

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Remedying Undue Discrimination
through Open Access Transmission Service
and Standard Electricity Market Design

Docket No. RM01-12-000

ERRATA NOTICE

(August 8, 2002)

1. On July 31, 2002, the Commission issued a Notice of Proposed Rulemaking in the above-docketed proceeding. The following changes should be made to the document.
2. On the cover page under DATES, "75 days after the issuance of this notice of proposed rulemaking" should be replaced with "on October 15, 2002." In paragraph 595, "75 days after the issuance of this notice of proposed rulemaking" should be replaced with "October 15, 2002."
3. The first part of paragraph 163 was omitted. The complete paragraph should read as follows:

163. We seek comment as to whether all Congestion Revenue Rights must be sold through the OASIS, or whether some bilateral sales may be made and only reported through OASIS after the sale.
4. Footnote 134 should include Professor Oren's name as one of the authors of Flow-based Transmission Rights and Congestion Management, as follows:

¹³⁴See, e.g., Hogan, William W., Financial Transmission Rights Formulations, Center of Business and Government, John F. Kennedy School of Government, Harvard University, Cambridge, MA (March 31, 2002); Chao, Hung-Po, Peck, Stephen, Oren, Shmuel, and Wilson, Robert, Flow-based Transmission Rights and Congestion Management, The Electricity Journal, pp. 8, 13 and 38-58 (2000); and Chao, Hung-Po and Peck, Stephen, A Market Mechanism for Electric Power Transmission, Journal of Regulatory Economics (July 1996).

Docket No. RM01-12-000

- 2 -

5. Paragraph 284 and the corresponding footnote 149 should be replaced as follows:

284. Order No. 888 identified six ancillary services. Under this proposed rule, all six ancillary services must be provided by the Independent Transmission Provider, but the three listed below need not be obtained from the Independent Transmission Provider:¹⁴⁹

- (1) Regulation and frequency response
- (2) Operating reserve - spinning
- (3) Operating reserve - supplemental

Transmission customers may meet their responsibility through self-supply, by procuring these ancillary services from a third party, or by acquiring them from the Independent Transmission Provider.

¹⁴⁹The remaining ancillary services that must be obtained from the Independent Transmission Provider are (1) Scheduling, System Control and Dispatch Services, (2) Reactive Supply and Voltage Control Service, and (3) Energy Imbalance Service. We seek comment on treating Scheduling, System Control and Dispatch Services as a basic cost of providing transmission service instead of as an ancillary service.

6. The third sentence in paragraph 306 should be "Real-time energy markets would be used to provide the energy imbalance service of Order No. 888 pro forma tariff."

7. The following text should replace the entire IX. Public Reporting Burden and Information Collection Statement section beginning with paragraph number 604:

IX. Public Reporting Burden and Information Collection Statement

604. The Commission is submitting the following collections of information contained in this proposed rule to the Office of Management and Budget (OMB) for review under Section 3507(d) of the Paperwork Reduction Act of 1995. The Commission identifies the information provided under Part 35 as FERC-516.

605. The Commission solicits comments on the Commission's need for this information, whether the information will have practical utility, the accuracy of the provided burden estimates, ways to enhance the quality,

Docket No. RM01-12-000

- 3 -

utility and clarity of the information that the Commission will collect, and any suggested methods for minimizing respondent's burden, including the use of automated information techniques. The burden estimates for complying with this proposed rule are as follows:

Data Collection	Number of Respondents	Number of Responses	Hours Per Response	Total Annual Hours
FERC-516	176	1	1,199*	211,024
	176	4	3	2,112
	12	1	164	1,968
Totals			1,366	215,104

*rounded off.

Respondent	Document	Recipient	Required Content	Hours Per Response
All public utilities that own operate or control transmission facilities	(no document required)	Stakeholders and state representatives	Public utilities must discuss with stakeholders and state representatives how they will implement the transition process and comply with the Final Rule: 1. Selection of Independent Transmission Provider. 2. Establishment regional state advisory committee. 3. Development of regional transmission planning /expansion program. 4. Development of a long-term resource adequacy requirement. 5. Identification of areas where mitigation or appropriate infrastructure will be needed.	430 hours

