123 FERC ¶ 61,125
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Suedeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Entergy Services, Inc. Docket No. ER08-513-000

ORDER CONDITIONALLY ACCEPTING AND SUSPENDING AMENDMENTS TO ENTERGY'S WEEKLY PROCUREMENT PROCESS

(Issued May 5, 2008)

1. Entergy Services, Inc. (Entergy)[1] submitted for filing proposed amendments to Attachment V (Weekly Procurement Process) of its Open Access Transmission Tariff (OATT). The Weekly Procurement Process is part of the package of changes that established Southwest Power Pool, Inc. (SPP) as the Independent Coordinator of Transmission (ICT) for the Entergy system.

2. As discussed below, the ICT has overseen the Weekly Procurement Process's development and will be responsible for overseeing its operation once the system is up and running. Given that the ICT has raised concerns over some of the proposed changes to the Weekly Procurement Process model, we find that it is premature to implement the system on May 11, 2008, as requested by Entergy. Accordingly, we find that Entergy's proposal has not been shown to be just and reasonable and will conditionally accept and suspend Entergy's proposed tariff amendments for five months from the requested effective date, to become effective October 11, 2008, or on an earlier date, subject to refund and subject to a further order on the proposed tariff revisions directed to be filed in this order. The Commission will consider allowing an effective date earlier than October 11, 2008, if the ICT agrees that the model is ready and Entergy files the required tariff revisions no later than 60 days before that date.

[1] Entergy made its filing on behalf of the Entergy operating companies, which are Entergy Arkansas, Inc., Entergy Gulf States Louisiana, LLC, Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., and Entergy Texas, Inc.

I. Background

A. General

3. The Commission approved Entergy's proposal to establish an ICT for its system to improve transparency of transmission information, enhance transmission access, and relieve transmission congestion. The ICT's responsibilities include granting or denying requests for transmission service, calculating Available Flowgate Capability (AFC), administering Entergy's Open Access Same-Time Information System (OASIS), overseeing the Weekly Procurement Process, and performing an enhanced planning function. When the Commission approved the ICT, it noted that the Weekly Procurement Process would be a fundamental part of the ICT package and would provide substantial benefits to Entergy customers through greater transparency and increased competition to serve load.

4. In order to ensure that the ICT and Weekly Procurement Process are transparent, the ICT is required to file publicly available assessments with the Commission and state regulators on a quarterly and annual basis.[2] On January 7, 2008, the ICT filed its first annual report, which summarizes and evaluates both the progress made, as well as the challenges that remain, across all areas of the ICT's responsibilities, including the Weekly Procurement Process.[3] Over the past year, the ICT has worked closely with Entergy in both the design of the Weekly Procurement Process software and process documentation as well as participation in the testing and market trials. The ICT states that despite delays starting the Weekly Procurement Process, progress continues. It will

[2] *Entergy Services, Inc.*, 115 FERC ¶ 61,095, at P 296 (2006) (Order Approving ICT).

[3] In addition to the Weekly Procurement Process, the annual report assesses reliability coordination, tariff administration, planning and tariff studies, the stakeholder process, a stakeholder survey, and the state of Entergy's transmission system operations, including whether the transmission pricing ensures that merchant generators seeking to compete with Entergy are given "incentives to invest in transmission." The ICT states that there were improvements in planning initiatives, calculating AFC, and processing transmission service requests. Specifically, the report documents progress on the Acadiana Load Pocket. The Acadiana Load Pocket is in southern Louisiana, and has load served by Cleco Power, Lafayette Utilities System, Entergy Gulf States, Inc., Louisiana Generating, and Louisiana Energy and Power Authority. Over the past few years, a large number of Transmission Loading Relief events have been called, due to overloads on Entergy transmission facilities in and near the Acadiana Load Pocket. Lafayette has raised this issue repeatedly in numerous proceedings.

continue to work closely with Entergy and stakeholders in the coming year to ensure that the Weekly Procurement Process software models and processes have been fully developed and tested.

5. Stakeholders filed comments on the ICT's report, addressing the Weekly Procurement Process.[4] They also raise more general arguments. Some argue that the ICT misconstrues its role and should do more to advance stakeholders' goals. Several request a technical conference to discuss the ICT's status and progress. Also, some assert that the ICT does not have the staff necessary to fulfill its duties.[5]

B. Proposed Revisions to Weekly Procurement Process

6. The Weekly Procurement Process is unique and is intended as an optimized procurement process. It is designed to allow merchant generation and other wholesale suppliers to compete to serve Entergy's native load customers and network customers through offers submitted to Entergy's Weekly Operations. It also establishes an additional mechanism for granting short-term firm transmission service through redispatch.

