



Electric Power Supply Association
*Advocating the **power** of competition*

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VIA EMAIL

August 15, 2005

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

Re: Docket No. RM05-17-000

Dear Secretary Salas:

Enclosed please find one electronic filing in the above referenced proceeding.

Respectfully submitted,

Tara S. Ormond
Policy/Research Assistant

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

Information Requirements for Available Transfer)
Capability)
)

Docket No. RM05-17-000

COMMENTS OF THE ELECTRIC POWER SUPPLY ASSOCIATION

On May 27, 2005, the Federal Energy Regulatory Commission (Commission or FERC) issued a Notice of Inquiry (NOI) relating to new informational requirements proposed by the Commission's Information Assessment Team (FIAT) to enhance market transparency and ways to reduce existing reporting burdens by eliminating, streamlining or reformatting current information collections. The NOI primarily focuses on available transfer capability (ATC) and related terms,¹ particularly the report and recommendations developed by the North American Reliability Council's Long-Term AFC/ATC Task Force (LTATF). As explained in the NOI, disparate methodologies, the subjective nature of ATC calculations and inadequate coordination have raised concerns about the opportunities for discrimination that threaten to compromise both market liquidity and system reliability. The Electric Power Supply Association (EPSA)² appreciates the opportunity to comment on this critical

¹ Particularly, Total Transfer Capability (TTC), Existing Transmission Commitments (ETC), Transmission Reserve Margin (TRM), Available Flowgate Capacity (AFC) and Capacity Benefit Margin (CBM). Generally, ATC represents the amount of transmission that is available for purchase from a transmission provider pursuant to Order Nos. 888 and 889 after subtractions from TTC are made for ETC, TRM and CBM. However, as FERC notes in its NOI, wide disparities exist across regions and among transmission providers in the methodology for calculating ATC.

² EPSA is the national trade association representing competitive power suppliers, including generators and marketers. These suppliers, who account for 40 percent of the installed

aspect of bulk power grid management and strongly supports the Commission's interest in addressing these problems.

I. BACKGROUND AND OVERVIEW

Generally, EPSA applauds the work of the LTATF and appreciates the attention the Commission is giving to these important issues. The purpose of the LTATF was "to develop a report and specific recommendations for the calculation and coordination of AFC/ATC to increase market liquidity and enhance reliability."³ Among the noteworthy aspects of the LTATF's work is its threshold recognition that the industry has evolved in significant respects since Order No. 888. Among other developments that have changed the nature of ATC calculations and coordination, the LTATF mentions the emergence of centralized markets resulting in market to non-market interfaces, and agreements involving ISOs/RTOs and transmission providers that have enhanced operational coordination and the processing of transmission service requests.⁴

Most important, in its report, the LTATF acknowledged the overall lack of progress since Order No. 888's mandates for the sale of transmission service, requiring the explicit calculation of ATC, were issued:

generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities serving global power markets. EPSA seeks to bring the benefits of competition to all power customers. The comments contained in this filing represent the position of EPSA as an organization, but not necessarily the view of any particular member with respect to any specific issue.

³ LTATF Final Report (Report) (Revised April 14, 2005), at 1. Indeed, as the NOI also indicates, the nature and impact of ATC and related concepts indisputably confirm the important relationship between reliability and markets. NOI at P. 12. In this regard, EPSA appreciates the groundwork laid by the LTATF for coordination with the North American Energy Standards Board (NAESB).

⁴ In its NOI, the Commission also observes that agreements among neighboring ISOs/RTOs and transmission providers have enhanced operational coordination, facilitated transmission service and "have resulted in fewer variations in the calculation of ATC for those regions." NOI at P.8. Accordingly, EPSA's comments are primarily focused on regions without organized markets or ISOs/RTOs.

Furthermore ... the lack of standardization and, more significantly, limited coordination can negatively impact both the market, through the need for a large number of Transmission Loading Relief (TLR) actions (or curtailments in WECC), and, on occasion, reliability when even the use of TLRs provides insufficient relief on some critical interfaces.”⁵

EPSA agrees with the LTATF’s conclusion that “[t]here is still a need for further industry-wide improvement because of continuing outages, curtailments, TLRs and other reliability and commercial concerns.”⁶

Indeed, reaching back five years, EPSA has addressed issues and raised concerns relating to ATC and CBM, and proposed measures to improve both reliability and competitive market operations. In May, 2000, the Commission issued a Notice of Interim Procedures to Support Industry Reliability Efforts and Request for Comments (Notice)⁷. The purpose of the Notice was “to identify practical steps the Commission and others can take to support the industry’s efforts to ensure the continued reliability of the electric power system.”⁸

Among other things, the Commission proposed to take actions “supporting efforts to maximize the amount of Available Transmission Capability (ATC).”⁹ Particularly, the Commission stressed the need for accurate ATC calculations and OASIS postings, noting that, “[a]ccurate ATC is crucial to facilitating power sale transactions that can relieve stress on the Nation’s electric systems.”¹⁰ In its comments, EPSA agreed, stating that:

⁵ Report at 1.

