



July 25, 2008

Wholesale Electric Quadrant Executive Committee
North American Energy Standards Board
1301 Fannin, Suite 2350
Houston, Texas 77002

Via email to naesb@naesb.org

Subject: Formal Comments on the 2008 WEQ Annual Plan Item 2.a.i.2 Condition Firm Business Practice Standards

The American Wind Energy Association (AWEA) appreciates the opportunity we have been given to participate in the NAESB ESS/ITS Committee's effort to draft a Conditional Firm Business Practice (BP) standard. We commend this subcommittee for its work to address challenging details of this BP which we believe will provide clarity and consistency on this new product for customers and transmission providers. In these comments we address three issues with this recommended BP that cause AWEA serious concern.

Transparency of System Conditions in Effect is Needed

First, the level of transparency regarding the system conditions in effect is not adequate for conditional firm customers to make the most effective business decisions to assess their curtailment risk and make alternate plans to prepare for potential curtailment. AWEA and other parties in this drafting effort made numerous efforts to find a compromise that would work to satisfy both customer and transmission provider needs, which is clear in the record of motions within the work group that address this issue. Many times these motions failed due to a tie vote.

The draft standard states in section 001-n.4.2.1 that any reduction in curtailment priority will be posted in a customer's reduction template on OASIS, which can be queried. The system conditions for that customer's contract are not included in the reduction template. So, there is no simple way for customers to monitor the reduction templates of other conditional firm customers on an up to date basis in order to be aware of all system conditions that may be in effect.

Conditional curtailment customers with contracts defined by systems conditions, may have one or more conditions that force their curtailment priority to drop from firm (curtailment priority 7) to secondary network (curtailment priority 6NN or 6CF). Conditional firm customers should be provided easy to access information not only about when their curtailment priority has been reduced, but when any conditions that may affect their curtailment priority are in effect. The transmission provider must be able to monitor these conditions in real-time in order to implement appropriate curtailment of these customers. Therefore, all that is needed is an additional posting of these conditions. AWEA requests that the standard include a requirement that all system conditions not subject to CEII restrictions be posted in an easily accessible way on the transmission provider's OASIS web site. AWEA supports the language suggested by EPSA to address this requirement within the standard.

Resales of Conditional Firm Should be Allowed

AWEA's second area of concern is the limitations placed on resales of conditional firm contracts by the standard (section 001-n.5.4). There is no essential reason for this restriction, and therefore resales should be allowed, since FERC intended conditional customers to be treated in the same way as firm customers whenever possible. By limiting resales, this standard limits the most efficient use of the transmission system, and in that way is contradictory to FERC's original intent in requiring conditional firm service be offered. This also limits the value of this transmission product to customers since they cannot recoup any value for their purchased transmission rights during periods when they do not need to use these rights.

FERC has recently provided more clarity on this issue in their Order 676-C, which states that resales apply to long-term firm with a conditional curtailment option, and that such resales convey any conditions that may exist on the parent reservation.¹ Order 676-C also addresses an outstanding question that has come up regarding resales in the ESS/ITS workgroup. Paragraph 61 of this order indicates that only the original conditional firm contract must be filed at FERC, not the resales of such contracts. Based, on this order, AWEA believes that resales of conditional firm are allowed, and no additional language is necessary to address this in the business practice standard. However, sections 001-n.5.4 – 001-n.5.4.1 must be removed.

Standard Should Address Allocation of Long-Term ATC to Conditional Firm Customers

Finally, AWEA is concerned that the standard fails to address a critical aspect of the conditional firm option going forward: how new long-term ATC will be allocated to conditional firm customers when it becomes available. Without this detail, the standard and the protocols necessary for full implementation of conditional firm service will not be complete. AWEA believes this aspect of Conditional Firm should be consistent in the industry and not left to transmission providers to define on their own.

¹ FERC Order 676-C paragraph 59.

Conditional firm service is only offered to customers when long-term firm capacity (ATC) is unavailable to fill their request. However, there are several situations where such capacity may become available on a long-term basis after a conditional firm contract is signed, such as when another customer chooses not to take advantage of their rollover rights, or when a reevaluation of ATC identifies additional capacity that was not previously available for sale. Order 890 indicates that conditional firm service will be charged at the same rate as long-term firm service. Since these customers are likely to be paying the same price as any long-term firm customers, they should have rights to long-term firm ATC when it becomes available. The methodology for allocating such ATC should be clarified in this standard.

AWEA recognizes that, at this point, clarification of this aspect of conditional firm within the standard will hold up the filing and approval of the standard at FERC. Therefore, we request that the Executive Committee commit to prioritizing the work to create a standard for this issue, add this to the 2009 work plan for submission to the Executive Committee early in the year. We also request that the Executive Committee include this commitment in the NAESB filing of the current recommended standard with FERC.

Thank you for the opportunity to provide this input.

Sincerely,

A handwritten signature in cursive script, appearing to read "Natalie McIntire".

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