

Commissioners and that many state commissioners in one room at the same time focusing on a single issue and a single company.”²

EPSA as an intervener in Docket No. ER05-1065 has been an active participant in the ICT’s formation and has expressed serious and ongoing concerns about the implementation of the many different programs administered by the ICT in the Entergy region. EPSA has long held that it is only through an independent entity with adequate authority that transmission market power concerns can be fully addressed in the Entergy region. Additionally, it is only through such an entity that the construction of the much needed transmission improvements to the Entergy system can be facilitated.

The Entergy region can only offer and support competitive opportunities for supply if the transmission system keeps pace with load growth and if all suppliers have non-discriminatory access to that system. To date, the ICT, under its agreement with Entergy, has not been able to ensure competitive opportunities for non-affiliated suppliers. EPSA views this not as an indictment of SPP as the ICT, but rather as the failure of the current agreement and its implementation. As was pointed out during the conference, the ICT has improved transparency and stakeholder participation in the increasingly important area of long-term transmission planning. That said, the conference presentations and their associated documentation prove that the status quo remains unacceptable and that the entity controlling transmission in the Entergy region

² David Lyles Cruthirds, *Special Report: FERC Entergy ICT Conference*, 2 The Cruthirds Report , June 29, 2009.

must have more authority to facilitate true open access and ensure adequate infrastructure.

Prior to the Commission's approval of the ICT, EPSA advocated that Entergy should be part of SPP as a Regional Transmission Organization (RTO). The analysis currently being undertaken by Arkansas and the other states, as well as the Entergy/ICT reports being ordered by the Commission should provide the necessary information to inform the decision on whether Entergy should join the SPP RTO or seek a substantially improved ICT agreement. The Commission and the States have several issues that must be considered in this respect.

Competitive Suppliers have supported the Weekly Procurement Process (WPP) since its inception because, at the time, it represented the lone chance at achieving market access in a region that was not going to have an independently-administered organized market in the near future. However, at this point it is important that resources not continue to be expended on the WPP if its original promise cannot be achieved by a date certain. If Entergy is going to join the SPP RTO as a step to address the serious issues identified by commissioners and stakeholders during the June 24 conference, the SPP Energy Imbalance Service (EIS) Market and the potential for a day 2 congestion management system will obviate the need to continue work on the WPP. The decision over what to do with Entergy and the ICT going forward significantly impacts the timing and direction for other market items such as the WPP. Therefore, it is important for the Commission and the States to consider the

broad and integrated timing implications for improving transmission development and access in the Entergy region.

The June 24 conference identified several short and long-term deficiencies that, if corrected, could significantly improve competitive opportunities in the Entergy region, regardless of the outcome of an SPP RTO or new ICT agreement decision. In the short-term the Commission first needs to require Entergy to eliminate the inconsistency between its transmission planning criteria and the ICT's transmission planning criteria and, second, all transmission service requests need to be considered on an equal basis with transparent redispatch criteria. In the longer-term the transmission operator needs the authority to direct construction of the needed transmission. Additionally, the conference highlighted that a Regional State Committee (RSC), much like the one used in SPP, should be formed as a tool for improving the transparency and accountability of the Entergy system.

I. COMMENTS

A. Changes Required for Short-term Transmission Service

The comments put forth at the conference rightly pointed out a long list of shortcomings on the Entergy system and its operation, and identified critical areas that need to be addressed in order to improve Entergy's transmission service. In many cases, the need for service improvement portends the need for a cohesive and transparent planning process that can ensure the addition of more transmission infrastructure.

Conference participants were in agreement that the current Entergy system is operating at capacity, and is in dire need of improvements. The broad agreement from different industry segments was reinforced in Lafayette Utility System Director Terry Huval's July 7 letter to the Commission:

In fact, the Entergy Transmission system appears to operate very near its limits even during normal operating conditions. The scarcity of new service about which Ms. Turner, Mr. Sparks and others spoke at the Technical Conference only can mean that the grid is loaded at or near its limits for longer and longer periods, not just during the peak. As a matter of common sense, it is unreasonable to expect that any system operated at its limits for such extended periods of time cannot avoid major breakdowns forever.³

Chairman Paul Suskie of the Arkansas Public Service Commission (APSC) highlighted the problem as well as the areas identified in the findings of APSC Order No. 10 required to begin adequate planning for the Entergy transmission system:

