

**Federal Energy Regulatory Commission
OATT Reform Technical Conference
Docket Nos. RM05-25-000 and RM05-17-000
October 12, 2006**

Panel on ATC Related Reforms

Opening Comments

Michael D. Smith

Constellation Energy Group, Inc.

Good afternoon, Chairman Kelliher; Commissioners Kelly, Moeller, Spitzer & Wellinghoff. I am Mike Smith and I am here today on behalf of Constellation Energy Group in Baltimore. I appreciate the opportunity to be here today to discuss ATC related issues on this panel. Although, my opening remarks don't directly address all of the issues that the Commission raised in its notice of this technical conference, I am prepared to discuss each of those issues today.

Before I make some brief opening comments, I would like to briefly describe the Constellation companies to put my remarks in context. Constellation Energy subsidiaries include Constellation Generation Group which owns and operates our fleet of 12,000 MW of merchant generation; Constellation Energy Commodities Group, a competitive wholesale marketer of electricity, natural gas and other energy related commodities; Constellation NewEnergy, a national competitive retail energy provider; and Baltimore Gas and Electric

Company, which owns and operates jurisdictional electric transmission and distribution facilities within PJM. The point of this is that Constellation subsidiaries view OATT reform from several different perspectives—as a generator, load server and transmission owner. Our comments in this docket and today are informed by our substantial involvement in all of these critical aspects of the energy industry.

Constellation fully supports the NOPR's objective of increasing the transparency and consistency of the rules applicable to calculating ATC. As the Commission has recognized, the mere perception of undue discrimination is a significant impediment to competitive markets. This perception itself may be enough to chill competitive market activities in non-RTO jurisdictions if potential market participants believe that they will not be able to obtain open, nondiscriminatory access to transmission. If, given this initial perception, the potential market participant then experiences behavior that appears to be discriminatory, such as a denial of a transmission request when the transmission provider's OASIS indicates that ATC is available, that market participant may be discouraged to commit the resources to bring competitive solutions to customers in that region. Providing transmission customers meaningful insight into the determination of ATC will help eliminate the mystery underlying many transmission provider responses to service requests, thereby facilitating

increased commercial activity.

At this point, a brief aside is appropriate. There have been several filings in this docket advocating some form of “open” or “transparent” security constrained economic dispatch as a way to solve many of the problems with the OATT that the Commission has identified. Constellation agrees with these positions and would support, at a minimum, a requirement that transmission providers publish real time redispatch costs. Ultimately, some additional level of inclusiveness and transparency in transmission providers’ dispatch protocols, in conjunction with the reforms that the Commission has outlined in its NOPR, will help remedy the remaining opportunities for discriminatory behavior that the Commission has identified and bring real and substantial benefits to end use customers. Rather than pursue that line of discussion in the context of this NOPR, however, we have thus far confined our written comments in this docket—and my comments today—to the framework that the Commission has proposed in the NOPR. Nonetheless, we encourage the Commission to formally take up the issue of open and transparent security constrained economic dispatch at the appropriate time.

Turning back to the NOPR, Constellation proposes that the Commission concentrate first on the transparency aspect of ATC calculations while stakeholders use the NERC and NAESB processes to address consistency issues.

That is, Constellation recommends that the Final Rule focus first and foremost on effecting transparency, and then allow a reasonable, but defined, period of time for the industry to develop uniform standards and to implement those standards on a reasonably consistent basis.

While consistency is an important goal, it nonetheless will take time to develop the appropriate levels of consistency across transmission providers. By contrast, the Commission can and should require that transmission providers, immediately upon issuance of the Final Rule, employ measures to publicly reveal exactly how ATC is determined. Thus, the Final Rule should require transmission providers to provide transmission customers with certain data and take specific steps to ensure that transmission customers understand how ATC is calculated and the data inputs used to effect those calculations.

In order to assist the Commission in effecting an appropriate level of transparency, Constellation has provided in this docket a list of data and modeling assumptions that should be made available to transmission customers in a usable format. I have attached a copy of this list to my opening comments.

What are the benefits of increased transparency? The first benefit is to ensure that transmission service requests are effectively and timely processed by transmission providers. Constellation has on multiple occasions been denied a transmission service request when the transmission provider's OASIS indicates

that ATC is available, but had no real way to challenge that determination because of the ATC “black box.” Given that Constellation’s needs for transmission service are often near-term or immediate—for example, to facilitate a load-serving obligation or wholesale transaction that must be consummated quickly—seeking redress at the Commission for improperly denied service generally is not time- or cost-effective. Instead, Constellation is often effectively forced to accept the determination of the transmission provider that ATC is not available (even though its OASIS may indicate otherwise) and seek alternate transmission paths and/or products to consummate its transaction. Often, the explanation that the transmission service is not available is vague and uncertain; for instance, that assumptions in the ATC model have changed. The transmission customer, however, is at a significant informational disadvantage and has no effective way to verify or dispute the transmission provider’s analysis.

Increasing transparency will also increase the efficiency of transmission service requests. Additional transparency will provide transmission customers with additional data points for understanding and analyzing the ATC figures posted on the transmission provider’s OASIS, and the basis for the denial of any transmission request. Forcing a transmission customer to submit transmission service requests with minimal information as to how the request will be analyzed

is exceedingly inefficient in that the transmission customer has no way to predict, in advance, which of multiple potential transmission requests is likely to be granted. As a result, the transmission customer may submit all possible requests, which forces the transmission provider to analyze each. On the other hand, if the transmission customer had more complete and accurate information about how the transmission request would be analyzed, the transmission customer could more closely target its requests to the paths and MW values which are most likely to be granted, significantly increasing system efficiency.

