

PUBLIC SERVICE COMPANY OF NEW MEXICO
BUSINESS PRACTICE RELATING TO CONTITIONAL FIRM SERVICE UNDER THE
PNM OPEN ACCESS TRANSMISSION TARIFF (“OATT”)

Effective September 11, 2007

Background: In Order No. 890, dated February 16, 2007, the Federal Energy Regulatory Commission (“FERC” or “Commission”) adopted a requirement for Transmission Service Providers (“TSP”) to offer Conditional Firm Service (“CFS”) (Order No. 890 ¶925). To review the Commission’s discussion and determination regarding CFS, see Order No. 890, paragraphs 962 to 1094. Further, the Commission added language in Sections 1.46, 13.6, 14.7 and 15.4 of the Order No. 890 *pro forma* Open Access Transmission Tariff (“OATT”) regarding CFS. In Order No. 890, the Commission requires each TSP to work together with other TSPs to coordinate development of regional practices for the implementation of CFS (Order No. 890 ¶1046).

Purpose: The purpose of this Business Practice (“BP”) is to establish, at a regional level, the procedures by which a Transmission Customer (“TC”) may elect to request a System Impact Study (“SIS”) for CFS from a TSP. It also establishes the procedures by which the TSP must study CFS as part of the SIS and associated implementation requirements. This BP should be viewed as an initial “procedures” document, and as a result, this BP may be modified from time to time as various issues surrounding CFS are addressed and practices are improved.

Business Practice Content: This BP is divided into three sections. Section One contains definitions specific to the CFS product. Section Two provides general information regarding the characteristics of CFS, including TSP and TC rights and obligations. Section Three describes the HOW TO Procedures a TC must follow when requesting a CFS study and the procedures a TSP must follow when doing a reassessment of an existing CFS reservation. Because the purpose of this BP is to implement Commission policy and directives announced in Order No. 890, Order No. 890 will control in the event of a conflict between this document and Order No. 890.

Section One: Definitions

Bridge: The contract period which spans the gap in time between when the CFS Service Agreement is executed and when the relevant transmission upgrades become operational giving the TC long-term firm Point-to-Point (“PTP”) transmission service. In order to receive a Bridge transmission product the TC must commit to participate in the necessary system upgrades in its service agreement.

Conditional Curtailment: Curtailments that occur at the non-firm/secondary network priority level either based on contract-specified system conditions (“System Conditions

Option”) or based on a contract specified number of hours (“Number of Hours Option”) (Order No. 890 ¶¶ 1064, 1074).

Conditional Firm Service (“CFS”): A form of long-term firm PTP service that is offered when the TSP does not have long-term firm available transfer capability (“ATC”) to meet the request. CFS includes less-than-firm service defined by a lower curtailment priority in either a defined number of hours in a year or during predefined system conditions (Order No. 890 ¶¶ 911 and 912). CFS does not preclude the TSP’s obligation to offer other forms of partial interim service (i.e., partial MW offers, partial duration offers, or a combination of the two). The TSP is obligated to make a partial offer of firm service if possible. The remainder can then be studied to determine whether a CFS offer is possible if the customer desires a CFS SIS.

Number of Hours Option: A CFS option in which the TSP’s Conditional Curtailment rights are tied to a contract-specified number of hours during the contract year (or other defined period within the contract year) and can be exercised by the TSP any time curtailment would help to relieve actual or anticipated reliability problems on the transmission system (Order No. 890 ¶¶ 960, 978, 1064, 1066, 1068).

Reassessment: A biennial right of the TSP to determine whether the system conditions or number of hours specified in the CFS service agreement need to be modified for purposes of maintaining reliability. Reassessment does not apply to TCs who have selected to commit to system upgrades that would allow them to receive long-term firm PTP service. Customers that have made this commitment are called “Bridge” customers (Order No. 890 ¶ 917 and footnotes 574, 959, 980, 981).

