

RTO Car Talk – July 15, 2001 Edition

FERC BEGINS TO FORCE RTO CONSOLIDATIONS

FERC issued orders last week initiating "mediation" to bring separate filings together into single RTOs.

[Ed. note: "Mediation". What a friendly, comforting word. What a euphemism for what FERC is actually doing: forcing, compelling, imposing, inflicting. I heard through the grapevine how offended a few gentle readers were with my characterization of FERC's April order covering RTO West -- see the 4/27 edition of Car Talk. Well, it looks like the Ed. may have been right. Are we publics ever going to rear up on our hind legs and tell those SOBs where to go?]

The first order is for the southeast. Southeast Power Pool, Entergy, GridSouth and Southern were found to lack the necessary scope to "successfully encompass the natural market for bulk power in the Southeast." GridFlorida was encouraged but not required to participate. The FERC order on the Southeast is at <http://www.ferc.gov/Electric/RTO/rto/issuance/rt01-100-000july.pdf>

Likewise, FERC found the northeast to be lacking sufficient scope. PJM, New York ISO, Allegheny and New England ISO (Bangor) were ordered into mediation to work toward a Northeast ISO. This FERC order on the Northeast (PJM, New England, and New York) is at <http://www.ferc.gov/Electric/RTO/rto/issuance/rt01-99-000july.pdf>

Although rumors are that FERC is ordering that the west be One, there is (at this writing, Thursday night) no FERC Order posted on the FERC website that's similar to those for northeast and southeast. It should be noted, though, that FERC has consistently said that there ought to be a single RTO for the WSCC area -- in spite of objections from those pesky northwest natives and their governors.

INFO ON THE AUGUST FILING

The FUs have decided that the August FERC filing will be primarily informational. A BPA rep said that two major items in the August filing might help RTO West be perceived as making progress: (1) BC Hydro will be included in the RTO West scope (BCH joined on Tuesday) -- and work with Alberta is underway; and (2) RTO West will report that it has been in discussions with Desert STAR and California to resolve seams issues in order to have "seamless" RTOs in the west.

The filing will be less comprehensive than originally planned because (a) participants feel they need to focus on preparing a complete filing with FERC on December 1 rather than spend precious time drafting and commenting on an interim filing by August 31; (b) participants need to dedicate efforts to those items that must be included in the December 1 filing -- congestion management, pricing, planning and expansion, etc; and (c) the FUs still must address FERC's requirement to submit, by December 1, a status report on seams resolutions, participation by Canadians, and a framework and timeline for forming of a Westwide RTO.

In a message from Bud Krogh to all stakeholders, he noted that "[w]e have also heard from members of the northwest Congressional delegation that it is important to proceed in a measured way with RTO West development and to ensure that public entities and regional leaders are given the opportunity to review and analyze the elements of the RTO West filing proposal."

In short, the FUs will prepare a brief informational filing in August (less than originally planned but with the news that BC Hydro is "in") and focus on the more comprehensive December 1 filing.

COST STUDY

At last week's meeting, the FUs announced that because FERC does not want a cost study, one will not be part of the December 1 RTO filing. The FUs do admit (some, quite grudgingly) that the delegation and state PUCs want a cost study. Thus the FUs will hire a consultant to do the study and report to them. The purpose of the meeting was to identify how to select a consultant and to define the scope of work.

The FUs are intent on having a study that looks only at the costs/benefits as a whole -- in other words, NOT look at who wins and who loses in an RTO world. A secondary objective of the main study is to generate enough information so that individual participants (say, BPA) can figure out whether they, and their customers, win or lose.

So it appears that a second cost study will be conducted under BPA auspices to determine how BPA's customers fare under the proposal. [Ed. note: remember, one of BPA's principles for joining an RTO is that there be "[d]emonstrable end-use consumer benefits in each affected state." Looks to me as if a cost study should look not only at BPA customers, but at the customers' consumers as well.]

Timing is a big problem. It may be that the FUs will ask FERC's permission in the December 1 filing to begin the legalities of forming RTO West. FERC will almost certainly allow only 30 days for comment, and who knows whether a cost study will be available to comment on by December 1.

Another timing problem is that some aspects of the cost study can't be completed until pricing and congestion management are finished -- and who knows when this will happen.

PLANNING

Because of the three-day marathon congestion management meetings this week, the planning meetings were cancelled. Too many folks are doing double-duty and could be in only one place. Because the effort in congestion management is at last to make some decisions, planning yielded to congestion.

CONGESTION MANAGEMENT

The August 31 "informational" filing with include little or no information on congestion management. The Content Group is setting its sights on the December 1st filing. Because the group has been unable to come to consensus on so many issues, the group's new objective is to develop papers that outline options and present majority recommendations, if there are any. Some of the issues discussed were

* RTO West requirements for a secondary FTR, RTR and NTR market. Open issues: Should all secondary markets be certified by RTO West? On the one hand, if the process is too restrictive, the number of secondary trades will be reduced. On the other hand, RTO West should not have to shoulder unnecessary risk. On Day One, should the RTO ensure that there is at least one functioning secondary market (TX)? All parties but PacifiCorp would like to see at least one TX on Day One.

* Netting requirements for Scheduling Coordinators. Because netting is such an important and contentious issue, the group spent time making sure that all of the important issues were on the table. A new netting proposal will be discussed at the next meeting.

* Impact of flow path expansion, creation or retirement on existing FTRs. Open issues: Should the RTO act to protect existing rights when a flow path is expanded, created or retired? There was general consensus that the RTO should be responsible to ensure that pre-existing contract rights were kept "reasonably comparable", at least throughout the 10-year company rate period. The issue remains open for flow path rights that were auctioned off, or for new rights that were created because of a system upgrade or expansion. One concern is fairness between the incumbents and new market participants.

* Treatment of the scheduling and forgiveness thresholds. A paper addressing the treatment of the scheduling and forgiveness thresholds will be ready for the RRG. The majority no longer advocates the use of a path rating threshold.

* Treatment of flow path outages. Open issues: For unplanned outages, how should the responsibility be balanced between the RTO and Transmission Owner (TO)? Should costs be completely socialized and thus put into uplift charges? Perhaps the RTO could be responsible for a percentage of the costs incurred, or it could cover costs for a certain number of days so the TO does not bear all of the burden.

* Release of FTRs by the RTO. Because path ratings are season sensitive, the recommendation is that the RTO have two auctions per year, one that coincides with winter (November - April) and one with Summer (May - October). Open issues: Should the RTO limit to FTRs being sold to a 2-year life? What principles will the RTO use in protecting existing transmission agreements and managing maintenance outages?

[Ed. note: Sorry if this reminds you of a Sid Caesar rendition of a foreign language (except that the foreign language in this case is English). I often wonder if the congestion management verbiage has meaning to anyone -- and, if so, and it has meaning to more than one person, if it has the same meaning to all of them.]

TRANSCRIPT OF FERC TECHNICAL CONFERENCE ON SEAMS

The 222 page transcript of the FERC technical conference on seams, held last month, can be found at <http://www.ferc.gov/Electric/RTO/pl01-5trans.pdf> A summary of what happened at this conference was provided in the last issue of RTO Car Talk.