



Western Area Power Administration Modified Rollover Rights Administration Business Practice

Background

In accordance with Federal Energy Regulatory Commission (FERC) Order Nos. 890, 890-A, and 890-B (collectively, Order No. 890), Western Area Power Administration's (Western) FERC-mandated modifications to the rollover rights provisions in section 2.2 of the Open Access Transmission Tariff (Tariff)¹ could become effective only after FERC accepted Western's Order No. 890 planning processes in its new Tariff Attachment P, with actual effective date to be commensurate with the date of Western's filing containing the final revisions to Tariff section 2.2.² Accordingly, insofar as Western submitted those final revisions to FERC on March 2, 2011,³ the modified rollover rights provisions in Western's revised Tariff became effective on that date.

The modified provisions and certain clarifications related to their administration are discussed below. The latter are also illustrated as flowcharts in the Attachments to this Business Practice.

Discussion of Modified Provisions and Related Clarifications

In accordance with Order No. 890, Western modified section 2.2 of its Tariff to provide that the right of first refusal applies to transmission agreements (Tariff or pre-existing) that have a minimum term of five years, rather than the previous minimum term of one year. In addition, a transmission customer under an agreement eligible for rollover would be required to provide notice of whether it intended to exercise its right of first refusal no less than one year prior to the expiration of its contract, rather than the previous requirement of 60 days.

Western will apply certain clarifications stated in Order No. 890 to the administration of rollovers under modified Tariff section 2.2. First, the 60-day notice rule will continue to apply only to those existing contracts that have less than five years left in their terms on the date that Western's modified rollover rights provisions became effective, as indicated above. Any customer with an existing contract with five or more years left in its term on the date that Western's modified rollover rights provisions became effective will be required to give one-year notice of whether it intends to exercise its rollover right.⁴

Second, irrespective of whether an existing transmission customer is required to give 60-days or one-year notice when exercising its rollover right under its existing contract, the transmission customer must enter into a minimum of five years of service and meet any of the other requirements of the modified rollover rights in order to retain a rollover right going forward.

¹ See Western's September 30, 2009 Order No. 890 Tariff revision filing in Docket No. NJ10-1-000.

² Order No. 890 at ¶ 1265, Order No. 890-A at ¶ 684, Order No. 890-B at ¶ 154.

³ See Western's compliance filing in Docket No. EF11-4-001.

⁴ Order No. 890-A at ¶ 695.



An existing customer may rollover its service for a term of less than five years, but will not then retain a rollover right for this service.⁵

Third, the one-year agreement term requirement will continue to apply to all transmission service requests that were in Western's transmission queue as of the effective date of the reforms adopted in Order No. 890 (i.e., July 13, 2007), and to any service agreement executed prior to the date that Western's modified rollover rights provisions became effective. For such transmission service requests, the five-year agreement term requirement will not apply until the first rollover date after both the execution of the transmission service contract and the date that Western's modified rollover rights provisions became effective.⁶

Fourth, FERC noted that to the extent there is any confusion regarding the discussion in Order No. 890 of when the modified rollover rights provisions apply to existing customers, an existing customer must comply with the new rollover reforms at the time of the first rollover of its transmission agreement occurring after the date that Western's modified rollover rights provisions became effective. For example, if an existing customer's contract expires on January 1, 2012, and given that Western's modified rollover rights provisions became effective on March 2, 2011, then any transmission service agreement entered into by the customer at the time of expiration of its existing agreement on January 1, 2012, would have to comply with the rollover reforms – e.g., the new agreement must be for a minimum term of five-years to retain a rollover right and, if so, one-year notice must be given to exercise that right at the expiration of the new agreement.⁷

Finally, as was the case before Order No. 890 revised section 2.2 of the pro forma Tariff, customers rolling over their service are required to accept a transmission service agreement term at least equal to a competing request. Any such competing request will be identified by Western consistent with the reservation priorities stated in its Tariff.⁸

