

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

**COMMENTS OF  
THE CITY OF LOS ANGELES DEPARTMENT OF WATER AND POWER**

The City of Los Angeles Department of Water and Power ("LADWP") respectfully submits its Comments on the May 27, 2005 Notice of Inquiry ("NOI") in Docket No. RM05-17-000, which seeks comments on: (1) the definitions of AFC, ATC, CBM and TRM used in the order; (2) the advisability of revising and standardizing AFC, ATC, TRM and CBM values; (3) the advisability of developing interconnection-wide standards for the Eastern Interconnection and the WECC; (4) the contents of the LTATF Report; and (5) the most expeditious way to obtain industry-wide standards for ATC calculations. LADWP respectfully states the following:

**I. COMMUNICATIONS**

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## **II. BACKGROUND**

On May 27, 2005, the Commission issued its Notice of Inquiry in this docket. The Commission seeks to address the way available transfer capability ("ATC") is calculated and the possible benefits of standardizing and coordinating such calculations. The Commission relies in part on the final report of the North American Electric Reliability Council ("NERC") entitled "Long-Term AFC/ATC Task Force Final Report" (2005) ("LTATF Report").

## **III. STATEMENT OF INTEREST**

The City of Los Angeles is a municipal corporation and charter city organized under the provisions of the California Constitution. LADWP is a municipal and a proprietary department of the City of Los Angeles that supplies water and power to Los Angeles's inhabitants pursuant to the Los Angeles City Charter. LADWP is engaged in the business of providing safe and reliable retail electrical energy to its approximately 1.4 million customers. LADWP is a vertically integrated utility that owns generation, transmission and distribution facilities and engages in the purchase, sale and exchange of surplus electric energy in wholesale electric energy markets. As a non-public utility, LADWP is exempt from the Commission's jurisdiction except as specifically provided in certain provisions of the Federal Power Act such as Section 201(f), 16 U.S.C. § 824(f).

LADWP may be affected by the development of any standards established in this docket because they could lead to an increase in LADWP's costs and an erosion of reliability as the Commission attempts to ameliorate certain perceived defects in market efficiencies.

#### **IV. COMMENTS**

##### **A. The Alleged Problems with the Status Quo Are Overstated.**

The treatment and calculation of ATC in Order Nos. 888 and 889 are basically sound. The Commission should retain the carve outs for native load and native load growth. The Commission should also support the continued use of the regional industry standard methodology, "Determination of Available Transfer Capability within the Western Interconnection," dated June 2001 ("West Document") to calculate ATC in the West, which has worked well.

In the West, public power systems have designed and built a significant portion of transmission assets. These systems were built to serve native load and meet other contractual obligations and to assure reliability, not to promote commercial interests. The ability of public power systems to serve native load first must be preserved. Each system needs its individual discretion to reserve sufficient transmission to serve native load and native load growth based on its operators' knowledge of the unique characteristics of its system. It is noteworthy that the newly enacted Energy Policy Act of 2005 specifically calls upon the Commission (at Section 1233, enacting new Section 217(b)(4) of the Federal Power Act) to take into consideration the effects of its actions on the current and future needs of native load.

In focusing on perceived commercial motivations of some market participants, the NOI fails to recognize that public power systems do not share such motivations. Rather, they exist to provide reliable service to their native load customers at the lowest reasonable costs. Transmission and generation resources are made available to the market only after the needs of the native load are met. In fact, for that matter, the value of separating transmission from generation, *i.e.*, deregulation, is being seriously questioned today by some industry experts and analysts as well as some regulatory authorities.

Moreover, a public power, vertically-integrated transmission provider does not have an incentive to hoard transmission not needed to meet its native load and contractual obligations, because if such transmission remains unused, the provider is not making the best use of its transmission assets.

The benefits to be derived from squeezing additional ATC from existing systems have not been established. Under Order No. 888, transmission customers have the ability to request any capacity they need regardless of the amount of ATC posted. Transmission providers are required to make a good-faith effort to evaluate each request. Oftentimes, a system study must be performed before the transmission provider knows what transmission capacities are available in the future, and transmission customers will not hesitate to challenge the assumptions made in the studies. Such challenges allow the transmission customer to open up the ATC process to scrutiny and introduce checks and balances and transparency to the process. Where appropriate, the customer also has the option of making a formal request under Section 211 of the Federal Power Act, 16 U.S.C. § 824j.

