RTO Car Talk – June 29, 2001 Edition

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[Ed. note: rumors and other interesting things follow this long report, so you'll have to at least scroll though these topics to get to the good stuff.]

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REGIONAL REPRESENTATIVES GROUP (RRG) MEETING
Six items were discussed at Wednesday's RRG meeting:

1. Pricing. The "illustrative" pricing matrix was presented. First, the caveats:

**The FUs have not refined or verified the data;

**Most data are for CY99, but a variety of years are used. BPA included some info from its 2002 Rate Case;

**Paid To and Received From data used to make long-term and short- term adjustments have not been reconciled among the FUs or with other parties;

**Estimates of FTR, NTR and RTR auction revenues are preliminary; and

**Company rates developed under the RTO West pricing proposal should not be compared to Open Access Transmission Tariff rates because they aren't equivalent. Company rates are expected to be higher than OATT rates -- even after subtracting RTO West operating costs -- because company rates are intended to recover ALL of its transmission costs from loads alone, not just the transmission costs associated with an FU's use of its own transmission systems.

OK. Here are the numbers you've been waiting for (Company Rate estimates are in $/kw-yr). [Ed. note: Kowa-bonga! Rates increase! I'm shocked!]

COMPANY (FU)	POST-RTO CO. RATE	PRE-RTO CO. RATE	CHANGE PREvsPOST
BPA	$23.69	$21.66	+$2.03(9%)
Idaho	$16.08	$16.10	-$0.02(negl)
Montana	$45.68	$43.97	+$1.71(4%)
PacifiCorp	$33.37	$31.44	+$1.93(6%)
PGE	$18.12	$16.19	+$1.93(12%)
Puget	$21.01	$19.09	+$1.92(10%)
Sierra	$25.61	$23.91	+$1.70(7%)
Nevada	$18.56	$16.59	+$1.97(12%)
Avista	$21.95	$20.64	+$1.31(6%)
TOTAL	$24.62	$22.82	+$1.81(8%)

The full-blown illustrative spreadsheet can be found on the RTO West webpage at

http://www.rtowest.org/Doc/PRCG_RTOW_Summary_Model_6-22-01.pdf

The most recent facilities inclusion listing can be found at

http://www.rtowest.org/Doc/PRCG_June222001_DraftRTOLineList.PDF

2. Planning/Expansion. The Planning group had its first meeting since the decision to focus exclusively on congestion management. The group agreed that least-cost planning should be incorporated into the RTO West planning structure per FERC's order on RTO West. The group will define "least-cost planning" for the 8/31 filing, but the least-cost planning process won't be developed until stage 2b.

The group reviewed stage 1 decisions and other FERC RTO orders related to planning (such as the relevance of the Grid Florida order in which FERC emphasizes expansion to provide competitive energy markets). A big concern was the role of TransConnect in the planning process. The FERC order requested more specifics regarding how TransConnect and RTO West would "share" planning responsibilities, and TransConnect utilities are supposedly working on something. Although the group had assumed that TransConnect would be treated like any other participating transmission owner (PTO) with respect to planning, it appears that some TransConnect members are thinking that they want planning responsibility and authority at least on a par with RTO West. This does, however, conflict with FERC's order that RTO West have ultimate responsibility for planning and expansion. Exactly what TransConnect has in mind will be clearer once its proposal is seen.

3. Congestion Management. An update on consensus items (such as scheduling thresholds and triggers) and outstanding issues. More info below on the Congestion Management group's actual meeting.

4. Congeneration. QF reps presented a proposal for treatment of congenerators. They want RTO West to follow the basic principle that transmission services will be supplied based on the NET LOAD or NET GENERATION of the customer having the congeneration.

RTO West protocols will provide for (1) the maintenance of net metering of load and generation at the site boundary or point of common coupling meter; (2) the procurement and cost allocation for ancillary services ONLY for the amount of load served by power from the grid; and (3) the adoption of policies to assure that customers who choose retail customer-owned generation options are not allocated charges for load that does not actually withdraw power from the grid.

Participants worry that RTO West could be providing ancillary services for the entire load rather than just the net load. If the load and/or congeneration facility use any ancillary services provided by RTO West, then it must pay for them.

5. FERC Technical Conference on Seams. The RRG heard about FERC's technical conference on interregional coordination (seams) on June 19 in Washington, D.C. Participants reported that the session was significant for several reasons.

