ORDER REAUTHORIZING USE OF EXPERIMENTAL PROCEDURES FOR PROCESSING REQUESTS FOR NEXT-HOUR TRANSMISSION SERVICE ON THE OASIS ON AN INTERIM BASIS

(Issued July 28, 1999)

As discussed below, we will grant a request from the North American Electric Reliability Council (NERC), on behalf of the Market Interface Committee (MIC)\(^1\) to reauthorize, on an interim basis, the next-hour procedures previously authorized on an experimental basis in the above-referenced docket.

Background

On September 29, 1998, the Commission granted the request of the CPWG for a four-month experiment, starting November 1, 1998, to test procedures to promote the

\(^1\)The Commercial Practices Working Group (CPWG) was an industry-initiated and managed group committed to providing an open forum dedicated to the development of consensus-based business practices in support of reliable and competitive bulk electricity markets. CPWG's membership included members from various segments of the wholesale electric industry, including Transmission Providers and Customers. Recently, the CPWG has been reconstituted and its functions taken over by a replacement group, the Interim Market Interface Committee (IMIC), sponsored by NERC. On May 17, 1999, the MIC replaced the IMIC.
development of the next-hour market for power (September 29 Order). In the September 29 Order, the Commission directed the CPWG to file a report assessing the next-hour experiment and comparing the next-hour market before and after the implementation of the experiment.

On May 18, 1999, NERC on behalf of the MIC filed a request that the Commission reauthorize, on an interim basis, the next-hour procedures adopted in the experiment and a report entitled "Experiment for Processing Requests for Next-Hour Transmission Service on the OASIS" (Next-Hour Report). In the Next-Hour Report, the MIC explains that market participants believe that the experimental procedures have improved the next-hour market by allowing transmission reservation and scheduling processes to be handled verbally. NERC requests that the next-hour procedures continue in effect until electronic procedures for next-hour scheduling are developed and ready for implementation.

In the Next-Hour Report, the MIC also describes the emerging NERC ETAG process and suggests that it could be implemented as a tool for submitting information for a transmission reservation request, an energy transaction request, and a NERC Tag for next-hour service. NERC Tagging requires that one of the market participants involved in the transaction submit the details of the transaction (source and sink for the energy and an OASIS reservation number for each transmission segment of the transaction) to the Transmission Providers on the entire transaction path. The report states that the NERC ETAG specifications contain sufficient information to implement next-hour interchange transaction schedules and transmission reservations. In the Next-Hour Report, the MIC also proposes a "BUYATMARKET" option, although this feature has not been proposed by NERC in its May 18 request. The "BUYATMARKET" option would allow the Customer to designate any transmission segments for which the Customer pre-confirms a reservation at the current posted price of hourly service for the designated hour, on the condition that the entire transaction is approved.

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2 Open Access Same-Time Information System (OASIS) and Standards of Conduct, 84 FERC ¶ 61,324 (1998).

3 ETAG is a functional specification and a set of detailed technical requirements for the implementation of an Electronic Tagging system. See Next-Hour Report at 10.

4 See Next-Hour Report at 5.
Notice and Comments

Notice of MIC's request and Next-Hour Report was published in the Federal Register, 64 Fed. Reg. 29,861 (1999), with comments, protests, or motions to intervene due on or before June 23, 1999.

On June 23, 1999, PJM Interconnection, L.L.C. (PJM) filed comments in support of continuing the provisions of the experiment by permitting Customers to continue to telephone energy schedule requests to the control area. PJM, however, is opposed to the Commission adopting NERC's proposed ETAG process for the hourly market. PJM argues that the ETAG is untested, incomplete and an unacceptable substitute for the PJM scheduling process and that the ETAG procedures do not take PJM's specific requirements into account.

Also on June 23, 1999, the Electric Power Supply Association (EPSA) filed a timely motion to intervene and comments. EPSA supports the use of NERC's new ETAG system for next-hour service. However, EPSA notes that Customers should also be able to call Transmission Providers to confirm available capacity to accommodate the next-hour transaction. Therefore, EPSA urges the Commission to adopt the recommendations outlined in the NERC Report, with the addition of telephone "checks" on available capacity, to continue supporting and facilitating development of the next-hour market.

On June 25, 1999, Cinergy Services, Inc. (Cinergy) filed a motion to intervene out-of-time. Cinergy generally supports the use of the NERC ETAG process for the hourly market. Cinergy raises two financial concerns regarding the "BUYATMARKET" option proposed by NERC: (1) the loss of potential revenue by the Transmission Provider; and (2) the potential for marketing entities to incur financial liability for a transmission reservation of which they have no knowledge. Cinergy states that these concerns require clarification prior to imposition of the ETAG procedures to the hourly transmission market.

