

# *Western Electricity Coordination Council*

## **STRAWMAN BUSINESS PRACTICE CONDITIONAL FIRM TRANSMISSION SERVICE**

### **Conditional Firm Task Force September 7, 2007**

This “Strawman Business Practice” document was developed through close coordination with a WestConnect task force that prepared the initial draft and merged its efforts with the Conditional Firm Task Force. It is emphasized this document is a “strawman” and is intended to provide the findings of the task force in an effort to facilitate as much regional consistency as possible as Transmission Service Providers develop business practices to implement Conditional Firm Service. WECC fully recognizes individual transmission service providers determine what business practices are included in their individual tariff filings

In Order 890, dated February 16, 2007, the Federal Energy Regulatory Commission adopted Conditional Firm Transmission Service (CFS) as a modified form of long-term firm point-to-point service that includes less-than-firm service in a defined number of hours of the year, or during defined system conditions when firm point-to-point service is not available. The provision of conditional firm service provides a mechanism to utilize transmission resources on a long-term firm basis when firm service is not available for some portion of each year. In the order (§ 1046), all transmission providers have a mandate to work with other transmission providers and customers in the region to develop business practices to implement the conditional firm transmission service.

The Conditional Firm Task Force (CFTF) was formed under sponsorship of the Market Interface Committee and the Joint Guidance Committee. The CFTF was co-chaired by Lauren Nichols-Kinas (BPAT) and Robert Schwermann (SMUD) to provide a forum to discuss the details associated with providing CFS and to facilitate industry discussion with the goal of promoting as much consistency as possible in the business practices that both jurisdictional and non-jurisdictional transmission service providers develop. CFTF participants have included transmission providers, transmission customers, and experts from the wind generation industry. In addition, consultations have been held with FERC staff and representatives of the financing community.

## WECC

### Strawman Business Practice for Conditional Firm Transmission Service

**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 transmission service provider to work together with other transmission service providers to coordinate development of business practices for the implementation of CFS (Order No. 890 ¶1046).

**Purpose:** The purpose of this Strawman Business Practice (“SBP”) 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 Conditional Firm Service from a Transmission Service Provider. It also establishes the procedures by which the TSP must study CFS as part of the System Impact Study and associated implementation requirements. This strawman business practice may be modified from time to time as various issues surrounding CFS are addressed and practices are improved.

**Business Practice Content:** This strawman business practice is divided into three sections. Section One contains definitions specific to the CFS transmission 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 strawman business practice is to implement Commission policy and directives, 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 financially participate in the necessary system upgrades in an executed contract.

**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 System Impact Study.

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 defined period 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 that have financially committed 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: Conditional Firm Service – 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 System Impact Study 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 strawman business practice, 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 written reliability requirement.

- Creation of chronic unscheduled flow that cannot be predicted on a long term basis.
- TSPs are not obligated to offer CFS if it interferes with the TSP's statutory obligations.

## **2.1 Conditional Firm Service – Study Requirements**

- The availability of CFS is determined by the TSP by performing a System Impact Study (“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 the CFS within the timeframe specified in the TSP 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 Available Transfer Capability (“ATC”) at the constrained points on its transmission system.
- For the Number of Hours Option, the SIS will determine the number of hours for which the TSP may need to 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 contract.

## **2.2 Conditional Firm Service – 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. For example, this includes:
  - 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 TP 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. The TSP can curtail the CFS service when it would help to relieve the reliability event, 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 TP 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 Conditional Firm Service – Biennial Reassessment**

- Conditional Firm Service is subject to biennial Reassessment, unless the TC selected a Bridge product prior to obtaining long-term firm PTP service.

## **2.4 Conditional Firm Service – Miscellaneous Characteristics**

- 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/TPs/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 and with the same conditions unless a Reassessment changes the conditions.
- 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 System Impact Study Process:**

- The TC must submit a Transmission Service Request (“TSR”) on OASIS requesting long-term firm PTP transmission service for a period of at least one year.
- If the TSP does not have sufficient ATC to provide long-term firm PTP service, the TSP shall inform the TC and offer a System Impact Study (SIS).
- The TC will inform the TSP if it wishes to include system impact study for conditional firm and the TC and TSP will determine the scope of the SIS and sign an 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 TP to be unable to provide long term firm transmission service.

- 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 Study 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. The following 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) becomes 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 Study, the service agreement will be amended accordingly. FERC-jurisdictional TSPs are required to file the amended service agreement at FERC.
- 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 the CFS, without change to the contract-specified system conditions or number of hours until the necessary system upgrade(s) is/are in service.