

FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426



FACT SHEET

FERC DOCKET NOS. RM05-25-000 AND RM05-17-000

ORDER NO. 890

FINAL RULE: PREVENTING UNDUE DISCRIMINATION AND PREFERENCE IN TRANSMISSION SERVICE

The Commission amends its regulations and the *pro forma* open access transmission tariff (*pro forma* OATT), adopted in Order Nos. 888 and 889, to remedy opportunities for undue discrimination and address deficiencies in the *pro forma* OATT that have become apparent since the issuance of these orders.

THE PURPOSE OF THE FINAL RULE

- To strengthen the *pro forma* OATT to ensure that it achieves its original purpose of remedying undue discrimination.
- To provide greater specificity in the *pro forma* OATT to reduce opportunities for the exercise of undue discrimination, make undue discrimination easier to detect, and facilitate the Commission's enforcement.
- To increase transparency in the rules applicable to planning and use of the transmission system.

Brief Overview

- Major reforms:
 - Greater consistency and transparency in ATC calculation
 - Open, coordinated and transparent planning on both a local and regional level
 - Reform of energy and generator imbalance penalties

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- Adoption of a “conditional firm” component to long-term point-to-point service and reform of existing requirements for the provision of redispach service
- Reform of rollover rights policy
- Clarify tariff ambiguities
- Increase transparency and customer access to information
- Core elements of Order No. 888 being retained:
 - Comparability requirement
 - Protection of native load
 - States jurisdiction over bundled retail load
 - Functional unbundling to address undue discrimination
 - Reciprocity

THE APPLICABILITY OF THE FINAL RULE

- The rule applies to all public utility transmission providers, including RTOs and ISOs. Each such public utility will be required to file the revisions to the *pro forma* OATT following the issuance of the Final Rule.
- As with Order No. 888, a public utility may demonstrate that its existing terms and conditions of open access transmission service are consistent with or superior to the *pro forma* OATT.
- The purpose of the rule is not to redesign approved, fully-functional RTO or ISO markets. The Commission does not expect that substantial changes to those markets would be required as a result of this Final Rule.

SIGNIFICANT REFORMS

AVAILABLE TRANSFER CAPABILITY (ATC)

ATC is the transfer capability remaining on a transmission provider’s transmission system that is available for further commercial activity over and above already committed uses. Transmission providers currently calculate the ATC for their systems using different assumptions and methodologies.

After concluding that the absence of a consistent ATC methodology increases the discretion of transmission providers and the opportunities for undue discrimination in the application of the *pro forma* OATT, in the Final Rule the Commission requires:

- consistency in all ATC calculation components and some data inputs and modeling assumptions, as well as consistency in the exchange of data between transmission providers
- public utilities, working through the North American Electric Reliability Corporation (NERC) and the North American Energy Standards Board (NAESB), to develop appropriate standards within 9 months and 12 months of the Final Rule, respectively
- increased transparency of ATC calculations through the inclusion in each transmission provider's OATT of its specific ATC calculation methodology, and through posting of relevant data and models on each transmission provider's open access same-time information system (OASIS)
- transmission providers to post on OASIS metrics relating to transmission requests that are approved and rejected.

COORDINATED, OPEN AND TRANSPARENT TRANSMISSION PLANNING

The Commission concludes that transmission providers have a disincentive to remedy increasing transmission congestion on a nondiscriminatory basis and that the current *pro forma* OATT does not adequately address this problem. Therefore, the Final Rule requires that:

- Transmission providers participate in a coordinated, open and transparent planning process on both a local and regional level
- Each transmission provider's planning process meet the Commission's nine planning principles, which are coordination, openness, transparency, information exchange, comparability, dispute resolution, regional coordination, economic planning studies, and cost allocation
- Each transmission provider must describe its planning process in its tariff
- The Commission will allow regional differences in planning processes.