On July 8, 1999, NERC filed a limited response to the comments of PJM. NERC believes that PJM misconstrues the Next-Hour Report and NERC states that nothing in its request prevents PJM from continuing to use its current congestion management methods. NERC maintains that its instant request pertains only to the reauthorization of the next-hour procedures on an interim basis until the ETAG system is upgraded.

On July 16, 1999, the Member Systems of the New York Power Pool (NYPP) sought leave to file a limited response to the comments of NERC in response to the comments of PJM. The NYPP states that the adoption of NERC's ETAG procedures
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would significantly impact the congestion management system to be implemented by the New York Independent System Operator, Inc. (NY ISO). The NYPP requests that the Commission require revisions in the NERC ETAG approach that would support and embrace the mechanisms embodied in the current PJM system and the proposed market redispach mechanisms in New York.

On July 22, 1999, the NY ISO sought leave to file reply comments in support of the comments of the NYPP. The NY ISO agrees with the NYPP that NERC's ETAG proposal will have significant effects in New York. The NY ISO requests that the Commission reject the ETAG-related recommendations. 5

Discussion

Procedural Matters

Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (1999), the timely, unopposed motions of intervention of PJM and EPSA serve to make them parties to this proceeding.

We will grant the untimely, unopposed motion to intervene of Cinergy, given its interest in this proceeding and the absence of any undue prejudice or delay.

We will accept NERC's response to PJM's comments since it has clarified our understanding of NERC's proposal. We will also accept the comments of NYPP and the NY ISO.

Next-Hour Procedures

In the September 29 Order, we clarified the next-hour experimental procedures to state:

If a Transmission Provider's OASIS and scheduling process allow for acceptance or denial of a Customer's reservation or scheduling request for hourly transmission service within 15 minutes of queue time on a

5On July 9, 1999, in Docket No. EL99-77-000, the NY ISO filed a request for waiver of certain OASIS information posting and other functional requirements that the NY ISO states are inconsistent with the NY ISO's congestion management and locational based marginal pricing systems. We will address this request in a separate order.
consistent basis, then the Transmission Provider may require Customers to enter the reservations and schedules electronically on the OASIS prior to the scheduling deadline, as long as it does so for all Customers seeking service subject to the OASIS requirement. If after 15 minutes the Transmission Provider has not responded to the reservation and schedule requests, the Customer has the option to call the Provider to verbally confirm the reservations and schedule.

If the Transmission Provider is not able to respond consistently to Customers' reservations or schedule requests for hourly transmission service within 15 minutes of queue time, then the Customer retains the option of providing the Transmission Provider with a confirmation of the reservation or schedule by means of telephone or facsimile. If a reservation is entered or confirmed by telephone or facsimile, the Transmission Provider may require the Customer to enter the reservation on the OASIS electronically, after-the-fact, within one hour of the start of the reservation. It is up to the Transmission Provider (and not the individual Customer) to determine whether it can consistently handle such hourly requests within 15 minutes during the pendency of the experiment. [6]

The experiment required Transmission Providers to give Customers the option of using the phone and fax for next-hour reservations if a Transmission Provider could not consistently respond to requests for reservations over the OASIS within 15 minutes. Moreover, we allowed Transmission Providers who were able to respond consistently to next-hour, electronic requests for reservations and schedules within 15 minutes the opportunity to require Customers to enter the reservations and schedules electronically on the OASIS prior to the scheduling deadline, as long as it did so for all Customers uniformly.

The MIC states that both Transmission Providers and Customers support the continuation of the experimental procedures. In particular, the Next-Hour Report states:

Based on the survey results, Providers clearly prefer electronic processes rather than verbal ones. However, Providers also prefer to continue the terms of the experiment until improved electronic processes are available.

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Customers favor using the phone and continuing the terms of the experiment until improved processes are available. (7)

As NERC's filing states, "market participants believe that the procedures have improved next-hour electricity markets by allowing transmission reservation and scheduling processes to be handled verbally." Moreover, no intervenor opposes the reauthorization of the next-hour procedures. Accordingly, we will grant the request to reauthorize, on an interim basis, the next-hour procedures until alternative solutions for electronic next-hour reservations on the OASIS are formulated and authorized.

In addition, we interpret the section of the Next-Hour Report regarding the ETAG procedures as an informational report and, at this time, we are not addressing the merits of the ETAG and "BUYATMARKET" proposals. However, we encourage continued development, and further industry input and involvement in the evolving next-hour market.

The Commission orders:

The request of NERC to reauthorize the next-hour procedures, on an interim basis, is hereby granted, as discussed in the body of this order.

By the Commission.

(SEAL)

David P. Boergers,
Secretary.

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(7) Next-Hour Report at 8.