

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

**Transmission Loading Relief
Reliability Standard and
Curtailment Priorities**

)

Docket No. RM10-9-000

**COMMENTS OF THE
ELECTRIC POWER SUPPLY ASSOCIATION
IN RESPONSE TO NOTICE OF INQUIRY**

The Electric Power Supply Association¹ (EPSA) submits these comments in response to the Federal Energy Regulatory Commission's (FERC or Commission) January 21, 2010 Notice of Inquiry (NOI) in the above captioned proceeding,² which seeks comments on the Transmission Loading Relief ("TLR") Reliability Standard and Curtailment Priorities. EPSA appreciates the Commission's focusing on this issue so that it can be addressed in a coordinated manner with the current industry initiatives that are underway to improve the TLR process. Herein, EPSA provides background related to this area, explains the roles of the many entities with responsibilities for the TLR process, notes the differences between market and non-market areas, requests that the role of Reliability Coordinators (RCs) in the TLR

¹ EPSA is the national trade association representing competitive power suppliers, including generators and marketers. These suppliers, who account for 40 percent of the installed generating capacity in the United States, provide reliable and competitively priced electricity from environmentally responsible facilities. 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 views of any particular member with respect to any issue.

² *Transmission Loading Relief Reliability Standard and Curtailment Priorities*, ("NOI"), 130 FERC ¶ 61,033 (2010).

process be clarified, relates a status update regarding current work efforts and responds to the seven questions enumerated in the NOI.

I. NOTICES AND COMMUNICATIONS

All pleadings, correspondence and other communications concerning this proceeding should be directed to:

Nancy E. Bagot, Vice President of Regulatory Affairs
Electric Power Supply Association
1401 New York Avenue, N.W., 11th Floor
Washington, D.C. 20005
(202) 628-8200
NancyB@epsa.org" NancyB@epsa.org

II. BACKGROUND

The TLR process was created to respond to the need for a congestion management procedure with a broad view of multiple transmission systems and their associated transmission sales. The primary challenge for transmission providers was to develop protocols so that they could respond to system limitations without inherently granting superior transmission rights to entities with transactions scheduled on a contract path basis.³ Importantly, this challenge affects reliability issues for regional transmission systems and market participants with transactions in the regional market as well as those transacting across transmission systems.

The TLR process has national implications but is primarily the outgrowth of an effort to manage congestion in the Eastern Interconnection

³ A "contract path" differs from the actual physical path over which energy flowed.

and relies significantly on the Interchange Distribution Calculator (IDC) for curtailment decisions. Currently the IDC is used by Eastern Interconnection (RCs) as a way to help them manage congestion and mitigate actual and potential operating system limitations.

Of note, the IDC came into being the same time as organized markets began to take shape in the Northeast and eventually spread to the Midwest. Over time, as the industry has identified new needs, the IDC has been updated to meet those needs. Some of the more important changes implemented since the inception of the IDC, such as the market flows issue addressed in 2003, came at the request and work of Independent System Operators (ISOs) and Regional Transmission Organizations (RTOs).

Through a contract between NERC and Open Access Technology International, Inc. (OATI), the IDC is provided to the industry for implementation on individual transmission systems. NERC manages the contract, while industry stakeholders on the NERC IDC Working Group (IDCWG) are responsible for monitoring the IDC tool and enhancing its usefulness. With the enactment of the 2005 Energy Policy Act, and the creation of the Electric Reliability Organization (ERO) with mandatory standards, the initial standards for TLR were developed as IRO-006-0.⁴

⁴ Before the 2005 EPAct, NERC's TLR procedures resided within NERC Policy 9 Appendix 9C1. In 2005, when IRO-006-0 was developed, Appendix 9C1 was, for the most part, incorporated into the Standard.

Under the ERO's new role of producing a mandatory and enforceable standard, the challenges of developing technically feasible and precise TLR standards became clear. With these new ERO responsibilities in mind, the drafting process for IRO-006-0 also attempted to identify which parts of the existing NERC policies were reliability-based and which were commercially-based. This proved to be difficult, leading to a drafting process that attempted to separate the reliability need of removing flows from a constrained facility from a commercial need to ensure that the actions taken to remove those flows are fair and equitable for all market participants. The subsequent versions of IRO-006 continue to attempt to separate these responsibilities.