⁶ Id at 2.

⁷ *Notice of Interim Procedures to Support Industry Reliability Efforts and Request for Comments*, 91 FERC ¶ 61,310 (June 28, 2000).

⁸ Id at 1.

⁹ Id at 2.

¹⁰ Id at 5.

[t]here is growing concern in the competitive power industry that ATC calculation and posting continues to be problematic. More than four years have elapsed since the requirement for OASIS and ATC posting was established in Order No.889...[a]ll concede that ATC problems continue to hound the industry, making many OASIS sites difficult, if not impossible, to use.¹¹

Despite some industry effort in the years since the Notice, the Commission has become increasing aware of unresolved problems and the threats they pose to the objectives set forth in Order Nos. 888 and 889.¹² EPSA shares the concern that the Commission expressed in its NOI that “[t]ransmission providers have incentives to understate ATC on those paths valuable to power sellers that are competitors to a transmission provider’s own (or its affiliate’s) power sales.”¹³ Further, EPSA agrees that “the lack of clear and consistent methodologies for calculating ATC can allow transmission providers the discretion to control the transmission system to favor their own power sales or those of their affiliates”¹⁴...and that...“variations in the way ATC is calculated provide opportunities for undue discrimination and create obstacles to doing business.”¹⁵

¹¹ *Comments of the Electric Power Supply Association*, Docket No. EL00-75-000 (June 2, 2000), p.7. In fact, while some progress has been made in the five years since the Notice and EPSA’s comments, more work must be done, particularly in non-RTO areas.

¹² **Order No. 888**, *Promoting Wholesale Competition Through Open Access Non-Discriminatory Transmission Services by Public Utilities; Recovery of Stranded Costs by Public Utilities and Transmitting Utilities*, 61 FR 21540 (May 10, 1996), FERC Stats. & Regs. ¶ 31,036 (1996). See also: order on reh’g, Order No. 888-A, 62 FR 12274 (Mar. 14, 1997), FERC Stats. & Regs. ¶ 31,048 (1997), order on reh’g, Order No. 888-B, 81 FERC ¶ 61,248 (1997), order on reh’g, Order No. 888-C, 82 FERC ¶ 61,046 (1998), aff’d in relevant part sub nom. *Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), aff’d sub nom. *New York v. FERC*, 535 U.S. 1 (2002).

Order No. 889, *Open Access Same-Time Information System and Standards of Conduct*, 61 FR 21737 (May 10, 1996), FERC Stats. & Regs. ¶ 31,035 at 31,590 (1996). See also: order on reh’g, Order No. 889-A, 62 FR 12484 (Mar. 14, 1997), FERC Stats. & Regs. ¶ 31,049 (1997), reh’g denied, Order No. 889-B, 81 FERC ¶ 61,253 (1997), aff’d in relevant part sub nom. *Transmission Access Policy Study Group v. FERC*, 225 F.3d 667 (D.C. Cir. 2000), aff’d sub nom. *New York v. FERC*, 535 U.S. 1 (2002).

¹³ NOI at P 10

¹⁴ *Id.*

¹⁵ *Id.* at P 1.

As explained below in response to the specific questions posed in the NOI, EPSA generally supports the direction the Commission urges the industry to take. Rather than immediately standardizing all aspects of ATC calculations, however, EPSA believes the most urgent interim step is for the Commission to insist that every aspect in the ATC calculation process be open, transparent and uniform. Also, EPSA has concerns regarding the potential adverse impacts of the CBM calculation and implementation process, particularly in non-RTO areas. Finally, EPSA appreciates the efforts to date to coordinate the development of relevant reliability and business practice standards.

II. SPECIFIC QUESTIONS

(1) The definitions of AFC, ATC, CBM and TRM

➤ CBM

As with all other processes associated with the management and operation of the bulk power transmission system, EPSA's overarching concern is that transmission providers' reliance on CBM not operate to limit competitive power suppliers market entry or otherwise disadvantage them. EPSA's concerns relating to CBM are largely focused on its use in non-RTO regions, as well as the implications for interface transactions involving neighboring RTOs.¹⁶ Indeed, within RTOs/ISOs such as PJM, for example, CBM has proven to be a useful

¹⁶ Even in RTO areas, EPSA urges the Commission to closely monitor the impacts of CBM calculations within an RTO on transactional activity that extends beyond that RTO's borders. In this connection, it is critical for the Commission to require meaningful and effective coordination to ensure robust and efficient power flows across interfaces.

mechanism that contributes to reliability and provides consumer savings by reducing the installed generation reserve requirement.¹⁷

In non-RTO regions, however, questions exist regarding the transparency, validity and impact of the assumptions underlying CBM calculations. Of particular concern is the apparent disconnect between the planning and expansion process and the assumptions transmission providers use to calculate CBM (and TRM), which then feed into ATC calculations. At a minimum, it is inappropriate for a transmission provider or RTO to post negative AFC numbers and then fail to account for that when assessing necessary expansion projects. Therefore, if CBM and TRM are used in AFC/ATC calculations and result in a denial of transmission service requests, then a transmission provider must use the same assumptions in its transmission planning process to determine when to reinforce and expand the system.

