consistency of the tariff with the proposed business practices. [Appendix A]

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Section 1 — Introduction

A. Objective

This report proposes business practice standards and guides for the implementation of OASIS Phase 1-A. These standards and guides are intended to enable Federal Energy Regulatory Commission (FERC) policy related to on-line price negotiation and to improve the commercial operation of OASIS. Process details contained in this report support FERC regulations, the *pro forma* tariff, and the OASIS Standards and Communication Protocols (S&CP). In a few cases, revisions to the *pro forma* tariff are required to support the business practices and recommended tariff changes are offered.

In the Phase 1 OASIS implementation, many business practice implementation details were left for Transmission Providers to determine based on their interpretations of Orders 888 and 889, the OASIS S&CP, and individual tariffs. The result was significant variation in business practices across OASIS nodes, as noted in the Commercial Practices Working Group's "Industry Report to the Federal Energy Regulatory Commission on the Future of OASIS" [November 3, 1997]:

"There are inconsistencies in business practices across the nodes. In fact, OASIS serves to underscore the differences in practices as customers try to access information and reserve transmission in a familiar way, but find procedures vary from provider to provider. Some of the variations ... include packaging of ancillary services, application of discounts, use of "sliding windows" of transmission service, and customer confirmation time limits."

The proposed Phase 1-A business practice standards and guides enclosed in this report provide an important step toward achieving greater consistency in the implementation of FERC open access policy and OASIS. The Commission is requested to adopt the proposed standards and guides in support of the implementation of Phase 1-A OASIS.

B. Background

The Open Access Same-time Information System (OASIS) is an information network developed by the electric industry in response to FERC policy on transmission access. OASIS is intended to provide information and processes necessary for non-discriminatory access to electric transmission systems. The present version of OASIS supports the posting of available transfer capabilities, as well as the offering of transmission and ancillary services with their associated prices and terms. OASIS allows users to reserve capacity on the transmission system, purchase ancillary services, and resell transmission services to others.

OASIS is being implemented in phases. Phase 1 became operational on January 3, 1997 and is still in use today. In March 1997, the Commission issued Rehearing Order 889-A requiring implementation in OASIS of on-line price negotiation for transmission and ancillary services, the unmasking of identities and prices associated with OASIS reservations, disclosure of discounts given, and other changes. The industry responded by filing a proposed update to the OASIS S&CP for implementation of Phase 1-A. These specifications are under review by the Commission, with the effective date of Phase 1-A anticipated to be December 1, 1998.

C. Commercial Practices Working Group and OASIS How Working Group

The Commercial Practices Working Group (CPWG) is an independent forum with balanced industry segment representation. The CPWG seeks to resolve business practice issues as needed to facilitate non-discriminatory transmission access and to promote competitive and reliable electricity markets. Since its inception in April 1997, the CPWG has been advising the OASIS How Working Group (How WG) on OASIS requirements and has commented on the commercial impacts of reliability standards proposed by the North American Electric Reliability Council (NERC).

The CPWG provides a forum for discussion of issues by diverse interests, with the goal of reaching consensus-based solutions. To assure balance of representation, the CPWG votes in two blocks, as Transmission Customers and Transmission Providers. Each resolution requires a majority of both blocks to pass. For many issues, the CPWG process has allowed the group to reach final decisions with a strong majority of both voting blocks.

With the filing of the "Industry Report to the Federal Energy Regulatory Commission on the Future of OASIS" on November 3, 1997, the CPWG took a step toward establishing itself as an industry forum for resolution of transmission access business practices. The proposed OASIS Phase 1-A business practice standards and guides contained in this current report reinforce that role for CPWG and begin to establish a process in which an industry facilitated organization develops consensus-based solutions for review and adoption by the Commission, culminating in their incorporation into regulations.

The How WG is an independent, non-discriminatory forum that has served for the past two and a half years to develop OASIS technical standards and protocols for the S&CP. The How WG has established a well-documented record of supporting the Commission's goals for OASIS through numerous filings of technical standards and protocols that have been incorporated into the OASIS regulations by the Commission.

D. Purpose and Scope

This report has been developed by the CPWG with assistance by the How WG. The report proposes standards and guides for business practices in the implementation of Phase 1-A OASIS. These OASIS business practice standards and guides represent the best available consensus on how to conduct business on OASIS and are offered to the Commission for adoption and incorporation into the OASIS regulations. The proposed standards and guides are consistent with existing FERC regulations, the *pro forma* tariff, and the Phase 1-A S&CP, except where specific tariff revisions are requested.

This report also is a first step toward establishing a continuing process for development of business practices by a consensus-based industry group. Filing of this report is consistent with a commitment made by CPWG in the November 3, 1997 report, in which one of the action items was:

"The CPWG will file with the Commission by March 31, 1998 a draft set of guidelines to clarify OASIS business practices in Phase 1-A, including resolution of issues left over from Phase 1."

Completion of this report has been delayed to allow additional dialog on difficult issues that arose related to price negotiation and bumping priorities.

The CPWG will continue to develop business practice standards and guides for Phase 1-A OASIS as consensus is reached on specific issues. The CPWG also is beginning to address Phase 2 business processes, which will encompass energy interchange transaction scheduling and constraint management.

Ultimately, resolution of business practice standards and guides by the CPWG will lead to the development of updated technical standards by the How WG. CPWG is able to define the needs of market participants and relate those needs to the How WG in the form of functional and performance requirements. The How WG will then prepare the necessary technical standards to support these market-based requirements.

E. Business Practice Standards vs. Guides

This report distinguishes between OASIS business practice standards and “best practices” guides. While the standards are offered to the Commission for adoption as mandatory requirements, the guides are proposed as voluntary best practices. There are several reasons why some practices have been offered as guides instead of standards, including:

- There is a majority support for the practice, but not overwhelming consensus.
- Reasonable alternatives may exist.
- Customers and Providers need for time to adapt computer systems and processes.
- Adoption of the practice as a standard may conflict with existing tariffs and requires changes to the tariffs prior to adoption as a standard.
- The practice may be a suggested, but not a required action.

Over time, the CPWG proposes to file additional standards and guides and, as appropriate, may request existing guides be upgraded to standards.

F. Recommended Action by the Commission

The CPWG respectfully requests that the Commission adopt the proposed business practice standards and guides in this report, and incorporate them into the OASIS regulations as a “Business Practice Standards and Guides” document to complement the existing S&CP. The CPWG also requests that the Commission approve certain amendments to the *pro forma* tariff to implement the business practices discussed in this report. The proposed tariff amendments are provided in Appendix A.

Section 2 — Standard Terminology for Transmission and Ancillary Services

A. Need for Standard Terminology

The November 3, 1997 report on the Future of OASIS identified inconsistent use of terminology as an area for improvement in OASIS. Terminology is particularly important in the naming of transmission services and posted paths. In a review of experience in Phase 1 OASIS, the report noted:

“Providers have taken liberties in naming services that create confusion for customers. Even the *pro forma* services can be found as Firm Daily Transmission and Daily Firm Transmission on the same node. There has been a proliferation of more than 300 transmission product names on OASIS, but it is difficult to tell if this is just 40 different products with 300 different names or if the products really do vary. Without industry-wide discipline in the naming of transmission products, it is difficult for the customer to determine the nature of the service being bought and to differentiate it from other services that sound similar.”

