

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

Standards for Business Practices and  
Communication Protocols for Public Utilities

Docket No. RM05-5-002

ORDER NO. 676-A

ORDER DENYING REHEARING

(Issued September 21, 2006)

1. On April 25, 2006, the Commission issued a Final Rule (Order No. 676) amending its regulations under the Federal Power Act (FPA)<sup>1</sup> to incorporate by reference certain standards promulgated by the Wholesale Electric Quadrant (WEQ) of the North American Energy Standards Board (NAESB).<sup>2</sup> These standards established a set of business practice standards and communication protocols for the electric industry.
2. In response to the issuance of Order No. 676, timely requests for rehearing were filed by Southern Company Services, Inc.<sup>3</sup> and by the Midwest Independent

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<sup>1</sup> 16 U.S.C. 791a, *et seq.*

<sup>2</sup> Standards for Business Practices and Communication Protocols for Public Utilities, Order No. 676, 71 FR 26199, FERC Stats. & Regs., Regulations Preambles ¶ 31,216 (2006).

<sup>3</sup> On behalf of Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, Savannah Electric and Power Company and Southern Power Company (collectively referred to herein as the “Southern Companies”).

Transmission System Operator, Inc. (Midwest ISO). In this order, we deny both of these requests for rehearing.

### **Background**

3. Order No. 676 explains that the standards adopted therein establish a set of business practice standards and communication protocols for the electric industry that will enable industry members to achieve efficiencies by streamlining utility business and transactional processes and communication procedures.<sup>4</sup> These standards replace, with modifications, the Commission's existing Business Practice Standards for Open Access Same-Time Information Systems (OASIS) Transactions and OASIS Standards and Communication Protocols and Data Dictionary requirements.<sup>5</sup> In addition, the standards include business practices to complement the proposed reliability standards submitted to the Commission for approval pursuant to 18 C.F.R. § 39.5(a). In adopting Order No. 676, the Commission established a formal ongoing process for reviewing and upgrading the Commission's OASIS standards as well as adopting other electric industry business practice standards. The Final Rule became effective on June 5, 2006 and required implementation by public utilities of the new standards by July 1, 2006.

4. Southern Companies and Midwest ISO filed requests for rehearing dealing with rollover rights and redirects, the application of the standards to RTOs and ISOs, and the

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<sup>4</sup> Order No. 676 at P 1.

<sup>5</sup> Id.

language to be used by public utilities to include the standards in their open access transmission tariffs (OATTs).

## **Discussion**

### **A. Rollover Rights**

#### **1. Rehearing Requests**

5. Southern Companies requests that the Commission clarify, or, in the alternative, grant rehearing of, certain findings in Order No. 676. Specifically, Southern Companies disagrees with the guidance provided in Order No. 676 concerning rollover rights and argues that the guidance provided by the Commission is inconsistent with the Commission's pro forma OATT adopted in Order No. 888.<sup>6</sup> Southern Companies objects to the Commission's guidance that, under section 22.2 of the Commission's pro forma OATT, a transmission customer may request multiple, successive redirects and that each redirect is treated as a new request for service with rollover rights.<sup>7</sup> Southern Companies finds this inconsistent with the fact that section 2.2 of the Commission's pro forma OATT provides rollover rights only for long-term firm transmission service. It argues that rollover rights do not accompany requests for short-term redirects of firm transmission service.

6. Midwest ISO argues that there should be no rollover rights on a redirect path. Midwest ISO contends that the guidance in Order No. 676 that the "transmission

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<sup>6</sup> Southern Companies Rehearing Request at 3-5.

<sup>7</sup> Order No. 676 at P 59.

provider, therefore, is required to offer rollover rights to a customer requesting a firm redirect if rollover rights are available on the redirect path” is inconsistent with the Commission’s pro forma OATT.<sup>8</sup>

## 2. Commission Conclusion

7. In Order No. 676, the Commission adopted a number of NAESB standards regarding redirects, but declined to adopt Standard 001-9.7 regarding rollover rights, finding that the standard did not clearly define parties’ rights and obligations and appeared to be inconsistent with the Commission’s pro forma OATT and the Commission’s policies.<sup>9</sup> The Commission provided guidance to NAESB concerning our current precedents under Order No. 888 regarding rollover of service as it related to redirects to assist NAESB if it were to try to develop a new standard. Southern Companies and Midwest ISO seek rehearing of the Commission’s policies with respect to rollover rights and redirects.

8. Because the Commission did not adopt the NAESB standard on rollover rights and redirects, the Commission made no changes to its existing Order No. 888 policies concerning rollovers and redirects. Thus, no action was taken in Order No. 676 that would be the proper subject of a request for rehearing. As such, Southern Companies and

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<sup>8</sup> Midwest ISO Rehearing at 5.

<sup>9</sup> Order No. 676 at P 52.

Midwest ISO must continue to comply with their OATTs and Order No. 888<sup>10</sup> in administering their policies with respect to rollover rights and redirects. The related issues raised by Southern Companies and Midwest ISO can better be addressed in individual cases in which they arise than in this rulemaking, which has not changed the requirements of Order No. 888 regarding redirects and rollover rights. Moreover, issues with respect to general modifications to the Commission's rollover and redirect policies have been posed in Docket No. RM05-25-000,<sup>11</sup> which would be the more appropriate venue for Southern Companies and Midwest ISO to raise their concerns with the Commission's rollover and redirect policies.

