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August 15, 2005

**BY INTERNET FILING**

Ms. Magalie Roman Salas, Secretary  
Federal Energy Regulatory Commission  
Office of the Secretary  
888 First Street, N.E.  
Washington, D.C. 20426

Re: Comments of Southern Company Services, Inc.  
FERC Docket No. RM05-17-000

Dear Ms. Salas:

On behalf of Southern Company Services, Inc., we are attaching for Internet filing the Comments of Southern Company Services, Inc. in the above-referenced proceeding. Should you have any questions or should irregularities arise with regard to this Internet submission, please contact me so that I may supply any necessary additional information or correct any problems.

Thank you for your consideration and assistance in this matter.

Sincerely,

/s/ William A. Graham, Jr.  
William A. Graham, Jr.

Enclosure

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**Information Requirements for Available Transfer Capability**

**Docket No. RM05-17-000**

**COMMENTS OF  
SOUTHERN COMPANY SERVICES, INC.**

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**Dated: August 15, 2005**

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

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

**COMMENTS OF  
SOUTHERN COMPANY SERVICES, INC.**

On behalf of Southern Company Services, Inc., acting as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, Savannah Electric and Power Company, and Southern Power Company (collectively referred to as “Southern Companies”), we are submitting these Comments in response to the Commission’s Notice of Inquiry dated May 27, 2005 in the above-named docket (“NOI”).<sup>1</sup>

Southern Companies support the efforts of the Long-Term AFC/ATC Task Force (“LTATF”) in developing the LTATF Final Report (“Report”) addressing the calculation and coordination of Available Flowgate Capacity (“AFC”) and Available Transfer Capacity (“ATC”) by neighboring Transmission Providers. Moreover, Southern Companies strongly support LTATF’s recommendation to address these issues by amending North American Electric Reliability Council (“NERC”) Reliability Standards and North American Energy Standards Board (“NAESB”) Business Practice Standards through industry review of the LTATF’s proposed NERC Standards Authorization Requests (“SARs”) and NAESB Standards Request. Like the LTATF, Southern Companies believe that the best way to improve existing practices is not for the Commission to mandate an industry-wide standard for calculating AFC/ATC.

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<sup>1</sup> Information Requirements for Available Transfer Capacity, 111 FERC ¶ 61,274 (2005).

Instead, NERC and NAESB should be allowed to proceed with their expedited development of business practices and reliability standards that will require Transmission Service Providers (“TSPs”) to provide more transparency in ATC/AFC calculations and further coordination with neighboring systems.

Furthermore, because the Report was only a white paper and was not intended to be the basis for developing an industry-wide standard for calculating AFC/ATC, and because LTATF specifically noted that ATC, Total Transfer Capability (“TTC”), Transmission Reserve Margin (“TRM”) and Capacity Benefit Margin (“CBM”) calculations will necessarily differ depending upon the type of market system and the electrical topology of a region, the Commission should not mandate an unworkable industry-wide standard for calculating AFC/ATC.

#### **I. Background and Overview**

The LTATF investigation was initiated to develop a report and to make specific recommendations for the calculation and coordination of AFC/ATC, with the stated goal of increasing market liquidity and enhancing reliability. Report, p. 1. The task force’s Report, on which the NOI is based, focused on three groups of issues: (1) Communication and coordination of AFC/ATC — i.e., respecting 3rd party constraints; (2) Calculation process for AFC/ATC; and (3) Consistency between planning criteria and the attributes of the AFC/ATC calculations (over both planning and operating horizons). Id.

LTATF released its Report on April 14, 2005. Based on its finding that lack of transparency and coordination between neighboring TSPs regarding AFC/ATC can create systemic problems along interfaces, the Report made several recommendations:

- 1) NERC should establish minimum data requirements and definitions for the components of AFC/ATC;
- 2) NERC should require TSPs to publish and explain their methodology for AFC/ATC calculation;

- 3) The industry should consider whether CBM calculations are useful;
- 4) NERC/NAESB should require CBM/TRM calculation transparency;<sup>2</sup>
- 5) NERC should establish standards on AFC/ATC coordination between TSPs that require TSPs to recognize and respect the impacts of external flowgates/paths in AFC/ATC calculations;
- 6) NERC should establish standards to increase the frequency of AFC/ATC calculations;
- 7) NERC should establish a standard to ensure that the same factors are included in calculation of AFC/ATC and evaluation of a service requests;
- 8) NAESB should develop a business practice standard relating to evaluating requests to schedule against approved service reservations (and review the definitions of “source” and “sink” in the process); and
- 10) NAESB should develop a business practice standard relating to processing and evaluating service requests using TTC/ATC/AFC and CBM/TRM.