Beyond that, EPSA supports the Commission's suggestion that the assumptions underlying CBM and transmission reliability margin calculations (TRM) must be periodically reassessed to ensure that ATC postings are accurate. While important, merely requiring transmission providers to calculate CBM more clearly does not address fundamental questions pertaining to discrepancies between CBM/TRM/ATC calculations and system expansion decisions. In the near term, EPSA recommends that, at a minimum, the

¹⁷ However, whatever purposes CBM may presently serve, EPSA recommends that future discussions of CBM specifically consider the potential for market-based processes to provide more efficient solutions for emergency import planning. Particularly, as currently implemented, CBM does not reveal the respective values of reductions in reserve requirements on the one hand with the value market that participants attach to moving power for other transactions using transmission capability that would otherwise be withdrawn from the system.

Commission provide guidance to all parties involved in NERC standards development processes, such as the Standards Authorization Request (SAR) drafting team in its consideration of what, if any, actions are required to ensure the uniform and consistent use of assumptions underlying both the CBM and planning/expansion processes.¹⁸

Another immediate, practical first step EPSA recommends is that the Commission provide guidance on standards that should be developed requiring transmission providers to notify the Commission in writing and post a notice on their OASIS within 24 hours of a transmission provider's use of CBM to import emergency power.¹⁹ Further, the amount of CBM reserved for each interface should be posted on OASIS. Such a posting would be consistent with the Commission's 24-hour notification and posting requirements when transmission providers waive the Order No. 889 Standards of Conduct during an emergency. Similar posting and notification requirements would promote transparency and allow the Commission and other transmission customers to more effectively monitor CBM use by transmission providers²⁰ and to more effectively request and utilize such reserved CBM on a non-firm basis when it is not being used by the vertically-integrated transmission providers during an emergency.

➤ **TRM**

¹⁸ The Report states that "[b]ecause the LTATF debated at length the merits of CBM calculation and utilization, the LTATF asks the SAR Drafting Team (SAR DT) to consider whether the calculation and/or withholding of CBM as an explicit quantity is necessary for reliability and should be part of a reliability standard." At p. 4. While the LTATF shifted this issue to the SAR DT, the potentially significant market impacts of CBM clearly warrant the Commission's scrutiny and oversight.

¹⁹ The Commission has held that CBM should only be used during an emergency situation. *Capacity Benefit Margin in Computing Available Transmission Capacity*, 88 FERC ¶ 61,099 (1999).

²⁰ *Aquila Power Corporation v. Entergy Services, Inc.*, 90 FERC ¶ 61,260 (2000).

With respect to TRM, EPSA believes that there is no legitimate reason for transmission providers to utilize different formulas for TRM calculations. The Commission should provide guidance to ensure that all transmission providers adopt a uniform formula for all TRM calculations, while allowing for the continued use of different assumptions underlying the ultimate TRM value.

(2) The advisability of revising and standardizing AFC, ATC, TRM and CMB values

EPSA agrees with the Commission's suggestion that the ideal approach to ATC-related concerns is to standardize all aspects of the calculation methodology. However, achieving that goal, while possible and ultimately necessary, is likely to require extensive and time-consuming negotiations and collaboration given the existing regional variations, particularly at the interface of a market with a non-market region. Therefore, in the near term EPSA urges the Commission to take all actions necessary to ensure that the calculation of ATC and related terms is conducted in an open, transparent and uniform manner, subject to independent verification. In this connection, EPSA agrees with the Commission's view that "[i]t is important that the ATC component (TRM and CBM) assumptions are stated and posted so that recalculated ATC values are transparent and not devised to produce an unduly discriminatory result."²¹

CONCLUSION

EPSA appreciates and supports the Commission's interest in facilitating the industry effort to address those aspects of ATC and related concepts that create opportunities for discrimination in transmission access and

²¹ NOI at P. 11.

use. Eliminating these obstacles should be viewed as an important component of the Commission's larger effort to promote the transparent, efficient and cost-effective operation of the wholesale power grid that, in turn, provides the essential framework for robust, liquid competitive markets. Accordingly, to provide an opportunity for industry representatives to have a direct dialogue with FERC and its staff, EPSA requests that the Commission conduct a technical conference on these important issues. We look forward to working with the Commission and all industry stakeholders in this effort.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "N. Bagot", with a long horizontal stroke extending to the right.

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