

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Preventing Undue Discrimination and Preference in Transmission Service) Docket Nos. RM05-25-000
) and RM05-17-000

**PREPARED CONFERENCE REMARKS OF PATRICIA M. ALEXANDER
ON BEHALF OF THE ELECTRIC POWER SUPPLY ASSOCIATION (EPSA)
REGARDING THE COMMISSION'S PROPOSALS REGARDING
REDISPATCH AND CONDITIONAL FIRM SERVICE**

The NOPR and the Comments pose three main questions: (1) whether the existing redispatch requirement should be maintained; (2) whether a conditional firm product should be added to the OATT; and (3) what terms and conditions should apply to redispatch and conditional firm products.

The answers to the first two questions are truly easy. Redispatch and conditional firm products provide an opportunity for customers to obtain transmission that would not otherwise be available or which cannot be obtained economically. Often a reliability problem or congestion potentially exists only in a few hours of the year, and today, the only way to get firm service is to construct costly upgrades which can make the transaction uneconomic. If the OATT is not amended to ensure that these products are provided in circumstances where they can be offered without adversely affecting reliability, the OATT will impose unreasonable costs on customers, create unnecessary barriers to competition and will be at odds with the clear objectives of the Commission's open access policies.

While resolution of the third question – the terms and conditions for providing these options – may present more difficult issues, they are not insurmountable. The Commission and the industry have successfully wrestled with difficult problems in the past. For example, designing tariff rules and procedures to implement the OATT reservation and curtailment

priorities and establishing procedures that allow interconnection and transmission services to be procured separately. EPSA is pleased that this conference will focus on key “how-to” issues.

Touching on a few of the questions tabled for today’s conference in the agenda: EPSA believes that there is no reason to insist that the conditional firm product be defined based on a set number of curtailable hours or based on the occurrence of a defined contingency or stated load level. The fact that neither method may be feasible in every case is not a reason to arbitrarily exclude all from consideration for any given transaction request. Once study results are available, the transmission provider will be able to determine what methods are feasible and the customer will be able to evaluate the advantages and disadvantages of the available options.

Also, conditional firm should be assigned a firm priority at all times when the condition is not triggered. When the condition is triggered, conditional firm customers should have the highest nonfirm priority.

Conditional firm should not be offered only as a bridge product until such time as transmission upgrades, regardless of the cost of such upgrades, can be completed. While it may often be the case that expansion can be effected economically during the term of the transaction, and, in such cases, the transmission provider should include such upgrades in its plans; it also may be the case that the expansion solution is not economic. If the cost of mitigating a contingency that is expected to arise in only a few hours a year is prohibitive, it is simply not prudent to undertake that expansion, whether the transmission is being used by Native Load or by an OATT customer.

EPSA does not agree that customers should be forced onto “and” pricing as the means for obtaining compliance with the Commission’s long-standing OATT requirement that redispatch be relied upon when less costly than expansion or as a bridge when it is not possible construct upgrades quickly enough to commence service. The arguments advanced by

Commenters in favor of “and” pricing in response to the NOPR are the very same arguments that were advanced 15 years ago in *Penelec, Northeast Utilities, Public Service Company of Colorado* and other cases. The Commission has already determined that “and” pricing is not just and reasonable, and the courts upheld that finding. The passage of time cannot possibly legitimize “and” pricing. Charging twice for transmission service was wrong then and it is wrong now.

There should also be no difficulty in establishing mechanisms for calculating and verifying redispatch costs. The Commission and the industry have substantial experience in designing and implementing rates that track out-of-pocket costs, for example, cost-based coordination rates and OATT imbalance charges based on incremental costs. Similarly, competitive suppliers can design and implement rates under which they could voluntarily offer third party redispatch service just as they design and implement rates for other power sale services today.

EPSA looks forward to working with the Commission and others in the industry to develop practical solutions to these “how-to” problems.