System Conditions Option: A CFS option in which the TSP’s Conditional Curtailment rights are tied to contract-specified conditions of the transmission system and can only be exercised by the TSP when those system conditions are occurring or are anticipated to occur (Order No. 890 ¶¶ 960, 978, 1064, 1066).

Section 2: CFS Characteristics

- If the TSP is unable to provide long-term firm PTP service for all or a portion of the transmission service request, the TC can request a SIS of CFS as an alternative to the construction of transmission upgrades required for firm PTP transmission service or during the interim period prior to the completion of required upgrades (a “Bridge”). The TSP is then obligated to conduct the SIS. The TC is responsible for paying for these studies.
- TSP’s are not obligated to offer CFS if reliability would be negatively impacted by provision of such service. Under this BP, examples of negative impacts on reliability include, but are not limited to:
 - Violation of one or more of the NERC or WECC Reliability Standards.

- Violation of a TSP's written reliability requirements.
- Creation of chronic unscheduled flow that cannot be predicted on a long term basis.
- The TSP is not obligated to offer CFS if it interferes with the TSP's statutory obligations.

2.1 CFS Study Requirements

- The availability of CFS is determined by the TSP by performing a SIS. The TSP shall study both the System Conditions Option and the Number of Hours Option, unless otherwise requested by the TC.
- If the SIS determines that CFS can be offered, the TC must accept or reject CFS within the timeframe specified in the TSP's OATT. The TC must also decide if it desires to accept CFS as a Bridge product until the installation of study-defined upgrades to the transmission system are completed. If the TC accepts CFS, it must choose either the System Conditions Option or the Number of Hours Option in its service agreement, but not both.
- Each TSP determines the CFS study methods and, if applicable, the CFS ATC at the constrained point(s) on its transmission system.
- For the Number of Hours Option, the SIS will determine the number of hours that the TSP may conditionally curtail service. Additionally, the TSP may add a risk factor to this SIS calculation of annual curtailment hours to account for forecasting risk prior to setting the number of hours in the service agreement.

2.2 CFS Curtailment Characteristics

- Conditional Curtailments occur on the same basis as non-firm/secondary network curtailment priority.
- During non-conditional hours, CFS shall be curtailed on the same basis as all other firm transmission uses. This includes, for example:
 - When the number of hours in the service agreement runs out, in cases in which the TC selected the Number of Hours Option;
 - When there is a need for a curtailment due to a system condition not specified, in cases in which the TC selected the System Conditions Option;

- When the CFS has been upgraded to Firm based on Short-Term Firm (STF) availability.
- The TSP can call upon the Conditional Curtailment rights during the operating hour and/or in advance of the operating hour (due to, for example, planned or forced outages or schedule congestion).
- If the TC chooses the System Conditions Option, Conditional Curtailments may only occur when the specific system conditions cited in the service agreement are occurring or are anticipated to occur.
 - The TSP will provide the TC with as much advance notice as possible of an upcoming system condition that will or may cause curtailment of all or a portion of the TC's CFS. However, Conditional Curtailments may occur during the operating hour when necessary to maintain reliability.
 - Conditional Curtailments may be required for scheduled or unscheduled maintenance.
 - The TSP will track Conditional Curtailments based on each of the anticipated or realized system conditions, and provide documentation to the TC upon request.
- If the TC chooses the Number of Hours Option, Conditional Curtailments may occur any time a reliability event is occurring, or is anticipated to occur, that curtailment of the service would help to relieve, not just when system events are occurring that made it necessary for the reservation to be CFS.
 - A full or partial curtailment lasting for one hour, or a full or partial curtailment lasting less than one hour, constitutes one hour of use of Conditional Curtailment rights.
 - The priority of service will become Firm when all of the Conditional Curtailment hours specified in the service agreement, for the contractually-defined period, have been used.
 - The TSP will track the number of hours curtailed and the number of hours remaining for the year or other period defined in the service agreement and provide documentation to the TC upon request.

2.3 Biennial Reassessment

- CFS is subject to biennial Reassessment, unless CFS was selected as a Bridge product.

