



WESTERN AREA POWER ADMINISTRATION
An agency of the U.S. Department of Energy

Sierra Nevada Region

Proposed Rate Schedule for Unreserved Use Penalties

Informal Rates Meeting

January 28, 2010

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FERC ORDER 890

Unreserved Use Penalties



- FERC Order 890 states/defines:
 - A transmission customer (TC) is subject to unreserved use penalties when unreserved use of transmission occurs
 - Ancillary service will be charged, limited to 100% of the cost to provide ancillary services.
 - The unreserved use penalty is capped at 200% for the period defined
 - The distribution of penalties collected

FERC ORDER 890

Unreserved Use Penalties



DEFINITION - Use of transmission service that is:

- Not reserved or
 - in excess of reserved capacity
- No distinction - intentional or unintentional
- TC, not the Transmission Provider (TP), is responsible for ensuring that transmission is available
- Western's OATT, Schedule 10, Unreserved Use Penalties, effective December 1, 2009 posted at
- <http://www.oatioasis.com/WAPA/WAPAdocs/WAPA-OATT-CLEAN-Effective-2009-1201.pdf>

FERC ORDER 890

Unreserved Use Penalties



- Penalty Revenue Distribution:
 - Penalties collected should be distributed to non-offending transmission customers
 - TP is required to make an annual compliance filing with FERC, and:
 - Propose a mechanism to identify non-offending TCs
 - Propose a method to distribute the unreserved use penalty revenue
 - Summarize how revenue was distributed or retained

FERC ORDER 890

Unreserved Use Penalties



- Penalty charged as follows:
 - a single hour or for multiple instances within a day will be based upon the rate for daily firm point-to-point service, even if TP has an hourly rate
 - multiple instances isolated to one calendar week would result in a penalty based on the charge for weekly firm point-to-point
 - multiple instances during more than one week during a calendar month is based on the charge for monthly firm point-to-point

FERC ORDER 890

Unreserved Use Penalties



- Example provided by FERC (Example 1):
 - In one month:
 - (1) 25 MW of unreserved use (UU) in two hours on one day during the 1st week; and
 - (2) 50 MW of UU in two hours on one day during the 4th week:
 - Results in an UU penalty based on the DAILY firm point-to-point rate (P2P) for 75 MW
 - FERC's penalty structures with SNR's current P2P rate: $\$32.97/\text{MW-day} \times 75 \text{ MW} = \$2,472.75$

- Source: FERC Order 890, FN 522

FERC ORDER 890

Unreserved Use Penalties



- Example provided by FERC (Example 2):
 - In one month:
 - (1) 25 MW of UU on two separate days during the 1st week; and
 - (2) 50 MW of UU in two hours on the day during the 4th week:
 - Results in an UU penalty on 25 MW at the WEEKLY firm point-to-point rate (P2P) **and** 50 MW at the DAILY P2P
 - FERC's penalty structures with SNR's current P2P rate:
 $\$230.77/\text{MW-week} \times 25 \text{ MW} = \$5,769.25$ plus
 $\$ 32.97/\text{MW-day} \quad \times 50 \text{ MW} = \$1,648.50$
Total charge: \$7,417.75

FERC ORDER 890

Unreserved Use Penalties



- Example provided by FERC (Example 3):
 - In one month:
 - (1) 25 MW of UU on two separate days during 1st week; and
 - (2) 50 MW of UU on two separate days during the 4th week of month:
 - Results in a UU penalty of 50 MWs of monthly firm point-to-point service
 - FERC's penalty structures with SNR's current P2P rate: $\$1,000/\text{MW-month} \times 50 \text{ MW} = \$50,000$

- Source: FERC Order 890, FN 522

SNR Customer Issue Raised



- In response to Western's public process on 890 OATT Tariff, a SNR customer requested that Western add language to Schedule 10 stating:
 - Unreserved use penalties do not apply:
 - during emergencies
 - during reserve sharing arrangements
- This issue will be discussed during SNR's informal and formal public process
- Operations response to agenda item 2.4.1



Proposed New Rate Schedule

- The proposed new Rate Schedule 10, *Unreserved Use Penalties*, will be effective October 1, 2011, through September 30, 2016.
- Unreserved Use Penalty:
 - 150 percent of SNR's point-to-point transmission rate in effect at the time of the unreserved use based on class of service, in addition to the cost of transmission
- Assess charges for ancillary services, if applicable, at effective rates or charges
- Emergencies and reserve activations, as defined by operations or the IOAs, are exempt
- Distribution of revenues and penalties – credit to TRR

Proposed Application of Unreserved Use Penalties



- Example provided by FERC (Example 1):
 - In one month:
 - (1) 25 MW of unreserved use (UU) in two hours on one day during the 1st week; and
 - (2) 50 MW of UU in two hours on one day during the 4th week:
 - Charges under SNR's Proposal:

25 MW of UU	\$1.37 Hrly Rate	2 hours	\$68.50
50 MW of UU	\$1.37 Hrly Rate	2 hours	\$137.00
Total Cost of Transmission			\$205.50
Plus Penalty @ 150%			\$308.25
Total Amount Billed			\$513.75

Proposed Application of Unreserved Use Penalties



- Example provided by FERC (Example 2):
 - In one month:
 - (1) 25 MW of UU on two separate days during the 1st week; and
 - (2) 50 MW of UU in two hours on the day during the 4th week TC:
 - Charges Under SNR's Proposal:

25 MW of UU	\$32.97 Daily Rate	2 days	\$1,648.50
50 MW of UU	\$1.37 Hrly Rate	2 hours	\$137.00
Total Cost of Transmission			\$1,785.50
Plus Penalty @ 150%			\$2,678.25
Total Amount Billed			\$4,463.75

Proposed Application of Unreserved Use Penalties



- Example provided by FERC (Example 3):
 - In one month:
 - (1) 25 MW of UU on two separate days during 1st week; and
 - (2) 50 MW of UU on two separate days during the 4th week of month
 - Charges under SNR's Proposal:

25 MW of UU	\$32.97 Daily Rate	2 days	\$1,648.50
50 MW of UU	\$32.97 Daily Rate	2 days	\$3,297.00
Total Cost of Transmission			\$4,945.50
Plus Penalty @ 150%			\$7,418.25
Total Amount Billed			\$12,363.75

Proposed Applicability



- Applicable to SNR's transmission customers who take point-to-point service under the OATT, on CVP, PACI or COTP.
- Applicable to network customers who schedule or take delivery from an off-system, non-designated resource using transmission capacity reserved for designated network resources.
- Ancillary services apply to unreserved use quantities on firm point-to-point service under the OATT, if not satisfied through the Interconnected Operations Agreements.



Questions?
