NAESB
Standards Review Subcommittee

Scope for

Operate Within Interconnected
Reliability Operating Limits

Business Practices

March 11, 2004

Defining the Business Need

- NERC Std 200 requires transmission operators to maintain loading levels on transmission facilities within safe operating limits to sustain the reliability of the Interconnection.
  - Interconnection reliability limits is a part of the system reliability limit to be observed by the RAs.

Defining the Business Need

- NERC Std 200 does NOT require operators to adhere to any particular process or methodology to manage commercial transactions to be able to meet the reliability objectives
  - a “commercial issue” per comments received, or
  - a “FERC Tariff issue”

How are market transactions "managed" today?

- Bi-lateral transactions
  - FERC 888 Tariff
  - NERC Policy 9 Appendix 9C1
  - WECC, UFAS
  - MISO, as of today.
  - ERCOT

- Nodal markets
  - PJM, New England ISO, NYISO, MISO (when implemented)

NAESB Objective

- Provide a consistent process for managing commercial transactions that provides certainty, consistency and transparency for market participants transacting across markets (in – out – through)
  - Region-Wide?
  - Interconnection Wide?
  - Trans-continent Wide?
- Meet obligations of transmission tariffs
- Not impede on RTO/Market processes

Standards Review Subcommittee and OWL Taskforce "Brainstorm"

- Process
  - NAESB SRS appointed a task force to review the NERC IROL standard draft and assess the need for a companion BP standard
  - Raj Rana chaired the taskforce
  - The task force and SRS brainstormed the issues and drafted a scope document late last year and revised three times
  - Sought input from the NERC MC

Standards Review Subcommittee and OWL Taskforce "Brainstorm"

- Challenges
  - All congestion needs to have a market value.
  - Can bi-lateral "markets" replicate the benefits of congestion pricing in LMP markets?
  - How to provide price signals for inter-market transactions? (LMP to LMP, LMP to Bi-lateral, Bi-lateral to Bi-lateral).

Possible OWL BP requirements

- System Data is crucial
  - Need real-time info on system conditions (flowgates).
    - NERC “FIST”
    - EPRI RSSD
- From NERC Policy 9 Sec C – Interchange Transaction Curtailment Order:
  - Table for Transmission Service Priorities, Priority 0, 1, 2, 3, 4, 5, 6, 7 , must reflect FERC Tariffs

Possible OWL BP requirements

- Notify market of the IROL levels/problem
- Possible Congestion market mechanism to relieve the problem
  - Communication between RAs and market
  - Electronic bulletin board
  - Operator driven market price to keep bi-lateral schedules based on real-time system conditions,
  - Bids and offers to displace higher priority bi-lateral transactions (assumes same path and same PTDFs
  - Congestion price based on bi-lateral schedule’s PTDF

Possible OWL BP requirements (Cont'd)

- Other market mechanisms
  - Redispatch
- Emergency/operative action (due to resources/physical limits or price caps, time constraint)
  - NERC procedures/standards in effect
  - Restore pre-problem market transactions

Standards Review Subcommittee asked NERC MC Questions

- Do the congestion market mechanisms meet reliability objectives?
- Do the congestion market mechanisms threaten or hinder reliability of the Interconnection(s)?

Standards Review Subcommittee NERC Questions

- NERC Std 200 is for “Interconnection” needs. Should this NAESB BP also provide complementary business practices at the “System” reliability operating limit level? (difficult to differentiate and separate)
  - anticipate new NERC SAR on Operate within System Reliability Operating Limits

Next Steps for OWL BP

- NAESB SRS and the NERC MC realize the need for additional companion BP standard(s).
- Seeking recommendation from the WEQ Executive Committee.
- Continue following the NERC OWL standard development activity.
- Post Scope Document for industry comments following the EC recommendation.
- Submit NAESB Standards Request
- NAESB “triage”.
- NERC-NAESB-IRC Joint Interface Committee.