Most [stakeholders] agree that the planning processes administered by the ICT to develop both the Base Plan and the...ICT Strategic Transmission Expansion Plan (ISTEP)...are beginning to identify reliability and economic expansion....[however]. The process used by Entergy to finalize the Construction Plan lacks both independence and transparency, and [that] Entergy [has] consistently made clear...that Entergy – and only Entergy – decides what facilities are built under the Construction Plan.⁴

In his conference remarks Chairman Suskie identified 20 transmission projects that were in the Base Plan but were omitted from the Entergy Construction Plan. The difference between the two plans centers on Entergy's differing interpretation

³ *Terry Huval's Follow-up Letter to June 24, 2009 FERC ICT Technical Conference*, Docket Nos. ER05-1065-000 & ER09-555-000 (July 8, 2009).

⁴ *Comment of Chairman Paul Suskie Arkansas Public Service Committee*, FERC ICT Technical Conference, Docket Nos. ER05-1065-000 & ER09-555-000 (June 24, 2009).

of Note B from that of the ICT.⁵ The result of the differing interpretation, and Entergy's ultimate authority over what gets built, results in many Base Plan (reliability) projects being left out of the Construction Plan and consequently not getting built.

During the conference Entergy said that the reason for its ultimate authority over deciding what transmission projects should be built is based on state regulators wanting it that way. However, during the conference the States themselves questioned that interpretation, causing Entergy to relent that it would change if state regulators were to agree with the ICT's interpretation of Note B.⁶ Moreover, Entergy said it would be open to the ICT's feedback on the plan going forward. EPSC encourages the Commission to follow the States' direction to resolve the discrepancies over Note B's interpretation. Gaining a transparent understanding of why projects that are included in the Base Plan are excluded from the Construction Plan will go a long way in ensuring that there is a clear and shared understanding over which projects will be built and why. Going forward EPSC believes the Commission should require Entergy to provide the reasons that ISTEP and Base projects were or were not included in the Construction Plan. Along with that explanation, the Commission must ensure that practices⁷ that cause generators to be incorrectly studied for the Construction Plan are no

⁵ Note B is a NERC criteria that allows for the loss of load with the interaction between two breakers. The ICT interpretation limits the load at 100 Megawatts. Entergy's interpretation limits loss of load at a greater amount.

⁶ *Transcript: FERC Independent Coordinator of Transmission (ICT) Technical Conference*, Docket Nos. ER05-1065-000 & ER09-555-000 (June 24, 2009), P. 76, lines 5-20.

⁷ These practices would include non-consequential firm load shedding and undocumented operations planning.

longer used.⁸ These improvements will help diminish or end the significant differences between the two planning processes.

At the conference Rebecca Turner of Entegra and Michael Sparks of GDF Suez⁹ asserted that Entergy continues to plan its transmission system based on the contract rights of legacy units, firm load shedding and reconfiguration/redispach practices in order to meet reliability criteria.¹⁰ In doing so, Entergy studies transmission service requests (TSRs) in a manner that limits the amount of incremental transmission service that can be granted to competitive suppliers. Entergy's practices result in unrealistic TSR models that include pre-existing overloads that haven't been addressed -- thus limiting the amount of incremental transmission service that can be granted to others.

Turner explained that Entergy doesn't have to schedule its generation consistent with its TSR models, which further distorts the assessment of available transmission capacity. To make matters worse, the ICT (as Reliability Coordinator) does not have access to Entergy's undocumented redispach and reconfiguration guidelines. Clearly the transmission operator for the Entergy Systems must have access to this information to operate the system efficiently to benefit all customers, not just for Entergy's own generation. Consequently, the Commission should order that Entergy change the way that it models TSRs as noted by Sparks, Turner and others during the conference. These changes will

⁸ Turner, Rebecca, "The State of the Entergy System on behalf of Union Power Partners, L.P.," Docket Nos. ER05-1065-000 & ER09-555-000 (June 24, 2009), FERC ICT. Technical Conference, Charleston, SC.

⁹ *Comments of GDF Suez Energy Marketing North America, Inc.*, FERC ICT Technical Conference, Docket Nos. ER05-1065-000 & ER09-555-000 (June 12, 2009).

¹⁰ *Comments of Entegra Power Group, LLC, Entergy Services, Inc.* Technical Conference, Docket Nos. ER05-1065-000 & ER09-555-000 (June 12, 2009).

help ensure that true open access transmission service is available going forward throughout the Entergy region.

