

# The Bare Essentials

## Order 888 Reform: Available Transmission Capacity October 2006

### **Introduction**

FERC's main goal in the Order 888 reform rulemaking is to prevent undue discrimination. The Commission has found that the improper calculation of Available Transmission Capacity (ATC) to deny transmission requests leads to such discrimination. Thus, establishing and enforcing uniform, transparent ATC methodologies is essential to a successful reform effort. Despite ten years of industry experience and repeated efforts to develop consistency, there remain widely disparate calculation methodologies, data inputs and assumptions among transmission systems. The time has come to limit the opportunities to discriminate by (1) streamlining permissible ATC calculation methodologies, and (2) implementing and enforcing consistent definitions, data inputs, coordination protocols and modeling assumptions.

### **The Problem**

When ATC calculations are unavailable or miscalculated, vital transmission service is either unused or given to a transmission provider's generation affiliate on a preferential basis compared to competitive suppliers. This prevents competitive suppliers from serving customers. Inconsistent ATC calculations also threaten reliability because correct ATC values are vital in the assessment of curtailments, outages, and transmission loading relief options. ATC is what remains after subtraction of the transmission capacity that is necessary for other purposes, including native load commitments. Unless and until the Commission mandates a standard and enforceable approach to calculating ATC, transmission-owing utilities with affiliated generation will continue to utilize the transmission purportedly necessary to serve "native load" as a way to discriminate against competitors. This continuing manipulation of what actually is required for native load service violates both EPCA 2005 Section 1233 and the core FPA statutory requirement of non-discrimination that the pending Order 888 rulemaking is designed to achieve.

### **Transparency**

Clear, consistent ATC methodology is essential to market transparency and well-functioning, competitive markets. The lack of transparency and access to data used to calculate ATC makes it difficult for transmission customers to effectively assess denials of requests for transmission service and assert their rights under the Federal Power Act. Lack of transparency also weakens the Commission's enforcement authority. While achieving transparent, consistent ATC calculations is essential to achieving FERC's goal of non-discriminatory transmission service, prior industry initiatives have been unsuccessful due to a lack of specificity about all aspects of ATC calculation.

### **The Solution**

First, FERC must limit the discretion of each transmission provider in calculating total transfer capability (TTC). Only then can proper standards be implemented on how to derive ATC, which is a subset of TTC. Second, FERC should provide specific guidance to the North American Energy Standards Board (NAESB) on what aspects of ATC calculation methodology standards, particularly data inputs and modeling assumptions, must be addressed.

In its initial comments in the reform proceeding, NAESB provided FERC with a matrix of areas for which to develop standards, highlighting areas that required greater clarity and guidance from the Commission. NAESB indicated that its members cannot develop a consensus "interpretation" of FERC's directives to develop ATC standards without further guidance. If NAESB is unclear on what FERC expects them to accomplish, there will not be the progress on ATC calculations that the Commission correctly seeks. Further, if this ambiguity continues, transmission providers whose behavior gives rise to the reform will be able to use their membership in NAESB and its "consensus" process to block the needed reforms. EPSA urges FERC to provide clearer guidance so that the use and misuse of ATC to discriminate is remedied.