

## **ISSUE CM07: Firmness of FTRs – Long Term Maintenance**

### **Place the PTO at Risk or do not place the PTO at risk?**

#### **Background**

The RTO Congestion Management Workgroup has agreed on the need for a definitive statement about the firmness of Firm Transmission Rights (FTRs). The statement covers, reference the attached table, a series of situations and who is impacted if the event occurs. It provides the guiding policy for capturing language in the Tariff.

In the attached table, there is WG consensus on all policy statements except for the field located at the intersection of “Planned Maintenance, Large Construction/Rebuild” row and the “PTO” column.

The open issue is derived from the CM Working Document titled “Attachment A: Description of Issues in Defining the Term Sheet”.

The Workgroup has suggested that Firm Transmission Rights (FTRs) be sold in blocks from a single hour to an annual one-year strip of rights (8760 FTRs) across a specific flowpath. The FTRs represent firm rights to a designated transmission capacity on a specific flowpath for all hours in a one-year period. The FTRs will be clearly defined in a Term Sheet for each flowpath and are the source of some discussion at the workgroup level. We are striving to create a product that is sufficiently firm to be of value to the initial rights holder and sufficiently defined that it be easily tradable in the secondary market. Of primary importance to creating a valuable, tradable market instrument is its degree of firmness.

The concept of firmness will be modified by the Term Sheet’s inclusion of a planned maintenance schedule for the year, assuming such maintenance would derate the FTR holders’ rights. Participating Transmission Owners (PTOs) will submit these schedules to the RTO for approval once per year and they will be updated on a monthly basis. In response, buyers of the annual FTRs will adjust their bid prices to reflect the number of hours that the transmission capacity will be reduced due to maintenance.

#### **Planned Maintenance: Schedule Moves, Changes or Slippage**

As noted, FTR rights will be offered with full disclosure of down periods from scheduled maintenance for large construction and rebuild projects. The working group agreed that that these projects are known at least a year ahead and should be included in the Term sheet prior to the annual auction. In addition, the rights could carry an allowance for real-world slippage in the maintenance schedule – one or two days. Schedule changes beyond slippage raise the important issue of compensation for non-compliance with the Term Sheet. Since, the PTO has committed to the schedule, and a buyer has purchased the FTR with an expectation of planned down days plus slippage, there should be some recourse if

plans are not met. It is proposed that the FTR Holder enter an Alternate Dispute Resolution process (needs to be defined). Through the ADR process the complainant will have a hearing, as well as the PTO, with some expectation of reasonable resolution.

### **Alternatives Considered**

#### Alternative 1:

1. Within planned maintenance schedules, there would be allowances for a small slippage in time (i.e. a day or so longer than planned). These costs would be born by the buyer and would be integrated into the terms and conditions of FTRs.
2. When PTOs cannot meet the planned maintenance schedule the FTR holder would have the option to enter an Alternate Dispute Resolution process (ADR). Some designated trigger, such as maintenance exceeding the plan plus slippage, would initiate the process. No other type of penalty was planned.

#### Alternative 2:

Within planned maintenance schedules, the PTO would use best efforts complete on time or ahead of schedule. In the event there is a slippage, no risk would be applied to the PTO. These costs associated with the slippage would be born by the buyer and would be integrated into the terms and conditions of FTRs.

### **WG Recommendation:**

The WG is split on this issue.