Docket No. RM01-12-000

- 4 -

All public utilities that own, operate or control transmission facilities	Revisions to Order No. 888 tariff (Interim Tariff) or request for waiver of this requirement	FERC	Tariff language to place service to bundled retail customers under OATT, eliminate preferences for native load and for a transmission' provider's own use of its system.	182 hours
All public utilities that own, operate or control transmission facilities	Implementation plan for compliance with proposed regulations	FERC	<ol style="list-style-type: none"> 1. Identify Independent Transmission Provider (or request waiver of this requirement). 2. Time lines and proposed procedures for regional transmission planning process. 3. Time line and proposal for compliance with long term resource adequacy requirements. 4. Identify software vendor(s) to be used for implementation of SMD. 5. Implementation time line showing projected timing and completion of milestones for software development. 6. Detailed estimate of costs of implementing SMD. 	193 hours
Public utilities	Quarterly Reports	FERC	Implementation Plan Status	3 hours
Transmission Provider	Proposed tariff language	FERC	<ol style="list-style-type: none"> 1. SMD Tariff, including proposed language for market monitoring and market power mitigation; long-term resource adequacy; transmission planning and expansion; changes to SMD Tariff needed to accommodate regional needs. 2. Date by which transmission provider will fully implement SMD. 	124 hours

Docket No. RM01-12-000

- 5 -

Transmission Provider	Section 205 filing requesting approval of adjustment of revenue requirement (optional)	FERC	Section 205 filing demonstrating that transmission provider's revenue requirement should be adjusted to recover additional costs associated with conversion pre-Order No. 888 contracts to service under new tariff and allocation of congestion revenue rights directly to customers.	*If respondent decides to submit a §205 filing, the burden is already covered under existing requirements
Transmission Provider/participating generators	Participant Generator agreements	FERC	1. Identify noncompetitive conditions in which generator would have to self-schedule or supply all capacity to spot markets. 2. Specify bid caps that would apply to generator's day-ahead and real-time bids.	34 hours
Transmission Provider	Reliability proposals	FERC	Proposal regarding implications of each reliability procedure (e.g. curtailment) for market prices in energy and ancillary services markets	63 hours
Transmission Provider	Transmission Expansion Plan	FERC	Have in place a regional transmission planning process and complete first transmission expansion plan pursuant to 18 C.F.R. § 35.34(k)(7).	120 hours
Market Monitoring Unit	Initial competitive market analysis	FERC	1. Identify load pockets that require different bid mitigation triggers. 2. Identify generators that may be required for reliability.	78 hours

Market Monitoring Unit	Annual report on market operations	FERC & Independent Transmission Provider's Governing Board	1. General description-- market operations, supply and demand, market prices. 2. Analysis of market structure and participant behavior. 3. Evaluation of effectiveness of mitigation measures taken. 4. Overall assessment of market efficiency. 5. Evaluation of barriers to entry for generating, demand-side, and transmission resources. 6. Recommended changes to market design or market power mitigation measures to improve market performance.	86 hours
Load serving entities	Resource adequacy report	RTO	Report and document plan to meet share of regional adequacy requirement.	38 hours
RTOs	Regional Demand Forecast	RTO	Regional demand forecast for its region for the planning horizon	To be determined
All public utilities with a transmission tariff on file with the Commission	Self-certification of compliance with system security standards	FERC	Completed and executed form contained in Appendix G to Notice of Proposed Rulemaking	2 hours
All public utilities with a transmission tariff on file with the Commission	Annual recertification of compliance with system security standards	FERC	Completed and executed form contained in Appendix G to Notice of Proposed Rulemaking	.5 hours

Total Annual Hours for Collection (reporting + record keeping (if appropriate)) = 215,104 hours.

Information Collection Costs:

606. Because of the regional differences and the various staffing levels that will be involved in preparing the documentation (legal, technical and support) the Commission is using an hourly rate of \$50 to estimate the costs for filing and other administrative processes (reviewing instructions, adjusting existing ways to comply with previously applicable instructions or requirements, training personnel to be able to respond to the information

collection, searching data sources, completing and transmitting the collection of information and conducting outreach sessions with all affected entities) associated with this proposed rule. The estimated cost is anticipated to be \$10,755,200 (215,104 hours x \$50) for this portion of the rule.