The standards and guides proposed in this Section begin to address the need for common terminology by establishing a standard set of attribute values for the definition of transmission services. Use of these standard attribute values will provide clarity and consistency in the labeling of transmission services. The standard terms are to be used as appropriate, but do not restrict the development of innovative transmission services. CPWG encourages Providers to offer new products that meet the needs of their Customers. The introduction of standard terminology should in no way be viewed as inhibiting innovation. At the same time, the existence of standard terms does not imply it is mandatory for a Provider to offer certain services. The goal of this process is only to achieve consistency in the use of terminology.

Transmission Providers are required to use these standard attribute values if they fit the Provider’s transmission product offerings. When an appropriate standard attribute is not available, the Transmission Provider is required to post a non-standard attribute value and its definition on the OASIS Home Page at www.tsin.com prior to using the non-standard attribute value on OASIS. The attribute registration process is described in Section 3 of this report.

B. Attribute Values Defining the Period of Service

The data templates of the Phase 1-A S&CP have been developed with the use of standard service attributes in mind. What the Phase 1-A S&CP does not offer are specific definitions for each attribute value. This section offers standards and guides for these service attribute definitions to be used in conjunction with the Phase 1-A data templates.

In discussion of these definitions, the CPWG determined that the terms “fixed” and “sliding” are appropriate, but that an additional term “extended” is necessary to fully describe the nature of the commonly offered transmission services. “Fixed” is associated with transmission services whose

periods align with calendar periods such as a day, week, or month. “Sliding” services are fixed in duration, such as a week or month, but the start and stop time may slide. For example a “sliding” week could start on Tuesday and end on the following Monday. “Extended” allows for services in which the start time may “slide” and also the duration may be longer than a standard length. For example an “extended” week of service could be nine consecutive days.

Table 1-1 identifies the definitions that are proposed as standard terminology in Phase 1-A for the attributes SERVICE_INCREMENT (Hourly, Daily, Weekly, Monthly, and Yearly) and WINDOW (Fixed, Sliding, and Extended). A definition is required for each combination of SERVICE_INCREMENT and WINDOW, except Hourly Sliding and Hourly Extended, which are not considered by CPWG to be sufficiently common in the market to require standard definitions. The use of the “Extended” value for WINDOW, which is new, requires a modification to the S&CP prior to Phase 1-A implementation.

Table 1-1
Standard Service Attribute Definitions Required in Phase 1-A

	Fixed	Sliding	Extended*
Hourly	X	N/A	N/A
Daily	X	X	X
Weekly	X	X	X
Monthly	X	X	X
Yearly	X	X	X

* Requires addition to the Phase 1-A S&CP Data Dictionary.

As mentioned previously, the existence of a definition in this table does not imply the services must be offered by a Transmission Provider. Requirements as to which services must be offered are defined by regulation and tariffs and are not addressed by this report. Neither is there an implication as to the curtailment priority or price caps for these services.

Each definition assumes a single time zone specified by the Transmission Provider. It is recognized that daylight time switches must be accommodated in practice, but they have been omitted in the definitions for the purpose of simplicity.

Standard 2.1: A Transmission Provider shall use the values and definitions below for the attributes SERVICE_INCREMENT AND WINDOW for all transmission services offered on OASIS, or shall post alternative attribute values and associated definitions on the OASIS Home Page at www.tsin.com, or shall use existing attribute values and definitions posted by other Transmission Providers. (See Section 3 of this report for registration requirements.)

2.1.1: FIXED HOURLY — The service starts at the beginning of a clock hour and stops at the end of a clock hour.

2.1.2: FIXED DAILY — The service starts at 00:00 and stops at 24:00 of the same calendar date (same as 00:00 of the next consecutive calendar date).

2.1.3: FIXED WEEKLY — The service starts at 00:00 on Monday and stops at 24:00 of the following Sunday (same as 00:00 of the following Monday).

2.1.4: FIXED MONTHLY — The service starts at 00:00 on the first date of a calendar month and stops at 24:00 on the last date of the same calendar month (same as 00:00 of the first date of the next consecutive month).

2.1.5: FIXED YEARLY — The service starts at 00:00 on the first date of a calendar year and ends at 24:00 on the last date of the same calendar year (same as 00:00 of the first date of the next consecutive year).

2.1.6: SLIDING DAILY — The service starts at the beginning of any hour of the day and stops exactly 24 hours later at the same time on the next day.

2.1.7: SLIDING WEEKLY — The service starts at 00:00 of any date and stops exactly 168 hours later at 00:00 on the same day of the next week.

2.1.8: SLIDING MONTHLY — The service starts at 00:00 of any date and stops at 00:00 on the same date of the next month (28-31 days later). If there is no corresponding date in the following month, the service stops at 24:00 on the last day of the next month.

For example: **SLIDING MONTHLY** starting at 00:00 on January 30 would stop at 24:00 on February 28 (same as 00:00 March 1).

2.1.9: SLIDING YEARLY — The service starts at 00:00 of any date and stops at 00:00 on the same date of the following year. If there is no corresponding date in the following year, the service stops at 24:00 on the last day of the same month in the following year.

For example **SLIDING YEARLY** service starting on February 29 would stop on February 28 of the following year.

2.1.10: EXTENDED DAILY — The service starts at any hour of a day and stops more than 24 hours later and less than 48 hours later.

2.1.11: EXTENDED WEEKLY — The service starts at 00:00 of any date and stops at 00:00 more than one week later, but less than two weeks later.

2.1.12: EXTENDED MONTHLY — The service starts at 00:00 of any date and stops at 00:00 more than one month later but less than two months later.

2.1.13: EXTENDED YEARLY — The service starts at 00:00 of any date and stops at 00:00 more than one year calendar year later but less than two calendar years later.

C. Attribute Values Defining Service Class and Type

Standard 2.2: A Transmission Provider shall use the values and definitions below to describe the service CLASS for transmission services offered on OASIS, or shall post alternative attribute values and associated definitions on the OASIS Home Page at www.tsin.com, or shall use the attribute values and definitions posted by other Providers. (See Section 3 for registration requirements.)

2.2.1: FIRM — Transmission service that always has a priority over NON-FIRM transmission service and has equal priority with Native Load Customers and Network Customers, in accordance with FERC regulations.

2.2.2: NON-FIRM — Transmission service that is reserved and/or scheduled on an as-available basis and is subject to curtailment or interruption at a lesser priority compared to FIRM transmission service, Native Load Customers, and Network Customers.

Standard 2.3: A Transmission Provider shall use the values and definitions below to describe the service TYPE for transmission services offered on OASIS, or shall post alternative attribute values and associated definitions on the OASIS Home Page at www.tsin.com, or shall use the attribute values and definitions posted by other Providers. (See Section 3 for registration requirements.)