7. The Weekly Procurement Process was designed to: (1) provide Entergy and its network customers with production cost savings by optimizing weekly purchases and the use of existing resources for the next week, subject to the transmission network's capability and system operating constraints; (2) allow additional point-to-point transmission service to be granted, subject to redispatch; and (3) calculate a redispatch rate ($/MWh) that can be applied to point-to-point transmission service granted subject to redispatch and to schedules from Network Resource Interconnection Service (NRIS) resources. The Weekly Procurement Process will be operated by Entergy, but subject to the ICT's oversight, in accordance with section 13.2 of Attachment V to Entergy's OATT.

8. To participate in the Weekly Procurement Process, suppliers will submit offers to provide energy or ancillary services to Entergy's Energy Management Organization (EMO) or to a participating network customer. Entergy's Weekly Operations unit, subject to the oversight of the ICT, then will optimize: (1) the offers submitted to EMO and cost data for EMO generating facilities; (2) the offers and cost data submitted by

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[4] In their comments on the ICT's report, stakeholders also address Transmission Loading Relief events, the ICT's independence and authority and Available Flowgate Capability errors.

[5] On April 15, 2008, the Commission accepted Entergy's amendments to the ICT's Agreement to increase staff. *Entergy Services, Inc.*, 123 FERC ¶ 61,043 (2008).

network customers participating in the Weekly Procurement Process; and (3) the requests for redispatch for new point-to-point service. Weekly Operations uses a Security Constrained Unit Commitment (SCUC) model for that purpose. The SCUC is a computer optimization, such as is used in several Regional Transmission Organization (RTO) day-ahead markets, that optimizes the hourly commitment and dispatch of generating resources, subject to the transmission and operating constraints. The SCUC has two parts: a linear programming module that determines the hourly dispatch of resources for the week and a mixed integer program solver that determines the commitment of resources that are then available for dispatch.

9. In this filing, Entergy proposes revisions to its Weekly Procurement Process to: (1) apply "soft constraints"[6] in the first dispatch run and carrying the revised constraint limits into the subsequent runs; (2) eliminate the requirement for participants to designate conditional network resources; (3) alter the conditions of service such that point-to-point requests will only be made on an all-or-none basis; (4) alter the redispatch rate methodology under certain circumstances; and (5) allow suppliers to offer Automatic Generation Control (AGC) service, supplemental reserve service, or spinning reserve service.

II. Notice and Responsive Pleadings

10. Notice of Entergy's filing was published in the *Federal Register*, 73 Fed. Reg. 10,021 (2008), with interventions and protests due on or before February 21, 2008.

11. The Louisiana Public Service Commission and the Council of the City of New Orleans filed notices of intervention. Occidental Chemical Corporation and Arkansas Electric Cooperative Corporation filed timely motions to intervene. SPP; the Lafayette Utilities System jointly with the Mississippi Delta Energy Agency (L-M Municipals); the Electric Power Supply Association (EPSA); NRG Energy, Inc. (NRG); and Union Power Partners, L.P. (Union Power) filed motions to intervene and comments. Entergy filed an answer to the comments.

[6] Soft constraints allow the Weekly Procurement Process's dispatch algorithm to solve even if the existing transmission service is not simultaneously feasible, and Entergy states that they will not affect its ability to provide reliable transmission service.

III. Discussion

A. Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2007), the notices of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

13. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2)(2007), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We will accept Entergy's answer because it has provided information that assisted us in our decision-making process.

B. Substantive Matters

1. Hard and Soft Constraints

14. Entergy explains that to decide which transmission requests to grant and how to calculate redispatch costs, it will perform three runs of the SCUC model: Run 0 establishes a base case based on the calculation of the total production costs of the participants' existing resources, without considering third-party offers; Run 1 calculates the total production costs for Entergy and participating network customers, including offers from third-party suppliers; and Run 2 includes all supplier offers, plus services that require a redispatch rate to be calculated, such as requests for point-to-point service and offers to provide ancillary services. Run 0 will be compared to Run 2 to ensure that a participant is not harmed, or that its net production costs will not be increased, because of its participation in the Weekly Procurement Process.

