Securing Transmission Needs
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- 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.
Key Players in Securing Transmission Needs

- Transmission Provider
- Transmission Owner
- Transmission Customer
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
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
FERC Order No. 888 (1996)

- 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
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
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
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
FERC
Pro Forma Tariff Pricing

- No specific pricing method prescribed
- Tariff must conform with FERC’s transmission policy
- Postage-stamp pricing
**Postage-Stamp Pricing**

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
License-Plate Variation

- Postage-stamp rate varies by location of delivery point
- Generally proposed as interim step to regional postage-stamp rate
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
Transmission Provider’s Typical Role

- Allows transmission customers to schedule service
- Manages congestion
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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- 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
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
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
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.
Securing Transmission Needs

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
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
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
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
Transmission Service Request Flowchart

- **DAY 0**: Transmission Service Request Received
- **DAY 30**: System Impact Study Requested?
  - **NO**: Request Granted
  - **YES**: Customer Executes Study Agreement?
    - **NO**: Request Refused
    - **YES**: System Impact Study Completed Within 60 Days
      - **NO**: Request Refused
      - **YES**: Customer Executes Study Agreement?
        - **NO**: Request Refused
        - **YES**: Facilities Study Required?
          - **NO**: Request Granted
          - **YES**: Elapsed Time = Approximately 120 Days

- **DAY 90**: *System Impact Study Completed Within 60 Days
  - **YES**: Customer Executes Study Agreement?
    - **NO**: Request Refused
    - **YES**: Facilities Study Required?
      - **NO**: Request Granted
      - **YES**: Elapsed Time = Approximately 180 Days

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

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