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Securing Transmission Needs

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Securing Transmission Needs

- Entities purchasing power will need to procure transmission service from the Transmission Provider
- For end-use customers purchasing power from a supplier, the supplier typically acts as agent to arrange transmission service
- Supplier passes through transmission costs - depends on the specific contract negotiated

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Key Players in Securing Transmission Needs

- Transmission Provider
- Transmission Owner
- Transmission Customer

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Key Players in Securing Transmission Needs

- Transmission Provider specifies the transmission and ancillary services it provides, as well as the rates for these services, in its Open Access Transmission Tariff (OATT)
- Transmission Providers include Regional Transmission Organizations (RTOs) as well as utilities that are transmission owners and not in RTOs

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Key Players in Securing Transmission Needs

- Transmission Owners include utilities in RTOs as well as utilities not in RTOs
- Transmission Customer – power suppliers, end-use customers

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FERC Order No. 888 (1996)

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- Investor-owned and privately-held utilities
  - Must all offer non-discriminatory access to their transmission systems for wholesale transactions
  - Must offer such access pursuant to Pro Forma Open Access Transmission Tariff (OATT)
  - Must offer ancillary services necessary for transmission

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Pro Forma OATT

- Choice of service type
  - Point-to-point transmission service
    - Fixed capacity right between two points
    - Billed based on reserved capacity
  - Network Integration Transmission Service (NITS)
    - Integration of designated generation resources and loads
    - Billed based on monthly coincident peak load demand

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Pro Forma OATT

- NITS usually chosen for retail access
- NITS allows the customer to serve its network load in a manner comparable to that in which Transmission Owners utilize the transmission system to serve their native load

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Ancillary Services

- Allows for reliable operation of transmission system
- Ancillary Services
  - Scheduling and dispatch service
  - Reactive power and voltage control from generation sources
  - Regulation and frequency response
  - Energy imbalance
  - Spinning operating reserves
  - Supplemental operating reserves

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FERC Pro Forma Tariff Pricing

- No specific pricing method prescribed
- Tariff must conform with FERC's transmission policy
- Postage-stamp pricing

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Postage-Stamp Pricing

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$$\text{Reserved Capacity (or Network Load)} \times \frac{\text{Rev. Req. - Non-firm Rev.}}{\text{Peak Firm Transm. Sys. Load}}$$

Price is not sensitive
to distance or location

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License-Plate Variation

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- Postage-stamp rate varies by location of delivery point
- Generally proposed as interim step to regional postage-stamp rate

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Transmission Provider's Typical Role

- Administers the OATT
- Calculates and posts Available Flowgate Capacity (AFC)/Available Transmission Capacity (ATC)
- Processes transmission requests
- Coordinates system impact and facilities studies
- Verifies ancillary services are arranged

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Transmission Provider's Typical Role

- Allows transmission customers to schedule service
- Manages congestion

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Securing Transmission Needs

- Regardless of who is the transmission customer (a Supplier acting as agent for the end-use customer or the end- use customer itself), the process for procuring transmission service is the same

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Securing Transmission Needs

- Procedures for requesting transmission service are spelled out in the Transmission Provider's OATT
- If source of power located outside Transmission Provider's system, also need to arrange for Point-to-Point transmission service to border of Transmission Provider's system

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Securing Transmission Needs
Typical Procedures

- For a new customer, must execute required service agreements (firm, non-firm, or network)
- Transmission Provider will conduct credit check – may require some form of security or deposit
- Customer submits request on the Open Access Same-Time Information System (OASIS) prior to start of service

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Securing Transmission Needs
Typical Procedures

- In addition to OASIS submission, NITS and long-term point-to-point requests (> 1 year) require written application
- Request evaluated

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Securing Transmission Needs

System Impact Study

- If sufficient capacity does not exist to accommodate request for transmission service (either Point-to-Point or NITS), a System Impact Study will be performed

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System Impact Study

- System Impact Study will determine whether request can be accommodated through direct assignment of facilities, network upgrades, or generation redispatch
- Transmission customer pays for study

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Securing Transmission Needs

Facilities Study

- If additions or upgrades are needed to supply service request, Facilities Study will be completed
- Transmission customer pays for study

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Securing Transmission Needs

Facilities Study

- Good faith estimate of cost of direct assignment facilities to be charged to the customer
- Customer's share of the cost of any network upgrades
- Time required to complete construction and initiate service

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FERC's Existing Transmission Pricing Policy