2.3.1: POINT-TO-POINT — Transmission service that is reserved and/or scheduled between specified POINTS OF RECEIPT and DELIVERY pursuant to Part II of the FERC *pro forma* tariff.

2.3.2: NETWORK — Network Integration Transmission Service that is reserved and/or scheduled to serve a Network Customer load pursuant to Part III of the FERC *pro forma* Tariff.

D. Curtailment Priorities

Standard 2.4: A Transmission Provider shall use the curtailment priority definitions in NERC Policy 9 Security Coordinator Procedures for NERC CURTAILMENT PRIORITY (1–7) for all transmission services offered on OASIS, or shall post alternative attribute values and associated definitions on the OASIS Home Page at www.tsin.com, or shall use attribute values and definitions posted by another Provider. (See Section 3 for registration requirements.)

E. Other Service Attribute Values

FERC has defined six ancillary services in Order 888. Other services may be offered pursuant to filed tariffs. The CPWG recommends the data element ANCILLARY_SERVICE_TYPE in the S&CP be changed to AS_TYPE. This name is less restrictive and may be used to denote ancillary or additional services that are not FERC *pro forma* ancillary services. This name is also comparable to the use for transmission service of TS, for example TS_TYPE.

Standard 2.5: A Transmission Provider shall use the definitions below to describe the AS_TYPES offered on OASIS, or shall post alternative attribute values and associated definitions on the OASIS Home Page at www.tsin.com, or shall use attribute values and definitions posted by another Provider. (See Section 3 for registration requirements.)

FERC Ancillary Services Definitions

2.5.1: SCHEDULING, SYSTEM CONTROL AND DISPATCH SERVICE (SC) — is the provision of (i) interchange schedule confirmation and implementation with other control areas, including intermediary control areas that are providing transmission service, and (ii) actions to ensure the operational security during interchange transaction.

2.5.2: REACTIVE SUPPLY AND VOLTAGE CONTROL FROM GENERATION SOURCES SERVICE (RV) — is the provision of reactive power and voltage control by generating facilities.

2.5.3: REGULATION AND FREQUENCY RESPONSE SERVICE (RF) — is the provision of resources to follow a Transmission Customer's load changes and to supply power to meet any difference between a Customer's actual and scheduled generation.

2.5.4: ENERGY IMBALANCE SERVICE (EI) — supplies any hourly mismatch between a Transmission Customer's energy supply and the load being served in the control area. This service makes up for any net mismatch over an hour between the scheduled delivery of energy and the actual load that the energy serves in the control area.

2.5.5: OPERATING RESERVE - SPINNING RESERVE SERVICE (SP) — is the provision of resources, which are on-line and loaded at less than maximum output, to serve load in case there is an unplanned event such as loss of generation.

2.5.6: OPERATING RESERVE - SUPPLEMENTAL RESERVE SERVICE (SU) — is the provision of resources that may not be available instantaneously, including generating units that are on-line, quick start units, and customer-interrupted load, to serve load in case there is an unplanned event such as loss of generation.

Other Service Definitions

Other services may be offered to Transmission Customers through filed tariffs. Examples of other services that may be offered include Interconnected Operations Services that are being defined by the North American Electric Reliability Council. The following definitions are provided in NERC Operating Policy 10, which is a draft currently under review.

2.5.7: DYNAMIC TRANSFER (DT) — is the provision of the real-time monitoring, telemetering, computer software, hardware, communications, engineering, and administration required to electronically move all or a portion of the real energy services associated with a generator or load out of its Host Control Area into a different Electronic Control Area.

2.5.8: REAL POWER TRANSMISSION LOSSES (TL) — is the provision of capacity and energy to replace energy losses associated with transmission service on the Transmission Provider’s system.

2.5.9: SYSTEM BLACK START CAPABILITY (BS) — is the provision of generating equipment that, following a system blackout, is able to start without an outside electrical supply. Furthermore, BLACK START CAPABILITY is capable of being synchronized to the transmission system such that it can provide a startup supply source for other system capacity that can then be likewise synchronized to the transmission system to supply load as part of a process of re-energizing the transmission system.

F. Scheduling Period

In Section 4A of this report, two terms are used to distinguish the scheduling periods leading up to the start of a transaction. The definitions provided here are recommended as business practice guides. These definitions do not apply to a specific data element in the Phase 1-A S&CP. Rather, they are necessary for the application of the negotiation and bumping rules proposed in Section 4 of this report. Full explanations are provided in Section 4A.

Guide 2.6: A Transmission Provider should use the definitions below to describe the scheduling period leading up to the start time of a transaction:

2.6.1: SAME-DAY is (i) after 2 p.m. of the preceding day and (ii) more than one hour prior to the service start time.

2.6.2: NEXT-HOUR is one hour or less prior to the service start time.

Section 3 — OASIS Registration Procedures

A. Entity Registration

Operation of OASIS requires unambiguous identification of parties. Experience in Phase 1 OASIS indicates that several factors can cause confusion in identities, including mergers, reorganizations, and changes in company names.

Standard 3.1: All entities or persons using OASIS shall register the identity of their organization or person at the OASIS Home Page at www.tsin.com. Registration shall be completed prior to the commencement of Phase 1-A and renewed annually thereafter.

The registration requirement applies to any entity logging onto OASIS for the purpose of using or updating information, including Transmission Providers, Transmission Customers, Observers, Control Areas, Security Coordinators, and Independent System Operators. A nominal registration fee may be applied to defray the cost of the registration process and maintenance of the OASIS Home Page at www.tsin.com.

B. Process to Register Non-Standard Service Attribute Values

Section 2 of the OASIS business practice standards and guides addresses use of standard terminology in defining services on OASIS. These standard definitions for service attribute values will be posted publicly on the OASIS Home Page at www.tsin.com and may be used by all Providers to offer transmission and ancillary services on OASIS. If the Provider determines that the standard definitions are not applicable, the Provider may register new attribute values and definitions on the OASIS Home Page. Any Provider may use the attribute values and definitions posted by another Provider.

The CPWG will monitor the attribute registration process to ensure the values and definitions posted by Providers do not undermine the goal of promoting consistent terminology.

Standard 3.2: Providers of transmission and ancillary services shall use only attribute values and definitions that have been registered on the OASIS Home Page at www.tsin.com for all transmission and ancillary services offered on their OASIS.

Guide 3.3: Providers of transmission and ancillary services may use on their OASIS attribute values and definitions that have been posted by other Providers on the OASIS Home Page at www.tsin.com.

C. Registration of Points of Receipt and Delivery

In Phase 1 OASIS, Transmission Providers were required to define and post on OASIS transmission paths and associated transfer capabilities. While there are cases of regional coordination in the definition of commercial paths and service points (Points of Receipt and Delivery), for the most part, paths and service points have been defined from the perspective of

each individual Transmission Provider. The result in Phase 1 is the existence of confusion regarding feasibility of connecting paths to move energy from one system and region to another.