Sorting out reliability and commercial responsibilities has required that the North American Energy Standards Board (NAESB) become engaged by developing business practices that address aspects of the IDC's operation deemed to be commercial rather than reliability-related.

NAESB's Wholesale Electric Quadrant (WEQ) Business Practices Subcommittee (BPS), along with NERC, developed the most recent TLR Reliability Standard IRO-006-4. This standard, with its NAESB Companion Standard WEQ-008, identified both the reliability and the commercial aspects of the TLR process, attempting to separate them in a way so that the NERC standard no longer addressed the commercial aspects. While IRO-006-4 still referred to TLR and the levels used to communicate severity, it no longer identified the specific levels of transmission service that were to be curtailed at

each of those levels. Instead it was decided that information would now reside in a jointly developed NERC and NAESB reference manual that would provide operators a better overall view of the process, that would require them to recognize the different responsibilities of the two organizations and to implement the separate NERC and NAESB requirements, concurrently.

NERC is in the process of developing version 5 of its IRO-006 standard, in an effort to make the standard more precise and specific for reliability purposes. Concurrently, NAESB is developing modifications to WEQ-008, as well as other business practices, that will be adopted into transmission provider's tariffs.

In August of 2008, PJM, MISO, and SPP submitted a Standards Authorization Request (SAR) entitled "Parallel Flow Visualization/Mitigation for Reliability Coordinators in Eastern Interconnection." The three ISO/RTOs proposed a standard that would mandate a new calculation method to be used by the IDC that would account for internal flows (NNL) similar to the manner in which PJM, MISO and SPP calculate their market flow. NERC's Transmission Loading Relief Standard Drafting Team considered the Standard proposal along with NAESB's companion Business Practice WEQ-008. PJM, MISO and SPP also brought their request to the NERC Operating Reliability Subcommittee (ORS) and the Reliability Coordinator Working Group (RCWG) for further discussion and the IDC Working Group (IDCWG) for additional technical support. Due to the Reliability implications for NERC and

commercial implications for NAESB, it was ultimately decided that it would be more appropriate to develop the modifications requested by PJM, MISO and SPP as a change to the IDC, while the NAESB BPS would identify the necessary changes to WEQ-008 to ensure equitable implementation of the IDC changes. When this decision was made, it was recognized that the WEQ-008 business practices, unlike the NERC standard, would not be mandatory.

The IDCWG developed a Change Order⁵ that describes the key aspects of the request. In general, the proposal attempts to improve the quality of the data used in the IDC with regard to the calculation of the impacts of Network and Native Load uses of the transmission system on a given constraint. NERC began implementation of this Change Order related to the PJM, MISO and SPP request in February of 2010. However, because of the scope of the changes, NERC plans an extensive test period of the software changes prior to using the enhanced IDC in actual TLR events. NERC expects the new approach to become available on or before November 2010, with testing to follow for 12 to 18 months.

The changes to the IDC and how it will work with the revised standard are intended to improve visibility of the internal Network and Native Load uses of the transmission system; however, it will not change the manner in which

⁵ Change Orders are requests for modification to the IDC tool submitted to the OATI as the request evaluator. Requests are evaluated for estimation of cost and schedule, and then authorized by IDCWG for development. Voting members for the IDCWG are Reliability Coordinators from the Eastern Interconnect. Funding for Change Orders comes either from NERC's budget or stakeholders who requested the change.

those uses; are treated as firm or non-firm. Rather, it will be the NAESB BPS that is working to define how these Network and Native Load uses are prioritized and curtailed. Additionally, the use of Designated Network Resources significantly impacts these uses, NAESB's OASIS Subcommittee, in response to Order No. 890 is currently working on standards for Network Service on OASIS which could facilitate improvements to the TLR procedure. However, their work to date has not been carried out with this purpose in mind (see response to Question (c)).

