

128 FERC ¶ 61,106
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Sudeen G. Kelly, Marc Spitzer,
and Philip D. Moeller.

Idaho Power Company

Docket Nos. OA08-83-000
OA08-83-001

ORDER ON COMPLIANCE FILING

(Issued July 30, 2009)

1. On March 17, 2008, pursuant to section 206 of the Federal Power Act (FPA),¹ Idaho Power Company (Idaho Power) submitted proposed revisions to its Open Access Transmission Tariff (OATT) to comply with Order No. 890-A.² On April 14, 2008, Idaho Power submitted a request to withdraw certain tariff sheets in Docket No. OA08-83-001 consistent with the March 19, 2008 Commission order (March 19 Order).³ In this order, we accept Idaho Power's revised OATT, as modified, subject to a further compliance filing, as discussed below.

I. Background

2. The Commission in Order Nos. 890 and 890-A revised its rules to ensure that electric transmission service is provided on a nondiscriminatory, just and reasonable basis, helping improve the foundation for a competitive electric power market, and providing for more effective regulation and transparency in the operation of the transmission grid.

¹ 16 U.S.C. § 824e (2006).

² *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008) *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228 (2009).

³ *Idaho Power Company*, 122 FERC ¶ 61,243 (2008) (addressing Idaho Power's Order No. 890 FPA section 206 filing).

3. In Order No. 890-A, the Commission addressed among other things, how transmission providers process service requests, under what circumstances long-term customers may renew (roll over) their transmission service, the ability of network customers to designate certain resources, and how point-to-point customers may reassign transmission capacity. The Commission also directed transmission providers to address certain issues related to the calculation of available transfer capability and the calculation of incremental costs for purposes of imbalance charges.

II. Idaho Power's Compliance Filing

4. Idaho Power states that its tariff sheets reflect its previously effective OATT (First Revised Volume No. 6) updated for the *pro forma* Order No. 890-A revisions. Idaho Power explains that the instant filing includes a number of modifications that were submitted in prior filings and that upon receiving orders from the Commission in the pending dockets, Idaho Power will submit revised tariff sheets as necessary. Idaho Power states that it amended Section 2.2 of Idaho Power's OATT consistent with the March 19 Order to reflect the pre-Order No. 890 rollover rights provisions until its Attachment K transmission planning process has been accepted by the Commission. Idaho Power requests an effective date of March 17, 2008, for its revised tariff sheets.

5. The prior filings submitted by Idaho Power containing modifications included in the instant submittal have been accepted for filing.⁴ To the extent that the Commission directed Idaho Power to modify tariff sheets in such prior filings, Idaho Power is required to make compliance filings on the dates specified in those orders.

III. Notices of Filing and Responsive Pleadings

6. Notices of Idaho Power's filings were published in the *Federal Register*, 73 Fed. Reg. 16,001 (2008) and 73 Fed. Reg. 21,926 (2008), with interventions and protests due on or before May 5, 2008. None was filed.

⁴ Docket Nos. OA07-60-000 (July 7, 2007, Section 206 Main Order No. 890 filing), ER07-1172-003 (Section 205 Variations), ER07-1315-003 (Compliance Filing), OA07-96-000 (Attachment C – Methodology to Assess Available Transfer Capability), OA08-23-000 and OA08-23-001 (December 7, 2007, Attachment K – Transmission Planning Requirements).

IV. Discussion

A. Substantive Matters

7. As discussed below, we will accept Idaho Power's Order No. 890-A compliance filing, as modified, to be effective March 17, 2008. We also direct Idaho Power to file, within 60 days of the date of this order, a further compliance filing as discussed below.

1. Energy and Generator Imbalance Provisions

a. Order No. 890-A Imbalance Schedule Modifications

8. In Order No. 890-A, the Commission modified the *pro forma* Generator Imbalance Service Schedule to include the following additional language: "Notwithstanding the foregoing, deviations from scheduled transactions in order to respond to directives by the Transmission Provider, a balancing authority, or a reliability coordinator shall not be subject to the deviation bands identified above and, instead, shall be settled financially, at the end of the month, at 100 percent of incremental and decremental cost. Such directives may include instructions to correct frequency decay, respond to a reserve sharing event, or change output to relieve congestion."

