

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: James J. Hoecker, Chairman;
Vicky A. Bailey, William L. Massey,
Linda Breathitt, and Curt H•bert, Jr.

Capacity Benefit Margin in	)	
Computing Available	)	Docket No. EL99-46-000
Transmission Capacity	)	

ORDER CLARIFYING METHODOLOGY FOR
COMPUTING AVAILABLE TRANSMISSION CAPABILITY

(Issued July 28, 1999)

In this order, we provide clarification regarding the methodology for computing available transmission capability (ATC) pursuant to Attachment C of the pro forma tariff. 1/ In so doing, we direct transmission providers 2/ to take several short-term measures to make their Capacity Benefit Margin (CBM) set-asides more transparent, more accurate and more widely available.

Background

1/ See Promoting Wholesale Competition Through Open Access Non-discriminatory Transmission Services by Public Utilities and Recovery of Stranded Costs by Public Utilities and Transmitting Utilities, Order No. 888, FERC Stats. & Regs. ¶ 31,036 at 31,963 (1996), order on reh'g, Order No. 888-A, FERC Stats. & Regs. ¶ 31,048 at 30,543 (1997), order on reh'g, Order No. 888-B, 81 FERC ¶ 61,248 (1997), order on reh'g, Order No. 888-C, 82 FERC ¶ 61,046 (1998).

2/ A transmission provider is defined in section 1.46 of the pro forma open access transmission tariff as "[t]he public utility (or its Designated Agent) that owns, controls or operates facilities used for the transmission of electric energy in interstate commerce and provides transmission service under the Tariff."

In Order No. 888, we directed public utilities that own, control, or operate facilities used for the transmission of electric energy in interstate commerce to file open access, non-discriminatory transmission tariffs with certain specified minimum terms and conditions for transmission service. 3/ We also directed, among other things, that they develop and maintain an electronic same-time information system that gives existing and potential transmission users access to transmission information. 4/ In Order No. 889, 5/ the Commission explained that information to be posted on this system (OASIS) was intended to open the "black box" of utility transmission system information -- to allow transmission customers to determine the availability of transmission capacity and to help the Commission and others ensure that utilities did not deny access unfairly. 6/ The information to be posted on OASIS included both total transmission capability (TTC) and ATC. 7/ CBM is a key component that goes into the computation of ATC.

On May 20-21, 1999, the Commission staff convened a technical conference regarding CBM. 8/ By way of providing background, a staff attachment to the Notice of Technical Conference quoted the North American Electric Reliability Council's (NERC) definition of CBM, which provides in pertinent part:

Capacity Benefit Margin (CBM) is that amount of transmission transfer capability reserved by load serving entities to ensure access to generation from interconnected systems to

3/ Order No. 888 at 31,635-36.

4/ Id. at 31,636, 31,722.

5/ Open Access Same-Time Information System and Standards of Conduct, Order No. 889, FERC Stats. & Regs. ¶ 31,037 (1996), order on reh'g, Order No. 889-A, FERC Stats. & Regs. ¶ 31,049 (1997), reh'g denied, Order No. 889-B, 81 FERC ¶ 61,253 (1997).

6/ Order No. 889 at 31,590.

7/ Id. at 31,604; accord 18 C.F.R. § 37.6(b) (1999).

8/ Capacity Benefit Margin in Computing Available Transmission Capacity, 86 FERC ¶ 61,313 (1999) (Notice of Technical Conference).

meet generation reliability requirements. Reservation of CBM by a load serving entity allows that entity to reduce its installed generating capacity below that which may otherwise have been necessary without interconnections to meet its generation reliability requirements. [9/]

The technical conference generally addressed the following topics regarding CBM:

- What are the current practices with respect to CBM?
- How is CBM being computed, and how is it being used today?
- What changes, if any, should be considered with respect to CBM practices and why?

Twenty-four invited speakers representing a variety of electric utility industry and electricity consumer interests participated at the technical conference, and 41 entities filed written comments.

Discussion

Based on the presentations at the technical conference and having reviewed the written comments, we believe that it is appropriate that the Commission take certain immediate actions with respect to CBM that should, in turn, improve the development of accurate ATC figures. The measures that we are requiring transmission providers to take at this time consist of short-term solutions, which, for now, take no position on the transmission provider's ability to set aside CBM for generation reliability requirements.

Lack of Information about CBM

One significant problem with CBM is the lack of available information about CBM. 10/ Transparency is extremely important and goes a long way toward eliminating suspicion over a denial of transmission service. Therefore, we will direct each

9/ 86 FERC at 62,126 (quoting NERC Available Transfer Capability Definitions and Determination, p. 14 (1996)).