An additional Change Order related to these issues was proposed in January of this year. This new Change Order would allow transactions both sourcing and sinking within a single Balancing Authority to be more accurately modeled using a unit-specific Generation Shift Factor (GSF)⁶ and an aggregate Balancing Authority Load Shift Factor (LSF). The Change Order proposes to allow tagged intra-BA point-to-point transactions to be identified in the IDC and, therefore, be subject to curtailment during a TLR. While this would improve TLR implementation as the curtailments could be applied to more transactions that are directly contributing to the congestion, there is not currently a standard requiring that all intra-BA transactions be tagged. As a result, even if this Change Order is implemented, there will continue to be some intra-BA transactions that are not subject to curtailment. This Change

⁶ *Motion for Leave to Intervene and Protest of the Electric Power Supply Association*, (Docket No. ER10-794-000), March 16, 2010.

Order is still in the process of being considered for implementation, and additional work remains that must consider the technical and commercial impacts of this effort.

III. COMMENTS

A. ISO/RTO Markets and Regions Outside Organized Markets

Organized markets with ISOs and RTOs typically do not use TLRs at the same rate as vertically-integrated utilities in regions without organized markets. ISO/RTOs' congestion management systems enable them to use TLRs and the IDC more sparingly, upholding reliability without curtailing market transactions at the same rate that TLRs are used in non ISO\RTOs. For ISO\RTOs the TLR procedures and the IDC are tools in the tool box to address congestion, rather than relied upon solely. Despite lesser use of TLRs in organized markets, ISOs and RTOs have played a significant role over the past 10 years in enhancing TLR procedures and the IDC.

Competitive suppliers participate in multiple markets, and therefore are very familiar with the level of TLR use among RTOs and ISOs compared to regions outside of organized markets. The high level of TLRs in some regions is what gave rise to the issues raised by the Rehearing Parties about discrimination and competition reflected in the NOI.⁷

EPSA notes that the NOI asks many important questions that will prove helpful in resolving issues that currently allow for discrimination in the TLR

⁷ *Transmission Loading Relief Reliability Standard and Curtailment Priorities*, Notice of Inquiry, 130 FERC ¶61,033 (February 18, 2010). ("TLR NOI")

procedures and IDC. Questions (a) and (g) ask who implements curtailments and where the level of TLRs happen the most [ISO\RTO regions versus non-ISO\RTO regions], respectively. These are key questions, though other factors are associated with these questions that play a role in potential discrimination.

EPSA members have experienced excessive curtailments by some vertically- integrated transmission providers with affiliated supply. These differences have given rise to concerns about potential discrimination. While distinctions about who employs the procedures, what kind of service and market/non-market distinctions are meaningful about the level of TLR curtailments, the transmission provider and its affiliate interests can also influence decisions about transaction curtailments. Therefore the influence that transmission providers affiliates can have over the information the transmission provider provides for IDC congestion management decisions can also play an important role.

Lack of transparency presents a significant dilemma regarding TLR use and potential discrimination in regions without organized markets. Currently, market participants with curtailed transactions have no ability to get information to understand why their transactions were curtailed as compared to other transactions. Consequently, market participants are left with little ability, let alone recourse, to establish a showing of potential discrimination in such situations. Therefore, competitive suppliers that suspect explicit or implicit discrimination with respect to curtailments and possible OATT violations must accept the results, regardless of the potential discrimination.

B. The Commission Should Streamline the Process in Order to Expedite Resolution of the Equity Issue.

As described in the Background Section, there are several entities with some level of responsibility in deciding what the TLR procedures are and how they are to be implemented within the IDC.

- OATI maintains the IDC for NERC IDC Working Group;
- NERC writes the reliability standards;
- NAESB writes the business practices associated with TLR supported by stakeholders;
- The Commission approves the Standards and adopts the business practices.

In part, the evolution of this process and how decisions are made could explain the delay in resolution of the Commission's concerns expressed about the TLR process over the past decade.

The diverse participation in the TLR procedures and IDC diffuses the responsibilities and consequently makes for indecision. The Background Section of these comments suggests that as equity issues have emerged the various NERC and NAESB TLR related working groups have found resolving these issues increasingly difficult. Often times the various entities reach points where it becomes difficult to reach resolution and move forward. For example, the NAESB group working on TLR noted:

NERC is modifying the IDC (Change Order 283) to collect and analyze additional information, such as near-real-time generator output. NERC is planning to modify the IDC (Change Order 310) to incorporate intra-BA tags in its curtailment methodology. NAESB is to develop a methodology for determining what transmission service is used by the

generators for intra-BA transactions but **NAESB may not be able to establish this methodology.**⁸

This back and forth consideration of the TLR process makes for process impasses which are passed off to the next iteration of the process. Often because of the diffused responsibility, it is not always certain who has responsibility for what in the next iteration. This lack of clear responsibility plays a part in delaying resolution of existing TLR problems. Therefore, EPSA urges the Commission to examine ways to streamline the process so that equity issues can be resolved rather than either being passed in whole or in part to another entity associated with the TLR process at a later date.