2.4 Miscellaneous Characteristics of CFS

- Short-term firm ATC (i.e. hourly, daily, weekly or monthly) will be awarded to the CFS TCs in queue order during the term of its service agreement, as it becomes available and prior to being offered to the market.
- CFS qualifies as firm service that supports the designation of network resources imported from other regions/TSPs/Balancing Authorities.
- CFS TCs pay the long-term firm PTP rate (Order No. 890 ¶ 1047) regardless of any curtailments.
- CFS reservations have rollover rights under the same conditions in which rollover rights are available for a long-term firm PTP reservation.
- CFS reservations have the same redirect and resale rights as long-term firm PTP service.

Section 3: HOW TO Procedure for Requesting a CFS Study

3.1 The System Impact Study Process:

- The TC must submit a Transmission Service Request (“TSR”) on OASIS requesting firm PTP transmission service for a period of at least one year, and meet any other requirements specified in the TSP’s OATT.
- If the TSP does not have sufficient ATC to provide long-term firm PTP service, the TSP shall inform the TC and offer a SIS Agreement.
- The TC and TSP determine the scope of the SIS and sign a SIS Agreement. For the SIS to include a study of CFS, the scope of the study must include those provisions at the time the SIS Agreement is signed.
- The SIS must identify the following:
 - Transmission additions or upgrades required to provide the requested long term firm PTP service.
 - Cost estimates for all transmission additions or upgrades.
 - Specific system constraints that caused the TSP to be unable to provide long term firm PTP transmission service. The TSP may determine whether to consider physical and/or schedule congestion.

- If CFS is studied, the TSP shall provide information on both the Number of Hours Option and System Conditions Option unless otherwise requested by the TC.
- Unless otherwise agreed, the TSP will use due diligence to complete the SIS within 60 days of execution of the SIS agreement, including the additional analysis required to identify capacity available as CFS.
- If the TC chooses CFS, it must select either the Number of Hours Option or the System Conditions Option for Conditional Curtailment. The service agreement offered by the TSP must contain a description of the system conditions or number of conditional curtailment hours.
- FERC-jurisdictional utilities must file a signed service agreement with the Commission as a non-conforming agreement if the service agreement provides for CFS.
- The TSP and the TC will comply with the time requirements specified in Section 19 of the OATT.

3.2 Reassessment

- For CFS TCs who do not have a Bridge product and who are continuing their reservation, the TSP may perform a Reassessment of the curtailment conditions and/or hours on a biennial (every other year) basis. The biennial Reassessment Study will be provided no less than ninety (90) days prior to the end of the biennial period, and the TC must pay all study costs. The following rules will apply to these Reassessments:
 - Hours/conditions worsen -- If the system conditions (for System Conditions TCs) worsen or the number of conditional hours (for Number of Hours TCs) become more onerous to the TC, the TC may choose to either continue with the service under the new conditions or to discontinue the service. If the TC informs the TSP in writing that it chooses to discontinue the service on the date on which the system conditions or number of hours associated with the CFS change, the TSP will annul the reservation as of the effective date of the more onerous conditions. Written notice of the choice to discontinue the reservation must be received by the TSP at least thirty (30) calendar days in advance of the date upon which the system conditions or conditional hours would change.
 - Hours/conditions improve – If system conditions (for System Conditions TCs) improve or the number of conditional hours (for Number of Hours TCs) become less onerous to the TC, the TC may not terminate the service agreement; rather, both parties will remain contractually bound to continue the

service until the next Reassessment or until the service agreement terminates, whichever comes first.

- If the TC accepts the results of the biennial Reassessment, the service agreement will be amended accordingly. FERC-jurisdictional TSPs are required to file the amended service agreement with the Commission.
- If there are no changes in the conditions or hours, as applicable, both parties are obligated to continue the service through the term of the service agreement.
- If the TC chooses to use CFS as a Bridge to long-term firm PTP service, the TSP is obligated to provide CFS, without change to the contract-specified system conditions or number of hours until the necessary system upgrade(s) is/are in service.