Finally with respect to transparency, to the extent the Commission requires transmission providers to provide transmission customers with data of the nature and type that Constellation has proposed, it is important to ensure that such information is actually flowing on a useful and consistent basis between the transmission provider and the transmission customers. In order to effectuate this information flow, Constellation recommends that the Commission require each transmission provider to meet initially with interested stakeholders to establish a protocol and timeline for the transmission provider's compliance with the Commission's order. Transmission providers should then hold semi-annual meetings with stakeholders to discuss the ATC calculation methodology and inputs, and to report to the Commission about the matters discussed in such meetings thirty days thereafter.

With respect to consistency, then, once adequate transparency has been required of all transmission providers, the Commission then should address the consistency of ATC calculation methodology among the various transmission providers. In that regard, Constellation fully supports the NOPR's requirement that transmission providers, working through NERC and NAESB, develop—to the extent practicable—consistent standards for all of the elements of the ATC calculation, including data inputs, modeling assumptions, calculation frequency, and a data exchange and coordination processes. However, the Final Rule should establish a date certain by which such standards must be adopted. While the NOPR proposes that these standards be developed within six months of the Final Rule, Constellation believes this is not enough time, and, would support a firm deadline of twelve months, with the additional requirement that transmission providers and NERC and NAESB report quarterly to the Commission staff on the progress of such standards development. Commission staff should closely monitor this process to ensure that progress is being made, and the Commission should be prepared to step in to ensure consistent standards where transmission providers do not voluntarily provide a sufficient level of consistency or when consensus cannot timely be achieved through the NERC/NAESB processes.

Once ATC calculation protocols are made transparent and consistent,

there remains the matter of getting this information to the transmission customers in an accurate and efficient way. That is where OASIS reforms come in. In that regard, the goal of the Commission should be to ensure that the information that a transmission provider posts on its OASIS is “transactable”—that is, a transmission customer knows, with a reasonable degree of certainty, that the ATC posted on OASIS is actually available for the transmission customer to purchase. Constellation does not believe these OASIS management obligations will impose an undue burden on transmission providers. In any case, access to such information is essential to achieving any meaningful transparency in ATC calculations. If transmission providers find that the task of maintaining an up-to-date, accurate OASIS is too burdensome, consideration should be given to employing an independent administrator to perform those tasks.

Let me close by observing that the Final Rule in this matter will be merely the end of the beginning of OATT reform. The real work will just then begin. In that regard, improving the ATC related provisions of the OATT will require a continual and iterative process between transmission providers and transmission customers, with the close oversight and involvement of Commission staff. We are not going to get this perfect the first time, and the Final Rule should ensure that all interested parties are brought back to the table on a regular basis to

ensure that ATC calculation methodology accurately reflects system operational reality and to look for improvements.

Thank you.

Attachment A
To Opening Comments of Michael D. Smith
Constellation Energy Group, Inc.

ATC Calculation Data to be Provided

- Modeling Data:
 - Load flow base cases (accompanied with the purpose of the base case (planning, ATC, AFC, state estimator etc. and how (including base generation dispatch methodology), when and by whom it was developed). This should be provided for both historical & future base cases;
 - Contingency, subsystem, monitoring, transfer files, or change files (.idv) including all other auxiliary files (accompanying the above base cases);
 - List of transactions used to update the base case for transmission service request study (this would go with the MUST transfer file if MUST is used);
 - A complete list of other modeling assumptions, protocols and automation modifications, such as may be included in business practices, including, but not limited to what the adjustments are and how are they applied;
 - Special Protection Systems and Operating Guides, and a specific description as to how they are modeled;
 - Model configuration settings (i.e., MUST Configuration Settings);
 - Dates and capacities of new and retiring generation;
 - New and retired generation included in the model for future years;
 - Production cost models (including assumptions, settings, study results, input data, etc.), subject to reasonable and applicable generator confidentiality limitations;
 - Searchable transmission maps, including PowerWorld or PSSE diagrams;

- OASIS names to Common Names table and PTI bus numbers; and
- Flowgate and interface limits including limit category (thermal, steady state or transient, voltage or angular).
- Modeling Support Information:
 - The specific mathematical algorithm the transmission provider uses to calculate firm and non-firm ATC/AFC for its planning horizon, including all future changes and updates thereto;
 - A process flow diagram that illustrates the various steps through which the ATC/AFC is calculated;
 - A detailed explanation of how each of the ATC/AFC components is calculated for both the operating and planning horizons;
 - Methodology for calculating interface or flowgate limits that are based on voltage or angle transient stability limits (including software used);
 - Transient and dynamic stability simulation data and reports on flowgates which are not thermally limited;
 - Step-by-step modeling study methodology; and
 - Criteria for adding or eliminating flowgates (permanent and temporary).
- Model Benchmarking and Forecasting Data/TSR Study Audit Data:
 - Load levels (actual and forecast);
 - Real-time and historical flowgate flows and limits;
 - Transmission planned and contingency or forced outages (transmission outages include all transmission related equipment and equipment used to isolate the outaged equipment), including both scheduled and actual outages;
 - Generation planned and contingency or forced outages;
 - Existing transmission reservations, including counterflows;

- Criteria for determining line ratings;
- Net Scheduled Interchange data;
- Historical ACE data;
- ATC calculation frequency;
- Root cause describing why TLRs cut transactions; and
- Identification of generating units deemed reliability must run or system support and explanation of why the units were so designated.