C. Reliability Coordinators Role and Use of the IDC

EPSA responses to the Commission questions (c) and (g) regarding responsibilities for the TLR procedure detail some of the ambiguities and conflicts among transmission providers, reliability coordinators and balancing authorities in different regions. These answers suggest the need for more clarity around the responsibilities for Reliability Coordinators in the TLR procedures. However, regardless of regional differences, Reliability Coordinators remain obligated to comply with the OATT when carrying out their responsibilities – including the use of the IDC. EPSA urges the Commission as a result of this inquiry to provide more clarity about RC's roles and use of the IDC so that OATT violations currently a part of the TLR process are eliminated.

⁸ Alan Pritchard, *Determining Whether a Generator is Using Firm or Non-Firm Transmission Service* (Presented during the March 17-18 WEQ BPS meeting). Available here: http://www.naesb.org/pdf4/weq_bps031710w1.doc. (emphasis added)

D. The NOI Questions

In the NOI, the Commission asks seven questions, for which EPSA provides the following responses:

(a) Whether Reliability Standard IRO-006-4, as implemented by various transmission providers, reliability coordinators and balancing authorities, results in firm service being made subordinate to non-firm service?

The IRO-006-4 Reliability Standard describes an interconnection-wide transmission loading relief procedure for the prevention or management of potential or actual operating limits, but does not specify which transactions should be curtailed or go into detail regarding firm and non-firm transmission service. However, curtailment priorities are contained within NAESB Business Practice Standard WEQ-008, and NERC's IDCWG implements these rules in the IDC. WEQ-008 contains the rules of the TLR Procedure, which defines the manner in which firm and non-firm service is to be curtailed when implementing interconnection-wide congestion management in the Eastern Interconnection.

Use of the IDC in some cases results in firm service being made subordinate to non-firm service. The most common instances when this occurs are:

- Untagged, non-firm uses of Network and Native Load service, such as service from internal, non-designated resources to native load.
- Non-firm uses of designated network resources, where the designated resource is a slice of system or contract rather than a specific "hard" asset that is only partially utilized for firm network service.
- Non-firm uses of designated network resources where the requirements to undesignate a network resource and the timelines for posting that information may not be sufficient for the IDC to use in establishing a list of transactions subject to curtailment.

- Tagged or untagged, non-firm uses of Point-to-Point that source and sink in the same Balancing Authority and the IDC model has not been modified to account for the resultant null Transaction Distribution Factor.
- Transactions in a Balancing Authority, where due to the size of the BA it can be difficult to analyze the impact of all transactions on a specific constraint.
- Power purchases by a host balancing authority from third parties, since the NNL calculated by the IDC accounts only for generation facilities owned by the host balancing authority.

(b) How do Transmission Providers currently implement OATT sections 13.6 and 14.7? Specifically, discuss whether Transmission Providers rely solely on the Interchange Distribution Calculator in determining which transactions to curtail, or whether they also take into account non-firm transactions internal to the Balancing Authority which are currently not reflected in the Interchange Distribution Calculator.

The current implementation of OATT Sections 13.6 and 14.7 as described by the [EPSA] Rehearing parties⁹ is problematic. The transactions outlined in EPSA's answer to question (a) describe IDC transactions that violate the OATT provisions by making firm transactions subordinate to non-firm transactions. The current standards, business practices and tariffs provide for a mix and match of rules that allow for discretion on the part of transmission providers regarding their input into the IDC. Consequently, some Transmission Providers do not take into account non-firm transactions internal to the Balancing Authority not currently reflected in the IDC. This in turn has lead to inconsistent implementation of the OATT provisions with respect to IDC and possible discrimination.

