UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Information Requirements for Available Transfer Capacity	))	**Docket No. RM05-17-000**

COMMENTS OF THE TRANSMISSION AGENCY OF NORTHERN CALIFORNIA

The Transmission Agency of Northern California ("TANC"), by and through counsel, Wallace L. Duncan, James D. Pembroke, Michael Postar and Derek A. Dyson, Duncan, Weinberg, Genzer & Pembroke, P.C., 1615 M Street, NW, Suite 800, Washington, DC 20036, respectfully tenders for filing its Comments in the above-captioned proceeding. TANC respectfully submits its Comments in response to the Federal Energy Regulatory Commission's ("FERC" or "Commission") May 27, 2005 Notice of Inquiry, which invited Comments on the North American Electric Reliability Council's ("NERC"s) Long-Term AFC/ATC Task Force Report, the advisability of revising and standardizing available transfer capacity ("ATC"), and how to devise the most expeditious way to obtain an industry-wide standard for ATC calculations. In support thereof, TANC states as follows:

I. EXECUTIVE SUMMARY

1. TANC appreciates the opportunity to comment on the Commission's Notice of Inquiry regarding ATC. TANC, however, cautions the Commission on the premise that "standardizing the way ATC is calculated will alleviate [ ]obstacles." [1] As the

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[1] *Information Requirements for Available Transfer Capacity*, 111 FERC ¶ 61,274

(continued...)

Commission has recognized, a one-size fits all approach is not appropriate in all markets. In its comments, TANC shows that aspects of the coordination and calculation methodologies for ATC used in the Western Region are appropriate and should not be revised for the sake of creating national uniformity, and that any additional guidelines developed by the Commission should not be mandatory requirements placed upon transmission providers. TANC does support the development of guidelines that create more transparency in the ATC calculation methodologies. TANC also supports the need to more closely examine the necessity of the Capacity Benefit Margin in ATC calculations.

II. STATEMENT OF INTEREST

2. TANC is a joint exercise of powers agency organized and existing under the laws of the State of California and is a "municipality" as defined in Section 3(7) of the FPA, 16 U.S.C. § 796(7) (2000). Among TANC's purposes is the provision of electric transmission facilities and services for the use of its Members.[2] TANC is a Participant in, and the Project Manager of, the California-Oregon Transmission Project ("COTP"), a 500 kV transmission project extending from the California-Oregon border to near Pacific Gas and Electric Company's ("PG&E") Tesla Substation in central California. TANC and its Members have invested approximately $500 million in this transmission

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(2005) ("NOI").

2 TANC's Members are the California cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah; the Sacramento Municipal Utility District; the Modesto Irrigation District; and the Turlock Irrigation District. The Plumas-Sierra Rural Electric Cooperative is an associate member of TANC.

infrastructure. TANC also has an allocation of 300 MW of firm bi-directional service from PG&E pursuant to the Principles for Tesla-Midway Transmission Service reflected in PG&E FERC Rate Schedule No. 143 ("SOTP").

3. TANC's largest transmission asset, the COTP, has not been turned over to the operational control of the California Independent System Operator Corporation ("California ISO") and is not part of the California ISO Controlled Grid.[3] Although TANC did not become a Participating Transmission Owner ("PTO") in the California ISO, the COTP directly connects with the California ISO Controlled Grid facilities and is operated in a coordinated manner, pursuant to Commission tariff,[4] with California ISO Controlled Grid facilities. Presently, the COTP is operated within the California ISO control area.[5] The relationship of the COTP to the facilities subject to the operational control of the California ISO and the California ISO's current responsibilities as control area operator for the COTP bring TANC and its Members in regular and close contact with the transmission operations of the California ISO.