See Report, pp. 4-5. In order to implement these recommendations, the Report attached two SARs and a NAESB Standards Request, which were submitted to NERC and NAESB. NERC’s Standards Authorization Committee (“SAC”) first reviewed LTATF’s SARs at a May 24-25, 2005 meeting in Philadelphia. Upon initial review, the SAC remanded the SAR to LTATF for further clarification.

On May 27, 2005, three days after the SAC commenced review of the SARs, the Commission issued the NOI. The NOI requested comments from the industry on: “(a) the definitions of AFC, ATC, CBM and TRM used in this [NOI]; (b) the advisability of revising and standardizing AFC, ATC, TRM and CBM values; (c) the advisability of developing interconnection-wide standards for the Eastern Interconnection and the WECC; (d) the contents of the LTATF Report; and (e) the most expeditious way to obtain industry-wide standards for ATC calculations.” NOI, P 28.

Southern Companies support the Report as it was written and intended by LTATF. The Report is merely a white paper and was not intended to support the standardization of AFC/ATC calculations; in fact, the Report notes that increased transparency and coordination are

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<sup>2</sup> Notably, LTATF’s Report emphasized that NERC/NAESB should not prescribe a methodology for calculation of CBM because it would prevent flexibility. Report, p. 4.

significantly more useful as remedies than standardization. See Report, p. 1. Further, the Report notes that ATC, TTC, TRM and CBM are often calculated differently by neighboring utilities because the calculations are dependant upon both the type of market system used and the electrical topology of the utility – in other words, true standardization cannot be accomplished due to the unique situation of each transmission system. See id. at p. 3.

Like LTATF, Southern Companies disagree with standardizing AFC/ATC calculation as the NOI proposes. Therefore, instead of mandating a standardized AFC/ATC calculation methodology, NERC Reliability Standards and NAESB Business Practices should be developed (as proposed by LTATF) that require TSPs to: (1) publish their AFC/ATC calculation methodologies to achieve greater transparency; and (2) to coordinate with each other so as to accurately account for conditions on neighboring systems.

## **II. Transmission Service Providers Have Strong Incentives to Accurately State AFC/ATC**

As an initial matter, Southern Companies do not agree with the assertions in the NOI that standardized AFC/ATC calculation methodologies are needed because TSPs have incentives to – and do – discriminate against competitors by manipulating their current AFC/ATC calculations methodologies. See NOI, PP 10-11. On the contrary, TSPs have strong incentives to accurately state AFC/ATC. First, understating AFC/ATC may reduce transmission service revenues if a transmission provider routinely sells all available AFC/ATC. Therefore, TSPs have a very real economic incentive to post as much AFC/ATC as reliably possible. Cf. NOI, P 10 (asserting that discrimination only arises through intentionally understating AFC/ATC). Second, TSPs must post all AFC/ATC on OASIS. Affiliates of TSPs may only access transmission capacity for power purchases and sales via OASIS in the same manner as other transmission customers. Therefore, because TSPs must import and export power at various times depending on

unpredictable system conditions, and because TSPs have State regulatory obligations to provide least-cost power to their retail customers (*i.e.*, possibly from external sources), there are strong incentives for TSPs to accurately state AFC/ATC.

Third, the NOI's assertion that TSPs intentionally and maliciously manipulate their AFC/ATC calculation methodologies to discriminate does not rest upon record evidence. The only example cited by the NOI to demonstrate discrimination using AFC/ATC calculations was not a situation involving manipulation of a TSP's AFC/ATC calculation methodology. *See* NOI, P 10; *see also* Aquila Power Corp. v. Entergy Services, Inc., 90 FERC ¶ 61,260 (1998) ("Aquila"). Instead, in that case, the TSP reserved (for reliability purposes and for future native load use) virtually all of the available capacity over several interfaces without designating network resources. *See* Aquila, 90 FERC ¶ 61,260. The Commission found that this conduct was a violation of the utility's OATT, not a covert manipulation of ATC calculations. *Id.* Therefore, the NOI's use of this example as a reason for creating an industry-wide standard for calculating AFC/ATC is inappropriate.