15. Entergy proposes to amend Attachment V to clarify that, subject to specified exceptions in Run 0 for intra-hour, hourly, and daily flexibility requirements submitted by participants and line flow limits, if each constraint in an optimization run is not satisfied, then no supply offers will be accepted or transmission service granted through the Weekly Procurement Process for that week. With regard to the exceptions, in Run 0, Entergy proposes to use soft constraints in the SCUC. It does this by assigning dollar values to violations of constraints, associated with line flow limits and flexibility requirements submitted by participants. It will then relax these constraints to the extent necessary to obtain a feasible solution in Run 0, based on the assigned values. After the Run 0 optimization is solved, Entergy proposes to use the revised line flow limits and flexibility requirements that allowed the solution to be attained in Run 0 as the hard constraints in Runs 1 and 2. If the SCUC cannot solve in the subsequent runs given these new hard constraints in the model, no service or offers will be accepted in the Weekly Procurement Process for that week, and the service would default to that which was already granted.

16. Entergy explains that, with regard to soft constraints in Run 0, if the dispatch software cannot find a solution given a participant's stated flexibility requirements,[7] that may indicate that the contracts and network resources available to the participant cannot meet the flexibility requirements the participant specified. Entergy explains that the model, to the extent necessary to attain a feasible solution in Run 0, will solve with an amount of flexible resources below the amount submitted by the participant. Entergy argues that with these adjustments, it is more likely that the SCUC model will be able to find a feasible solution in the subsequent runs.

17. Entergy similarly contends that, if the line flow limits initially included in Run 0 cannot be met with the resources available in that run, this indicates that there were constraint violations in the transmission model before Weekly Procurement Process operations. Entergy concludes that allowing line limits to be exceeded in Run 0 and adjusting the line flow limits for use in Runs 1 and 2 would help ensure that the Weekly Procurement Process will not accept offers solely associated with providing redispatch to resolve or reduce pre-existing constraints. Entergy states that doing so would go beyond the purposes of the Weekly Procurement Process, would increase production costs in the Weekly Procurement Process, and would be inconsistent with prior Commission determinations regarding existing overloads in transmission models. Entergy goes on to clarify that the results of the Weekly Procurement Process will not increase overloads that were in the transmission model before Weekly Procurement Process operations.

a. Comments

18. Union Power expresses concern that in Run 0, Entergy's AFC transmission model may contain constraints for which no feasible solution exists or that the cost for such a solution will be deemed too high, given the resources available to the Weekly Procurement Process participant. Union Power argues that Entergy's proposal to increase line limits to reach a Run 0 solution and then to continue using the increased line limits in Run 1 and Run 2 is troubling. If Entergy has discovered overloads in the AFC models that cannot be resolved given the resources available to the Weekly Procurement Process participant, Union Power asks whether Entergy determined why such deficiencies exist and how these deficiencies may affect actual operations of the system. Union Power also argues that increasing line limits will lead to additional transactions, thus overstating the

[7] Flexibility is the ability to reduce the output of an owned or contracted resource, and can be needed for several reasons, including: to account for load forecast errors or to retain the ability to make short-term economic purchases. EMO or a participating network customer can specify the level of flexibility it requires from the mix of resources selected in the Weekly Procurement Process.

perceived economic benefits of the Weekly Procurement Process. In addition, it wants Entergy to explain how the dollar-per-megawatt-hour values will be determined for each soft constraint.

19. EPSA argues that it is hard to envision how the use of soft constraints and having service denied due to transmission constraints is an improvement, particularly in light of the increasing congestion and curtailments experienced on the Entergy system.

20. The ICT notes that the identification of just four soft constraints in the tariff[8] does not comport with the version of the Weekly Procurement Process model being used in testing. Based on the ICT's understanding of the Weekly Procurement Process model, there are other constraints that have assigned dollar values, and that are used in the objective functioning of the optimization runs, but that Entergy does not propose to use as soft constraints. No code changes to the Weekly Procurement Process model appear to transform these soft constraints into hard constraints in Run 1 and Run 2. The ICT requests that Entergy explain why it proposes only the four soft constraints, as opposed to assigning dollar values to all constraints in the model. It also wants further explanation on Entergy's process to treat soft constraints (and other constraints) as hard constraints.

21. The ICT argues that canceling the Weekly Procurement Process if every constraint cannot be satisfied is overly rigid and will unnecessarily limit the Weekly Procurement Process, resulting in reduced benefits to Entergy's ratepayers. It notes a recent example in which a final iteration of the Weekly Procurement Process model included a single line flow violation in one hour of .09 MW in Run 2. This is a relatively insignificant violation that presents no reliability issues, but under Entergy's proposal, this violation would result in no transmission service being granted through the Weekly Procurement Process for that week. The ICT also notes that while there have been significant improvements, it has seen very few "clean" runs of the Weekly Procurement Process model.