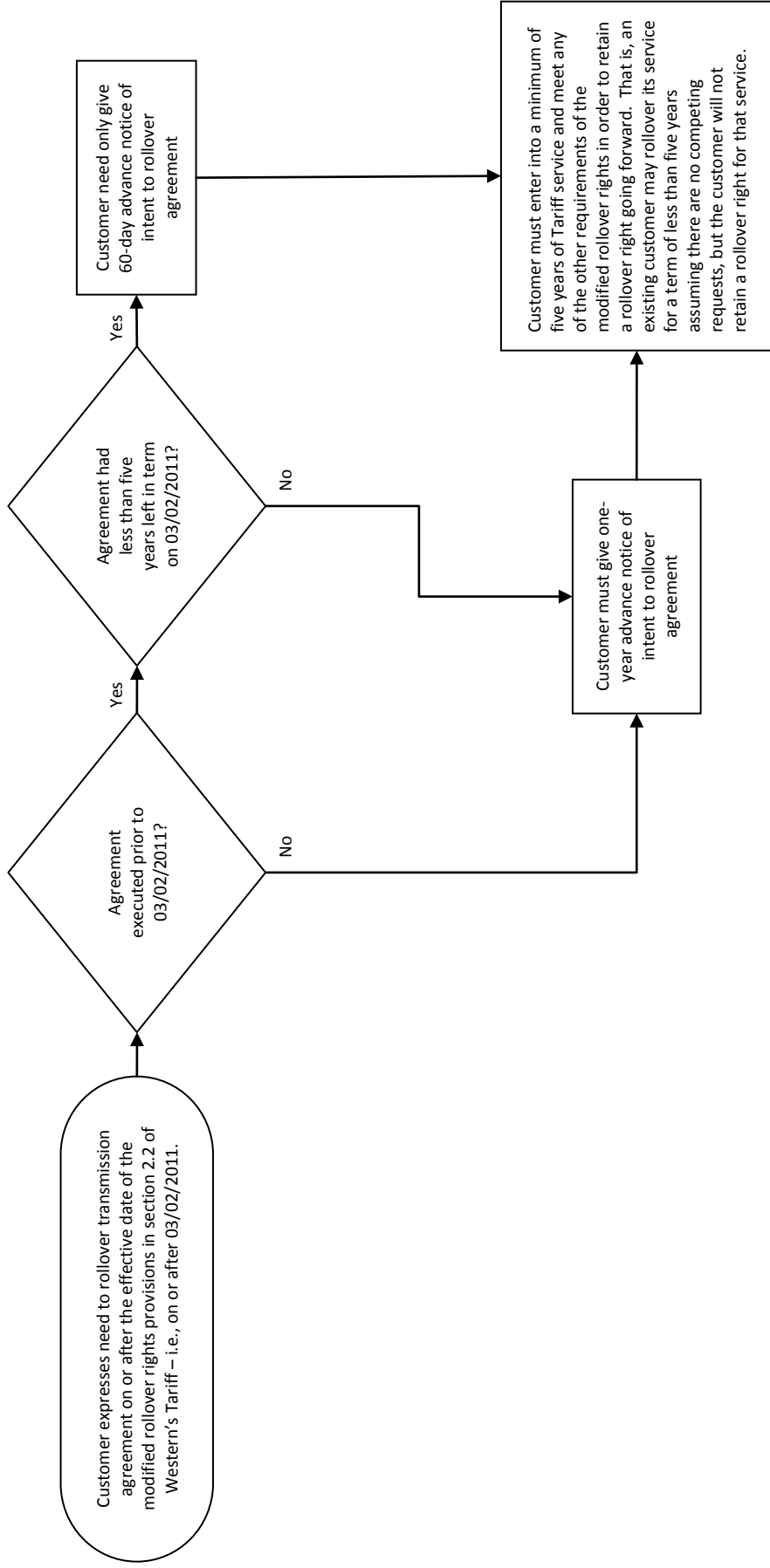
⁵ Order No. 890-A at ¶ 695.

⁶ Order No. 890-A at ¶ 691.

⁷ Order No. 890-A at ¶ 693.

⁸ Order No. 890-B at ¶ 152.