607. In addition, there is a separate component that must also be considered when implementing the requirements of this proposed rule, the costs for information technology (IT) needed to implement the SMD Tariff. The number of entities to be impacted at this phase of the rule's implementation will be fewer than at the Interim Tariff stage, but is still unknown at this time. Further, several entities are already developing or employing software that may be sufficient to implement the SMD Tariff, and the entities' software packages are at different stages of development. There are also regional differences to consider (as noted above) with respect to labor compensation. For these reasons, the Commission seeks comments on the anticipated costs for IT development associated with this proposed rule. When preparing their estimates, commenters should take into consideration design, procurement and operation costs for the following: (1) data collection systems (including monitors, detection systems, control systems and other equipment necessary to obtain information or data of interest, as well the facilities and equipment necessary to house and operate such systems); (2) data management systems necessitated by the data collection(s) (including computers and other hardware, programs and other software, storage media and facilities); and (3) data reporting systems necessitated by the information collection (including electronic links, installing and operating the reporting components of an information management system and the burden of maximizing public accessibility). These investments in information technology are for systems whose useful lifetime exceeds the expiration of the data collection (which must be reviewed and approved by OMB after three years), so the costs for this reporting burden needs to be estimated based on the costs of a longer lived investment. OMB regulations require OMB to approve certain information collection requirements imposed by agency rule.²⁵⁴ Accordingly, pursuant to OMB regulations, the Commission is providing notice of its proposed information collections to OMB.

²⁵⁴See 5 C.F.R. § 1320.11 (2002).

Docket No. RM01-12-000

- 8 -

Title: FERC-516, Electric Rate Schedule Filings

Action: Proposed Data Collections.

OMB Control No.: 1902-0096

The applicant shall not be penalized for failure to respond to this collection of information unless the collection of information displays a valid OMB control number.

Respondents: Business or other for profit.

Frequency of Responses: One time.

Necessity of Information: The proposed rule would revise the requirements contained in 18 C.F.R part 35. The Commission is seeking to standardize wholesale electric market design and transmission service. The Commission proposes to develop a standardized set of electricity market rules that reflects many of the recommendations and suggestions elicited from all market participants.

608. The proposed SMD rules are intended to have a generally positive impact on these market participants. For example, the proposed SMD rules will facilitate direct dealings between market participants who want to secure long-term bilateral power supply arrangements. The proposed SMD rules will also facilitate short-term transactions that are made in the spot market to make up for imbalances (differences) between scheduled electricity supplies that were matched to projected load levels, and the load levels that actually develop. Through these proposed SMD rules, sellers will be able to more effectively sell into the market and buyers will be able to more efficiently buy from the market because they will not need to be directly matched up at the last minute on a real-time hourly and day-ahead basis. In addition, the proposed SMD rules will bolster the ability of many smaller customers, as well as larger customers, to profitably participate in programs designed to encourage reductions in loads to offset electricity supply shortages. Finally, the proposed SMD rules will foster the trading of transmission rights among transmission customers that will allow them to hedge against transmission congestion surcharges.

609. Up to 176 public utilities that own, operate or control transmission would be required to implement the Commission's SMD Rule. The revised open access transmission component of the SMD Rule would be incorporated as an interim amendment to the existing transmission tariffs of all jurisdictional transmission providers operating in interstate commerce. Independent Transmission Providers would also be required to file SMD Tariffs contained in the Final Rule to implement Network Access Service and Standard Market Design. To the extent an affected public utility

Docket No. RM01-12-000

- 9 -

participates in an RTO, or contracts with an Independent Transmission Provider, the RTO or Independent Transmission Provider would make the required filing on behalf of the affected public utility. Public utilities also will be permitted to file Implementation Plans jointly with other utilities. Further, the Commission proposes to entertain requests for waivers of the requirement to make compliance filings. These features of the proposed rule would lessen the incidence of SMD compliance filings. We have estimated for purposes of this analysis that RTOs and ITPs may number from 5 to 12 entities in the lower 48 states.

Internal Review: The Commission has assured itself, by means of internal review, that there is specific, objective support for the burden estimates associated with the information requirements. The Commission's Office of Markets, Tariffs and Rates will use the data included in filings under Sections 203 and 205 of the Federal Power Act to evaluate efforts for the interconnection and coordination of the United States electric transmission system and to ensure the orderly formation and operation of a standard design in wholesale electric transmission markets, as well as for general industry oversight. These information requirements conform to the Commission's plan for efficient information collection, communication, and management within the electric power industry.

610. Interested persons may obtain information on the reporting requirements by contacting the following: Federal Energy Regulatory Commission, 888 First Street, N.E., Washington D.C. 20426 [Attention Michael Miller, Capital Planning and Policy Group, Phone: (202) 502-8415, fax: (202) 208-2425, E-Mail: michael.miller@ferc.gov.]

611. Please send your comments concerning the collection of information(s) and the associated burden estimates to the contact listed above and to the Office of Management and Budget, Office of Information and Regulatory Affairs, Washington, D.C. 20503 [Attention: Desk Officer for the Federal Energy Regulatory Commission, phone: (202) 395-7856, fax: (202) 395-7285].

Linwood A. Watson, Jr.,
Deputy Secretary.