**B. Standards Applicable to RTOs and ISOs**

**1. Rehearing Requests**

9. Midwest ISO raises two arguments as to the applicability of the standards to RTOs and ISOs. First, it argues that the Commission should identify which standards apply to RTOs and ISOs and carefully limit the applicability of the NAESB standards to RTOs and ISOs. Second, it argues that RTOs and ISOs have their own stakeholder process for

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<sup>10</sup> See Commonwealth Edison Co., 95 FERC ¶ 61,027, at 61,083 (2001) (“request to change a delivery point on a firm basis for one month and then to revert to its original delivery point does not convert its existing long-term firm transmission service agreement into two separate short-term transmission service agreements”); American Electric Power Service Corp., 97 FERC ¶ 61,207, at 61,905-06 (2001) (“redirect request made by Exelon did not convert Exelon's long-term firm transmission service to short-term service, and, therefore, did not affect Exelon's rollover rights under its long-term firm transmission service agreement”).

<sup>11</sup>Preventing Undue Discrimination and Preference in Transmission Services, Notice of Proposed Rulemaking, FERC Stats. & Regs., Proposed Regulations ¶ 32,603 (2006).

formulating business practices and that, while the NAESB process can draft business practice standards applicable to individual utilities, the development of business practice standards for RTOs and ISOs should be left to the stakeholder process of each RTO or ISO.

## 2. Commission Conclusion

10. In Order No. 676, “[w]e recognize[d] that ISOs and RTOs operate using a business model for making transmission reservations to which certain OASIS and other standards may not be applicable.”<sup>12</sup> But, as we explained, we did not have a sufficient record in that proceeding to determine which NAESB standards would be inapplicable to RTOs and ISOs, and we therefore required each RTO, ISO, or public utility to file a request for waiver for those standards that did not comport with its business model.<sup>13</sup> RTO and ISO business models are not all the same, as is evidenced by the differences in the waivers requested by the RTOs and ISOs.<sup>14</sup> Thus, we cannot, as the Midwest ISO suggests, make a generic determination of which standards are inapplicable to RTOs and ISOs.

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<sup>12</sup> Order No. 676 at P 76.

<sup>13</sup> Id. at P 79.

<sup>14</sup> For example, Midwest ISO requests waiver of a few of the OASIS business practice standards and all the reliability-related standards (Docket No. ER06-1094-002), ISO New England requests waiver of most of the OASIS standards but none of the reliability-related standard (Docket No. ER06-1094-003), and PJM Interconnection has not request waiver of any standards.

11. Midwest ISO also claims that we should rely solely on the stakeholder process within RTOs and ISOs to devise business practices. However, well before NAESB was formed, the Commission insisted that RTOs and ISOs comply with uniform national standards, such as the Commission-developed OASIS standards and naming standards for paths into, through and out of the RTO's or ISO's territory.<sup>15</sup> While some of the NAESB standards may not apply to RTO and ISO business models, many such standards should be applied to all participants in the market in order to facilitate moving power across the grid. Because some standards need uniform application, and it is not clear which standards may apply to some or all RTOs and ISOs, we do not find good reason to limit generically the applicability of NAESB developed standards to RTOs and ISOs. On the contrary, as we found in Order No. 676, we strongly encourage the RTOs and ISOs to participate actively in the NAESB process to help develop business practice and communication standards that improve grid coordination among all electric utilities, including RTOs and ISOs, as well as between electric utilities and the interstate natural gas market, and also to identify proposed standards that may not fit an RTO's or ISO's business model:

In the future, we would encourage all industry participants to raise [issues relating to the applicability of standards] during the standard development process so that all industry segments can determine whether a particular standard should recognize such differences. This process may resolve requests before they reach the Commission. Even if the request is not satisfactorily resolved by the

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<sup>15</sup> See New York Independent System Operator, Inc., 94 FERC ¶61,215 (2001).

WEQ, the process will help create a record should the requester seek a variance or waiver when the standard is presented to the Commission.<sup>16</sup>

**C. Prescribed Language to Incorporate Standards into OATT**

12. Order No. 676 requires public utilities to include the NAESB standards adopted by the Commission in Order No. 676 in their OATTs and provides language for public utilities to use to incorporate the standards by reference in their OATTs. Southern Companies argues that this language is too specific because it refers to the specific standards adopted by the Commission in Order No. 676. Southern Companies contends the Commission should permit utilities to use more general language that would cover revisions to the business practice standards and communication protocols that the Commission might adopt in the future, without the necessity for a public utility to revise its OATT each time the Commission adopts a new version of the standards.

13. We find that the language required for public utilities to incorporate the NAESB standards into their OATTs ensures that the OATT identifies all applicable NAESB standards. We have long required natural gas pipelines to incorporate the NAESB standards in their tariffs to ensure that their tariffs reflect all conditions relevant to the provision of service.<sup>17</sup> The same approach should be taken here with respect to electric utilities. Having a utility's OATT include the specific standards for that utility is

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<sup>16</sup> Order No. 676 at P 17.

<sup>17</sup> See, e.g., Paiute Pipeline Company, 78 FERC ¶ 61,161 at 61,690 (1997).



particularly important if it requests a waiver of a specific standard or extension of time for compliance, or if the standard is not self-implementing.<sup>18</sup>

14. As to the burden associated with a public utility's revising its OATT each time the Commission adopts revised standards, we have sought to minimize this burden even further by allowing a public utility the option of delaying its OATT revision filing until it makes an unrelated OATT revision filing.

The Commission orders:

The requests for rehearing of Order No. 676, filed by Southern Companies and by Midwest ISO, are hereby denied, as discussed in the body of this order.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.

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<sup>18</sup> Id.