In order to encourage improved coordination of path naming and to enhance the identification of commercially available connection points between Providers and regions, the proposed business practice for Phase 1-A OASIS requires that:

- Transmission Providers register at the OASIS Home Page at www.tsin.com, all service points (Points of Receipt and Delivery) for which transmission service is available over OASIS.
- Each Provider would then indicate on its OASIS node, for each Path posted on its OASIS node, the Points of Receipt and Delivery to which each Path is connected.

A Transmission Provider would not be required to register specific generating stations as Points of Receipt, unless they were available as service points for the purposes of reserving transmission service on OASIS. The requirement also does not include registration of regional flowgates, unless they are service points for the purposes of reserving transmission on OASIS.

Standard 3.4: A Transmission Provider shall register and thereafter maintain on the OASIS Home Page at www.tsin.com all Points of Receipt and Delivery to and from which a Transmission Customer may reserve and schedule transmission service.

Standard 3.5: For each reservable Path posted on their OASIS node, Transmission Providers shall indicate the available Point(s) of Receipt and Delivery for that Path. These Points of Receipt and Delivery shall be from the list registered on the OASIS Home Page at www.tsin.com.

Guide 3.6: When two or more Transmission Providers share a common Points of Receipt or Delivery, or when a Path connects Points of Receipt and Delivery in neighboring systems, the Transmission Providers owning and/or operating those facilities should apply consistent names for those connecting or common Paths on OASIS.

Section 4 — On-line Negotiation and Confirmation Process

A. On-line Price Negotiation in Short-term Markets

In December 1996, FERC issued a Notice clarifying that transmission reservations arranged off the OASIS, but posted within one hour, are considered “on the OASIS.” This clarification was provided in response to a concern by the How WG that most OASIS nodes would not be ready for “next-hour” reservations on the start date in January 1997.

While most OASIS nodes have moved closer to being able to support next-hour reservations using the Phase 1 OASIS business model, the addition of interactive price negotiation in Phase 1-A significantly raises the processing requirements. Order 889-A is silent on the issue of what is considered “on the OASIS.” While CPWG has adopted a resolution that all reservations should be conducted on the OASIS in Phase 1-A, and most members of CPWG support this as a goal, there are real questions as to the limits of the proposed Phase 1-A technology to handle interactive price negotiations in the hour(s) leading up to the start of the reservation.

At the same time, there is confusion in the industry between the terms, “next hour” and “same-day.” The CPWG believes these terms are inappropriately being used interchangeably to define the requirements for “on the OASIS.” The CPWG interpretation is that the requirements detailed in the December 1996 Notice apply to same-day reservations, which are submitted after 2 p.m. of the preceding day.

As the capabilities of OASIS improve, the distinction between same-day and next-hour becomes more significant with respect to business process. Additionally, the CPWG and OASIS How WG have assessed the capability of the Phase 1-A OASIS design to handle interactive price negotiations on-line and determined that one hour prior to the start time of the reservation is a critical point after which there is some uncertainty as to the capability of the technology to effectively support on-line negotiations. For clarity in understanding the proposed standards and guides, the CPWG proposes the following definitions regarding the time of submittal of a reservation request:

- **Same-day** is (i) after 2 p.m. of the preceding day and (ii) more than one hour prior to the service start time. This time frame, while somewhat arbitrary, allows adequate time for processing of the reservation and is consistent with the *pro forma* definition.
- **Next-hour** is one hour or less prior to the service start time.

The CPWG recommends the following business practices regarding the conduct of business in short-term markets covered by these periods:

Guide 4.1: Consistent with FERC policy and regulations, all reservations and price negotiations should be conducted on OASIS.

Guide 4.2: The following is considered “on the OASIS” during Phase 1-A: For a transmission service of hourly duration, requested within the next-hour, a Customer should have the option, subject to the exception allowed by Guide 4.3, of entering a reservation and schedule request

electronically on the Provider's OASIS and scheduling system (if such electronic transactions are allowed on the Provider's scheduling system), or arranging the reservation and schedule verbally with the Provider. If a transmission reservation is confirmed verbally, the Provider should have the option of requiring the Customer to enter the reservation on OASIS electronically within one hour after the start of the reservation.

Guide 4.3: If a Provider's OASIS and scheduling processes allow that a Customer's reservation and scheduling requests will be accepted or refused within 15 minutes of the queue time, then the Provider may require that reservations and schedules be entered electronically by the Customer prior to the established scheduling deadline. If in any case the Provider has not responded to the reservation and schedule request within 15 minutes, the Customer has the option of calling the Provider to verbally confirm the reservation and schedule.

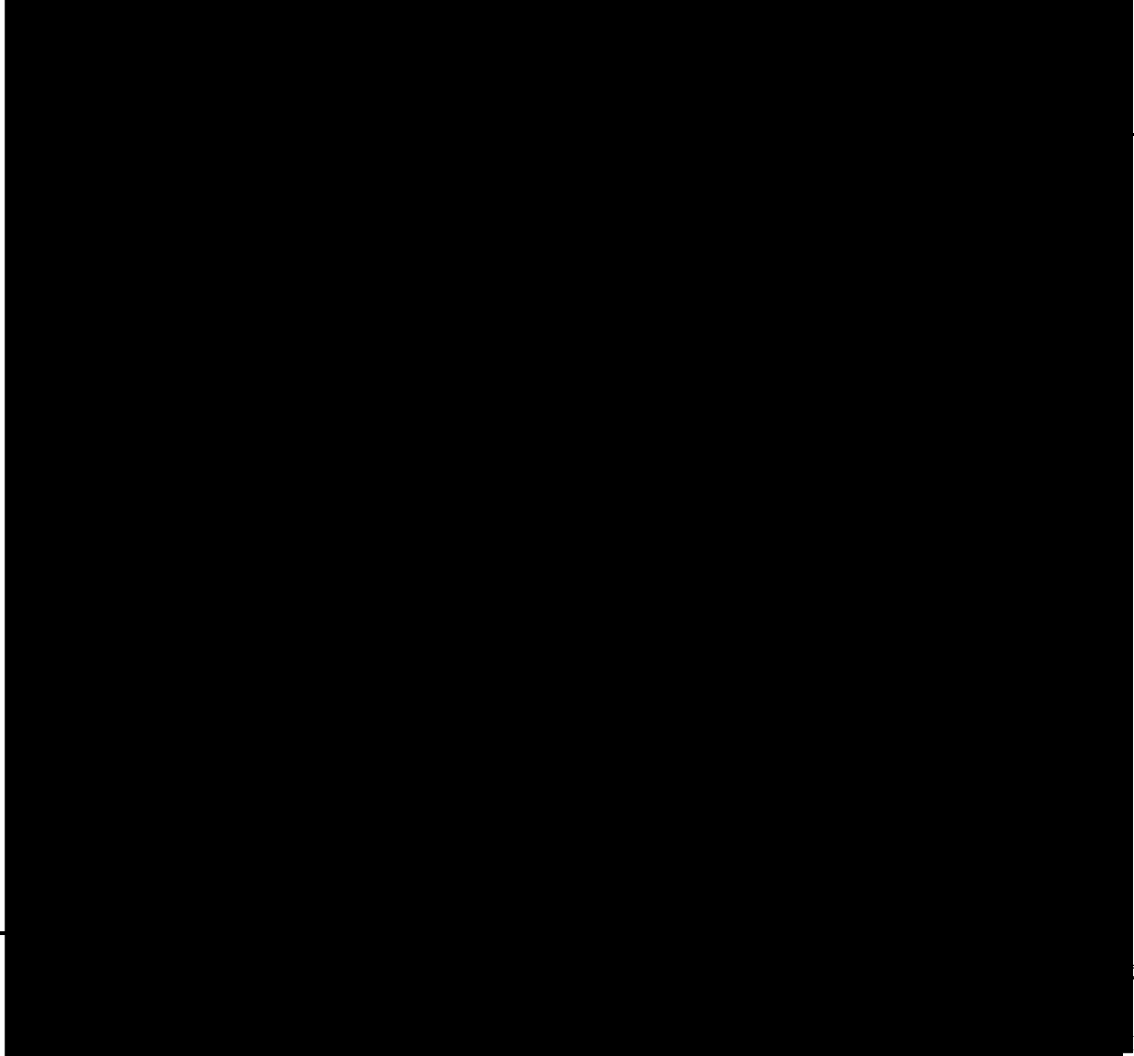
Guides 4.2 and 4.3 are based on a previous proposal filed with the Commission by the CPWG (reference CPWG letter filed June 10, 1998). This proposal requested that FERC adopt, for a four-month trial, a new procedure to allow Customers greater flexibility in the conduct of next-hour business. These practices are to be evaluated after four months to determine their effects, if any, on next-hour markets. After the test period is complete, CPWG will file an updated set of guides and standards on next-hour business with the Commission.