B. Changes Required for Long-term Transmission Service

Longer term, more transmission needs to be built in the Entergy region and efficiently integrated with the other transmission systems bordering its system. Under the current process Entergy has been deciding what gets built and when. Yet, judging from the discussions at the conference, transmission infrastructure in the region is aging, inefficient and insufficient. In fact, each of Entergy's retail regulators asserted the need to improve the transmission grid:

- APSC Chairman Suskie reiterated Arkansas' desire to have the Commission order Entergy to make the necessary transmission upgrades.¹¹
- Louisiana Commissioner Jimmy Field urged the Commission to take immediate action and grant ICT the same authority that it has as SPP to direct transmission to be built.¹²
- Texas Chairman Barry Smitherman included in his objectives the need for more transmission to facilitate renewables and faster restoration after emergencies.¹³
- Mississippi Commissioner Brandon Presley encouraged FERC to facilitate the ICT's abilities to increase the robustness of the transmission system.¹⁴
- New Orleans City Council member Shelley Midura also asked that more transmission be built, so that the city would not be "islanded" and have the ability to access new generation.¹⁵

FERC Commissioner Suedeen Kelly summarized the States assertions when she concluded from the States' remarks that: Entergy has allowed its system to

¹¹ See *Transcript: Entergy Services, Inc. Technical Conference*, P 15, Lines 16-21.

¹² *Id.*, P 27 line 25, and P 28, Lines 1-6.

¹³ *Id.*, P 27 line 25, and P 28, Lines 1-6.

¹⁴ *Id.*, P 35 line 17-25, and P 36, Lines 1-2.

¹⁵ *Id.*, P 41 line 3-4.

deteriorate in ways that jeopardize reliability and competition – both of which are bad for customers.¹⁶

While eliminating the differences between the ISTEP, Base Plan and Construction Plan will go a long way in correcting the planning process and providing needed transparency, Entergy's sole decisional authority in the process is simply not working and still presents a problem. EPSC strongly believes that the independent transmission operator in the Entergy region needs a transparent process that will include significant input from the States and stakeholders. Currently the SPP RTO has a process in place that handles such input and then allows the RTO to make informed decisions. This same kind of decisional model would either become part of the Entergy process should it join the SPP RTO, or should be utilized by SPP as the ICT. Entergy having sole decision-making ability needs to end and end now. A new process in the region with new authorities needs to be adopted, so that needed transmission will be built, thus improving access and increasing customer's options while improving the environment.

C. Entergy Region RSC Formation

Many of the States, especially those familiar with the success of the SPP Regional State Committee (RSC), encouraged the formation of an RSC for the Entergy region. Chairman Suskie noted the enlightening nature of the conference discussion and how having such discussions with the other Entergy states was invaluable. While he said that he and Chairman Smitherman will

¹⁶ *Id.*, P 104 line 7-13.

have the opportunity to talk in the SPP RSC, he noted that those same kinds of discussions would be beneficial for the entire Entergy region.¹⁷ The SPP RTO noted how the RSC has contributed to its success by performing the cost benefit analysis and by facilitating the approval of a SPP cost allocation protocol.¹⁸ EPSC supports exploring the formation and use of such an organization for the States, using stakeholder input to help guide regional decisions. Having an RSC, or an Entergy focused extension of the SPP RSC, would provide an opportunity for the states to work in collaboration with others in the region to obtain needed transmission with fair cost allocation.

II. Conclusion

EPSC supports the efforts of the States and the Commission in seeking input so that transmission development and access can finally be improved in the Entergy region. We particularly await with great interest the cost/benefit analysis of Entergy joining the SPP RTO to resolve these critical issues. In addition, EPSC urges the Commission to order several changes identified by conference participants and enumerated above to facilitate those improvements. The June 24 conference created a unique opportunity to work with the states on expeditiously solving the problems noted above. We look forward to continuing to work with the Commission and the states in this regard.

¹⁷ *Id.*, P 227, lines 2-9.

¹⁸ *Id.*, P 54, lines 5-8.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "N. Bagot", written over a horizontal line.

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CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the comments via email upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., July 20, 2009.

Handwritten signature of Nancy Bagot in cursive script.

Nancy Bagot, VP Regulatory Affairs