22. As an alternative to the hard constraints, the ICT proposes to add flexibility to the reversion process to allow the Weekly Procurement Process to operate even when there are minor, immaterial constraint violations in the Weekly Procurement Process model. The ICT recommends that Weekly Operations and the ICT agree on a set of parameters for acceptable constraint violations that occur in the optimization runs after Run 0.

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[8] The proposed tariff provisions specify that Weekly Operations shall establish, and the ICT shall post on OASIS, separate dollar values for each of the following constraints, for treatment as soft constraints in Run 0: (1) intra-hour flexibility for a participant; (2) daily flexibility for a participant; (3) hourly flexibility for a participant; and (4) line-flow limits.

b. Entergy's Answer

23. Entergy explains that the constraints included in the Weekly Procurement Process optimization model are as follows: (1) reserve requirements specified by a participant; (2) flexibility requirements specified by a participant; (3) line flow limits; (4) AGC requirements specified by a participant; (5) maximum number of starts for a generating facility; (6) maximum and minimum run levels for a generating facility; (7) requirements applicable to load pockets; and (8) generation equal to load for a participant.

24. Entergy does not object to parameters that establish acceptable levels of line flow limit and flexibility requirement violations in Runs 1 and 2. Weekly Operations and the ICT would use these levels to determine whether a reversion to service before the Weekly Procurement Process is warranted. With regard to the other constraints, however, Entergy does not believe that, based on testing, there is a basis or need for establishing violation parameters. Other than line flow limits, load pocket limits, and generation equal to load for a participant, the constraints in the Weekly Procurement Process model relate to requirements submitted by a participant.

25. If parameters are used, Entergy argues that violation parameters for line flow limits and flexibility requirements must be established so that, as the ICT states, only minor, immaterial violations that do not compromise system reliability or Weekly Procurement Process results are permitted. Entergy suggests that the parameters for line flow limits, which are not specific to any one participant, be established by the ICT, working with Weekly Operations and stakeholders. The parameters for flexibility violations should be established by the participant, in order to meet that party's needs as a purchaser under the Weekly Procurement Process.

26. Entergy contends that commenters' concerns regarding a possible deficiency in AFC that may affect real-time operations and transmission service outside of the Weekly Procurement Process are not warranted. It explains that schedules submitted by network customers not participating in that process are fixed at the levels in the AFC model. Thus, the SCUC model does not in Run 0 redispatch all resources that will be available during real-time operations to resolve transmission constraints. Therefore, there is no basis to conclude that a transmission overload in the final iteration of Run 0 indicates a deficiency in the AFC models.

27. Entergy disagrees with Union Power that increasing the line limits in Runs 1 and 2 could overstate the economic benefits of the Weekly Procurement Process. Unless the line flow limits are increased in Runs 1 and 2, the benefits of the Weekly Procurement Process will be understated. The model still will redispatch generation in Runs 1 and 2 in order to reach a solution that does not increase the line flow limits passed from the final iteration of Run 0. Entergy explains that passing those limits to Runs 1 and 2 avoids

forcing the model to redispatch generation in Runs 1 and 2 to resolve existing violations of transmission limits and thereby increase production costs of the Weekly Procurement Process even though these costs are incurred to resolve a prior condition.

28. In response to Union Power's concern that it is unclear how the dollar-per-megawatt-hour amounts are to be determined initially or may be adjusted over time, Entergy reiterates that the dollar-per-megawatt-hour amount for each soft constraint will be set by Weekly Operations, subject to ICT oversight, (a) so that the constraint will be violated in Run 0 only if a feasible solution otherwise cannot be attained and (b) in order

to establish the value of each such constraint relative to the value of each other such constraint. Entergy explains that the Weekly Operations will work with the ICT to ensure that postings are made within a reasonable time after the values are established.

c. Commission Determination

29. Using soft constraints in the Weekly Procurement Process for Run 0 is reasonable. If a feasible solution cannot be reached with hard constraints, it is likely that either the system is not simultaneously feasible, given the participants' flexibility requirements, or there were already constraint violations in Entergy's transmission model, given the transmission service already granted. The Weekly Procurement Process will allow for a more efficient dispatch and procurement of energy and ancillary services and for an increased opportunity to obtain point-to-point transmission service. Soft constraints will allow Entergy to obtain a solution, and to calculate the redispatch cost in Run 0 as a part of the Weekly Procurement Process. Maintaining these revised limits will help ensure that it does not provide redispatch to solve such pre-existing infeasibilities. Thus, the difference between Run 0 and Runs 1 and 2 will accurately reflect the value of the offers made to the Weekly Procurement Process and the costs of providing any additional point-to-point transmission service.

