

RTO Car Talk – May 25, 2001 Edition

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A busy week in RTO Land.

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#### CONGESTION MANAGEMENT

The Congestion Management Content Group met for a day and a half to review the latest proposal, from the FUs, of a congestion model. The FUs recommended a flow-based model with financial responsibility for "uncovered" firm transmission rights (FTRs). This model is a hybrid of models discussed earlier in the month.

Here it is in a nutshell. [Ed. note: The description is relatively short, but it's pretty complicated.]

RTO West will calculate FTRs for flow paths that have commercially significant congestion. Recall that, in the flow-path model, FTRs are associated with all transmission paths affected in doing a transaction from point A to point B.

So that the Scheduling Coordinator (SC) need not spend forever chasing down every single FTR all over RTO West's territory, there will be a Forgiveness Threshold [Ed. note: !!] -- a minimum level for which FTRs aren't needed. The SC is not required to provide FTRs associated with its schedule that fall below the Forgiveness Threshold, and is not directly responsible for any financial costs incurred by the RTO to arrange for this portion of an SC's schedule.

There will also be a Scheduling Threshold, or minimum level of FTRs, that the SC must have before RTO West accepts the deal. If the SC relies on RTO West for FTRs above the Forgiveness Threshold but below the Scheduling Threshold, the SC is financially responsible for the costs incurred by the RTO to arrange for the "uncovered" portion of its schedule. Intra-zonal congestion costs will be spread to all customers within the zone, but there will be provisions to assure that nobody has to pay twice. Inter-zonal congestion costs associated with "uncovered" FTRs will be assigned to the SC who did not provide them, but inter-zonal congestion costs associated with FTRs below the Forgiveness Threshold will be uplifted. [Ed. note: "Uplifted" is the chic, new term that means everybody pays the cost. First, we all said, "the cost will be regionalized"; then we said, "the cost will be peanut-buttered"; now, we say, "the cost will be uplifted".]

For example, suppose a delivery of 100 MW from point A to point B (inter-zonal) would require FTRs of 80MW on Path #1, 19MW on Path #2, and 1MW on Path #3. Assume the Forgiveness Threshold is 2MW and the Scheduling Threshold is 10MW. This means that the SC needs to purchase at least 90 MW to meet the Scheduling Threshold. For the range of 90-98MW, the SC can rely on RTO West to purchase these FTRs, but the SC will be on the hook for any costs RTO West incurs to make that happen. RTO West will somehow find the last couple MW below the Forgiveness Threshold and uplift any resulting costs. [Ed. note: I am beginning to feel uplifted by the Forgiveness Threshold.]

Auction/Market modeling software was discussed. Ideally, the market modeling software used by RTO West would allow SCs to place contingency bids on several paths at once so that they could simultaneously purchase all of the FTRs needed for one transaction without the risk of having to buy unneeded FTRs. In other words, in the above example, the SC could place a bid for FTRs on Path #1 and Path #2 such that if there were no FTRs available on Path #2, or the price were too high, the SC would not be stuck buying now-useless FTRs on Path #1.

In the meantime, a small group of marketer/IPP types drafted a counterproposal to address what they claim are deficiencies in the stage 1 model. One key "need" is the establishment of a liquid market for FTRs. They say FERC's recent GridFlorida decision implies or requires the development of a liquid, competitive market for transmission rights to ensure that capacity not used in any hour is made available to customers.

To achieve this liquid FTR market, they propose that, under certain conditions, FTR holders be required to participate in the FTR auction.

In stage 1, FTRs for service to load were not required to be part of the FTR auction. Although the IPP/marketer group has said it supports exemptions for small rural utilities to dodge the FTR auction, this is a red flag danger warning -- it could be the first effort to to dismantle the stage 1 commitments that many within public power fought for and got.

BPA says that neither it nor the other FUs intend to back away from the stage 1 decision to exempt service to load from the FTR auction.

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#### WEST-WIDE RTO?

Last Friday, FERC issued its "Further Order on Removing Obstacles to Increased Energy Supply and Reduced Demand in the Western United States and Dismissing Order for Rehearing". Recall that PPC filed comments on FERC's March 14 actions, specifically objecting to FERC's push for a single, west-wide RTO. And we got slam-dunked on the matter. This "Further Order", at page 28, seems to backpedal the tiniest bit. FERC says it remains "committed to an integrated Western transmission system administered by one or more RTOs." Note the "or more". This appears to allow for establishment and debugging of RTO West, Desert STAR, and whatever happens in California, BEFORE collapsing everyone into a single western RTO.

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#### CALIFORNIA RTO FILING?

California's due date for filing its RTO proposal is June 1. FERC's price mitigation scheme for California is contingent upon this filing. No word yet on what it might contain.

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#### NEXT RRG MEETING

The next RRG is scheduled for Friday, June 1. No agenda is available yet, but congestion management will probably dominate the discussion. Mike Coleman of FERC staff will attend.

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#### RTO WEST STAGE 2a FILING

The stage 2a filing is set for August 31 and should include a list of facilities to be included; planning principles; the full congestion management model; and the pricing model with data to support it.

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#### Desert STAR

Desert STAR is supposed to file its proposal on May 31, but the transmission owners aren't happy with the proposal and want some significant changes -- including a for-profit transco such as TransConnect.

RTO West and DSTAR have continued to have productive discussions to resolve seams issues to assure smooth, efficient markets.

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#### COST-BENEFIT ANALYSIS

FUs are considering using a big firm such as Arthur Anderson to do the study. They say a study might be completed before next December -- the IOUs need something to file with the states showing benefits to consumers. BPA has committed to working with the delegation to get a timeline/schedule.