4. TANC also is a party to a long-term, firm, bi-directional transmission arrangement with PG&E known as the SOTP. TANC receives 300 MW of transmission service across California's Path 15 under the SOTP. That service is provided by transmission facilities subject to the operational control of the California ISO. The SOTP

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3 Operational control over a limited portion of the COTP has been turned over to the California ISO by PG&E. *See Pacific Gas & Electric Company, et al.*, 81 FERC ¶ 61,122 (1997)

4 *See* Substituted PG&E Rate Schedule FERC No. 229, Original, Owners Coordinated Operation Agreement ("OCOA").

5 The owners of the COTP and Sacramento Municipal Utility District ("SMUD") agreed to move the COTP to the SMUD control area. *See* OCOA § 2.10.

is an existing transmission contract, and, as such, has been addressed directly and indirectly in numerous filings by the California ISO and Participating Transmission Owners in California, and by the Commission.

5. TANC's comments reflect its experience and familiarity with respect to the development and ownership of high voltage transmission facilities, as well as a purchaser of transmission service.

III. CONTACTS

6. The persons to whom correspondence, pleadings, and other papers in relation to this proceeding should be addressed and the persons whose names are to be placed on the Commission's official service list are designated as follows pursuant to Rule 203, 18 C.F.R. § 385.203 (2005):

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IV. BACKGROUND

7. On May 27, 2005, the Commission issued a Notice of Inquiry inviting public comments on (a) the North American Electric Reliability Council's ("NERC") recent

Long-Term Available Flowgate Capability/Available Transmission Capability Task Force ("LTATF") Report; (b) the advisability of revising and standardizing available transfer capability calculations; and (c) the most expeditious way to obtain an industry wide-standard for available transfer capability calculations.[6] The Commission indicated that its Information Assessment Team was seeking to propose "(a) new information the Commission needs to promote greater market transparency in electricity markets; and 9b) ways to reduce the reporting burden on industry through the elimination, reduction, streamlining or reformatting of current information collections." NOI at P1.

8. TANC timely files these comments in response to the Commission's Notice of Inquiry.

V. COMMENTS

9. TANC has reviewed NERC's LTATF Report and provides these comments to address the shortcomings inherent in the Available Flowgate Capability ("AFC") and ATC coordination and calculation methodologies present in the Western Region. TANC's comments will contribute to the Commission's Information Assessment Team purpose by providing support for (a) ways to reduce the reporting burden on industry through the elimination, reduction, streamlining or reformatting of current information collections and (b) obtaining new information to promote greater market transparency in electricity markets.

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6 *See* NOI at P 1.

A. Standardizing, Eliminating, Reducing, Streamlining or Reformatting Information Collections For ATC/AFC Calculations

1. Flowgate Terminology And Application In ATC Calculations To Transmission Providers Should only be Required In Regions Where Such Measures Are Proven Effective.

10. The LTATF Report recommends a standardized ATC calculation methodology, which includes a flowgate measurement element. In this instance a "one size fits all" approach is unwarranted and could have adverse repercussions. TANC does not support the imposition of flowgate terminology and application in ATC calculations in the Western region. In the Western Electricity Coordinating Council ("WECC") region, Total Transfer Capability ("TTC") and ATC are developed by coordinated study efforts participated in by representatives from all affected transmission providers, utilities, and market participants. These Operating Studies have long identified inter-regional power transfer relationships, models, and study criteria.

11. The WECC technical studies work groups coordinate the identification of inter-regional transfer cut-planes and related limiting contingencies. These groups are also responsible for developing modeling assumptions and establishing study criteria, parameters and definitions.

12. The flowgate ATC model, as defined in the LTATF report, does not adequately represent the nature of many of the transmission constraints in the WECC. In fact, many of the most constrained transmission paths in WECC are limited by factors not adequately modeled in the flowgate definition. The definition does not capture (i) the degree to which constraints are interrelated, and (ii) flows constrained by multi-dimensional criteria.

13. TANC does not support development of guidelines that necessarily

increase the frequency of regional TTC studies. In the WECC, these studies are performed annually, yielding seasonal operational ATCs. To refine these seasonal limits for daily operational situations, interregional outage coordination and evaluation of operating procedures and nomograms are performed close to real time by the appropriate Transmission Provider. It is not clear that increasing the frequency and/or scenario set in the planning arena would necessarily increase the efficiency of transmission utilization. However, such increased frequency would involve a significant increase in resources to perform additional studies and for the recommended ATC results to be digested and approved by the inter-regional committee membership.