30. Nevertheless, because only a few clean runs have occurred, the ICT, participants, and Entergy's Weekly Operations must work together to revise the Weekly Procurement Process. We agree with the ICT that cancelling the Weekly Procurement Process if any constraint cannot be satisfied in Runs 1 and 2 due to "minor, immaterial constraint violations" is overly rigid and could lead to limited operation of the Weekly Procurement Process. Accordingly, we will accept Entergy's offer to work with the ICT to establish acceptable levels of line-flow limits and flexibility requirement violations in Runs 1 and 2. We agree with Entergy that changes should not be made that would compromise its system reliability or significantly increase TLRs. We conclude that some amount of flexibility reflecting the tradeoff between exceeding a constraint and completely denying service through the Weekly Procurement Process is reasonable.

31. Because the values of these soft constraints will affect curtailment of other transmission service, the flexibility requirements of Weekly Procurement Process

participants and the ability of market participants to participate in the Weekly Procurement Process, Entergy must provide greater detail in its OATT explaining how it will determine the dollar values for the different soft constraints. It must also explain how the different soft constraints will interact in terms of violating one constraint versus another and how these constraints will be maintained between the subsequent runs. These tariff revisions are required to be filed 60 days prior to the effective date of the Weekly Procurement Process.

2. Elimination of Conditional Network Resources

32. The requirement for conditional network resources was established when Entergy's Energy Market Operations (EMO) was the sole purchaser in the Weekly Procurement Process.[9] Conditional network resources were developed to ensure that EMO would not have greater access to additional network resources than other network customers. Entergy also explains that conditional network resources were established when Generator Operating Limits were used to grant transmission service on Entergy's system. Under that procedure, transmission capacity was reserved based on the firm network resource capability of generators, and the availability of transmission service for Entergy's other transmission customers would thus be affected by the designation of additional network resources by Entergy. Entergy states that these concerns no longer apply, as the Weekly Procurement Process will be available to all network customers. Accordingly, Entergy proposes to delete provisions on conditional network resources, because they are no longer needed.

a. Comments

33. Union Power argues that Entergy has not proven that eliminating conditional network resources is consistent with or superior to the Commission's *pro forma* OATT. The provisions of the *pro forma* OATT covering temporary termination of network resources, as modified by Order No. 890, are equivalent to the conditional network resource provisions that Entergy seeks to delete. Union Power states that the *pro forma*

[9] Under Attachment V as currently on file with the Commission, a Weekly Procurement Process participant must designate an amount of previously approved network resources, equal to the amount of new network resources selected in the Weekly Procurement Process, as conditional network resources. Conditional network resources effectively would be "de-listed" as network resources for the period at issue; transmission service for conditional network resources generally would only be available subject to posted AFC values. However, if a network resource contracted through the Weekly Procurement Process becomes unavailable as a result of a derating or outage of that resource, the Weekly Procurement Process participant would be able to re-designate a conditional network resource as a network resource for the period of such unavailability.

OATT specifies the process for terminating and redesignating network resources. Entergy must clarify the transmission status of the eliminated conditional network resources and whether their new status is equivalent or superior to a network resource subject to temporary termination. Union Power also states that Entergy does not address how non-Weekly Procurement Process transmission service would be affected by the elimination of conditional network resources.

b. Entergy's Answer

34. Entergy clarifies that resources that otherwise would have been conditional network resources will keep their status as designated network resources for the relevant network customer. Without conditional network resources, a network customer that makes a purchase through the Weekly Procurement Process will have more designated network resources in a week than it had before the operation of the Weekly Procurement Process for that week. The effect of the additional network resources on AFCs will be the same as in other instances when a network customer designates a new network resource. Under the AFC procedure, transmission capacity is reserved based on expected dispatch, not based on the amount of designated network resources. Entergy states that AFCs can be affected by the designation of additional network resources, but the effect is the result of the change in expected dispatch, not the increase in the amount of MW of designated network resources. Entergy argues that this effect on AFCs is consistent with the first-come, first-served approach to granting service under the *pro forma* OATT and Entergy's OATT. Firm transmission service requested before the operation of the Weekly Procurement Process will not be affected, while transmission service requested after Weekly Procurement Process service requests will be treated as a subsequent request under Entergy's OATT.

c. Commission Determination

35. We will accept Entergy's proposal to delete the Attachment V provisions on conditional network resources. Entergy has clarified that the network resources that would otherwise have been designated as conditional will retain their status as designated network resources. Thus, the status of those designated network resources would be equivalent to that of any other network resource under the *pro forma* OATT.

