

RTO Car Talk – July 27, 2001 Edition

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Other News and Interesting Tidbits appears at the bottom of this.

#### BPA/PUBLICS

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BPA asked public power reps for "wish lists" of what specific things publics need in order to make RTO West something they could live with. In further discussions with BPA, the agency now encourages publics to have a single list rather than duelling lists. Publics will meet next week to update and prioritize one list.

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#### WESTWIDE RTO

FU reps, including BPA, visited with DOE staff and were given a clear message that the preference is for larger RTOs. A similar message was delivered to the group when it visited FERC -- plans by vertically integrated utilities to form "statewide" RTOs are not acceptable; larger, region-wide RTOs are the goal. Comm'r Brownell said FERC was pleased with RTO West's expanded scope to include BC Hydro, and with the work being done to resolve seams issues. [Ed. note: I recall reading somewhere that BC Hydro definitely favors a westwide RTO.]

BPA insists that the Sec'ty Abraham letter -- dated 4/23/01 -- blessing RTO West, as opposed to a westwide RTO, still stands. BPA intends to stay the course in working on a regional RTO (i.e., RTO West) that does not include California or Desert STAR.

[Ed note: BPA may indeed believe that the Abraham letter supports an RTO West and not a westwide RTO. But FERC's April 25 order approving the stage 1 filing seems to say that FERC itself interprets Abraham's letter as supporting a westwide RTO. The FERC order also appears to interpret work on the seams issue as an admission that RTO West folks likewise support a westwide RTO. FERC's logic may be that if no seams exist between RTOs, there's no need for multiple RTOs.]

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#### STATUS REPORT ON FILINGS

FERC prefers that there be no "interim" filing in August (as planned by the FUs). FERC wants a filing by December 1, and it wants the filing to address all items requested in its April 25 order.

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#### PLANNING

Issues discussed:

- \* Would it be useful to use the resource/transmission model developed by the Western Governor's Association?
- \* What is the appropriate role of the RTO in planning and expansion?
- \* All agree that RTO West should gather information, hold open public processes, identify possible transmission/reliability problems, analyze possible solutions, and shop around for funding.
- \* Should RTO West have the authority to allocate costs to parties, or use a checkbook approach where RTO West pays for a project and uplifts (socializes/regionalizes) the cost?
- \* Is RTO West responsible to assure load service or over all system authority?
- \* Should RTO West have any regulatory authority over the voltage of a line? If it doesn't, are there other ways to ensure optimization of transmission corridors?

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## FACILITIES/PRICING

Public reps are reviewing facilities inclusion lists to determine whether key facilities used to make deliveries to utilities are included for operations+pricing ("A" facilities) or just pricing ("B" facilities). Either would avoid pancaking. Because several important facilities appear to have been omitted, a request for a sit-down, one-on-one to discuss these lists has been made.

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## CONGESTION MANAGEMENT

The group said goodbye to Carl Imparato, who will retire. Carl sported a grass skirt and the group celebrated by eating pizza and two cakes -- one labeled flow-path, the other contract-path.

A paper was presented that summarizes the recommendations and alternatives developed by the group to date. The group is now working off of a work completion plan; the last congestion mgmt meeting is tentatively scheduled for the last week September. [Ed. note: I understood that the group was to discuss issues related to the allocation of FTR rights and the definition of flow paths. I gather that not much progress was made.]

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## LIABILITY/LEGAL

The group discussed creditworthiness and other criteria that potential Scheduling Coordinators must meet in order to do business with RTO West on behalf of transmission customers.

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## FU MEETING DECISIONS

1. The FUs intend to respond to the July 12 FERC order on RTO West by withdrawing liability materials from their initial filing. Liability will be addressed in the stage 2 materials to be filed December 1.
2. The FUs are unhappy with the stage 2 process; it's just not working. Content groups (e.g., congestion management) are dysfunctional and the Regional Representatives Group (RRG) (which rarely meets now) is ineffective. A decision was made earlier this week to reinvigorate the RRG as a decision-making body to meet on a regular basis to consider recommendations of, and resolve issues raised by, the content groups, a la stage 1. The reinvigorated RRG will meet August 3.

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## COME OUT, COME OUT WHEREVER YOU ARE . . .

TransConnect has been very quiet and little information has been available lately, although commitments were made several months ago to let folks know what's up. One of the TransConnect reps did share with non-TransConnecteds the following:

1. The member utilities are actually pretty clueless on planning;
2. No representatives have convened because they are short-staffed and busy working on RTO West stage 2 stuff;
3. Arthur Anderson has been hired to help with drafting a business plan and filing a proposal with FERC on rates; and
4. They are considering rates of return around 11-15%, possibly will request around 13.5% at FERC. They are pushing to see how high FERC will let them go on rate of return with "performance based rates".

RTO West is supposed to have a role in reviewing TransConnect rates, but the big question is what that role is, considering that RTO West doesn't exist right now. Another issue is whether TransConnect is a separate entity apart from its transmission owning participants (PGE, Sierra, Puget, Montana and Nevada), entitled to a "seat" of its own. No definitive answer here, but BPA suggests it is opposed to TransConnect and its individual members each having representation in any process whatsoever.

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#### OTHER NEWS AND INTERESTING TIDBITS

1. For a look-see at what "performance based rates" means, check out this website: [www.trans-elect.com](http://www.trans-elect.com)  
This is the website for Trans-Elect, a transmission company formed a couple of years ago by Fred Buckman, former PacifiCorp CEO. Trans-Elect just offered to buy SoCal Edison's transmission system for \$1.8 billion, and earlier this month was one of the purchasers of TransAlta's transmission system. The Trans-Elect website has many interesting things in it, for instance, a plea to FERC for "performance based rates"; and a reminder that FERC Comm'r Hebert believes that "for-profit companies like Trans-Elect are the preferred structure for the transmission market."

2. A paper entitled, "Initial Assessment: Coordination of Firm Transmission Rights Among Western Regional Transmission Organizations", by Ziad Alaywan of the California ISO, was distributed yesterday. The concluding paragraph reads as follows:

" . . . [T]he all-contract-path and all-flow-gate approaches have serious problems because of the different treatment of physical and financial rights. The ideal solution to the FTR seams problem is to have one single RTO to operate the entire transmission networks in the western United States."

This is bad news. BPA believes that the paper does not contain the views of upper-ISO management; BPA has been assured that the ISO does not want to be part of a westwide RTO, and that a California state law prevents such an action.