Q: In Brattle's experience, are interruptible rates reflecting savings in transmission expansion costs common in North America and Europe? Can Brattle provide examples?

A. For the purposes of this question, we define two types of rates that do not provide firm service: interruptible and non-firm. Interruptible service is firm service that may be interrupted in exchange for payment. Non-firm service provides customers service when there is "extra" capacity on the system, meaning that there is capacity in addition to the amount needed to provide service to firm customers.

Interruptive service are common in North America and can be priced as firm services and, when interrupted, customers are remunerated with a payment based on the avoided marginal capacity costs. These marginal capacity costs may include transmission expansion costs. The rate design for an individual jurisdiction may include a lower rate (relative to full firm service) and a concomitantly lower payment for interruption. Interruptible rates are described in utility tariffs for utilities including PG&E.

Non-firm service is priced lower than firm service because it is only offered when capacity is available to service demand above the amount required for firm service. Thus, costs related to transmission capacity, including embedded and planned expansion, are excluded from these rates. These rates are very common for transmission service. For example, the U.S. Federal Energy Regulatory Commission's pro forma Open Access Transmission Tariff includes non-firm rates and the Newfoundland and Labrador Hydro 2019 tariff includes an Island non-firm rate.