

OATT Reform Technical Conference

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The Commission's Proposals Regarding Re-dispatch and Conditional Firm Service

My name is Anthony Taylor and I'm speaking on behalf of Williams Power Company and the Electric Power Supply Association. I have over 20 years of experience in the electric power industry. At Williams Power, I am responsible for, among other things, providing technical and transmission system expertise in support of commercial transactions and contractual obligations, assessing delivery risk, and working as a technical interface between Williams Power and transmission providers to amicably resolve transmission issues. Prior to Williams, I spent 13 years with Entergy, working in every aspect of the Transmission business, including: Planning, Policy, Design, and System Operations. My last assignment at Entergy was managing the Wholesale Billing, Tariff Administration, Compliance, and Security Coordination function. I am also a NERC-Certified System Operator.

On behalf of Williams, EPSA, and myself, I would like to thank the Commission and Staff for addressing the issue of OATT reform. Although we may disagree as to the magnitude and specifics of desired change, providers of transmission service should recognize that their customers, the consumers of their services, all see the need to revisit the Open Access Transmission Tariff. The OATT has proven to be a very valuable tool in the fight to provide end use consumers competitive power resources, to spur the development and deployment of new energy technologies, to enhance grid reliability, and the creation of new market participants and structures. The OATT has been instrumental in somewhat leveling of the playing field between traditional rate-based energy suppliers and independent third parties. But, as with any tool, over time, it will eventually need to be sharpened, enhanced, and/or refurbished. The time to improve the OATT is now.

While we applaud the Commission for the proposed changes, we respectfully recommend the Commission adopt transparency and clarity as the central theme of the “new” OATT. For instance:

CBM – require firm generation supply contracts in order to reserve transmission capacity as CBM. This will effectively

hold Transmission Owners to the same source/sink standard as transmission customers are currently held.

Additional Data Posting – to increase trust, validate fair and non-discriminatory treatment, and to enhance grid reliability, the Commission must require the posting of real-time power flows of monitored and limiting elements, constrained-area and system loads, and import and export limits for constrained areas.

Re-dispatch and Conditional Firm Service – allow the customer to decide which service best meets their individual needs on a case by case basis. Allow non-affiliated generators to participate in the provision of re-dispatch to ensure competitive pricing. In terms of conditional firm service, the transmission customer must be provided with sufficient detail in order to make a decision on whether or not the conditional service is adequate to meet the customers' needs – i.e., restricted time periods, specific load conditions or limits, contingencies.

With the issuance of the OATT NOPR, the Commission proposed several modifications to the *pro forma* tariff. If the Commission were to listen to the opinion of the transmission providers, the Commission and all market participants, at best, would be led to believe that the current OATT does not need to be changed to enhance competition, to spur expansion of the grid, to enhance reliability, or to make more efficient use of the network. The transmission providers will say “all is fine and let’s maintain the *status quo*”; the majority will say that if rampant discrimination does exist in the provision of transmission service, then the Commission should deal with it on a case by case basis rather than making wholesale changes that

unnecessarily and adversely disrupt the marketplace. The transmission providers would say the Commission, in-fact should tighten the requirements for the reservation, retention (i.e., rollover), and funding for the development of transmission capacity. The transmission customers would disagree.

In fact, transmission customers would argue the proposed OATT enhancements do not go far enough and that transmission providers do not follow the rules of the existing *pro forma*; the transmission providers are afforded too much discretion in their interpretation of the OATT; the transmission providers routinely engage in discriminatory practices that disadvantage non-affiliates and ultimately harm end-use consumers in the form of higher energy bills, and the transmission providers operate their systems and make market impacting decisions in a black box. Because of a lack of transparent operational data, the transmission customer is unable foresee or to verify the validity of a supposed system problem. This lack of transparent operations directly impacts decision making and jeopardizes grid reliability.

Re-dispatch and Conditional Firm Service

1) Transmission Providers contend they do not use re-dispatch in their plan to serve native or network load. I disagree. Transmission Providers develop and plan to implement Operating Guides and Procedures as a means to mitigate expected contingencies while continuing to meet load rather than investing in infrastructure. Transmission Providers do this either by changing system topography or altering the dispatch of select units.

2) Transmission Providers contend that if Conditional Firm Service is offered, they must be allowed latitude to cancel the service as system conditions change because they do not have the tools to predict all of the circumstances that may arise. This is a smoke screen and the risk of the unknown assumptions in offering Conditional Firm Service is no different than the risk Transmission Providers currently accept in the provision of Firm or Network Service today.

3) Transmission Providers express concern over the “free rider” effect if “Party A” chooses to take Conditional Firm Service and “Party B” opts to upgrade the grid – effectively lessening the probability of the identified conditions occurring. This risk is no different than a customer choosing to make network upgrades to ensure deliverability with Firm service. The grid

is enhanced for the benefit of all transmission customers, including non-firm and native load.

4) Transmission Providers also contend that if they are to offer Conditional Firm Service, they need a simple threshold test like load level to avoid confusing the system operator with complex or varying terms and conditions. I beg to differ. NERC-Certified System Operators are used to dealing with multiple operating guides, standards, and complex procedures to ensure the integrity of the grid in the balancing of load and generation and the provision of transmission service. The Transmission Provider can provide his Operators with a simple crib sheet categorized and segmented by customer, condition, limit, hours, etc. The provision of Conditional Firm service is fundamentally no different to the Interruptible Service historically offered Wholesale Industrial customers.

Transparent Re-dispatch and Conditional Firm Service are transmission service products that will serve to increase more efficient use of the grid, lead to infrastructure build-out, and enhanced system reliability for all market participants. The transmission customer must be allowed to choose which product best meets its needs on a case by case basis. Transparent real-time operational data such as system load, power flows across limiting

elements, and transaction specific conditions (i.e., contingences, load levels, hours of operation, etc.) all serve to advance the competitive marketplace.