

## **FERC Reiterates That Long-Term Firm Point-to-Point Service Requires Transaction-Specific Service Agreements**

**November 24, 2010**

In an Order on Complaint issued November 18, the Federal Energy Regulatory Commission (Commission) made it clear that all long-term firm point-to-point transmission service must be provided pursuant to a transaction-specific service agreement. Such transmission service cannot be provided pursuant to an “umbrella” service agreement. The Commission’s reiteration of its policy requiring transaction-specific service agreements reaffirms a longstanding requirement originally established in Order No. 888.

In *Southern Montana Electric Generation & Transmission Cooperative, Inc. v. NorthWestern Corporation*, 133 FERC ¶ 61,163, Southern Montana filed a complaint pursuant to section 206 of the Federal Power Act, requesting that the Commission determine that Southern Montana was not obligated to pay for 65 MW of long-term firm point-to-point transmission service for which no transaction-specific service agreement existed. Southern Montana explained that NorthWestern was assessing payments for 65 MW of such service, and that NorthWestern intended to continue assessing payments for the service for the next 20 years. NorthWestern conceded that it was assessing payments for 65 MW of long-term firm point-to-point transmission service and maintained that the service was requested pursuant to a *pro forma* umbrella service agreement. NorthWestern further argued that the use of a *pro forma* umbrella service agreement with regard to long-term firm point-to-point transmission service was consistent with both the Commission’s policy and with NorthWestern’s Open Access Transmission Tariff (OATT).

The Commission agreed with Southern Montana, explaining that long-term firm point-to-point transmission service cannot be provided pursuant to an umbrella service agreement. Instead, such service may only be provided pursuant to a transaction-specific service agreement. The Commission explained that such a policy is consistent with Order No. 888 and its progeny as well as the Commission’s determinations in Order No. 890-A. In this regard, the Commission clarified that although a *pro forma* service agreement may exist covering both short-term and long-term service, “it is to be deployed differently depending on whether the request is for short-term or long-term service.” To that end, the Commission reiterated that Order No. 888-A permits short-term transmission service to be provided pursuant to an umbrella agreement, but that individual transaction-specific agreements are still required for long-term firm point-to-point transmission service.

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