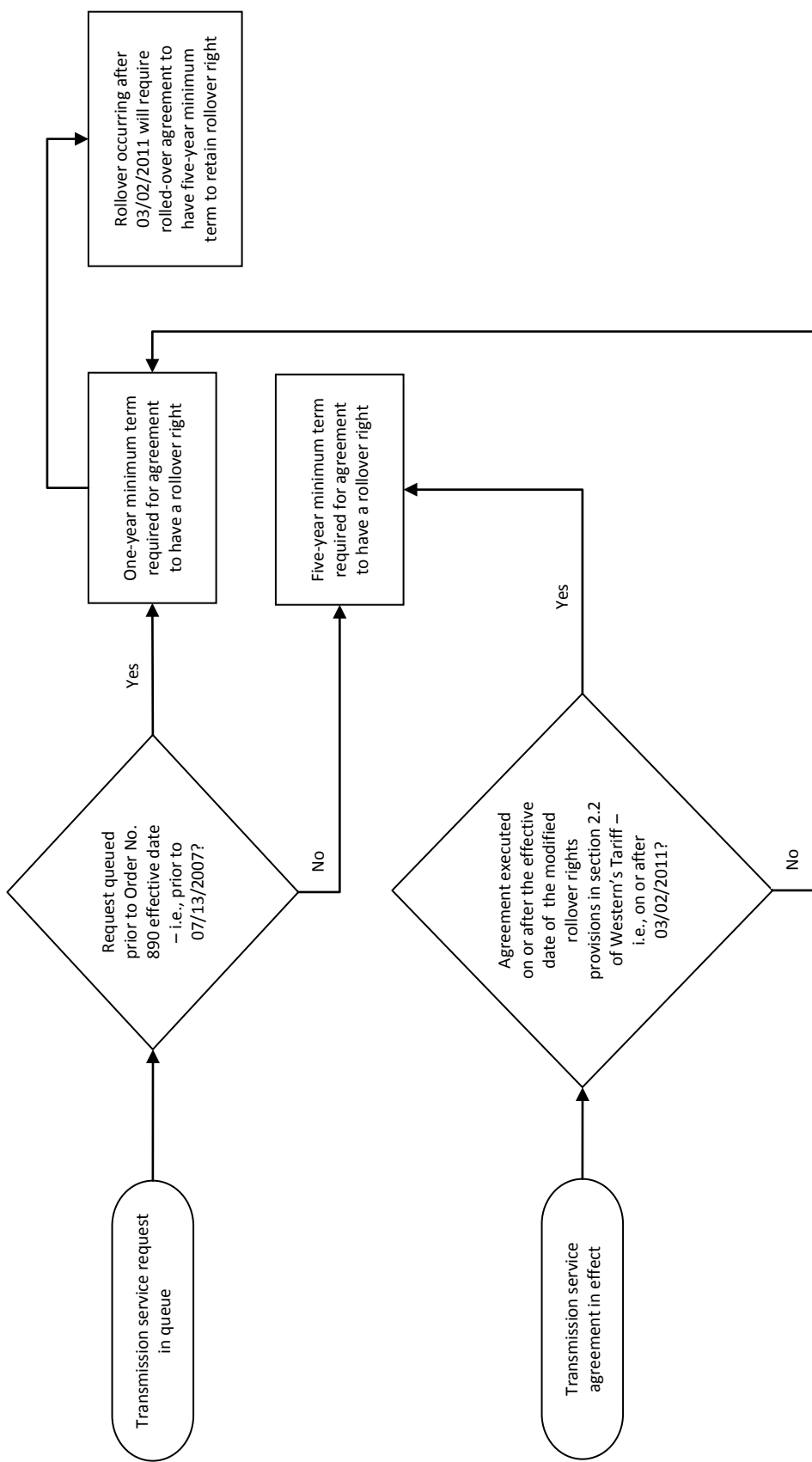
Attachment 1 to Modified Rollover Rights Administration Business Practice – Flowchart Illustrating Notice Requirements



Examples

- (1) Customer A would like to rollover a transmission agreement that was executed prior to the effective date of the modified rollover rights provisions in section 2.2 of Western's Tariff -- i.e., prior to March 2, 2011. The agreement had less than five years left in term on that date, and Customer A requests a term of three years for the rolled-over agreement. In this case, Customer A only needs to give 60-day advance notice of intent to rollover the agreement, but the rolled-over agreement would not have a rollover right.
- (2) Customer B would like to rollover a transmission agreement that was executed prior to March 2, 2011. The agreement had more than five years left in term on that date, and Customer B requests a term of ten years for the rolled-over agreement. In this case, Customer B must provide one-year notice of intent to rollover the agreement, and the rolled-over agreement would have a rollover right.

Attachment 2 to Modified Rollover Rights Administration Business Practice – Flowchart Illustrating Agreement Term Requirements



Examples

- (1) Customer A has a transmission service request that was queued on or after July 13, 2007. In this case, a five-year minimum term will be required for the transmission service agreement to have a rollover right.
- (2) Customer B has a transmission service request that was queued prior to July 13, 2007. In this case, a one-year minimum term will be required for the transmission service agreement to have a rollover right, and a rollover occurring after March 2, 2011 will require a five-year minimum term for the rolled-over agreement to have a rollover right.
- (3) Customer C has a transmission service agreement in effect that was executed prior to March 2, 2011. In this case, a one-year minimum term will be required for the agreement to have a rollover right, and a rollover occurring after March 2, 2011 will require a five-year minimum term for the rolled-over agreement to have a rollover right.