9. Also in Order No. 890-A, the Commission modified the definition of incremental costs, used to calculate imbalance rates and penalties, to require transmission providers to use the cost of the last 10 MWs dispatched for any purpose, i.e., to serve native load, correct imbalances, or to make off-system sales.

Idaho Power's Filing

10. Idaho Power states that it proposes to retain certain Commission-approved pre-Order No. 890-A modifications to the *pro forma* provisions in Schedules 4 and 10,⁵ Energy and Generator Imbalance Service schedules, respectively, of its OATT. They are as follows: (1) use of the Intercontinental Exchange® (ICE) Mid-Columbia (Mid-C) trading hub peak and off-peak price index values as its incremental/decremental cost proxy; (2) a provision stating that when Idaho Power is operating under non-discretionary spill conditions at its hydroelectric facilities, no credit is given for negative imbalance deviations; (3) a provision stating that Idaho Power will not impose an imbalance penalty during curtailment situations when Idaho Power determines that scheduling practices would not allow a customer to avoid an imbalance;⁶ and (4) a provision that Idaho Power

⁵ Schedule 10 in Idaho Power's OATT is the Generator Imbalance Service schedule. It is Schedule 9 in the *pro forma* OATT.

⁶ Item Nos. (1) through (3) above were accepted in *Idaho Power Co.*, 121 FERC ¶ 61,181 (2007).

will not charge any imbalance rate or penalty under Schedule 4 or Schedule 10 for network customers whose network loads total less than one MW.⁷

11. In proposing to retain its pre-Order No. 890-A provisions stated above, Idaho Power states that it does not believe that the Commission's modification of the definition of incremental costs affects its use of the ICE peak and off-peak Mid-C index prices as a reasonable proxy for the costs to Idaho Power of providing imbalance service. Therefore, Idaho Power states that it has retained all calculations in Schedules 4 and 10 of its OATT based on the ICE Mid-C peak and off-peak index prices.

12. Idaho Power asserts that the Commission's modifications to the *pro forma* imbalance service schedules do not have any effect on Idaho Power's pre-Order No. 890-A modifications regarding spill conditions and refraining from charging any imbalance rate or penalty to network customers with a load total less than 1 MW. Therefore, Idaho Power proposes to retain these modifications to its Schedules 4 and 10 with one exception: Idaho Power proposes to include the additional language in the *pro forma* Generator Imbalance Service schedule in Schedule 10 of its OATT stating that Idaho Power will not impose an imbalance penalty during curtailment situations when it determines that scheduling practices do not allow a customer to avoid an imbalance. However, Idaho Power states that in order to be consistent with the rest of its Schedule 10 regarding incremental and decremental cost calculation, it proposes to replace the phrase "100 percent of incremental and decremental cost" in the *pro forma* Order No. 890-A Generator Imbalance Service schedule with "the appropriate hour Mid-C Price Index."⁸

Commission Determination

13. In Order No. 890, the Commission recognized that some transmission providers had received Commission approval to adopt variations from the *pro forma* OATT that are consistent with or superior to Order No. 888 *pro forma* OATT provisions. The Commission also noted that those variations that are not affected in a substantive manner by Order No. 890 may remain in place. The pre-Order No. 890-A provisions that Idaho Power proposes to retain were accepted by the Commission in various orders as indicated above. Our review of Idaho Power's proposed modifications to provisions of its pre-Order 890-A imbalance service schedules indicate that these revisions are consistent with or superior to the *pro forma* OATT. With regard to the use of the ICE Mid-C Price Indices, we reiterate that if the ICE begins publishing an hourly Mid-C Price Index that

⁷ Item No. (4) was accepted for filing in *Idaho Power Co.*, Docket No. ER07-1315-000 *et al.* (October 24, 2007) (unpublished letter order).

