



FERC Order 890: Mandated Rapid Deployment of Complex Transmission Billing Algorithms – Extreme Fines and Potential Imprisonment for Non-Compliance

■ ■ ■ ■ INTRODUCTION

On February 26, 2007, the Federal Energy Regulatory Commission (FERC) approved (Docket Nos. RM05-17-000 and RM05-25-000; Order No. 890). FERC amended the regulations and the pro forma open access transmission tariff (OATT) originally adopted in Order Nos. 888 and 889 on April 24, 1996. The intent of the new order is to ensure that transmission services are provided on a basis that is just, reasonable and not unduly discriminatory or preferential. In order for the client to remain in compliance, the client's IT team would need to develop the necessary complicated algorithms within a short time-frame while continuing to support the day-to-day tasks necessary to maintain system performance and the client's service levels.

■ ■ ■ ■ CHALLENGE

The new FERC order represented an impact to several transmission billing applications and their feeder systems. Many of the compliance tasks needed to be completed 60 days after the Order was published in the Federal Register. This time schedule necessitated a short term approach with an aggressive time line and a long term approach to implement the solution in the future transmission billing system.

Implementation of FERC Order 890 proved much more complex than anticipated following early analysis activities. Technical activities were identified as being a major area of concern. The project team, upon realizing the impending technical work, reported that the development effort would be about three times as large as the original chartered estimate. With just one person tasked with implementing the enhancements, NouVEON was engaged on this project to assist in delivering the new algorithms and to offer additional project leadership and assistance.

"Tremendous job done by all involved – unparalleled personal commitment. Involved right people in the right way. I wish we had done just a little bit less of the way we always have, but not sure if it was too critical given the Transmission Billing Replacement project is underway. Hoping that going forward, there will be more business leadership in shaping it to be not necessarily the way we have always done it."

Dennis Mahedy, Director Wholesale Accounting

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■ ■ ■ ■ THE SOLUTION

NouvEON was brought in to lead and manage the FERC 890 IT Enhancement project team. All project management activities were rapidly assumed by a NouvEON PM. The first step was to gain detailed understanding of the requirements and to validate the work plan that the team was executing. Once it was confirmed that the work plan was achievable, consensus was reached that the work plan had no slack. Contingency plans were evaluated to provide alternative solutions in the event that the IT team could not deliver on time. Manual processing backup was ruled out due to the voluminous data required to produce invoices. Cross-functional project leadership was facilitated to realize that the IT plan would only succeed if all went perfectly. Consensus was reached to petition FERC for 30 additional days to deliver Order 890; approval was granted. Task level project monitoring and controls were implemented to minimize delays.

■ ■ ■ ■ THE RESULTS

Transmission billing application enhancements were implemented ahead of the commitments made to FERC. Point-to-Point and Network Billing processed during the first monthly billing cycle using the enhanced applications. Minimal defects were encountered during the first cycle and were corrected before the second cycle. Applications are stable and in normal production support. Actual cost of the enhancements came in at 91% of the interim estimate that had provoked management to deploy leadership – PM cost was more than offset by development savings.

Duke Energy is one of the largest electric power companies in the United States. Duke Energy supplies and delivers energy to approximately 4 million U.S. customers. Duke Energy has approximately 35,000 megawatts of electric generating capacity in the Midwest and the Carolinas, and natural gas distribution services in Ohio and Kentucky. In addition, Duke Energy has more than 4,000 megawatts of electric generation in Latin America. Duke Energy is also a joint-venture partner in a U.S. real estate company. The company is headquartered in Charlotte, N.C., and is a Fortune 500 company traded on the New York Stock Exchange under the symbol DUK.

NouvEON Services provided:

- Project Management Services

NouvEON Technologies used:

- Software Sense Enterprise, Inc. TagsPro
- Solution (LTO)
- PMO
- SDLC