36. We are satisfied that eliminating conditional network resources will not affect the availability of transmission service for non-Weekly Procurement Process participants. Entergy states that, as a result of the elimination of the conditional network resources, Weekly Procurement Process participants will have more designated network resources in a week than they had before operation of the Weekly Procurement Process for that week. The effect of the additional network resources will be the same as in other instances in which a network customer designates a new network resource. While conditional network resource status was first established when transmission capacity was

reserved based on the firm network resource capacity of generators, transmission capacity under the AFC procedure is reserved based on the expected dispatch of generators and the potential effects on constrained flowgates.[10]

3. Treating Point-To-Point Transmission Requests

37. Entergy proposes to grant point-to-point transmission service requests on an "all or nothing" basis. Specifically, when a customer requests point-to-point service through the Weekly Procurement Process specifying a maximum redispatch price that it is willing to pay for service, Entergy will either grant *all* of this service, if this can be done under the maximum redispatch rate for the service requested, or it will grant none of it. Entergy explains that granting partial requests could result in significant delays in Weekly Procurement Process operations each week due to having to run multiple iterations of the SCUC model. For example, each change in the level of point-to-point service to be granted could affect production costs in the Weekly Procurement Process, and thus could change the redispatch rate for the week. The change in redispatch rate could, in turn, affect the amount of point-to-point service that can be granted, as the new redispatch rate might be below the customer's cost cap. Entergy concludes that another iteration of the model would be required, which would itself require additional iterations.

a. Comments

38. Union Power states that without substantiation that there will be significant delays, the Commission should question the need for this change, since the change eliminates a benefit to point-to-point transmission customers.

b. Entergy's Answer

39. Entergy states that its conclusion about delays is based on its experience with the software that has been developed for the Weekly Procurement Process. As to Union Power's argument that the proposed change eliminates a benefit to a point-to-point customer, Entergy contends that the point-to-point service available under the Weekly Procurement Process goes beyond the requirements of the *pro forma* OATT, as among other things, redispatch from third-party generation will be available to a customer without the need for the customer to make separate arrangements with the third-party generation owner.

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[10] In addition, Entergy states that firm transmission service requested before the operation of the Weekly Procurement Process will not be affected. Transmission service requested after the receipt of Weekly Procurement Process service requests will be treated as a subsequent request under Entergy's OATT.

c. Commission Determination

40. We are not convinced that Entergy's proposal to disallow partial point-to-point transmission service is just and reasonable, and it may be unduly discriminatory. This disallowance may undermine the usefulness of the Weekly Procurement Process. Since the Weekly Procurement Process is a large part of the ICT package, we will require Entergy to either allow partial service to be granted, or to explain in greater detail in its compliance filing why granting partial point-to-point transmission service is not feasible at this time. If Entergy is not ready to offer partial service when the Weekly Procurement Process becomes effective, it must continue to work with the ICT to develop software that will allow the Weekly Procurement Process to grant partial service requests. We direct the ICT to submit updates on Entergy's progress as part of the quarterly reports submitted in Docket No. ER05-1065, if the software is not implemented sooner.

4. Waiver of Confirmation Time Limit

41. Entergy asks the Commission to waive the requirement in Order No. 638[11] that a request for weekly transmission service be confirmed by the customer within 48 hours when it is associated with an offer of AGC or operating reserves services in the Weekly Procurement Process. Instead, it wants to allow the customer to be able to confirm transmission service within 72 hours of when the service is accepted or counter-offered.

42. Entergy explains that there are two ways in which suppliers may submit an offer into the Weekly Procurement Process to supply AGC service and/or operating reserves services. If a generating facility has Network Resource Interconnection Service, then the request is deliverable up to the amount of capacity specified in the facility's interconnection agreement, without the need for additional study, though the facility may be assigned congestion costs. Prior transmission service will not be required to submit into the Weekly Procurement Process an offer that can satisfy AGC service or operating reserves from Network Resource Interconnection Service resources.

43. In contrast, a supplier without Network Resource Interconnection Service must notify the Weekly Procurement Process participant of the range of AGC service and/or operating reserves that it intends to offer through the Weekly Procurement Process for the following week. That information must be provided no later than noon on the Tuesday before the Weekly Procurement Process Operating Week, because supplier offers are due no later than noon of the following day (Wednesday). On Tuesday, the Weekly Procurement Process Participant will request, through OASIS and on a non-confirmed basis, weekly network service from the generating facility for the upcoming Weekly

[11] *Open-Access Same-Time Information System and Standards of Conduct*, Order No. 638, FERC Stats. & Regs. ¶ 31,093 (2000).