### **III. Southern Companies Support Improving the Transparency of AFC/ATC Calculations Through Publicizing AFC/ATC Calculation Methodologies and Coordination Between Adjacent TSPs**

Southern Companies agree with LTATF that AFC/ATC calculation methodologies should be publicized and that there should be better coordination between neighboring TSPs. *See* NOI at pp. 2, 4; *see also* Report, Appendix A. The resulting information exchange and cooperative coordination would help each AFC/ATC calculating entity ("Calculator") to reasonably represent external entities' system conditions in AFC/ATC calculations and would facilitate each Calculators' ability to honor flowgates in third party systems. *See* Report at Appendix A, p. 1. Southern Companies agree that all TSPs should meet the minimum modeling

requirements set forth in Section 2.2.2 of Appendix A to the Report. See id. at Appendix A, p. 3. Southern Companies also agree with the Report's overarching recommendation that TSPs should provide transparency and coordination in determining AFC/ATC. In addition, Southern Companies agree with LTATF's conclusion to develop NERC and NAESB standards promoting common principles when calculating AFC/ATC, rather than a common methodology.

#### **IV. The Commission Should Not Standardize AFC/ATC Calculations**

Standardizing AFC/ATC calculations on an interconnection-wide or industry-wide basis is an inappropriate answer to both the problem of inconsistent AFC/ATC postings by neighboring utilities at their interfaces and to the perceived problem of discrimination in calculating AFC/ATC. First, although the NOI relies upon the Report, the Report does not support the NOI's proposal for standardization. Second, achieving an industry-wide standard method for calculation would be ill-advised due to inherent differences between utilities (and, even if it were possible, such a standard would not ensure equivalent AFC/ATC values among Calculators).

The NOI incorrectly indicates that the Report supports standardizing AFC/ATC calculations. The Report did not recommend the types of standardization proposed by the NOI, nor was it intended to support such standardization. See id., pp. 4-5 (summary of recommendations). Instead, the Report recommended that the industry pursue coordinated objectives with common principles, not a standardized method. See id. Nevertheless, the NOI indicates that standardization of AFC/ATC calculation is a goal worthy of pursuit and implies that LTATF concurs with a one-size-fits-all approach. See NOI, P 29 (urging LTATF to continue its work with NAESB toward industry-standard AFC/ATC calculations). However, as noted above, none of the Report's recommendations mentioned standardizing any specific



calculation for AFC/ATC. In fact, LTATF specifically emphasized that the calculations for CBM and TRM (*i.e.*, integral parts of AFC/ATC calculation) should *not* be standardized. See Report, p. 4 (“The task force recommends that NERC and complementary NAESB standards should require transparency, *but not be a prescriptive methodology*, for the calculation and use of CBM/TRM”) (emphasis in original). This statement by LTATF directly contradicts the thrust of the NOI regarding CBM and TRM. See NOI, P 27 (“NERC also has long encouraged regions to promote a common methodology for determining TRM and CBM”).<sup>3</sup> Southern Companies support the recommendations of LTATF.

In addition, it is impossible to develop a standard, industry-wide AFC/ATC calculation that would adequately address the inherent differences between utilities. As noted in the Report, AFC/ATC calculations vary by utility due to regional differences such as the electrical topology of the transmission network and the type of market system in place. See Report, p. 3. Moreover, the perception that a standardized AFC/ATC methodology would result in equivalent AFC/ATC values among individual Calculators is incorrect. AFC/ATC calculations are impacted by many parameters, and those parameters’ values can and should vary among Calculators. As one example, some host providers might have a partial path reservation on their system, and so would include that reservation in the AFC/ATC calculation. However, at the same point in time, adjacent TSPs may not reflect their part of the path because the customer has not yet reserved capacity on their system. This discrepancy would result in differing values at the interface between those TSPs – and a standardized AFC/ATC methodology would not alleviate such a situation. Further, there are many other instances where Calculators must use different values for

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<sup>3</sup> Further, the Report was merely a white paper intended for further vetting by the industry prior to any meaningful action being taken upon it. Despite the NOI’s implication, the Report certainly cannot be considered to “build[] upon NERC’s ‘Version 0’ reliability standards” such that conforming to the Report’s recommendations would be considered “Good Utility Practice.” See NOI, P 13. Therefore, the NOI’s reliance on the Report as support for its position on standardized AFC/ATC calculation is misplaced.

the same parameter in order to account for differing market flows and regional variances. Therefore, a standardization requirement is inappropriate, as it would be unable to reconcile differences between the ways different system operate. Instead, transparency and coordination between adjacent TSPs, as proposed in the Report, would resolve such issues appropriately. See Report, p. 1.