B. Phase 1-A Negotiation Process State Transition Diagram

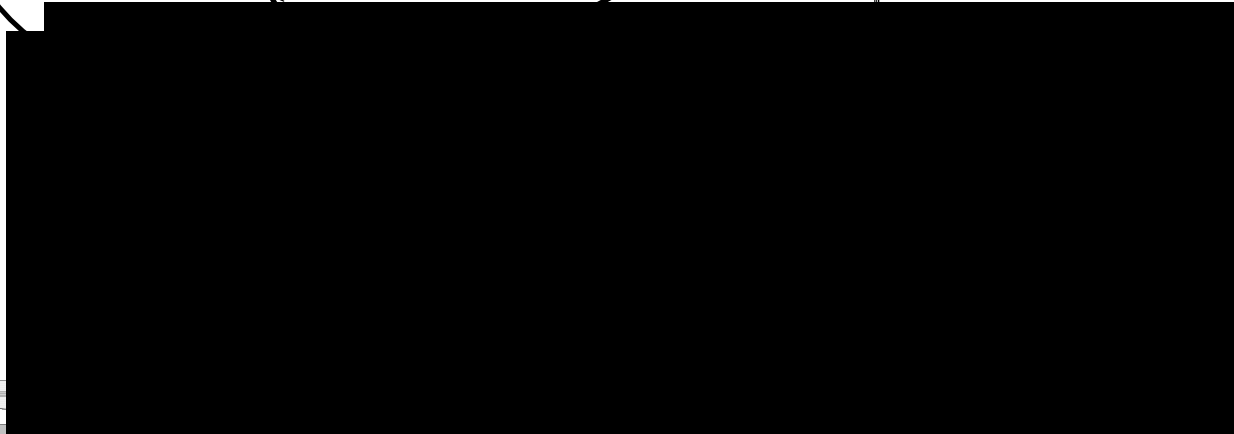
The Phase 1-A S&CP provides a process state diagram to define the Customer and Provider interactions for negotiating transmission service. This diagram defines allowable steps in the reservation request, negotiation, approval and confirmation. Experience from Phase 1 OASIS indicates that providing a clear understanding of business process interactions will improve consistency between nodes and provide a more efficient interface for Customers.

The CPWG recommends the state diagram in the S&CP be revised as shown in Figure 4-1. The principal modifications are:

- Addition of an INVALID state to denote an incomplete or improperly completed service request. Without this state, there is no effective way to distinguish that the request was denied simply due to an error, as opposed to availability or price.
- Replacement of REJECTED with DECLINED, in order to more clearly distinguish a service request that is denied for availability reasons (REFUSED) from a request that was denied for price reasons (DECLINED). The CPWG feels that the use of both REJECTED and REFUSED would be confusing due to their similarity in general meaning.
- Changed OFFER to COUNTEROFFER to differentiate between the offer price, which is posted on OASIS, and a counteroffer price, which the Provider may quote in response to a service request.
- Added SUPERSEDED to indicate a request is preempted prior to confirmation (during negotiation). It is necessary to distinguish this state from DISPLACED, which denotes a reservation that has been confirmed but is being preempted after confirmation, in accordance with terms of the tariff.
- Addition of an allowed state change from RECEIVED to ACCEPTED (this has always been a valid transition, the diagram was previously in error).



REFUSED



Customer Initiated Action

Seller Initiated Action

DISPLACED

Guide 4.5: The following definitions in Table 4-1 should be applied to the process states in OASIS Phase 1-A.

Table 4-1
OASIS Phase 1-A State Definitions

QUEUED	The request has been received by OASIS.
INVALID	An invalid request (improper POR, POD, source, sink, increment, combination of duration and increment, etc.). (Final state.)
RECEIVED	The request has been received by Provider/Seller.
STUDY	The request is being evaluated by the Provider/Seller.
ACCEPTED	The Provider has determined that the request is valid, there is sufficient transfer capability, and the price is acceptable.
REFUSED	The request is denied due to lack of availability of transfer capability. (Final state.)
DECLINED	The Provider has determined that the price being proposed by the Customer is unacceptable and that negotiations are terminated. (Final state.)
COUNTEROFFER	The Provider/Seller is proposing a different price than was bid by the Customer.
REBID	The Customer responds to a Provider's ACCEPTED or COUNTEROFFER price with a new bid price.
RETRACTED	The Provider has (prior to Customer confirmation) determined that the Customer's time limit has expired. (Final state.)
SUPERSEDED	A request which has not yet been CONFIRMED is preempted by another reservation request. (Final state.)
WITHDRAWN	The Customer withdraws the request (prior to confirmation). (Final state.)
CONFIRMED	The Customer consummates the reservation which has been ACCEPTED or is in COUNTEROFFER by the Provider. (Final state unless later ANNULLED or DISPLACED.)
ANNULLED	The request is terminated after reaching the CONFIRMED state. This can only be done if both the Customer and Provider agree. The annulment should be confirmed on OASIS by both the Provider/Seller and Customer. (Final state.)
DISPLACED	A CONFIRMED reservation has been terminated because a reservation of higher priority has preempted it. (Final state.)

C. Negotiations — Without Competing Bids

The following practices are defined in order to enhance consistency of the reservation process across OASIS Phase 1-A nodes.

