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Remarks on Redispatch and Conditional Firm Service

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Redispatch Overriding Principles

The NOPR's proposal to modify and expand the existing requirement to consider redispatch options in evaluating long-term firm point-to-point transmission service requests has raised concerns across the industry primarily because it is viewed as a potential threat to reliability and the provision of service to other customers. This concern is somewhat addressed by the NOPR's recognition of (and proposal not to change) Section 13.5 of the current OATT, which states that transmission providers would not be required to offer redispatch options in lieu of constructing the necessary transmission facilities if such service would (1) degrade or impair the reliability of service to other firm customers or (2) interfere with the transmission provider's ability to satisfy prior firm commitments. This is an important feature of the OATT.

As the Commission considers how to address the NOPR's redispatch proposal and the comments received in response to that proposal, several overriding principles should be factored into its considerations:

- System conditions are variable and will likely be different in real-time operations than in a planning model. Before offering redispatch service, transmission providers must be confident that it can be managed in real-time operations without harming reliability or service to other customers. Agreeing in the planning horizon to redispatch around a constraint in order to provide long-term firm transmission service would eliminate options available to system operators when reliability concerns arise in real-time operations.
- There is no guarantee that a redispatch solution identified in a planning study will be available in real-time operations. Circumstances such as unit retirements, unit outages, transmission line outages, loop flows, or other actual system conditions could arise and make redispatch infeasible in real time.
- Actual firm service customers should not be subject to more frequent curtailments simply because the redispatch scenario identified for a redispatch customer is suddenly not available in real-time operations. Any shifting of risks to other customers would be inequitable.
- Redispatching generation does not "create" firm transmission capacity. Firm capacity can be created only through constructing new or upgrading existing transmission facilities.
- Redispatch should be an option only after a facilities study is conducted (or in

conjunction with a facilities study). The customer should not get to choose whether a redispatch study or a facilities study is performed after a system impact study as the NOPR proposes. It is entirely possible that the system upgrades necessary to provide actual firm service would be complete before the service term begins and that the cost of those upgrades would not trigger “or” pricing. The performance of a facilities study before or contemporaneous with a redispatch study would be the only way to know if this is the case.

- The redispatch proposal could result in reduced planning reserve margins. If a transmission provider is required to reduce the output of certain generation resources in order to accommodate requests for long-term firm transmission service (in lieu of constructing transmission upgrades), there will be a reduction in the amount of generating capacity that the transmission provider has to supply its native load customers.
- Any requirement to provide an estimate of the number of hours the requested service would be have to be redispatched should not be binding on the transmission provider.
- Any requirement to provide an estimate of the costs associated with the proposed redispatch options should not be binding on the transmission provider. The redispatch customer must pay actual costs on an after-the-fact basis, without any artificial price caps. Otherwise, the costs of redispatch service would be unfairly shifted to other customers.

Conditional Firm Service Overriding Principles

Many of the foregoing principles are also applicable to the OATT NOPR’s conditional firm service proposal. In large part, the concerns with this proposal are not necessarily with the requirement to offer conditional firm service. Many transmission providers (including Southern) have made service offers of this nature. Rather, the concerns are with the structure of the product described in the NOPR. Accordingly, the Commission should consider the following:

- Conditional firm service should not be a substitute for constructing needed transmission. Rather, it should be an option only after a system impact study and a facilities study are conducted. These studies may reveal that the necessary upgrades can be completed before the service term begins and that the cost of those upgrades would not trigger “or” pricing, which would eliminate the need for a conditional firm service offer.
- If the foregoing is not the case, conditional firm service should be offered only as a bridge product until transmission upgrades are in place to accommodate a request on a firm basis.
- Any offer of conditional service should meet existing and future NERC Reliability Standards, including the ATC and planning standards.
- Rather than imposing an hourly cap, the curtailment period of a conditional firm service product should be based on load level or a seasonal analysis.

- The curtailment priority of the NOPR’s conditional firm service proposal would be difficult to administer on a daily basis.
- The proposal to allow conditional firm transmission customers to have “a right of first refusal when firm service becomes available for the hours in which they have agreed to be curtailed” would create unacceptable complications and complexities in real time-operations to the detriment of reliability and other customers. Rather than adopting a right of first refusal requirement, any conditional firm service product should be afforded an appropriate curtailment priority that takes into account right of first refusal considerations. The industry can work through the NAESB process to develop business practices that implement such a proposal.
- It is unclear from the NOPR whether generation resources that are delivered using conditional firm service could be designated as network resources, especially after the curtailment hours are reached.
- Contrary to the NOPR’s proposal, conditional firm service should not be entitled to rollover rights.
- As contemplated by the NOPR, conditional firm service customers should pay the long-term firm service rate.