

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

North American Electric Reliability Council

Docket No. ER02-933-000

FINAL REPORT ON
MARKET REDISPATCH PROGRAM

The North American Electric Reliability Council (“NERC”) submits this final report on the market redispatch (“MRD”) program NERC developed for the Eastern Interconnection. Because the costs of the MRD program far outweigh its benefits and because the goals of the MRD program can now be achieved by other means, NERC will no longer support the MRD program.

Background

On December 16, 1998, the Commission approved NERC’s transmission loading relief (“TLR”) procedures for the Eastern Interconnection and directed that the TLR procedures be filed with the Commission and made part of the pro forma tariff of each public utility that uses the TLR procedures.¹ In that order the Commission also stated,

we expect public utilities that operate transmission facilities in the Eastern interconnection and that are not already developing regional congestion management programs through their power pools to identify and file interim redispatch solutions with the Commission by March 1, 1999, with particular emphasis on aspects of the solutions which can be implemented by the 1999 summer period.

On May 12, 1999, the Commission accepted NERC’s proposed market redispatch pilot program for the Eastern Interconnection for June 1, 1999 through September 30, 1999,

¹ North American Electric Reliability Council, 85 FERC ¶ 61,353 (1998).

filed to satisfy that expectation.² The Commission approved revisions and extensions of the MRD program on several occasions.³

Reason for Termination

The MRD program was used on only a handful of occasions during the nearly three years that it was available between May 1999 and April 2002. Several aspects of the MRD program made it uneconomic or impractical to use, including requirements for the transmission customer to (a) know in advance which flowgate would be impacted, (b) arrange redispatch generation before-the-fact, and (c) procure an amount of redispatch capability to counter the impact of the entire point-to-point transaction on the protected flowgate, rather than the amount curtailed by TLR.

MRD has pointed out the practical difficulties of trying to marry point-to-point transmission service and reliability-based transmission loading relief with a market-based redispatch regime. As the Commission has surmised, a comprehensive market-based congestion management solution, such as that offered by location-based marginal pricing, is a practical and effective solution and far superior to MRD for dealing with congestion.

Further, NERC upgraded to version 1.7 of its E-Tag software in April 2002. MRD was not included in the upgrade to version 1.7 and has therefore been unavailable for use since April 2002. To NERC's knowledge, during this time not a single request or even

² North American Electric Reliability Council, 87 FERC ¶ 61,160 (1999).

³ North American Electric Reliability Council, 88 FERC ¶ 61,009 (1999); North American Electric Reliability Council, 90 FERC ¶ 61,058 (2000); North American Electric Reliability Council, 91 FERC ¶ 61,219 (2000); North American Electric Reliability Council, 93 FERC ¶ 61,148 (2000); North American Electric Reliability Council, Docket No. ER02-933-000 (letter order, March 6, 2002).

inquiry has been received regarding MRD. To now add even a simplified form of MRD to E-Tag would require a significant expenditure, with the strong likelihood the feature would never be used.

The limited benefits that may be obtained from the MRD program do not justify the further investments it would take to make the program effective. One of the early benefits that did come from the MRD program — increased information regarding system conditions — is now and will continue to be available to market participants through a variety of other means. Examples of information that continue to be available to market participants include: generator shift factors, transmission distribution factors, and flowgate loading conditions.

NERC's Market Committee discussed the circumstances surrounding the MRD program at a meeting on July 15, 2003, and recommends that NERC no longer support the MRD program.

NERC will inform the North American Energy Standards Board of its decision. If interest should again develop in having some form of market redispatch, NAESB may provide a vehicle for pursuing such an effort. The Commission should expect those who design markets to develop effective, market-based congestion management programs, thereby allowing transmission loading relief to fulfill its appropriate and necessary function as a safety-net, last-resort backstop to maintain system reliability.

NORTH AMERICAN ELECTRIC
RELIABILITY COUNCIL

A handwritten signature in black ink that reads "David M. Cook". The signature is written in a cursive style with a large, prominent "D" and "C".

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