2. TANC Supports Having Proposed Terms, Definitions, And Calculation Methodologies Be Recommendations And Guidelines, Not Mandates, For Transmission Providers.

14. While TANC supports the motives and goals of the LTATF Report and those of the Commission Information Assessment Team, to develop policies and definitions that enhance both (i) reliability and (ii) efficient use of the transmission system, it believes that the recommendations developed from the NOI should be guidelines rather than mandates for all Transmission Providers.

15. Where ATC definitions and calculations are not well coordinated, such guidelines may provide useful guidance to develop regional policies that may increase reliability and transmission system efficiency. However, considering that the Eastern and Western interconnects have evolved differently with respect to coordinated ATC policies and procedures, modification of these are best resolved at the regional level.

B. New Information The Commission Needs To Promote Greater Market Transparency In Electricity Markets

1. TANC Supports The Development Of Guidelines To Establish More Transparency In The Criteria And Procedures Used To Calculate ATC, Including Clear Guidelines For The TRM and TTC Calculation Criterion.

16. TANC supports development of guidelines to establish more consistency between criteria used to develop ATC and application of Cost Benefit Margin ("CBM") and Transmission Revenue Margin ("TRM"), and to establish clear guidelines for the transparency of CBM/TRM calculation criteria. As the criteria used to determine these real-time operational ATC margins becomes consistent with the criteria used for forward ATC calculations, the usage and magnitude of the capacity margins may be diminished.

17. Movement in the direction of increasing market transparency will lead to maximum utilization and valuation of the transmission facilities. The criteria under which TRM and CBM are applied must be specific, coordinated and reviewed by all affected market participants and Transmission Providers. Such criteria must be compatible with assumptions and criteria used in the inter-regionally coordinated study efforts to establish forward ATC numbers.

18. Usage of TRM and CBM must be closely monitored to ensure open access to the transmission system. OASIS reporting must clearly indicate the specific criteria for which the margin was applied, enabling market participants to incorporate meaningful data into their operational and planning processes. Increasing market transparency will lead to more efficient use of the transmission system, and thus lowering the costs to consumers.

2. TANC Supports The LTATF Report Conclusion That Discussions Should Continue On The Value And Necessity Of Capacity Benefit Margin in ATC Calculations.

19. TANC agrees with the LTATF Report conclusion that discussion should continue on the value and necessity of CBM in ATC calculations. The LTATF report identified four areas of potential improvement for the implementation of CBM and TRM: (a) Independent review; (b) Consistency (of calculation method with planning ATC calculation criteria); (c) Additional Specificity; and (d) Seams Issues. In some cases, the application of CBM and TRM may be redundant. The goal should be to adequately define criteria used to calculate and apply TRM to maintain system reliability, which should eliminate the need for CBM.

20. To the extent that CBM continues to be used, TANC supports the LTATF Report recommendation to establish clear guidelines for the transparency of CBM calculation criteria, and reporting of its usage on inter-regional transmission paths.

VI. CONCLUSION

TANC appreciates the opportunity to provide comments on the Notice of Inquiry for Information Requirements for Available Transfer Capability and urges the Commission to consider TANC's views in formulating Commission policy for (a) new information the Commission needs to promote greater market transparency in electricity markets; and (b) ways to reduce the reporting burden on industry through the elimination, reduction, streamlining or reformatting of current information collections.

Respectfully submitted,

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Dated: August 15, 2005

Special Counsel to the Transmission Agency of Northern California

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing upon each of the parties shown on the official service list compiled by the Secretary of the Commission by depositing copies thereof in the first class mail, postage prepaid and/or by electronic mail.

Dated at Washington, D.C. this 15th day of August, 2005.

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