10/ E.g., Tr. 15, 42, 45, 118, 134-35, 193-94, 199, 281, 315.

transmission provider to post the following information on its OASIS within 30 days of the date of this order:

1. With respect to each path for which the utility already posts ATC, a transmission provider should also post (and update) the CBM figure for that path. For example, if TTC is 1000 MW, CBM is 100 MW, and ATC is 900 MW for a given path, the transmission provider would show in its posting that the CBM for that path is 100 MW. The transmission provider also should explain how total CBM is allocated among particular paths.

2. A transmission provider should also post a narrative explanation of its CBM practices, including who performs the assessment (transmission or merchant staff), the methodology used to perform generation reliability assessments (e.g., probabilistic or deterministic), whether the assessment method reflects a specific regional practice, the assumptions used in those assessments and the basis used for the selection of paths on which CBM is set aside. If the utility's practice is to not reserve CBM, the narrative should so state. The narrative explanation should be specific and self-contained, e.g., general references to NERC or Form 715 criteria would not be sufficient.

The Need for Updated Information

In the near-term, CBM can and should be reevaluated periodically to take into account more certain information. ^{11/} For example, if the CBM set-aside was made some time ago, it necessarily reflected assumptions for the current period that have not, in fact, materialized (e.g., load, temperature and generation outages). As we move closer to a given day, there are fewer unknowns and the CBM figure should be updated. This will often reduce the CBM figure. Therefore, we will direct transmission providers to (1) reevaluate their generation reliability needs periodically so as to make known the availability of CBM, and (2) post on OASIS their practices in this regard.

Who Can Use CBM for Generation Emergencies

Commenters urged that CBM be made available to load-serving entities during generation capacity emergencies. However, there was much disagreement about who should be considered a "load-serving entity." While this term has included the transmission

^{11/} E.g., Tr. 61-62, 282.

provider (with its native load), some commenters indicated that load-serving entities should also include network customers under the transmission provider's open access tariff. ^{12/} Other commenters suggested that any entity serving load should be able to use CBM during emergencies; ^{13/} however, there was some disagreement about what constituted an emergency, i.e., a generation shortage in the control area as a whole or a generation shortage experienced by any one customer.

As an initial, short-term measure, we will direct each transmission provider to post on OASIS, within 30 days of the date of this order, its procedures for allowing CBM to be used during emergencies. This explanation should specify what constitutes an emergency, the entities that are permitted to use CBM during emergencies (e.g., the names of the eligible load-serving entities, not just the general label of load-serving entity) and the procedures which must be followed by the transmission provider's merchant function and other load-serving entities when they need to access CBM.

Availability of CBM on a Nonfirm Basis

In Order No. 888, we required transmission providers to make transmission capacity available on a nonfirm basis. ^{14/} Thus, CBM should be made available to all tariff customers, i.e., even "through" customers, as nonfirm transmission service. Moreover, CBM, like nonfirm transmission service, will be subject to curtailment (for "reliability reasons"), as provided under the pro forma tariff. ^{15/} Therefore, we will direct each transmission provider to post the availability of CBM on its OASIS within 30 days of the date of this order.

The Need for a Standardized Methodology for Deriving CBM

^{12/} E.g., Tr. 127, 345, 355.

^{13/} E.g., Tr. 133, 209, 220, 223, 300, 308, 321.

^{14/} Order No. 888 at 31,690; Order No. 888-A at 30,217-18.

^{15/} Order No. 888 at 31,748-49; Order No. 888-A at 30,278-81 (concerning the pro forma tariff's curtailment provision); Order No. 888-A at 30,519-20 (section 14.7 of the pro forma tariff). See also, e.g., Tr. 115, 195, 199, 282, 286, 304, 311, 315 (comments that CBM should be made available on a nonfirm basis).

We recognize the need for a standardized methodology for deriving CBM 16/ and that NERC has already started a process to establish such a methodology. However, there is concern that letting the NERC process take its course could take a long time, given NERC's voluntary organizational status. 17/ In order to facilitate the NERC process, we will direct transmission providers, working through NERC, to complete this process by the end of 1999. If NERC believes that additional time will be required, it should, within 15 days of the date of this order, inform the Commission of that fact and tell us when it expects to complete that process. If NERC indicates that additional time is necessary, we will reconsider our directive on this issue; this directive is intended to facilitate the NERC process, not to supersede it.

The Commission orders:

Transmission providers shall implement the measures discussed in the body of this order, within the time frames discussed in the body of this order.

By the Commission.

(S E A L)

David P. Boergers,
Secretary.

16/ E.g., Tr. 15, 135-36, 181, 193.

17/ E.g., Tr. 84, 156, 183-84, 328.