Procurement Process Operating Week. If transmission service is granted through the AFC process, the supplier will be able to offer AGC and/or operating reserves services up to the amount of the granted weekly network service. If the requested network service is denied, the supplier will not be able to offer those services in the Weekly Procurement Process for that Operating Week. If the requested network service is counter-offered at a lesser amount, then the supplier can offer AGC and/or operating reserves services only up to the counter-offered amount.

44. Entergy expects that the optimization runs and associated analyses required for the Weekly Procurement Process will be completed by 10 a.m. on the Thursday before the upcoming Operating Week, with the results posted by noon that same day. It contends that it may not be possible to confirm a transmission service request submitted on OASIS, that is related to offers of AGC and operating reserves services in the Weekly Procurement Process, within 48 hours of the time the transmission service is accepted or counter offered. Accordingly, Entergy seeks waiver of Order No. 638.

a. Comments

45. Union Power argues that Entergy has not provided sufficient information for it to evaluate the requested waiver. Entergy fails to address how the change will affect the processing of transmission service requests that are submitted outside of the Weekly Procurement Process. Entergy must demonstrate that the proposed change to 72 hours is consistent with or superior to the service provided under the *pro forma* OATT.

b. Entergy's Answer

46. Entergy responds that a waiver of Order No. 638 would apply only to transmission service requests associated with offers of AGC and operating reserves into the Weekly Procurement Process. In addition, Entergy argues that all differences in the treatment of customers are not undue discrimination or undue preference. A waiver is justified under the specific circumstances of the Weekly Procurement Process, and there is no basis to extend the confirmation times for other transmission service requests.

c. Commission Determination

47. Order No. 638 no longer provides the standard for requests for weekly transmission service. The Commission has amended its regulations to incorporate by reference standards of the Wholesale Electric Quadrant (WEQ) of the North American Energy Standards Board (NAESB).[12] Instead, Order No. 676 provides that public

[12] *Standards for Business Practices and Communication Protocols for Public Utilities*, Order No. 676, FERC Stats. & Regs. ¶ 31,216, *order on reh'g*, Order No. 676-A, 116 FERC ¶ 61,255 (2006), *order incorporating revised standards*, Order No. 676-B, (continued…)

utilities may seek waiver of the standards. It explains that these are minimum standards, and that deviations should provide customers with *more* flexibility.[13] In order to request a waiver of specific standards, a public utility must explain why the waiver should be granted.

48. Entergy has not identified the NAESB standard for which it seeks waiver, and consequently, it has not explained how its proposed standard meets or exceeds (i.e., is more advantageous to the customer than) the requirements of that standard. Accordingly, we will condition our approval of Entergy's proposal on it making a compliance filing that states the specific NAESB standard for which it seeks waiver and an explanation of why a waiver is justified. Specifically, Entergy must explain how the change will affect the processing of transmission service requests that are submitted outside of the Weekly Procurement Process.

5. Startup Date for the Weekly Procurement Process

49. Entergy requests an effective date of May 11, 2008. It "expects" that on May 14, 2008, Weekly Operations will accept offers and cost information from Weekly Procurement Process participants, and will receive requests for point-to-point service for the Weekly Procurement Process operating week beginning on May 17, 2008.

a. Comments

50. NRG states that the Weekly Procurement Process should not begin this spring, right before the critical summer season, because of the troubled history of software issues and uncertainties. It argues that delay would minimize service disruptions to end-use customers, and is further compelled by the high number of transmission service interruptions in the Entergy region, which neither Entergy nor the ICT have adequately addressed.

FERC Stats. & Regs. ¶ 31,246 (2007). This rule requires public utilities to revise their OATTs to include the following WEQ standards: (WEQ-001) – Business Practices for Open Access Same-Time Information Systems (OASIS) Standards; (WEQ-002) – Business Practices for Open Access Same-Time Information Systems (OASIS) Standards & Communication Protocols; (WEQ-003) – Open Access Same-Time Information Systems (OASIS) Data Dictionary; (WEQ-004) – Coordinate Interchange; (WEQ-005) – Area Control Error (ACE) Equation Special Cases; (WEQ-006) – Manual Time Error Correction; and, (WEQ-007) – Inadvertent Interchange Payback.