Additionally, as has been noted in the Background and Comments sections, current actions under considerations by NAESB and NERC will not

⁹ EPSA Comments, (ER10-794-000), filed on March 16, 2010

completely resolve the IDC issue of firm transactions being made subordinate to non-firm transactions. Hence, solutions currently being contemplated will not entirely eliminate IDC results that conflict with the OATT.

(c) If the Interchange Distribution Calculator results in firm service being made subordinate to non-firm service, would including transactions internal to a Balancing Authority help resolve the problem? If so, what parties would be impacted? If there are affected parties, please provide examples of what the impacts on those parties would be.

Making changes to the IDC to include transactions internal to a Balancing Authority may in certain cases help resolve the problem of firm service being subordinate to non-firm service (assuming such transactions are tagged). As described in the EPISA response to question (a), there are transactions for which the IDC cannot ensure that non-firm service does not subordinate firm service. Market Participants using transmission service internal to BAs will require tagging for such transactions. In those cases, customers utilizing non-firm service would experience more service interruptions. These interruptions would not be consistent with the transmission service purchased. The inequity that would occur is that, if a neighboring BA does not require tagging the intra-BA transactions, the IDC will not see these transactions, and thus these transactions will not face curtailment during a TLR event. This creates the potential for two customers -- both utilizing non-firm service on paths with similar impacts on an interface -- to experience inequitable treatment during a TLR (one is cut and the other is not) due only to differing requirements within the transmission provider's Business Practices.

Another scenario in which firm service is inappropriately treated

subservient to non-firm service is with respect to sales from generators that are Designated Network Resources but are only partially used to supply network service, with the remainder of the available generation supplying non-firm load. The IDC is currently not able to identify different types of service supplied from a single Designated Network Resource and the planned enhancements such as Change Order 310 will not address this limitation. Therefore all sales from that unit are deemed to be firm service for purposes of TLRs. Thus, where these transactions are contractually non-firm, they are given firm service equivalent to other transactions that are truly firm, and firm transmission service customers are subject to an inappropriately high number of curtailments.

The NAESB OASIS Subcommittee, in response to the Commission's Order No. 890, is currently working on Business Practice Standards to designate and undesignate network resources on OASIS (NITS). Pursuant to paragraph 385 of Order No. 890, the NAESB Business Practices Subcommittee (BPS) began its work on revising the NAESB TLR Business Practice Standard (WEQ-008) expecting that there would be a near-real time "list" of resources that had been designated. From Order No 890:

The Commission adopts the NOPR proposal and requires transmission providers and network customers to use OASIS to request designation of new network resources and to terminate designation of network resources. This information shall be posted on OASIS for 90 days and available for audit for a five-year period. Transmission customers thus shall be able to query requests to designate and terminate a network resource. This requirement adds valuable transparency without undue burden, since it is nothing more than maintaining a database of designation requests made and responded to electronically. The Commission orders public utilities, working through NAESB, to develop appropriate templates for OASIS.

Importantly, the list would be updated with the deletion of resources that had been temporarily or permanently undesignated. This list would then have been available to provide near real-time information to the IDC, identifying more accurately the transactions that are correctly to be treated as firm as distinguished from those that are supplying a non-firm service.

However, the BPS has been advised by the leadership of the OASIS Subcommittee that the revised Business Practice Standard being drafted by the OASIS Subcommittee would not be capable of meeting this need. In particular, where the source of the Designated Network Resource is other than a specific generator, i.e. the source could be a contract or a “slice of the system” purchase, the standard will not specify how partial undesignations of those resources is reflected in reduced firm supply from specific generators. In addition, Paragraph 385 of Order 890 does not specify a timeframe for the posting of designated and undesignated resources. Therefore, even where resources are appropriately undesignated in order to supply non-network service, the “list” might not be sufficiently timely for TLR purposes. In this scenario, tagging of intra-BA transactions would not solve the problem.

Other examples could include Qualifying Facilities (QFs) and intermittent generators that could be using non-firm transmission (which is not recognized as such by the IDC) or grandfathered contracts.

Therefore, there are scenarios where even with the enhanced IDC and the new NAESB Business Practice Standard for NITS as currently contemplated, the treatment of non-firm and firm services show how the many moving pieces around the TLR procedures and IDC act in concert. This begets

skepticism regarding the ability to ensure equivalent treatment for TLR purposes through each responsible entity.

