

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

**Information Requirements for)
Available Transfer Capability)**

Docket No. RM05-17-000

COMMENTS OF THE ISO/RTO COUNCIL

The ISO/RTO Council (IRC), made up of each of the operating RTOs and ISOs in the United States and Canada, submits these comments in response to the Commission’s inquiry concerning the standardization of Available Transfer Capability (ATC) in this Notice of Inquiry.¹ The Council supports this Commission’s interest and involvement in this long-standing issue facing this industry.

Applicability of the Proposed Standard---Because the Council consists of entities that operate energy and ancillary service markets, as well as entities that are only proposing to operate balancing markets, the impact of the Commission’s inquiry, as it impacts transactions internal to an RTO or ISO, is different for each entity. Although not explicitly stated, the calculation of ATC/AFC is most relevant to those regions or markets that offer advance physical reservations for transmission service. By definition, an RTO or ISO internalizes the transfer limitations among its member companies and schedules and operates the transmission systems of its members as a single system.² As a result, ATC and AFC calculations within an RTO may have no particular significance although the standardization of ATC and AFC can affect each RTO/ISO that requires advanced reservations for transmission service as well as each RTO/ISO as to transactions at

¹ The Council was formed in April, 2003 and consists of the Alberta Electric System Operator, the California Independent System Operator, the Electric Reliability Council of Texas, the Independent Electricity System Operator of Ontario, ISO New England, Inc., Midwest Independent Transmission System Operator, Inc., New York Independent System Operator, Inc, PJM Interconnection, L.L.C. and the Southwest Power Pool. The Council’s mission is to work collaboratively to develop effective processes, tools and standard methods for improving competitive electricity markets across North America. In fulfilling this mission, it is the Council’s goal to provide a perspective that balances reliability standards with market practices so that each complements the other, thereby resulting in efficient, robust markets that provide competitive and reliable service to customers. The Electric Reliability Council of Texas (ERCOT) is a member of the IRC but is not a participant in these comments as it does not utilize ATC in its power and market operations.

² Some may argue that between tightly coordinated markets, ATC is not required as economic dispatch is available to relieve congestion and allow flows which may otherwise be unavailable for firm transmission sale.

its border.³ The FERC inquiry should explicitly recognize these limitations on the applicability of ATC or AFC within RTOs/ISOs and ensure that any standardization does not impose new physical scheduling mandates on RTOs/ISOs that provide network service to all market participants procuring transmission service subject to the payment of congestion costs.⁴

Standardization of ATC Methodologies---The ISO/RTO Council does find considerable merit in the Commission's efforts to promote standardized ATC and AFC methodologies within the interconnection as most transmission providers do allow the sale of transmission service. The Council believes that a common methodology for calculating ATC/AFC will help to ensure transparency as to basic assumptions and variables used in ATC/AFC calculations as well as provide an accepted level of regional flexibility in ATC/AFC calculations that still provide more regulatory certainty and avoid protracted litigation.

The Council notes that a standard methodology does not, by definition, require that identical software tools be utilized by each transmission provider. A common methodology, as well as process and data transparency, will go far to address the issues facing the industry today without forcing entities to literally purchase a single software tool or modify existing systems. As a result, the Council supports the observation in the NERC Task Force Report as to CBM that transparency and consistent methodology, rather than proscription of detail, is needed. The Council believes these observations similarly hold for the determination of ATC and AFC. Although standardization of methodology is critical, the individual RTOs/ISOs' *implementation* of the standard must be harmonized with the individual market designs already approved by the Commission in RTO/ISO areas. In short, the effort to standardize ATC/AFC determinations should not become so proscriptive as to impose a wholesale revision of the accepted designs and processes that are working within established (or soon to be established) markets. To do otherwise, would have the proverbial "tail wagging the dog" and sacrifice the gains made in market design for this one important but limited aspect of system operations. Specifically, the standards which NERC proposes to establish should be focused on reliability concerns related to ATC, AFC, TRM, and CBM as opposed to revisiting accepted market designs.

³ SPP does require advanced reservations for most of its transmission services however, SPP will soon be implementing an Energy Imbalance Service (EIS) market that will allow market participants to conduct short term energy transactions without advance transmission reservations. The EIS market will begin on May 1, 2006. Other uses of transmission to transmit energy within SPP will continue to require advance reservations as specified under the current filed SPP Regional Tariff.