First, attendance was large and included all five Commissioners (who all stayed for the duration of the meeting). Second, it was clear that new Commissioners Wood and Brownell aggressively want change, especially pushing to take action NOW in the west. Third, the issue of establishing national standards to gain efficiencies was a big topic. In the deregulation of the gas industry, a gas industry standards board was created, which established some 400 standards. It was suggested that an electric industry standards board, staffed by electric industry folks, should set national electric industry standards.

Fourth, there was a concern that FERC had provided little clear guidance on scope/seams. Perhaps FERC should be clearer in calling balls and strikes on scope and configuration, possibly mandate certain things related to scope/seams. Other comments were (a) the RTO West filing really needs some substantive material, or it will start to lose credibility; (b) the inclusion of BC Hydro in RTO West is a top priority; and (c) the Commission is as committed as ever to deregulation and the establishment of RTOs.

[Ed. note: FERC has made tragic decisions on every policy front so far. By cracky, the Commission is not about to backtrack in order to do the right thing. The California set-up, approved by state and federal politicians, led to blackouts, civil disorder and bankruptcies. Here in the Northwest, we are thrilled by a mere 46% wholesale power rate increase. But then, Betsy Moler and others of her ilk console us with the pronunciamento that we are simply experiencing the pesky 10-year transition phase -- after which we will bask in power that's too plentiful and cheap to meter.]

6. Cost Study. Bud Krogh/RTO West presented a timeline for the study. On July 10, the FUs and stakeholders will meet (with consultant support, of course) on the elements of the Informal Competitive Solicitation, which will be sent out by 7/18. A consultant will be selected by mid-August, and the cost analysis should be done by the end of November. Followup activities, such as updates of the analysis after the FERC order and briefing of the delegation, will be included in the consultant's contract. Side note: Commissioner Brownell mentioned at the technical conference (item 5 above) that she was interested in and willing to provide assistance with the study.
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CONGESTION MANAGEMENT
Usual marathon session meetings, both of which followed the RRG meeting. There was a quick discussion on how changes to maintenance outages should be handled, but no consensus was reached.

Liquidity continues to be controversial. FERC has made it clear that the status quo is unacceptable, but there is no alternate proposal to the one now on the table (one nobody embraces except the marketers who proposed it). Recall that this proposal would, subject to certain limitations, force holders of FTRs to participate in the FTR auction. Objections to this proposal are (a) it forces unwilling sellers to participate; (b) it could affect a high precentage of a utility's transmission needs; and (c) it actually distorts the market because liquidity is forced and causes participants to put "false" price on FTRs. Work will continue to refine the current proposal, and some folks volunteered to try another idea. One participant noted that we've been working on this for many months and gotten nowhere.

Another big discussion item was how to handle over-allocated paths (those which were oversold by the transmission owner(s), pre-RTO) and over-committed paths (those which are oversold as an unintended result of the contract conversion process, post-RTO). Some initial ideas died after considering the reality of moving from a contract path model to a flow-based model.

Work is proceeding on other key issues, such as flowpath creation/retirement, FTR allocation, and scheduling and settlement. Congestion management-related topics associated with non-jurisdictional utilities' control areas have been added to the task list.
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WEEK OFF
The week of July 2-6 has no RTO West events/meetings scheduled so RTO Car Talk -- but not the editor -- will take a vacation.
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OTHER STUFF/RUMORS
Rumor has it that the folks down Desert STAR way are intrigued with the TransConnect for-profit transco model. Recall that there have been problems in DSTAR land, with serious differences of opinion between the independent board and owners.

[Ed. note: It passed by me that DSTAR seemingly collapsed a month ago. It did not file with FERC at the end of May, for one thing. For another, I've heard that a board of directors was hired, which immediately ordered the bothersome transmission owners to go away while the board figured out how to design DSTAR. The transmission owners somehow brought the board to its knees.

On another subject that will interest those of you with intimate knowledge of BPA's staffing chart: I've heard that Mark Bond, now head of Planning, will work directly with Vickie VanZandt on special projects; that Brian Silverstein, now assigned to congestion mgmt, will move to planning; and that Dennis Metcalf will take over Brian's duties in congestion mgmt. TBL appears to be raiding the heavy-hitter ranks of PBL, and has evidently scooped up Phil Mesa, Roger Schiewe and Terrin Pearson. Make of this what you will.]