⁸ The appropriate hour Mid-C Price Index that Idaho Power refers to here is the published ICE Mid-C Peak and Off-Peak Indices as stated in its Schedule 10 section (i).

complies with the requirements for the use of a new price index, Idaho Power is encouraged to consider the appropriateness of adopting such an index.⁹

b. Netting Energy and Generator Imbalances

14. In Order No. 890, the Commission revised the *pro forma* Energy and Generator Imbalance service schedules to provide that imbalances are to be netted on a monthly basis and settled financially at the end of each month. In Order No. 890-A, the Commission clarified that such netting should be done on a megawatt-hour basis, rolling over the month. Imbalances remaining at the end of the month should be settled based on the load-weighted average of the hourly incremental costs during that month. The Commission provided an example in which a generator had five imbalances within the first deviation band in a month, of +2 MWh, -6 MWh, +4 MWh, -2 MWh, and -1 MWh. The net MWh imbalance for the generator at the end of the month would be -3 MWh. The generator would pay the transmission provider for 3 MWh at the load weighted average of the hourly incremental costs during that month. The Commission explained that, if a transmission provider finds that its customers are arbitraging on-peak and off-peak prices within the first tier, it may propose a more granular approach to netting subject to showing that it is necessary under the circumstances.¹⁰

Idaho Power's Filing

15. Idaho Power has revised the pricing provisions of its Energy and Generator Imbalance Service schedules to conform to the language of the *pro forma* OATT. However, Idaho Power argues in its transmittal letter that the clarification provided by the Commission in Order No. 890-A preamble is inconsistent with the language of the energy and generator imbalance schedules adopted in Order No. 890. Idaho Power notes that the *pro forma* Energy and Generator Imbalance Service schedules provide that deviations within the first tier “will be netted on a monthly basis and settled financially, at the end of the month, at 100 percent of incremental or decremental costs.” Idaho Power argues that this language says nothing about incorporating the “load weighted average of the hourly incremental cost,” and that use of a “load weighted average” methodology does not result in financial settlement at “100 percent of the incremental or decremental cost,” as required under the *pro forma* OATT.

16. Idaho Power provides an example using the same five imbalance amounts from the Commission’s example in Order No. 890-A to yield an imbalance charge consistent with the “100 percent of incremental and decremental costs” language in the schedules of

⁹ *Idaho Power Co.*, 121 FERC ¶ 61,181, at P 27 (2007).

¹⁰ Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 325.

the *pro forma* OATT. Idaho Power assigns hourly incremental/decremental costs of \$20, \$18, \$16, \$14 and \$12, respectively, to the +2, -6, +4, -2 and -1 MWh imbalances given in the example in Order No. 890-A. Idaho Power then calculates the amount the generator should pay the transmission provider for that month by summing the product of the imbalances and their respective incremental/decremental costs.

Hour	Imbalance	Hourly Inc./Dec. Cost	Hourly Imbalance Cost
1	+2 MWh	\$20/MWh	+\$40
2	-6 MWh	\$18/MWh	-\$108
3	+4 MWh	\$16/MWh	+\$64
4	-2 MWh	\$14/MWh	-\$28
5	-1 MWh	\$12/MWh	-\$12
Sum of Hourly Imbalance Costs			-\$44

In contrast, Idaho Power contends that the “load-weighted average” calculation referred to by the Commission in Order No. 890-A using the same five imbalance amounts above would be calculated as follows:

$$(\$40 + \$108 + \$64 + \$28 + \$12)/(2 + 6 + 4 + 2 + 1 \text{ MWh})$$

$$\text{or } (\$252)/(15 \text{ MWh}) = \$16.80/\text{MWh}$$

Idaho Power states that this \$16.80/MWh result would then be applied to the net MWh imbalance at the end of the month. Given the net imbalance of -3 MWh, Idaho Power calculates an imbalance charge of -\$50.40. Idaho Power states that the Order No. 890-A “load-weighted average” approach results in a \$6.40 difference compared to using the “100 percent of incremental/decremental cost” approach in the *pro forma* OATT.

Commission Determination

17. We accept Idaho Power’s revised pricing provisions of its Energy and Generator Imbalance Service schedules, which conform to the language of the *pro forma* OATT. However, we disagree with Idaho Power’s assessment that the language in Order No. 890-A preamble is inconsistent with the energy and generator imbalance schedules of the *pro forma* OATT. Those schedules provide that tier one imbalances will be netted on a monthly basis and settled financially, at the end of the month, at 100 percent of incremental or decremental cost. The provision establishes that tier one imbalances should not be subject to the penalties associated with the other imbalance tiers (where settlements are based on multiples of incremental and decremental cost that are other than 100 percent). Idaho Power appears to misinterpret the “100 percent of incremental or decremental cost” language as specifying a method of calculation—specifically, that netting should be performed on an hourly basis.