It should be noted that proposed IDC Change Order 310 would provide the capability to identify transactions internal to BAs and allocate them to firm or non-firm buckets. Currently, only a relatively small subset of internal BA transactions are tagged, (and therefore potentially will be affected by Change Order 310) since tagging for intra-BA transactions is a matter of TP discretion. If this change is to be implemented, this may require a regulation or standard requiring tagging of all intra-BA transactions.

(d) If the Interchange Distribution Calculator results in firm service being made subordinate to non-firm service, would modifying it to calculate the Transfer Distribution Factors (TDF) for transactions within a Balancing Authority solve the identified issue of firm transactions being curtailed before non-firm transactions within a Balancing Authority?

The above analysis of transactions within a Balancing Authority demonstrates how current practices only address some of the transactions that the IDC currently does not identify regarding its firm or non-firm status. Additionally, the answer to (c) suggests that a single modification will not provide a complete solution to the identified issue of firm transactions being curtailed before non-firm transactions within a Balancing Authority.

(e) What is the role and responsibility of the transmission provider, reliability coordinator and balancing authority, in the TLR procedures and curtailment?

The transmission provider identifies the appropriate service and priority of that service such that it can be correctly curtailed when necessary. This service should be provided in a non-discriminatory manner in accordance with

the OATT. With respect to TLR, the transmission provider ensures that Interchange information sent to the IDC accurately represents the service sold, such that it can be appropriately prioritized should curtailment be required. In fulfilling that responsibility the transmission provider must acknowledge the current limitations present with the IDC, using the IDC information as a tool.

The Reliability Coordinator identifies potential and actual instances of exceeding IROL and prepares mitigation plans (such as implementing TLR and requesting transactions and internal flows to be curtailed) to address potential and actual instances of exceeding SOL and IROL. The Reliability Coordinator does this with the assistance of other Reliability Coordinators as necessary.

Balancing Authorities are responsible for providing the necessary adjustments to schedules to provide the mitigation requested. In general, this is accomplished by curtailing the transactions and internal flows as requested by the Reliability Coordinator.

(f) As noted above, a Level 5 TLR is called to allow certain firm transactions to continue or to mitigate further operating limit violations and a Level 6 TLR is called to implement emergency procedures. Are commenters aware of Level 5 or Level 6 TLR procedures being called for reasons other than to allow certain other firm transactions to continue or to mitigate any further operating limit violations?

As discussed in FERC's December 16, 1998 Order on TLR, Reliability Coordinators act on behalf of Transmission Providers and are expected to take actions consistent with FERC regulations related to Open Access. Much as

the Rehearing Parties asserted previously, the current procedures allow transmission providers discretion pursuant to the current various protocols and procedures under TLR level 5 and level 6 that can make some firm transactions subordinate to non-firm transactions.


(g) If this is an issue, does it occur in non- ISO/ RTO regions, within ISO/RTO footprints, or both?

This TLR issue occurs outside of organized markets with vertically-integrated utilities that have affiliated supply. Further, the Commission should note that Reliability Coordinators, through various NERC Reliability Standards, are given broad discretion to take actions they deem appropriate to protect the reliability of the bulk power system. With regard to instances of exceeding SOL and IROL, IRO-006, for example, allows Reliability Coordinators to take proactive action to prevent such instances, as well as to direct non-economic redispatch or other specific action on a reactive basis to recover from such instances and return operations to within system limits. The flexibility afforded to the Reliability Coordinator is necessary in order to maintain the reliability of the bulk power system. However, a consequence of this flexibility is the *potential* for misuse of the TLR procedure within the Eastern Interconnection.

IV. CONCLUSION

EPSA supports the Commission's Inquiry to resolve technical and equity issues inherent in the current TLR process and IDC, and responds to specific questions herein.

Respectfully submitted,




Nancy Bagot, Vice President of Regulatory Affairs
Jack Cashin, Director of Regulatory Affairs
Electric Power Supply Association
1401 New York Ave, NW
11th Floor
Washington, D.C. 20005

March 29, 2010

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. March 29, 2010.



Nancy Bagot, VP of Regulatory Affairs