Guide 4.6: A Transmission Provider/Seller shall respond to a Customer's service request, consistent with filed tariffs, within the "Provider Response Time Limit" defined in **Table 4-2 Reservation Timing Requirements**. The time limit is measured from the time the request is QUEUED. A Provider may respond by setting the state of the reservation request to one of the following:

- INVALID
- DECLINED
- REFUSED
- COUNTEROFFER
- ACCEPTED
- STUDY (when the tariff allows), leading to REFUSED, COUNTEROFFER, or ACCEPTED

Guide 4.7: Prior to setting a request to ACCEPTED, COUNTEROFFER, or REFUSED a Provider shall evaluate the appropriate resources and ascertain that the requested transfer capability is (or is not) available.

Guide 4.8: For any request that is REFUSED or INVALID, the Transmission Provider should indicate in the COMMENTS field the reason the request was refused or invalid.

Guide 4.9: The Customer may change a request to WITHDRAWN at any time prior to CONFIRMED.

Guide 4.10: From ACCEPTED or COUNTEROFFER, a Customer may change the status to CONFIRMED, WITHDRAWN, or REBID. The Customer has the amount of time designated as "Customer Confirmation Time Limit" in **Table 4-2 Reservation Timing Requirements** to change the state of the request to CONFIRMED. The Customer time limit is measured from the first time the request is moved to ACCEPTED or COUNTEROFFER, and is not reset with subsequent iterations of negotiation.

Guide 4.11: After expiration of the "Customer Confirmation Time Limit," specified in **Table 4-2 Reservation Timing Requirements**, the Provider has a right to move the request to the RETRACTED state.

Guide 4.12: Should the Customer elect to respond to a Provider's COUNTEROFFER by moving a reservation request to REBID, the Provider shall respond by taking the request to a DECLINED, ACCEPTED, or COUNTEROFFER state within the "Provider Counter Time Limit," specified in **Table 4-2 Reservation Timing Requirements**. The Provider response time is measured from the most recent REBID time.

Guide 4.13: The following timing requirements should apply to all reservation requests:

**Table 4-2
Reservation Timing Guidelines**

Class	Service Increment	Time QUEUED Prior to Start	Provider Evaluation Time Limit ¹	Customer Confirmation Time Limit after ACCEPTED or COUNTEROFFER ₂	Provider Counter Time Limit after REBID ³
Non-Firm	Hourly	<1 hour	Best effort	5 minutes	5 minutes
Non-Firm	Hourly	>1 hour	30 minutes	5 minutes	5 minutes
Non-Firm	Daily	N/A	30 minutes	2 hours	10 minutes
Non-Firm	Weekly	N/A	4 hours	24 hours	4 hours
Non-Firm	Monthly	N/A	2 days	24 hours	4 hours
Firm	Daily	< 24 hours	Best effort	2 hours	30 minutes
Firm	Daily	N/A	30 days ⁴	24 hours	4 hours
Firm	Weekly	N/A	30 days ⁴	48 hours	4 hours
Firm	Monthly	N/A	30 days ⁴	4 days	4 hours
Firm	Yearly	N/A	30 days	15 days	4 hours

Notes for Table 4-2:

1. Consistent with regulations and filed tariffs, measurement starts at the time the request is QUEUED.
2. Measurement starts at the time the request is first moved to either ACCEPTED or COUNTEROFFER. The time limit does not reset on subsequent changes of state.
3. Measurement starts at the time the Transmission Customer changes the state to REBID. The measurement resets each time the request is changed to REBID.
4. Subject to expedited time requirements of Section 17.1 of the *pro forma* tariff. Transmission Providers should make best efforts to respond within 72 hours, or prior to the scheduling deadline, whichever is earlier, to a request for Daily Firm Service received during period 2–30 days ahead of the service start time.

These proposed confirmation time limits supersede the preliminary discussion of time limits that the CPWG offered in the “Industry Report to the Federal Energy Regulatory Commission on the Future of OASIS,” filed with the Commission on November 3, 1997.

D. Negotiations — With Competing Bids for Constrained Resources

Competing bids exist when multiple requests cannot be accommodated due to a lack of available transmission capacity. One general rule is that OASIS requests should be evaluated and granted

priority on a first-come-first-served basis established by OASIS QUEUED time. Thus, the first to request service should get it, all else being equal.

Exceptions to this first-come-first-served basis occur when there are competing requests for limited resources and the requests have different priorities established by FERC regulations and filed tariffs. Prior to the introduction of price negotiations, the attribute values that have served as a basis for determining priority include:

- Type (Network, Point-to-point)
- Class (Firm, Non-Firm)
- Increment (Hourly, Daily, Weekly, Monthly, Yearly)
- Duration (the amount of time between the Start Date and the Stop Date)
- Amount (the MW amount)

Under a negotiation model, price can also be used as an attribute for determining priority. The negotiation process increases the possibility that a Provider will be evaluating multiple requests that cannot all be accommodated due to limited resources. In this scenario, it is possible that an unconfirmed request with an earlier QUEUED time could be preempted (SUPERSEDED). For this to occur, the subsequent request would be of higher priority or of greater price.

Guide 4.14: Consistent with regulations and filed tariffs, the following are recommended relative priorities of Service Request Tiers¹. Specific exceptions may exist in accordance with filed tariffs. The priorities refer only to negotiation of service and do not refer to curtailment priority.

- 4.4.1. Service Request Tier 1: Native load, Network, or Long-term Firm
- 4.4.2. Service Request Tier 2: Short-term Firm
- 4.4.3. Service Request Tier 3: Network on Non-designated Resources
- 4.4.4. Service Request Tier 4: Non-firm
- 4.4.5. Service Request Tier 5: Service over secondary receipt and delivery points

Guide 4.15: Consistent with regulations and filed tariffs, reservation requests should be handled in a first-come-first-served order based on QUEUE_TIME.

Guide 4.16: Consistent with regulations and filed tariffs, Table 4-3 describes the relative priorities of competing service requests and rules for offering right-of-first-refusal. While the table indicates the relative priorities of two competing requests, it is intended to also be applied in the more general case of more than two competing requests.

¹ Note: The term Tier is introduced to avoid confusion with existing terms such as TS_CLASS.

