**FERC Order No. 676-J Excerpts – Paragraphs 25 – 32**

**a. Background**

The WEQ-023 Business Practice Standards include two new standards related to contract path management not previously included in the NERC MOD A Reliability Standards. These two Business Practice Standards, WEQ-023-1.4 and WEQ-023-1.4.1, limit the amount of firm transmission service granted on an ATC Path and limit the interchange schedule (both firm and non-firm) between balancing authority areas to the contract path limit for that given path, respectively.

**b. Comments**

Bonneville Power Administration (Bonneville) and the ISO/RTO Council ask the Commission to decline to incorporate by reference these Standards. Bonneville asserts that the WEQ-023-1.4 and WEQ-023-1.4.1 Business Practice Standards need further refinement by the industry before they are ready for incorporation by reference, if at all. Bonneville states that these Standards appear to be inconsistent with how Bonneville and other transmission service providers and system operators in the Western Interconnection operate their systems. Bonneville explains that, for itself and others, an ATC Path is allowed to be overscheduled up to twenty minutes prior to flow, at which point interruptions of non-firm service, curtailments, or economic dispatches, are then performed to ensure that path limits are not exceeded. Bonneville further states that this practice allows it to maximize transmission utilization including the integration of variable resources scheduled within the hour, and that these requirements, if incorporated by reference as drafted, would restrict energy supply and transmission availability.

Bonneville contends that its concerns with Business Practice Standards WEQ-023- 1.4 and 1.4.1 are particularly relevant in light of the recent heat wave events of August and September 2020 in California. Bonneville asserts that eliminating the practice of over-scheduling until the final twenty minutes prior to flow on transmission facilities such as the California-Oregon Intertie could artificially restrict energy supply and transmission availability.

The ISO/RTO Council joins Bonneville in opposing WEQ-023-1.4 and 1.4.1 Business Practice Standards, stating that requiring transmission service providers to assume all firm transmission service reservations will be used in full, without accounting for the transmission customer’s scheduling activity, “will undoubtedly result in less efficient use of the transmission system.” The ISO/RTO Council also expresses concern that under system conditions which include the sudden, unexpected outage or de-rate of a transmission facility associated with an ATC path, there may not be sufficient time to adjust posted ATC or modify the current interchange, which could lead to a violation of the requirement.

The ISO/RTO Council notes that WEQ-023-1.4 and 1.4.1 Business Practice Standards were initially rejected by the NAESB Business Practices Subcommittee, and that the ISO/RTO Council and other entities, including PJM Interconnection LLC, Midcontinent Independent System Operator, Inc., Southwest Power Pool, Electric Reliability Council Of Texas, Inc., and the Independent Electricity System Operator of Ontario, raised concerns that remain unresolved

**c. Commission Determination**

We incorporate by reference all of the WEQ-023 Modeling Business Practice Standards. The WEQ-023 Business Practice Standards were filed in October 2015 and were the product of an extensive development process by a NAESB subcommittee with the necessary expertise to address the relevant technical issues. Although WEQ-023-1.4 and 1.4.1 Business Practice Standards were not in NERC’s MOD A Reliability Standards, they were proposed to help address differences in how contract paths are treated that would have existed among the three methods for calculating ATC: Rated System Path Methodology, Area Interchange Methodology, and Flowgate Methodology. Declining to adopt these standards at this point could potentially loosen the requirements for non-discriminatory calculation of ATC and may require changes to specific standards regarding particular contract paths. Given the deliberately broad nature of these standards, the record does not show that current business practices, such as a response to a sudden de-rate or outage referenced by the ISO/RTO Council, would necessarily be considered a violation of the standards.

Moreover, a consensus of the industry approved these standards with Bonneville, MISO and ISO-NE voting in favor at the WEQ stakeholders meeting, while no ISO/RTO and only one utility voted in opposition. In reviewing these standards, the Commission relies heavily on the consensus expertise of the NAESB membership. Concerns with the NAESB Business Practice Standards therefore should be raised within the NAESB process, and the industry should seek to resolve any issues therein and, if they cannot, the parties need to provide a factual record for the Commission to consider the issue.

Bonneville and the ISO/RTO Council have raised concerns with whether implementation of these standards in all cases will result in a loss of scheduling flexibility without the risk of overscheduling. We therefore remind these parties that, as further discussed in P 41, we remain open to examining requests for waivers of these standards when utilities make compliance filings. Such requests should explain why the filing parties believe their current practices violate the standards and why their practices should be considered equal or superior to the standards in preventing overscheduling while providing for more flexibility or other benefits in scheduling. We urge NAESB to consider the issues raised by Bonneville and the ISO/RTO Council and whether revisions to these standards are warranted. The Commission also is mindful of the consideration of the potential benefits of maximizing the use of transmission when appropriate, without compromising reliability, and maintaining flexibility to maximize transmission utilization as conditions change, and has scheduled a workshop that may consider these issues.

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We adopt the NOPR proposal, with certain revisions. We recognize that commenters oppose adding these criteria to the Commission’s regulations, but after consideration of their arguments we continue to believe that revisions to the Commission’s regulations are necessary to ensure that transmission provider ATC calculations are transparent, consistent with anticipated system conditions and outages for the relevant timeframe, and not unduly discriminatory or preferential. However, in response to concerns raised in comments, we will not include detailed technical criteria in the regulations, but we will instead include the fundamentals of Order No. 890 requirements for calculating ATC, which is consistent with what the Commission proposed in the NOPR. The regulatory text will read as shown below.

Information used to calculate any posting of ATC and TTC must be dated and time-stamped and all calculations shall be performed according to consistently applied methodologies referenced in the Transmission Provider’s transmission tariff and shall be based on Commission-approved [Reliability Standards,] *business practice and electronic communication standards, and related implementation documents*, as well as current industry practices, standards and criteria. *Such calculations shall be conducted in a manner that is transparent, consistent with anticipated system conditions and outages for the relevant timeframe, and not unduly discriminatory or preferential.*

The revised regulatory text properly references the WEQ Business Practice Standards in place of the NERC Mod A Reliability Standards that have been proposed for retirement. It also includes in the regulation Order No. 890’s fundamental requirement that transmission provider ATC calculations must be transparent, consistent with anticipated system conditions and outages for the relevant timeframe, and not unduly discriminatory or preferential, but without introducing specific technical concepts that may be subject to differing interpretations. We adopt this regulatory text because it has the advantage of removing the most objectionable language opposed by commenters while including the fundamental requirements in Order No. 890, including that the determination of ATC must not be unduly discriminatory or preferential.

Commenters do not indicate a need at this time for additional ATC standards or for the Commission to develop further regulations outside of the NAESB standards development process. The industry, through the NAESB process, should continue to consider further refinements to these standards to improve the accuracy of these calculations.