[13] Order No. 676 at P 81.

51. EPSA agrees, stating that it is counterintuitive to bring the Weekly Procurement Process into service right before summer, given that the ICT credits the 2007 heat wave for the increased curtailments, service interruptions, and transmission loading relief events that were called on the Entergy system that year. Before the Commission approves a revised Weekly Procurement Process proposal, it should address the issues noted in the ICT quarterly and annual reports. In comments on the annual report, and in its comments on the instant filing, EPSA continues to support the idea of a technical conference to address concerns raised in the annual report and on the implementation of the Weekly Procurement Process.

52. L-M Municipals do not explicitly call for more time before the Weekly Procurement Process goes into service, but they state that the lack of information in Entergy's proposed changes makes it difficult to analyze those changes. Similarly, the ICT does not expressly call for more time before implementing the Weekly Procurement Process, but it highlights several areas in which the Weekly Procurement Process model requires further explanation and possible modification.

b. Entergy's Answer

53. Entergy argues against delaying the Weekly Procurement Process's startup date. Neither NRG nor EPSA have provided any basis for finding that the Weekly Procurement Process will contribute to increased service disruptions. It questions how a mid-May startup date would be more likely to increase disruptions than another startup date. Entergy states that, unlike markets operated by RTOs/ISOs, the Weekly Procurement Process is not a system for real-time operations, but is operated on a week-ahead basis. The process has adequate protections against disruptions. Entergy further points out that, had the Commission's initial order approving the Weekly Procurement Process been followed, the Weekly Procurement Process would have been implemented in June 2007. As a final point, Entergy states that a review of the historical TLR data indicates that the number of TLR events called at Levels 4 or 5 was similar in June, July, and April of 2007. Based on this data, it argues, there is no factual basis for objecting to the May start up.

c. Commission Determination

54. The ICT has overseen the Weekly Procurement Process's development and will oversee the operation and runs once the Weekly Procurement Process has started. Given that the ICT has raised concerns over some of the changes that Entergy has proposed, we find that it is premature to implement the system by May 11, 2008. Instead, we will delay implementation until the ICT, working with Entergy stakeholders, is satisfied that the model will function as intended. Accordingly, we will also deny the request for a technical conference at this time. EPSA's request for a technical conference to address the Weekly Procurement Process and the annual report issues is premature because the ICT was approved as a package and without the Weekly Procurement Process being

operational, the complete package is not yet in place. The Commission's staff will continue to actively monitor the progress of the ICT and the Weekly Procurement Process through the monthly ICT working group meetings as well as the quarterly ICT Stakeholder Policy Committee meetings.[14] We will reassess the need for a technical conference after the Weekly Procurement Process is functioning.

55. We are further persuaded to delay the Weekly Procurement Process to avoid implementation as the summer peak season begins. We agree with NRG and EPSA that delay could minimize service disruptions or other problems that may result from software glitches or issues with the model. Entergy originally estimated that it would take fourteen months from the date of an order accepting the ICT proposal to implement the Weekly Procurement Process.[15] The start-up date has been postponed numerous times due to software delays. We see no inconsistency, therefore, in again postponing the Weekly Procurement Process's startup date, since this will help to ensure that it functions as intended. Such caution is warranted, given the strain that Entergy's system receives during the summer months.

56. Therefore, we find that the Weekly Procurement Process as proposed has not been shown to be just and reasonable and may be unjust, unreasonable and unduly discriminatory. We are not precluding the Weekly Procurement Process from being implemented this summer, before the October 11, 2008, date of the full five-month suspension. However, the ICT is charged with overseeing the development and implementation of the Weekly Procurement Process. Consistent with these responsibilities, the ICT needs to be comfortable with the proposal and endorse its start-up. This cannot happen until all Weekly Procurement Process models and processes have been fully developed and tested. Once this occurs, Entergy should make its compliance filing 60 days prior to the start of the Weekly Procurement Process, and include the ICT's endorsement that its concerns have been fully met.

The Commission orders:

(A) Entergy's filing is hereby conditionally accepted and suspended for five months from the requested effective date, to become effective October 11, 2008, subject to refund, as discussed in the body of this order.

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[14] After the ICT submitted its annual report, Commission staff met with the state commissions and received feedback on the effectiveness of the ICT, *see* Order Approving ICT, 115 FERC ¶ 61,095 at P 301.

[15] Order Approving ICT, 115 FERC ¶ 61,095 at P 1.

(B) We hereby direct Entergy to make a compliance filing no later than 60 days prior to October 11, 2008, consistent with the discussion in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.