While there are existing checks and balances to hold the transmission provider accountable, there are no such checks and balances that apply to the transmission customer. By focusing on the transmission provider in its attempt to extract every last small increment of ATC, the Commission overlooks a larger problem that would be a more fruitful area to address. Transmission customers and secondary transmission providers are under no obligation to make unused ATC available for reposting (which is easily accomplished in the West for those using the wesTTrans<sup>1</sup> OASIS), and thus the potential for hoarding of available transmission is present at this level. Such behavior provides neither greater security nor lower-cost electricity to consumers. The Commission should consider redirecting its attention to holding the transmission customer accountable for its use, or lack of use, of the ATC it acquired.

**B. Any Standardization of ATC Calculations Should Be Approached with Caution.**

There are significant regional differences among electric systems that do not support a one-size-fits-all approach to the calculation of ATC. The NOI is based heavily on the LTATF Report and describes, for the most part, operating practices used in the Eastern Interconnection, and not in the West. As a result, it is difficult for public power entities in the West to relate to the report. As the new Energy Policy Act of 2005 reflects in a number of its electricity provisions (e.g., Section 1211 (Regional advisory bodies on reliability standards), Section 1222 (Facilities for WAPA), Section 1233 (Contracts in the Western Interconnection), Section 1235 (Protection of transmission contracts in the Pacific Northwest)), it is appropriate to recognize and defer to the circumstances in the West, and the differences between Eastern and Western practices.

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<sup>1</sup> See [www.westtrans.net](http://www.westtrans.net).

For example, systems in the Eastern Interconnection use a Transmission Loading Relief (TLR) methodology to alleviate overloaded lines, whereas the Western Interconnection implements the Unscheduled Flow Mitigation (UFM) Plan to alleviate the consequences of loop flow on overloaded lines. In the NOI, the Commission does not seem to appreciate the significance of this difference.

Similarly, the LTATF Report presents scheduling and operational practices that take place in Eastern Interconnection systems based on "flowgates", while most of the Western Interconnection schedules are based on path ratings.<sup>2</sup> The use of "Available Flowgate Capability (AFC)" is not prevalent in the West<sup>3</sup>. To standardize on a flowgate approach for all NERC regions would require extensive changes in market rules and system operations that go far beyond simply changing the ATC calculation methodology. Similarly, to standardize based on a path-rated methodology would probably be foreign to those in the Eastern Interconnection.

As noted above, most transmission providers in the West use the contract path model and calculate ATC per the West Document. LADWP and other load serving entities in the West consist of compact load centers, while in the East, service territories are more widely and evenly distributed. The West's greater average distance between load centers and generation centers places more emphasis on specific transmission paths, compared to the Eastern Interconnection. Hence the development and use of the West Document.

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<sup>2</sup> "Flowgate" is defined in the LTATF Report at Appendix A, p. 4. "Rated system path" is defined in Appendix B of the NERC report cited in the LTATF Report at 1 n.4.

<sup>3</sup> Bonneville Power Administration ("BPA") has adopted a flowgate (flow-based) method for its internal paths but continues to use the contract path (path-rated) model for network external interconnections and interties.

The West Document defines ATC as the difference between the Total Transfer Capability (TTC) and Committed Uses (CU)<sup>4</sup>. The TTC is determined on a path-rated methodology, using a wide-area approach and taking into account seasonal and near-term operating conditions. This wide-area approach is based on the calculation of the Operating Transfer Capabilities (OTC) of the transmission system while taking into account the interaction of flows among different regions. Additional studies are performed by the responsible control area closer to scheduling time to refine the OTC when forced or planned outages occur. Flow limits are already considered and factored into the OTC rating. This OTC becomes the TTC in the operational ATC formula. Thus, the OTC drives the ATC. In the instances that limiting loop flows occur, the UFM Plan is used to mitigate such flows. The West Document is simple, easy to understand, and has been accepted as the industry standard in the West.

In another important regional difference, the California Independent System Operator (“CAISO”) is the only centralized market in the West. Most transmission providers in the West follow or are guided by the pro-forma OATT tariff, while the CAISO has a vastly different tariff. In the West, thus, the CAISO is the exception rather than the norm. It does not make sense to make the rest of the West operate their systems according to CAISO operational protocols and schedules. This is different from the East, where there are several ISOs/Regional Transmission Organizations (“RTOs”). The NOI seems to be tailored to the Eastern Interconnection where most transmission providers and loads are in ISOs/RTOs. In the West, by contrast, the reverse is true: most transmission providers are not in ISOs/RTOs, and the CAISO is the lone exception.