#### IV. Definitions of ATC, CBM and TRM

Southern Companies disagree with the definitions contained in the NOI, as they do not accurately reflect the industry's current definitions and are in some places technically incomplete and/or incorrect. For instance, the NOI's definition of "transfer capability" is technically incorrect and incomplete,<sup>4</sup> therefore rendering the NOI's definitions of ATC, CBM and TRM (which all rely on the NOI's definition of transfer capability) incorrect and incomplete. Instead, Southern Companies recommend using the current NERC definitions (which are industry-approved) for ATC, TRM and CBM:<sup>5</sup>

(1) ATC – a measure of the transfer capability remaining in the physical transmission network for further commercial activity over and above already committed uses. Mathematically, ATC is defined as the Total Transfer Capability ("TTC")<sup>6</sup> less the TRM, less

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<sup>4</sup> The NOI defines "transfer capability" as "the measure of the ability of the interconnected electrical system to move electric energy reliably from one point to another and is limited by, among other things, the capacity either of equipment (such as transformers or transmission circuits) or interfaces (one or more circuits)." NOI, P 4. NERC, however, gives a more accurate and inclusive definition of "transfer capability" – "the measure of the ability of interconnected electric systems to *reliably* move or transfer power from area to another over all transmission lines (or paths) between those areas under specified system conditions.... In this context, "area" may be an individual electric system, power pool, control area, subregion, or NERC Region, or a portion of any of these. Transfer capability is also directional in nature. That is, the transfer capability from Area A to Area B is *not* generally equal to the transfer capability from Area B to Area A." NERC's "Avaliable Transfer Capability Definitions and Determination," p. 7 (June 1996) (emphasis in original).

<sup>5</sup> NERC has not yet defined AFC.

<sup>6</sup> TTC is defined by NERC as "the amount of electric power that can be transferred over the interconnected transmission network in a reliable manner based on all of the following conditions: (1) For the existing or planned system configuration, and with normal (pre-contingency) operating procedures in effect, all facility loadings are within normal ratings and all voltages are within normal limits; (2) The electric systems are capable of absorbing the dynamic power swings, and remaining stable, following a disturbance that results in the loss of any single electric system element, such as a transmission line, transformer, or generating unit; (3) After the dynamic power swings subside following a disturbance that results in the loss of any single electric system element as described in 2 above, and after the operation of any automatic operating systems, but before any post-contingency operator-initiated

the sum of existing transmission commitments (which includes retail customer service) and the CBM.

(2) TRM – that amount of transmission transfer capability necessary to ensure that the interconnected transmission network is secure under a reasonable range of uncertainties in system conditions. This definition is identical to that contained in the NOI at P 7.

(3) CBM – that amount of transmission transfer capability reserved by load serving entities to ensure access to generation from interconnected systems to meet generation reliability requirements.

NERC’s “Avaliable Transfer Capability Definitions and Determination,” pp. 13-15 (June 1996).

**V. Advisability of Developing Interconnection-Wide Standards for the Eastern Interconnection and the WECC**

As noted above, the Commission should refrain from attempting to develop Interconnection-wide standards for calculating AFC/ATC.

**VI. Contents of LTATF Report**

As noted at the outset, Southern Companies strongly support the Report’s recommendations as they stand, but realize that further discussion will be necessary. Southern Companies recommend that the Commission support the recommendations and proposals contained in the Report and permit the NERC Reliability Standards development process and the NAESB Business Practice Standards development process to address these problems. Southern Companies look forward to engaging in the NERC and NAESB standards processes that will soon be underway as a result of the LTATF’s proposals.

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system adjustments are implemented, all transmission facility loadings are within emergency ratings and all voltages are within emergency limits; (4) With reference to condition 1 above, in the case where pre-contingency facility loadings reach normal thermal ratings at a transfer level below that at which any first contingency transfer limits are reached, the transfer capability is defined as that transfer level at which such normal ratings are reached; and (5) In some cases, individual system, power pool, subregional, or Regional planning criteria or guides may require consideration of specified multiple contingencies, such as the outage of transmission circuits using common towers or rights-of-way, in the determination of transfer capability limits. If the resulting transfer limits for these multiple contingencies are more restrictive than the single contingency considerations described above, the more restrictive reliability criteria or guides must be observed.” Avaliable Transfer Capability Definitions and Determination, p. 10.

**VII. The Most Expedient Way to Obtain Industry-Wide Standards for ATC Calculations**

As previously discussed, there should be no industry-wide standard for AFC/ATC calculations. However, to the extent that the industry should adopt measures to facilitate coordination and transparency in order to avoid unnecessary TLRs and enhance the efficiency of the transmission system as a whole, the best and most efficient way to achieve that goal is by permitting the NERC and NAESB standards development processes to work to their conclusion – i.e., the approach proposed in the Report.

**VII. Conclusion**

For the reasons stated above, Southern Companies respectfully request the Commission to forego the initiative to standardize AFC/ATC calculation in favor of permitting NERC, NAESB and the industry to develop the appropriate Reliability Standards and Business Practice Standards to address the Commission's concerns.

Respectfully Submitted,

/s/William A. Graham, Jr.  
William A. Graham, Jr.

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