18. On rehearing of Order No. 890, several transmission providers questioned whether the netting of imbalances should be accomplished on a megawatt-hour basis or on a financial basis based on hourly incremental and decremental costs.¹¹ In response, the Commission clarified in Order No. 890-A how the calculations should be performed, explaining that netting should occur on a megawatt-hour basis over the month prior to settling financially at 100 percent of incremental or decremental cost.¹² In other words, the language of the tariff requires the netting of *imbalances* prior to financial settlement at the end of the month, not simply the netting of imbalance *charges* over the month. The Commission specifically rejected requests to use a more granular imbalance pricing method, as proposed by Idaho Power here. Specifically, Order Nos. 890 and 890-A provide that a single charge is developed and applied to tier one net imbalance each month. Under this methodology, 100 percent of the incremental and decremental imbalance costs are recovered by the transmission provider. Thus, to the extent necessary, we clarify that the netting process provided for in Order No. 890 and clarified in Order No. 890-A is the correct process for determining tier one imbalance charges, and that such a policy is not contrary to the “100 percent of incremental or decremental cost” provisions for tier one imbalances contained in the *pro forma* OATT.¹³ To the extent Idaho Power believes that a more granular approach to calculating imbalance charges is necessary for its system, it may submit such a proposal pursuant to section 205 of the FPA.¹⁴

2. Other OATT Provisions

19. In the Order No. 890-A *pro forma* OATT, section 14.6 (Scheduling of Non-Firm Point-to-Point Transmission Service) provides that schedules for non-firm point-to-point transmission service must be submitted to the transmission provider no later than

¹¹ See Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 320.

¹² See *id.* at P 325.

¹³ We note that Order No. 890-A provides that tier one imbalances in any month should be settled at the “load weighted average of the hourly incremental costs during that month.” Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 325. The Commission did not specify whether the load weighted average of hourly incremental costs should be calculated using all hours of the month, or only hours in which there were imbalances. Idaho Power appears to have interpreted this provision as the latter, but the former would be equally reasonable.

¹⁴ See Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 at P 325.

2:00 p.m. (or a reasonable time that is generally accepted in the region and is consistently adhered to by the transmission provider) of the day prior to commencement of such service.

Idaho Power's Filing

20. Idaho Power states that it proposes to exercise the flexibility allowed to it by the Commission thereby maintaining its current regional standard deadline of 3:00 p.m. Pacific Prevailing Time consistent with section 14.6 of its OATT filed on July 13, 2007 in Docket No. OA07-60-000.

21. Additionally, Idaho Power proposes to adopt the *pro forma* title to Schedule 7 as well as to Appendix A to Schedule 7 of its OATT stating that it adds clarity. Previously, the title of Idaho Power's Schedule 7 of its OATT has been "Firm Point-to-Point Transmission Service."

Commission Determination

22. We accept Idaho Power's modification of the deadline of 3:00 p.m. to section 14.6 of its OATT because it is a reasonable time as provided by Order No. 890-A. Therefore, we find this modification to section 14.6 of Idaho Power's OATT to be consistent with or superior to the *pro forma* OATT.

23. With regard to Idaho Power's proposed modification to Schedule 7 of its OATT, we note that Idaho Power references the *pro forma* OATT title for Schedule 7 as Long-Term and Short-Term Firm Point-to-Point Transmission Service. The title as quoted by Idaho Power is incorrect. The actual title for Schedule 7 to the *pro forma* OATT is Long-Term Firm and Short-Term Firm Point-to-Point Transmission Service. Idaho Power is directed to revise the title to its Schedule 7 and Appendix A to Schedule 7 to reflect the actual *pro forma* OATT Schedule 7 title and resubmit the revised sheets in a compliance filing within 60 days of the date of this order.

The Commission orders:

(A) Idaho Power's compliance filing is hereby conditionally accepted, effective March 17, 2008, subject to a further compliance filing, as discussed in the body of this order.

(B) Idaho Power is hereby directed to submit a further compliance filing, within 60 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.