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<sup>4</sup> CU includes native load reservation, existing contracts, OASIS reservations, Transmission Reliability Margin (TRM) and Capacity Benefit Margin (CBM).

Finally, it should be recognized that standardization inevitably leads to a loss of recognition of unique local and/or regional technical characteristics. The optimization of a system's unique operational characteristics is best achieved by operators with institutional knowledge, and such uniqueness is not easily incorporated into generalized rules. Lack of recognition of the kinds of regional differences described above could imperil reliability. LADWP urges the Commission to put reliability first and proceed cautiously in its effort to squeeze out additional ATC.

**C. The LTATF Report Appears to Unreasonably Expect Transmission Providers to Predict Future Market Behavior.**

The LTATF Report (at 5) proposes that the "sources and sinks . . . used in the calculation of AFC/ATC and the evaluation of transmission service requests should replicate the anticipated use of service when utilized." But transmission providers cannot predict others' behavior in determining what ATC will be available. If the Report were adopted, a transmission provider would have to evaluate all possible combinations and manners that a transmission customer could use his/her reservation before approving it, or would have to have detailed business practices restricting its usage. This is not possible because the transmission provider cannot predict the entire market and traders' behavior. The NOI would impose an unreasonable and unworkable responsibility on transmission providers.

The LTATF Report also fails to recognize the differences between long-term and short-term ATC. The Report seems to confuse the terminology and methodologies for how long-term and short-term ATCs are determined. In discussing the long-term ATC calculation, the Report repeatedly refers to flow-based usage, market dispatch, and source/sink patterns, which can only be modeled accurately with real-time information.



Long-term ATC is determined by the transmission planning process and is based on forecasted data. Short-term ATC is based on near-term or real-time information. Long-term ATC has inherent uncertainties in its assumptions that must be recognized. It is not an exact science. Some discrepancies are to be expected between long-term and short-term ATC, but gaps narrow as utilities refine their models with more accurate weather, outages, load and real-time data. Any Commission-imposed standardization should recognize these realities and allow utilities to refine their calculations as time progresses.

**D. LADWP Supports Mechanisms to Provide Better Documentation and Transparency in ATC Calculations.**

The task force recommendation in the NOI states that transmission service providers should provide better documentation and greater transparency for their ATC calculation process. LADWP agrees, and through wesTTrans is pursuing a number of initiatives to achieve that goal. The wesTTrans site is an excellent forum where transmission providers can voluntarily address issues of documentation and transparency. With this very positive step the West has already begun to address the Commission's concerns. For example, LADWP posts its ATC on wesTTrans, and wesTTrans already offers a Standard Authorization Request ("SAR")-type standardization as advocated by the Commission in the NOI. LADWP is committed to participating in other related wesTTrans initiatives to increase transparency.

**V. CONCLUSIONS**

- The Commission should recognize that all transmission providers are not similarly motivated. LADWP, a publicly-owned, vertically-integrated utility, whose purpose is to serve its native load and fulfill other contractual obligations, is seldom in a wholesale competitive position, since it sells only excess power at wholesale.

- The Commission should address the problem associated with the lack of accountability of transmission customers. They too should be subject to demonstrable planned uses for their purchased transmission.
- There are regional differences in operations that do not support a one-size-fits-all solution to the ATC issue. It is appropriate for the Commission to recognize such differences, as Congress did in the Energy Policy Act of 2005. The LTATF Report is mostly applicable to the Eastern Interconnection. Further, standardization inevitably leads to a loss of recognition of a local system's technical and other characteristics.
- LADWP supports mechanisms to provide better documentation and transparency in ATC calculations.
- The issue underlying the NOI is how to optimize availability of transmission capacity for others to use. That question should be reframed as: how far can we stretch the system without creating risk in reliability? Standardization may be risky if it ignores local system knowledge and judgment, and is done just for the sake of standardization. Standardization done with the intent of providing the greatest transmission capacity available, without balancing reliability considerations, could leave some systems at risk.
- At least for the West, from LADWP's perspective, the Commission should continue to allow the use of the WECC ATC calculation (the West Document) methodology, while recognizing regional differences and local system knowledge and requiring that ATC calculations be better documented and provided with greater transparency. If hoarding in order to advantage a transmission provider's generation is a documented

problem, it should be addressed on a case-by-case basis, not through a lowest common denominator solution.

Respectfully submitted,

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