Table 4-3
Priorities for Competing Reservation Requests

Request 1	Is Preempted by Request 2	Right of First Refusal
Tier 1: Long-term Firm, Native Load, and Network Firm	N/A — Not preempted by a subsequent request.	N/A
Tier 2: Short-term Firm	Tier 1: Long-term Firm, Native Load, and Network Firm), while Request 1 is conditional. Once Request 1 is unconditional, it may not be preempted.	No
Tier 2: Short-term Firm	Tier 2: Short-term Firm of longer term (duration), while Request 1 is conditional. Once Request 1 is unconditional, it may not be preempted.	Yes, while Request 1 is conditional. Once Request 1 is unconditional, it may not be preempted and right of first refusal is not applicable.
Tier 3: Network Service From Non-Designated Resources	Tiers 1 and 2: All Firm (including Network).	No
Tier 4: All Non-Firm PTP	Tiers 1 and 2: All Firm (including Network).	No
Tier 4: All Non-Firm PTP	Tier 3: Network Service from Non-Designated Resources.	No
Tier 4: All Non-Firm PTP	Tier 4: Non-firm PTP of a longer term (duration) ² . Except in the last hour prior to start (see Standard 4.23).	Yes
Tier 4: All Non-Firm PTP	Tier 4: Non-firm PTP of equal term (duration) ² and higher price, when Request 1 is still unconfirmed and Request 2 is received pre-confirmed. A confirmed non-firm PTP may not be preempted for another non-firm request of equal duration. (See Standards 4.22 and 4.25.)	No
Tier 5: PTP Service over secondary receipt and delivery points.	Tier 5 can be preempted by Tiers 1 through 4.	No

Guide 4.17: For a reservation request that is preempted, the Transmission Provider should indicate the Assignment Reference Number of the reservation that preempted the reservation request.

² Longer duration, in addition to being higher SERVICE_INCREMENT (i.e., WEEKLY has priority over DAILY), also may mean more multiples of the same SERVICE_INCREMENT (i.e., 3 Days may have priority over 2 Days).

Guide 4.18: Given competing requests for a limited resource and a right-of-first-refusal is not required to be offered, the Provider may immediately move requests in the CONFIRMED state to DISPLACED, or from an ACCEPTED or COUNTEROFFER state to SUPERSEDED, if the competing request is of higher priority, based on the rules represented in Table 4-3. These state changes require dynamic notification to the Customer if the Customer has requested dynamic notification on OASIS.

Guide 4.19: In those cases where right-of-first-refusal is required to be offered, the Provider shall notify the Customer, through the use of a COUNTEROFFER, of the opportunity to match the subsequent offer.

Guide 4.20: A Customer who has been extended a right-of-first-refusal should have a confirmation time limit equal to the lesser of a) the Customer Confirmation Time Limit in Table 4-2 or b) 24 hours.

Standard 4.21: A Transmission Provider shall apply all rights-of-first-refusal in a non-discriminatory and open manner for all Customers.

Standard 4.22: Once a non-firm PTP request has been confirmed, it shall not be displaced by a subsequent non-firm PTP request of equal duration and higher price.

Standard 4.23: A confirmed, non-firm PTP reservation for the next hour shall not be displaced within one hour of the start of the reservation by a subsequent non-firm PTP reservation request of longer duration.

Guide 4.24: A Transmission Provider should honor any reservation request submitted for an unconstrained Path if the Customer's bid price is equal to or greater than the Provider's posted offer price at the time the request was queued, even if later requests are submitted at a higher price. This guide applies even when the first request is still unconfirmed, unless the Customer Confirmation Time Limit has expired for the first request.

Guide 4.25: Once an offer to provide non-firm PTP transmission service at a given price is extended to a Customer by the Provider, and while this first request is still unconfirmed but within the Customer Confirmation Time Limit, the Provider should not preempt or otherwise alter the status of that first request on receipt of a subsequent request of the same Tier and equal duration at a higher price, unless the subsequent request is submitted as pre-confirmed.

Guide 4.26: If during a negotiation of service (i.e., prior to Customer confirmation) a subsequent pre-confirmed request for service over the same limited resource of equal duration but higher price is received, the Provider may COUNTEROFFER the price of service on the prior COUNTEROFFER or ACCEPTED price to match the competing offer, in order to give the first Customer an opportunity to match the offer. This practice must be implemented in a non-discriminatory manner.

Guide 4.27: Curtailment of non-firm PTP should not consider price.

Section 5 — Procurement of Other Services

A. Introduction

Phase 1-A OASIS data templates allow the coupling of ancillary service arrangements with the purchase of transmission service for the purpose of simplifying the overall process for Customers. Transmission Providers must indicate (consistent with filed tariffs), which services are MANDATORY (must be taken from the Primary Provider), REQUIRED (must be provided for but may be procured from alternative sources), or OPTIONAL (not required as a condition of transmission service).

The Transmission Customer should make known to the Transmission Provider at the time of the reservation request certain options related to arrangement of ancillary services. The Transmission Customer may indicate:

- I will take all the MANDATORY and REQUIRED ancillary services from the Primary Provider
- I will take REQUIRED ancillary services from Third Party Seller “X”
- I would like to purchase OPTIONAL services
- I will self provide ancillary services
- I will arrange for ancillary services in the future (prior to scheduling)

While these interactions are available in the Phase 1-A S&CP, there is a need to clarify the associated business practices. The standards in Section 5 apply to services defined in filed tariffs.

B. Transmission Provider Requirements

Standard 5.1: The Transmission Provider shall designate which ancillary services are MANDATORY, REQUIRED, or OPTIONAL for each offered transmission service to the extent these requirements can be determined in advance of the submittal of a reservation request on a specific Path by a Transmission Customer.

Guide 5.2: A Transmission Provider may modify a Transmission Customer’s service request to indicate the Transmission Provider as the SELLER of any ancillary service, which is MANDATORY, to be taken from the Transmission Provider.

Standard 5.3: For REQUIRED and OPTIONAL services, the Transmission Provider shall not select a SELLER of ancillary service without the Transmission Customer first selecting that SELLER.

Guide 5.4: A Transmission Provider may accept a Transmission Customer’s request for an ancillary service, which is not MANDATORY or REQUIRED, but shall indicate to the Transmission Customer at the time of acceptance under PROVIDER COMMENTS that the service is not MANDATORY or REQUIRED.

C. Transmission Customer Requirements

Guide 5.5: The Transmission Customer should indicate with the submittal of a transmission reservation request, the preferred options for provision of ancillary services, such as the desire to use an alternative resource.

Guide 5.6: A Transmission Customer may, but is not required to, indicate a third party SELLER of ancillary services, if these services are arranged by the Transmission Customer off the OASIS and if such arrangements are permitted by the Transmission Provider's tariff.

Appendix A — Proposed Revisions to *Pro Forma* Tariff

Several changes to the *pro forma* tariff are recommended based on the business practices proposed in Section 4 of this report. The modifications are necessary to achieve the following:

1. Prevent the displacement of a confirmed non-firm request by a subsequent longer-term request, if the second request is made within an hour of the start, for the next hour.
2. Prevent displacement of a confirmed non-firm request by a subsequent request of the same duration, but at a higher price.
3. Change the response time to implement the right-of-first-refusal for hourly non-firm in response to a longer-term request from “immediately” to five minutes.
4. Eliminate interruption of non-firm transmission service in favor of non-firm transmission service of the same duration, but at a higher price.
5. Require Transmission Providers to use best efforts to respond promptly to applications for Daily Firm made within 24 hours of start of the transaction.

