

STATE OF CALIFORNIA  
**ELECTRICITY OVERSIGHT BOARD**



Arnold Schwarzenegger, Governor

August 15, 2005

VIA E-MAIL FOR ELECTRONIC FILING

Honorable Maggie R. Salas, Secretary  
Federal Energy Regulatory Commission  
Dockets Room, Room 1A, East  
888 First Street, N.E.  
Washington, D.C. 20426

**RE: Information Requirements for Available Transfer Capability  
RM05-17-000**

Dear Ms. Salas:

The California Electricity Oversight Board hereby e-files its Comments in the above-referenced docket.

Thank you for your attention to this matter.

Sincerely,

*/s/ Jeffrey A. Diamond*

Jeffrey A. Diamond  
Staff Counsel  
California Electricity Oversight Board

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

**Information Requirements for  
Available Transfer Capability**

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) **Docket No. RM05-17-000**  
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**COMMENTS OF THE  
CALIFORNIA ELECTRICITY OVERSIGHT BOARD**

Pursuant to the Commission's Notice of Inquiry (NOI) inviting comments on "Information Requirements for Available Transfer Capability," dated May 27, 2005, the California Electricity Oversight Board ("CEOB" or "Board") hereby files its Comments regarding that NOI.

The CEOB appreciates the opportunity to provide comments in this proceeding, as the CEOB has a statutory duty to ensure the protection of California's citizens and consumers by overseeing the restructured electricity markets in California. This duty includes oversight of the California Independent System Operator (CAISO) as well as the electricity and ancillary services markets administered by the CAISO.

**I. CORRESPONDENCE AND COMMUNICATION**

The principal office of the CEOB is located at 770 L Street, Suite 1250. Sacramento, California, 95814. All service of pleadings, orders, correspondence, and communications regarding this Docket should be made on the following persons:

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## **II. BACKGROUND**

A transparent and standardized process for calculating the Available Transfer Capability (ATC) is an essential element of the Commission's effort to create a non-discriminatory market in transmission services. The Commission notes correctly that the lack of clear, unambiguous definitions and precise methodologies used to calculate the ATC, including its components Transmission Reserve Margin (TRM) and Capacity Benefit Margin (CBM), can lead to undue discrimination in the electricity transmission market. Specifically, the lack of transparency coupled with ambiguous definitions can lead to manipulation of the ATC calculation by a transmission provider so as to favor its native load and/or its affiliates.

The Commission poses a number of questions regarding definitions and methodologies used for calculating ATC, TRM, and CBM. It also poses the broader question of whether there should be common TRM and CBM methodologies among regions. The CEOB's comments address primarily the global policy question of whether the Commission should require common TRM and CBM methodologies among regions.

## **III. COMMENTS**

The CEOB supports transparency in the calculation of ATC. While a transparent calculation of ATC requires clear and specific component definitions, as well as a specific and precise methodology, the Commission should not require definitions and methodologies to be standardized nation-wide.

The CEOB believes that each RTO/ISO should maintain the ability to fine-tune the ATC calculation to address its unique operating environment, so long as the ATC calculation uses clear, unambiguous definitions and precise methodologies. Moreover, the entire process must be transparent to all market participants and interested parties.

Notably, the Commission should approve all definitions and methodologies prior to their use.

As a practical matter, a one-size-fits-all approach is not likely to work given the technical and operational differences between the nation's grid operators. For example, the attributes of the CAISO's grid may not reflect the attributes of the NYISO's grid, *e.g.* the former being a mostly point-to-point transmission system as compared with the latter, as a more radial transmission system. So long as the Commission pre-approves all ATC, TRM, and CBM definitions, methodologies, and operating procedures, the Commission will achieve its overall policy goal. "Standardization" need not mean exact replication.

The CEOB notes that Appendix C to the LTATF<sup>1</sup> Report recommends that the NERC, or its designee, review all methodologies to determine compliance with the Commission's final standard, and that the NERC should audit the ISOs and RTOs who calculate TRM and CBM to verify compliance with approved methodologies. The CEOB contends that the Commission, and not the NERC, should approve all definitions and methodologies, as well as perform all required audits. The Commission may delegate, however, to an independent entity the duty to audit an RTO/ISO's compliance with the Commission's standards and approved methodologies. The NERC, as an industry-wide group, cannot claim to be an independent, non-affiliated entity for the purposes of auditing its members under its LTATF proposal. Membership in the NERC includes, *inter alia*, owners of generation and transmission assets, investor-owned utilities, and regional councils. The CEOB does not question the integrity of the NERC or its members, but believes that the mere appearance of a conflict of interest must disqualify the NERC from taking on any duty to approve or audit the ATC calculations or

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<sup>1</sup> North American Electric Reliability Council (NERC), *Long-Term AFC/ATC Task Force Final Report* (April 14, 2005).

methodologies. Additionally, the CEOB submits that the delegation of the approval of definitions and methodologies to the NERC would not satisfy the requirements of the filed rate doctrine.

The LTATF Report, Appendix C, also recommends that TRM and CBM calculations be made at least annually. The CEOB submits that calculations should be made more frequently, such as quarterly. Calculations that are more frequent will allow for the fine-tuning of the definitions and methodologies to account for changes in the system, changes in market structure, unanticipated affects, or operational exigencies. Again, the Commission should authorize all changes to previously approved definitions and methodologies.

#### IV. CONCLUSION

The Commission's goal of bringing transparency and standardization to the calculation of ATC is laudable and achievable. So long as the Commission approves of all regional ATC component definitions and precise methodologies, it need not insist on a nation-wide replicated standard. Finally, the Commission should perform all audits or delegate such duties to an independent entity, unaffiliated with the NERC.

August 15, 2005

Respectfully submitted,

*/s/ Jeffrey A. Diamond*

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