

# **Long Term FTRs**

# **FERC Final Rule**

**(Docket RM06-8-000)**

by  
Brad Kranz

MSWG Meeting  
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Albany, New York

# Background

- May 2005: FERC Staff issued a “White Paper”
- August 2005: The Energy Policy Act of 2005 (EPAAct 2005) added a new Section 217 to the FPA which stated as follows:  
*“The Commission shall exercise the authority of the Commission under this Act in a manner that facilitates the planning and expansion of transmission facilities to meet the reasonable needs of load-serving entities to satisfy the service obligations of the load-serving entities, and enables load-serving entities to secure firm transmission rights (or equivalent tradable or financial rights) on a long-term basis for long-term power supply arrangements made, or planned, to meet such needs.”*
- February 2006: FERC issued a NOPR proposing eight “guidelines” for the introduction of LTFTRs in ISO/RTO regions
- July 20, 2006: FERC issues its Final Rule on LTFTRs

# Applicability/Flexibility

- Final Rule is applicable to transmission operators who run organized markets with LMP and offer FTRs
  - *Implementation of LTFTRs is mandatory*
  - *Must satisfy each of the FERC guidelines*
- Regional flexibility is allowed
  - *Guidelines do not “predetermine any particular design”*
  - *FERC “expects” that existing allocation/auction/feasibility procedures can be used*
  - *Allocation rules may differ for LT and short-term FTRs*
- Allocating LTFTRs from existing capacity will raise “difficult issues”
- ISO/RTOs transmission planning process must support feasibility of LTFTRs by expansion of grid transfer capability
- Must address potential seams issues

# FERC's "Guidelines"

The Final Rule proposes 7 Guidelines for LTFTRs

- #1 LTFTR's shall be a P-T-P right that specifies a source, sink and quantity (in MW)
- #2 "Full funding" is required for LTFTR's over their entire term
  - *Except in the case of "extraordinary circumstances or voluntary agreement"*
  - *Full funding is not envisioned to be a perfect hedge*
  - *Regional flexibility permitted in the assignment of uplift to cover revenue shortfalls*
  - *Cannot assign uplift solely to holders of LTFTRs*

# FERC's Guidelines (Cont'd)

- #3 LTFTRs from transmission upgrades must be available to any party that pays for the upgrade
  - *Term of these rights is left to regional flexibility*
  - *Must file tariff sheets and rate schedules for expansion rights "by the time they award long-term rights for existing capacity"*
- #4 LTFTRs must be available for a minimum 10 year term
  - *Flexibility allowed between initial term lengths and renewals*
  - *Minimum notice period should be required for renewals*
  - *10-Year term is "not necessarily" required if "no LSE requests such rights"*

# FERC's Guidelines (Cont'd)

- #5 Preference given to LSE's with a "load serving obligation"
  - *FERC removed the NOPR preference for only LSE's with long term power supply contracts*
  - *Preference also extends to end-users—but not generators*
  - *LSE's should receive the preference since they are required to contribute to the embedded cost of the transmission system*
  - *Non-LSE's are also eligible—but don't have any preference*
  - *Flexibility to place "reasonable limits" on the amount of existing capacity allocated as LTFTRs*
  - *Flexibility to make provisions for load growth—or not*

# FERC's Guidelines (Cont'd)

- #6 LTFTRs shall follow load
  - *Flexibility to design rules for reassignment of LTFTRs*
  - *LTFTRs should be tradable—but subject to recall if the load migrates to another LSE*
- #7 Initial allocation of LTFTRs shall not require an auction
  - *FERC does not intend to foreclose the use of auctions*
  - *LSE does not have to submit a winning bid to acquire LTFTRs*
  - *EPAct does not prevent FERC from modifying current allocation methods*

# Guideline #8 Eliminated

- NOPR proposed Guideline #8 which required the balancing of economic interests between participants receiving and not receiving LTFTRs
- Final Rule eliminated this Guideline because:
  - *Not needed since FPA already requires that rates must be "just and reasonable"*
  - *Might have been misinterpreted*



# Issues Posed by the Final Rule

- There are a number of factors to be considered; these may also impact what will be a feasible implementation timeframe.
  - *Stakeholder consultation process*
  - *Determination of “reasonable limits” on existing transmission capacity for LTTCCs*
  - *Development of procedures and processes to administer allocations*
  - *Development of a tracking system for load shifts*
  - *Development of rules for TCC allocation for expansion*
  - *Potential impacts on the CRPP process*
  - *Potential impacts on the TCC automation project to incorporate additional functionality to support this ruling*

# NYISO's Rehearing/Clarification Filing

- *On August 21<sup>st</sup>: NYISO filed for clarification/rehearing:*
  
- *Seek rehearing on the following:*
  - FERC's Interpretation of new FPA Section 217: We argue that FERC's interpretation goes beyond the statutory language and the intent of Congress.
  - Compliance Schedule: We argue that at a minimum the 180 day compliance period is unreasonable given the time needed to develop major changes to existing NYISO rules.

# NYISO Rehearing/Clarification

(Cont'd)

➤ *Seek clarification on the following:*

- That an LSEs' entitlement to receive new LTFTRs should be reduced to the extent that they already hold grandfathered transmission rights.
- That ISOs/RTOs may consider both the need to support State retail access programs and the desire of their market participants to have access to shorter-term transmission rights when deciding what constitutes a "reasonable" amount of existing transmission capacity to set aside for LTFTRs.
- That LTFTRs Need Not Be Allocated Every Time That An ISO/RTO Allocates Shorter Term Transmission Rights.
- That LSEs that Obtain LTFTRs Must Still Pay their fair share of Transmission System Costs.

# Proposed Compliance Schedule

- Sept 6 MSWG meeting to solicit initial Stakeholder input
- Oct NYISO to develop Strawman proposal
- Oct-Nov Stakeholder discussions and review of Strawman proposal
- Dec NYISO finalizes proposal/develops tariff language
- Jan 29<sup>th</sup> Compliance filing due