PRICING OF IMBALANCES

Differences between the scheduled and the actual delivery of energy to a load (energy imbalances) and differences between the energy scheduled for delivery from a generator and the amount of energy actually generated in an hour (generator imbalances) are both corrected by transmission providers to keep the system in balance. Existing policies for pricing energy and generator imbalances provide wide discretion in the development of these charges and allow the potential for undue discrimination. The Commission finds that existing energy and generator imbalance charges are excessive, too varied, and otherwise unrelated to the cost of providing the service and, therefore, reforms energy and generator imbalance pricing as follows:

- The Commission revises the existing *pro forma* OATT Schedule 4 for energy imbalances and adopts a new Schedule 9 for generator imbalances to require imbalances to be based on a tiered structure similar to the imbalance provision used by Bonneville. In these new provisions, imbalance charges escalate as the imbalance increases and are based on incremental cost. Intermittent resources are exempt from the highest deviation band.
- Any deviations from these provisions must be consistent with or superior to the *pro forma* OATT as modified by this Final Rule and must meet the following criteria: the charges must (1) be related to the cost of correcting the imbalance, (2) be tailored to encourage accurate scheduling behavior, such as by increasing the percentage of the adder as the deviations become larger, and (3) account for the special circumstances presented by intermittent generators.

REQUESTS FOR FIRM POINT-TO-POINT SERVICE

The Commission concludes that the existing methods for evaluating requests for long-term firm point-to-point transmission service are no longer just, reasonable and not unduly discriminatory. This is so because a transmission customer may be denied service when its transaction is not deliverable during as little as one hour of the service period, while transmission providers need not eliminate otherwise economic options under similar conditions. To remedy this problem, the Commission modifies the *pro forma* OATT, as follows:

- The Commission adopts a “conditional firm” component to long-term firm point-to-point service that requires the transmission provider to identify either defined system conditions or an annual number of hours during which service will be conditional, and allows the customer to select one of them
- Transmission providers also have an obligation to evaluate the provision of redispatch from their own resources and provide customers with information on

the capabilities of other generators to provide redispatch

- The duration of both service options is limited to a time period over which service can be reasonably provided without impairing reliability
- After the end of each month, transmission providers must post certain information associated with the actual cost of redispatch services provided that month.

ROLLOVER RIGHTS

The Commission revises the rollover provision in the *pro forma* OATT, which grants an ongoing right to transmission customers to renew or “rollover” their contracts, to apply to contracts that have a minimum term of five years, rather than the current minimum term of one year. A customer must provide notice of whether or not it will exercise its right of first refusal to renew the contract no less than one year prior to the expiration date of the transmission service agreement, rather than within the current 60-day period. These reforms promote consistency between the rights of rollover customers and the resulting obligations of transmission providers to plan and upgrade the system to accommodate rollovers.

Examples of Increases in Transparency

- In addition to the increased transparency included in the ATC and planning reforms described above, the Commission requires transmission providers to post on OASIS all business rules, practices and standards that relate to transmission services provided under their OATTs, and to include their credit review procedures in their OATTs.
- The Commission requires transmission providers and their network customers to use the transmission provider’s OASIS to request designation of a new network resource and to terminate the designation of an existing network resource.

Reforms to Facilitate Enforcement of the *Pro Forma* OATT:

- The Final Rule includes a number of posting and reporting requirements that will provide the Commission and market participants with information about each transmission provider’s performance of *pro forma* OATT obligations. For example, the Commission requires transmission providers to post specific performance metrics related to their completion of studies required to evaluate certain transmission requests under the *pro forma* OATT.

Other Reforms

- **Capacity reassignment** – For capacity reassignments by transmission customers, the Final Rule eliminates the price cap (which currently is the higher of the original rate, the maximum tariff rate or the customer’s opportunity cost capped at the cost of expansion) and allows negotiated rates between the customer and its assignee.
- **Designated network resources** – The Final Rule makes a number of clarifications related to the types of agreements that may be designated as network resources, the process for verifying whether agreements meet the requirements in the *pro forma* OATT, and the requirement for transmission providers to designate and undesignate network resources on OASIS.
- **Reservation priority** – The Commission changes the reservation priority rules to give priority to pre-confirmed transmission service requests (for non-firm service and short-term firm service) submitted in the same time period as non-confirmed requests.