UNITED STATES OF AMERICA BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

OPENING COMMENTS OF THE
NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL
OATT Reform Technical Conference
Federal Energy Regulatory Commission
Docket Nos. RM05-25-000 and RM05-17-000
October 12, 2006

Good Afternoon.

My name is Bill Lohrman, and I am pleased to represent the North American Electric Reliability Council[1], a New Jersey nonprofit corporation ("NERC"), and to provide these comments in response to the issues and questions raised in the questions in the Commission's October 12, 2006 Agenda for the OATT Reform Technical Conference.

NERC supports the Commission's efforts to ensure transmission services are provided in a nondiscriminatory and just and reasonable basis. NERC further supports the Commission in encouraging the electric industry to work toward increased communication, coordination, consistency, and transparency in the calculation and application of Available Transfer Capability ("ATC") and related ATC values[2], while protecting the reliability of the bulk power system.

Background
NERC agrees that there is a need to continue the enhancement of the calculation of ATC and ATC-related values to support the wholesale power market while maintaining adequate reliability for all users, owners, and operators of the bulk power system. NERC also supports the recommendations of its Long-Term AFC/ATC Task Force (LTATF), the Commission, and the industry to add increased standardization and consistency to the current NERC reliability standards on ATC and ATC-related values. However, NERC urges caution to ensure that ATC calculations and their application be consistent with other NERC reliability standards, regional reliability criteria, and transmission owners' operating and planning criteria.

Status of NERC ATC Standards Revisions
Since it filed its comments on the Commission's Notice of Inquiry, NERC has undertaken a review and revision of its standards related to ATC calculation and coordination. Currently, NERC has several standards under active development that propose to revise two sets of existing standards dealing with:

- ATC and ATC-related issues, and
- CBM and TRM-related issues.

NERC is addressing ATC and ATC-related and CBM and TRM-related issues from a reliability perspective in its standards revisions noted above. NERC is coordinating its efforts with those of the North American Energy Standards Board (NAESB) on a related proposed business practice standard, R05004, following the NERC NAESB Procedure for Joint Standards Development and Coordination.

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[1] NERC was formed after the Northeast blackout in 1965 to promote the reliability of the interconnected electric systems in North America. Its mission is to ensure that the bulk electric systems that serve North America are adequate, reliable, and secure. It works with all segments of the electric industry as well as customers to "keep the lights on" by developing and encouraging compliance with rules for the reliable operation and adequacy of supply of these systems. NERC comprises eight regional reliability councils that account for virtually all the electricity supplied in the United States, Canada, and a portion of Baja California Norte, Mexico. Recently, the Commission certified the North American Electric Reliability Corporation, a NERC affiliate, as the Electric Reliability Organization under Section 215 of the Federal Power Act.

[2] ATC-related values include: Total Transfer Capability (TTC), Transmission Reliability Margin (TRM), Capacity Benefit Margin (CBM), and Available Flowgate Capability (AFC).

The proposed changes to NERC's existing modeling standards would add a requirement for transmission providers to coordinate the calculation of TTC/ATC/AFC and requires that specific reliability practices be incorporated into the TTC/ATC/AFC calculation and coordination methodologies. The existing standards on TRM and CBM are also proposed to be revised to require crisp and clear documentation of the calculation of TRM and CBM and make various components of the methodology mandatory so there is more consistency across methodologies. Such changes will enhance the reliable use of the transmission system without needlessly limiting commercial activity.

NERC recognizes that the goal of achieving consistency may not mean that a single ATC methodology is required. With a limited number of methodologies, consistency can be achieved if the requirements of those methodologies are properly coordinated and communicated. The NERC drafting team is currently working with three methodologies:

1. Rated System Path Methodology for ATC and TTC
2. Network Response Methodology for ATC and TTC
3. Network Response Methodology for AFC

Network Response is a method of calculating transfer capability for transmission networks where customer demand, generation sources, and the transmission systems are closely interconnected.

Rated System Path is a method of calculating transfer capability for transmission networks where the critical transmission paths between areas of the network have been identified and rated as to their achievable transfer loading capabilities for a range of system conditions.

A great deal of progress has been made since the proposed standards were approved for development by the NERC Standards Committee in February 2006 to address the recommendations made by the LTATF. However, a significant amount of work remains to complete the revisions to the standards. NERC has established an aggressive schedule of drafting meetings which will be coordinated with NAESB, since NERC would like to finalize its revised standards for submission to the Commission for the summer of 2007. NERC and the electric industry are giving high priority to these standards revisions, consistent with the entire spectrum of standards development activities currently under way, especially those standards initiatives that have been undertaken in response to the recommendations from the August 2003 blackout investigation.