Recommended Tariff Revisions

- 14.2 Reservation Priority:** Non-Firm Point-To-Point Transmission Service shall be available from transmission capability in excess of that needed for reliable service to Native Load Customers, Network Customers and other Transmission Customers taking Long-Term and Short-Term Firm Point-To-Point Transmission Service. A higher priority will be assigned to reservations with a longer duration of service, **except that once an Eligible Customer confirms a reservation, a subsequent request of longer duration made within an hour of the scheduled start of the confirmed reservation will not be allowed to displace the confirmed reservation for that next hour.** In the event the Transmission System is constrained, competing requests of equal duration will be prioritized based on the highest price offered by the Eligible Customer for the Transmission Service, **except that once an Eligible Customer confirms a reservation at a given price, a subsequent request of equal duration but at a higher price will not be allowed to displace the confirmed reservation.** Eligible Customers that have already reserved shorter-term service have the right of first refusal to match any longer-term

reservation before being preempted. A longer-term competing request for Non-Firm Point-To-Point Transmission Service will be granted if the Eligible Customer with the right of first refusal does not agree to match the competing request: (a) immediately **within five minutes** for hourly Non-Firm Point-To-Point Transmission Service after notification by the Transmission Provider; and, (b) within 24 hours (or earlier if necessary to comply with the scheduling deadlines provided in section 14.6) for Non-Firm Point-To-Point Transmission Service other than hourly transactions after notification by the Transmission Provider. Transmission service for Network Customers from resources other than designated Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service. Non-Firm Point-To-Point Transmission Service over secondary Point(s) of Receipt and Point(s) of Delivery will have the lowest reservation priority under the Tariff.

14.7 Curtailment or Interruption of Service: The Transmission Provider reserves the right to Curtail, in whole or in part, Non-Firm Point-To-Point Transmission Service provided under the Tariff for reliability reasons when, an emergency or other unforeseen condition threatens to impair or degrade the reliability of its Transmission System. The Transmission Provider reserves the right to Interrupt, in whole or in part, Non-Firm Point-To-Point Transmission Service provided under the Tariff for economic reasons in order to accommodate (1) a request for Firm Transmission Service, (2) a request for Non-Firm Point-To-Point Transmission Service of greater duration, **or** (3) ~~a request for Non-Firm Point-To-Point Transmission Service of equal duration with a higher price, or~~ (4) ~~transmission service for Network Customers from non-designated resources.~~ The Transmission Provider also will discontinue or reduce service to the Transmission Customer to the extent that deliveries for transmission are discontinued or reduced at the Point(s) of Receipt. Where required, Curtailments or Interruptions will be made on a

non-discriminatory basis to the transaction(s) that effectively relieve the constraint, however, Non-Firm Point-To-Point Transmission Service shall be subordinate to Firm Transmission Service. If multiple transactions require Curtailment or Interruption, to the extent practicable and consistent with Good Utility Practice, Curtailments or Interruptions will be made to transactions of the shortest-term (e.g., hourly non-firm transactions will be Curtailed or Interrupted before daily non-firm transactions and daily non-firm transactions will be Curtailed or Interrupted before weekly non-firm transactions). Transmission service for Network Customers from resources other than designated Network Resources will have a higher priority than any Non-Firm Point-To-Point Transmission Service under the Tariff. Non-Firm Point-To-Point Transmission Service over secondary Point(s) of Receipt and Point(s) of Delivery will have a lower priority than any Non-Firm Point-To-Point Transmission Service under the Tariff. The Transmission Provider will provide advance notice of Curtailment or Interruption where such notice can be provided consistent with Good Utility Practice.

- 17.5 Response to a Completed Application:** Following receipt of a Completed Application for Firm Point-To-Point Transmission Service, the Transmission Provider shall make a determination of available transmission capability as required in Section 15.2. ~~The~~ **Except for a Completed Application for Daily Firm service received less than 24 hours prior to the commencement of the transmission service, the** Transmission Provider shall notify the Eligible Customer as soon as practicable, but not later than thirty (30) days after the date of receipt of a Completed Application either (i) if it will be able to provide service without performing a System Impact Study or (ii) if such a study is needed to evaluate the impact of the Application pursuant to Section 19.1. **For a Completed Application for Daily Firm service received less than 24 hours prior to the commencement of the transmission service, the Transmission Provider shall use its best**

efforts to respond promptly to notify the Eligible Customer if it will be able to provide the service. Responses by the Transmission Provider must be made as soon as practicable to all completed applications (including applications by its own merchant function) and the timing of such responses must be made on a non-discriminatory basis.

Justification for Proposed Changes

Under the present terms of section 14.2, “competing requests of equal duration will be prioritized based on the highest price offered.” Unlike the right of first refusal explicitly granted to match longer-term reservations, the tariff does not explicitly provide for a right of first refusal to match a higher price. This places the Customer in the position of having a deal preempted, even up until the last minute, and leaves no reasonable way for the Customer to cover its position. It also puts the Transmission Provider in the position of having to curtail a Customer to whom that Provider, in good faith, agreed to sell non-firm transmission service at a discount. This proposed change would give the Provider and Customer some certainty. With the advent of on-line price negotiations required by Orders 888-A and 889-A, competing Transmission Customers have the ability to “bid” against each other for transmission service. But after the bidding is ended, and thus the ability to outbid a competitor has ended, the parties should be bound to the price. This provides certainty to both buyer and sell.

An analogy (albeit without bidding) is reserving a hotel room. The price at the time you call may be low. Once the Customer has reserved the room, and obligated itself to pay, another later requesting Customer does not get the right to the room just by offering a higher price.

In the case of transmission, the Transmission Provider agreed to a discount. It was not required to do so but determined that it needed to discount to increase throughput. See Order 888-B, mimeo at 11. If the Transmission Provider miscalculated on price, a later requesting party can pay more in the secondary market, but should not be able to take the service away from a confirmed Customer.

The *pro forma* tariff does not distinguish between requests for non-firm point-to-point service made within an hour of the start of the transaction and requests made more than an hour prior to the start of the schedule. Taken literally, the terms and conditions of the *pro forma* tariff allow a later Customer that requests a longer duration non-firm point-to-point transaction to displace an earlier transaction of shorter duration, subject to the right of first refusal. As a practical matter, there is generally insufficient time to evaluate these longer-term transactions, notify the longer-term transactions, communicate whether the first Customer will match the longer-term transaction and schedule the transaction.

Section 17.5 adds a requirement that Transmission Providers use best efforts to respond as promptly as possible to completed applications for daily firm transmission service submitted within 24 hours of the start of service. The CPWG recommends this change as recognition of commercial realities — that many times Transmission Customers are not in a position to request Daily Firm transmission until the day prior to start of service and need a prompt response to

decide whether or not to commit to a transaction. The Transmission Providers need sufficient time to evaluate the request to ensure that they are not “overselling” firm transmission service, which would place all other firm commitments in jeopardy. This amendment strikes a balance between these two interests and should benefit all parties.

Section 14.2 changes the time a non-firm hourly Customer must exercise its right of first refusal to match a subsequent non-firm request of longer duration from “immediately” to five minutes. The CPWG believes this change recognizes the commercial and technical realities of electronic communication. This gives the Transmission Customer enough time to make a decision.