

Displacement with Right of First Refusal

In exercising the terms and conditions in Puget Sound Energy's (PSEI) Open Access Transmission Tariff (OATT), PSEI finds it necessary to post a set of clear and consistent policies that are applied equally to all eligible transmission customers. One such policy addresses the "right of first refusal" for competing request in a constrained situation. This is sometimes referred to as the "displacement process" or the "bumping process".

There are three issues addressed here. The first issue is the definition of "match". The second is the situation where there are multiple conditional short-term firm reservations by multiple customers and the order in which the right of first refusal is offered. The first issue has a definite influence on the second issue. The third issue is addresses potential game-playing or spurious competing requests.

Issue 1: How does a customer match a longer term request?

From PSEI's Open Access Transmission Tariff, section 13.2:

A longer term competing request for Short-Term Firm Point-To-Point Transmission Service will be granted if the Eligible Customer with the right of first refusal does not agree to match the competing request within 24 hours (or earlier if necessary to comply with the scheduling deadlines provided in section 13.8) from being notified by the Transmission Provider of a longer-term competing request for Short-Term Firm Point-To-Point Transmission Service.

Specifically, the phrase "...does not agree to match the competing request..." is key. The customer with the right of first refusal must match the request. What makes up a request?

According to FERC's Standards and Communication Protocol, version 1.4, a request has the following attributes:

Template: **transrequest**

1. Input

CONTINUATION_FLAG	STOP_TIME
SELLER_CODE (Primary or Reseller)	BID_PRICE
SELLER_DUNS	PRECONFIRMED
PATH_NAME	ANC_SVC_LINK
POINT_OF_RECEIPT	POSTING_REF (Optionally set by Customer)
POINT_OF_DELIVERY	SALE_REF (Optionally set by Customer)
SOURCE	REQUEST_REF (Optionally set by Customer)
SINK	DEAL_REF (Optionally set by Customer)
CAPACITY_REQUESTED	CUSTOMER_COMMENTS
SERVICE_INCREMENT	REQUEST_TYPE (Required for request changes)
TS_CLASS	RELATED_REF (Required for request changes)
TS_TYPE	
TS_PERIOD	
TS_WINDOW	
TS_SUBCLASS	
STATUS_NOTIFICATION	
START_TIME	

A request contains not only duration information (i.e., start and stop times), but also capacity and price information. In order to match the competing reservation request, the customer with the right of first refusal must agree to match the same duration, capacity, and price.

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FERC's Standards and Communication Protocol, version 1.4 further supports this definition of matching:

4.2.13.7 Displacement – With Right of First Refusal

Confirmed transmission reservations may be subject to displacement in the event competing, higher priority requests are received by the Primary Transmission Provider. If the Primary Provider's Tariff obligates, or the Primary Provider elects to grant the original Customer the right of first refusal, the original Customer shall be notified of the competing request. The Primary Provider shall set the original request's `COMPETING_REQUEST_FLAG` to Y and update the `SELLER_COMMENTS` with a reference to the competing requests `ASSIGNMENT_REF`. These changes will initiate electronic notification, provided the Customer has elected to receive such notification.

If the original Customer elects to meet or exceed the terms and conditions of the competing request, that Customer shall submit a new reservation request using the *transrequest* Template specifying 1) the terms of the new request, 2) "MATCHING" for `REQUEST_TYPE`, and 3) the `ASSIGNMENT_REF` of their original reservation in `RELATED_REF`. If the Primary Provider accepts the MATCHING request, the Primary Provider shall set the `STATUS` of the competing request to "REFUSED" and set the `STATUS` of the original, confirmed reservation to "DISPLACED". The `STATUS` of DISPLACED indicates that the original reservation has been displaced in its entirety.

If the original Customer does not elect to meet the terms of the competing request, the Primary Transmission Provider shall displace the original reservation, in whole or in part, in the same manner described for reservations that are not extended a right of first refusal.

Once the disposition of the original reservation and the competing request is finalized, the `COMPETING_REQUEST_FLAG` shall be reset to "N" in the original reservation.

A key statement here is contained in the following sentence:

“If the original Customer elects to meet or exceed the terms and conditions of the competing request...”

The “terms and conditions” of the competing request includes capacity and price.

So, when matching a competing request, the customer with the right of first refusal must submit a transmission request matching (or exceeding) duration, capacity, and price.

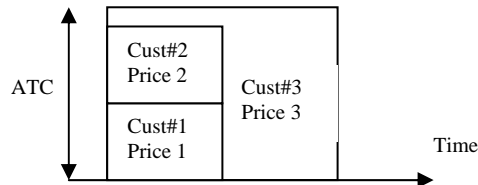
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Issue 2: Offering the right of first refusal to multiple customers

When there is a single conditional short-term firm confirmed reservation and a competing request, the application of PSE's OATT bumping process is straightforward. However, when there are multiple conditional reservations from multiple customers, the offering of the right of first refusal is not as obvious.

We propose that the right of first refusal be offered in the order of the last reservation to the first. In the case of the single customer with a conditional reservation, the right of first refusal is offered to the earlier request or via the principle of first in, first served. In this case the first in has the final say.

Extending that to a multiple customer situation, the first customer who had a confirmed reservation should have the final say. So, once a competing reservation is received, we shall offer the right of first refusal to the "youngest" conditional reservation (given that our OASIS issues reservation number sequentially, it would be the reservation with the highest number). If that customer agrees to match (as defined above), the competing request is refused and the existing customer becomes the owner of the competing request (assumes there is still a constrained situation). Now the next youngest reservation is offered right of first refusal. Each time as existing customers agree to match, they inherit the competing reservation profile and price. This continues until there are no more constrained situations or until the oldest customer matches the competing request.



In the example above, Cust#1 submits a request for short term firm ATC which becomes CONFIRMED. Then Cust#2 submits a request for the same time period for short-term firm ATC which also becomes CONFIRMED. Then Cust#3 submits a longer duration request for all the short-term firm ATC. Since these reservations are all still conditional, the displacement process will happen. Because Cust#3 has a longer term request, it is deemed the competing request, according to the tariff. Since Cust#2 was the last confirmed request in this scenario, Cust#2 is offered right of first refusal. Cust#2 must submit a request that meets or exceeds the competing request's duration, capacity, and price. If Cust#2 does submit the matching request, Cust#3's request is refused, Cust#2's original request is displaced, Cust#2's matching request becomes the competing request, and Cust#1 is offered right of first refusal. If Cust#1 chooses to match and submits a new request that matches or exceeds the competing request, then Cust#2's competing request is refused, Cust#1's original request is displaced, and Cust#1's matching request is accepted/confirmed.

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Issue 3: Competing Requests

When submitting a competing short-term firm transmission service request, the competing customer has the option of preconfirming the competing request. However, by not preconfirming a competing request, the competing customer can force the initiation of the right of first refusal process without any intention of confirming their request should the existing customer choose not to submit a matching request. This could result in unnecessary disruptions to both the existing customer and the transmission provider and even the loss of confirmed sales.

To minimize such occurrences, should the existing customer (owner of a conditional confirmed short-term firm transmission service request) choose not to submit a matching request, PSEI will Accept the non-preconfirmed competing request and wait for the competing customer's response (response must occur according to Table 4-2 of Order 638, OASIS Business Practices). Should the competing customer choose not to respond by Confirming their competing request, PSEI, at the end of the customer response period, will Retract the Accepted competing request. The existing customer will retain their existing request.

Should the competing customer Confirm their competing request, PSEI will displace, in all or in part, the existing request.