⁴ For example, caution is needed when developing a standard whose scope is the "processing and evaluation of requests to schedule against approved transmission service reservations." A standard of this type should be applicable to areas that are based solely on physical reservations and tags. Any areas that interact with market-based systems may have a combination of transmission service and market rules that will determine scheduling of energy transactions. Any standard addressing this subject should acknowledge these conditions.

The appropriate balance to be achieved can best be illustrated by way of example:

Standard - When performing ATC calculations dispatch internal generation consistent with the dispatch used in operations.

Regional flexibility - (A bid or market based system could approximate day ahead market in near term ATC while approximating bid prices when calculating monthly ATC for the next season. A cost based system could dispatch least cost units in the day ahead as well as future months for ATC calculations.)

Standard – The use of CBM in ATC calculations must be consistent with planning criteria.

Regional flexibility - (A system could use a fixed import capability value when determining the LSE capacity obligation. That value is reflected in the ATC calculation. Some LSEs use a percentage of tie capability in their planning process and therefore reflect that variable value in their ATC calculation. The key is the standard would link the ATC calculation to the planning process.)

Interrelationship with Planning---The Council further supports the proposition that the methodology and inputs to ATC, AFC and CBM calculations should be consistent with the applicable planning or operating criteria. Transmission providers should not be permitted to sell transmission service based on criteria which are fundamentally different than the criteria used to upgrade, or practices used to operate their facilities. If planning and operations criteria are not consistently applied to the calculation of ATC/AFC, then the needed symmetry between system upgrades, the assignment of costs for such upgrades and the use of the transmission system by unaffiliated entities will be lost.

RTO Coordination Agreements as a Template---The IRC also commits to establishing a proposed starting point for use in defining the appropriate level of standardization. The IRC Markets Committee is working on a joint operations agreement to be used as a template for coordination agreements between ISOs / RTOs, and other operating regions. This template addresses standardization of ATC / AFC coordination. The language being proposed is similar to Joint Operating Agreements which have been filed with FERC in the past such as those between MAPP and MISO and between PJM and MISO which have been endorsed by this Commission.

Definitions of ATC, AFC, CBM and TRM---The Council concurs with FERC’s definitions of AFC, ATC, CBM and TRM.⁵

Advisability of Developing Interconnection-Wide Standards for the Eastern Interconnection and WECC---The Council believes there may be merit in providing interconnection-wide standards provided, as noted above, that the different uses of ATC and AFC in RTO/ISO areas with organized markets is recognized. Here too, the Commission needs to be cognizant of what constitutes a “standard” for this purpose. A common standard for calculating ATC/AFC would provide for a common methodology including the transparent posting and consideration of an accepted set of assumptions. The development of a single interconnection-wide standard would not mean that a single set of tools needs to be used interconnection-wide or that the market-based methodology for the provision of transmission service in RTOs/ISOs with organized markets would need to be changed to accommodate a model based on physical reservations.

The Most Expeditious Way to Obtain Industry-Wide Standards---The Council believes that the NERC SAR process be allowed to work to draft the standard details but that the Commission take an active role in the process to ensure that the standards developments process meets market designs and tariffs that the Commission has already accepted. Since the Commission will have a direct role in approving the standard as a result of passage of the Energy Policy Act of 2005, it is appropriate that the Commission play a proactive role to ensure that this long-standing process move forward to closure in a manner that is consistent with prior Commission orders and directives.

⁵ Capacity Benefit Margins (CBM), as reported in MWs, are reserved by some ISOs and RTOs in their respective markets to ensure the availability of adequate transmission capacity to serve native load from external generation resources. ISOs and RTOs using financially based transmission rights systems have rights to transmission use, whether generation sources are internal or external to the Control Area, embedded in the tariff based design. In other words transmission service is granted once an offer to provide energy is accepted. Therefore CBM’s under these systems are calculated at zero in the ATC postings.

The Council stands ready to serve as a resource to the Commission as it continues its inquiry into the standardization of ATC/AFC calculations.

Respectfully submitted,

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August 15, 2005