- For upgrades, customer pays the *higher of:*
  - Transmission rate, *or*
  - Incremental cost of expansion capped at verifiable redispatch cost

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Transmission Service Request Flowchart

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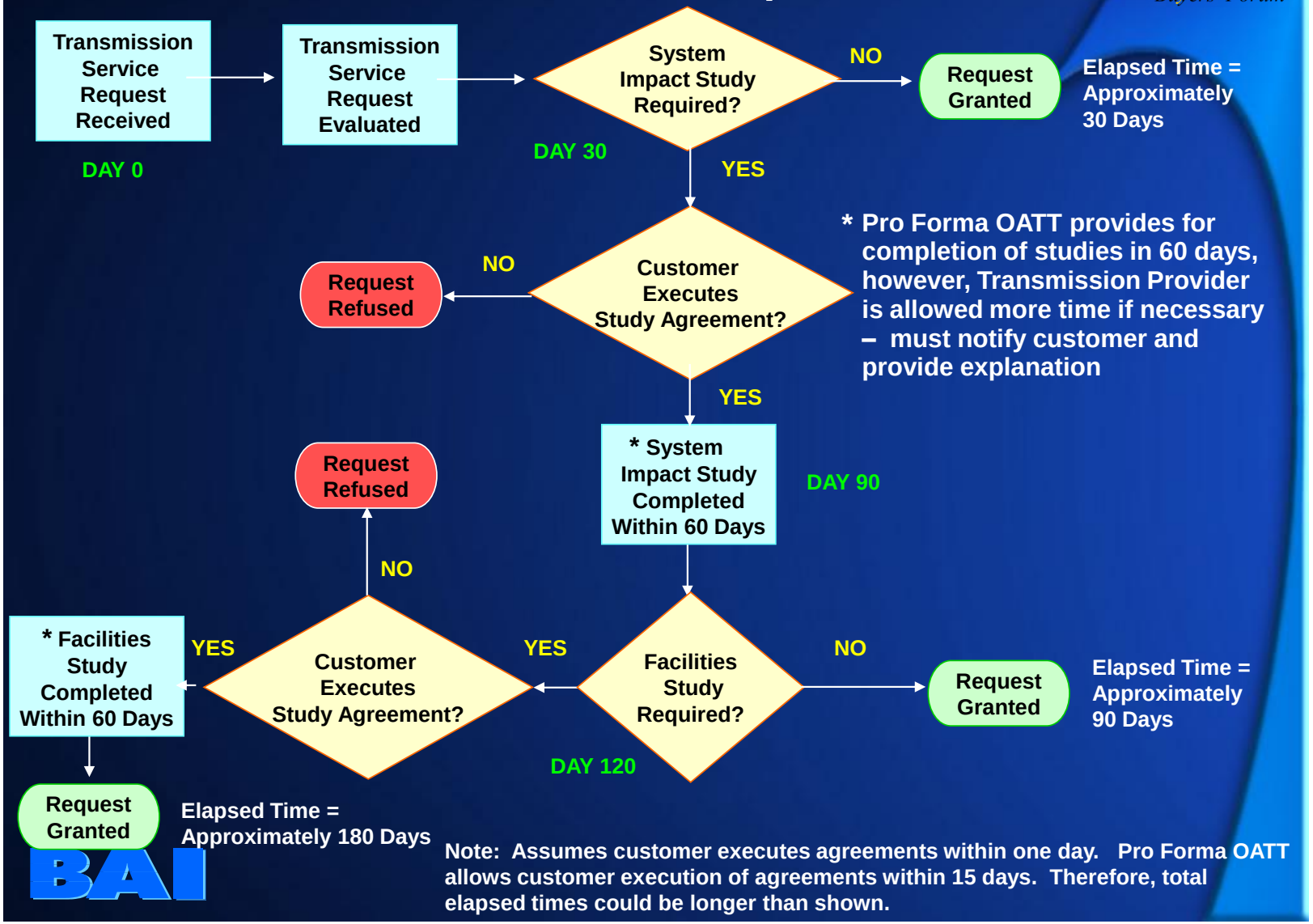

Note: Assumes customer executes agreements within one day. Pro Forma OATT allows customer execution of agreements within 15 days. Therefore, total elapsed times could be longer than shown.

Other Issues

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- Issues due to creation of RTOs
  - Locational Marginal Pricing (LMP)
  - FTRs and congestion
  - FTR nomination process

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