
[CONNECTING THE DOTS (an editorial, followed by the Car Talk report)]

Beginning this October 1, life for NW publics will change owing to deregulation and competition. Life will change again if and when RTO West is established, and again in 10 years when the "company rates" are history. Here are some points to ponder:

I. Effects on GTA-served publics

A. In two months -- October 1 -- all GTA (General Transfer Agreement) customers must do their own power scheduling. Those GTAers that are not full requirements customers doubtless have the ability to do their own scheduling or have arranged for it to be done. What about those GTAers who are full requirements customers -- will they be able to schedule for themselves, or have they arranged for it? (BPA -- PBL/TBL -- will not provide this service.)

B. The GTA between BPA and Idaho Power Co. expires this September 30. What happens then? (This is not an issue resulting from dereg or RTO, but is a pressing matter nevertheless.)

C. BPA's subscription contracts secure the power supply for full requirements GTAers. Getting the power to them is not secured. For example, if a PacifiCorp transmission line that serves a GTAer goes down, PBL will get the power to the GTAer by some other route (and will work with PacifiCorp to get the power delivered). If a TBL transmission facility -- say, at LaGrande -- goes paws up, the GTAer is on its own to get the power delivered. In other words, PBL is under no obligation to deliver when TBL's transmission facilities cause nondelivery. It turns out that the GTAer may be able to purchase (!! more costs as a result of RTO West) a "replacement power service product" from PBL, a product now under development, to insure against this situation.

II. Effects on other (non-GTA) full requirements publics

A. Point A above applies; these customers must schedule their own power deliveries come October 1.

B. Point B above applies; if TBL's transmission facilities go down, PBL has no obligation to deliver the power. The customer may be able to buy a new product that would so obligate PBL.

III. Effects on all publics

A. With the establishment of an RTO, customers will pay congestion management costs (a cost that does not exist in a separately billed form today). PBL will not pay congestion costs for customers.

B. Postage stamp rates will disappear. The so-called "company rate" (as it applies to BPA) is a substitute for BPA's existing postage stamp rate, and that company rate (if implemented by RTO West) will disappear within 10 years. So in 10 years, expect big cost shifts. For example, the costs of the BPA high voltage transmission lines will likely be paid for by those customers that use them.

C. FERC seems to be trying to exert complete jurisdiction over publics' and PMAs' transmission and power transactions. Under the banner of deregulation/competition, some legislators are proposing laws (or are being urged to propose laws) that would give FERC the same jurisdiction over publics and PMAs as it has over IOUs.

IV. Some predictions/conclusions

A. BPA as we have known it will be dust. PBL will not take on the role of a parent for its power customers. It may join, or want to join, the ranks of the Merry Marketeers. TBL will disappear, except for operations and maintenance functions.

B. Dereg/competition/RTO and their trappings will increase costs. The promises made four or five years ago of "40% rate decreases to consumers" will not materialize. (Have they materialized, even in the highly-touted PJM/ERCOT/Pennsylvania market areas?)

C. There is evidence that Californians want a westwide RTO. There is evidence that Canadians want a westwide RTO. FERC will make it so.

D. Many of the cross-subsidies, also called "regionalized costs" (e.g., postage stamp rates, GTA costs, scheduling costs), that are now at the heart of BPA's service, and that often pit generating publics against nongenerating publics, will disappear. Not only will individual publics bear their own costs, but they will incur new costs (e.g., congestion costs, replacement power service, etc.).

V. Interesting tidbits

TBL mugwumps are lashing the TBL account executives again. Evidently the AEs were told that their failure to sell the publics on the glories of RTO West will result in the AEs having to find something else to do. I think the AEs have done their best to sell publics on RTO West, and should not be punished for the publics' failure to buy what looks to us like patented snake oil medicine.

End of editorial.]

REGIONAL REPRESENTATIVES GROUP (RRG)

The RRG will be taking a more active decision making role for the rest of stage 2. This revitalization is in response to several complaints that the FUs were making decisions while bypassing the collaborative process, and that the content groups were getting bogged down.

A summary of FERC's July 12 order re regional RTOs was presented. There was much concern about Commissioner Massey's remarks regarding the need for a westwide RTO. Mike Coleman (FERC staffer) said he thought that FERC would not push a for westwide RTO so long as RTO West is making substantial progress towards workable seams agreements with the Cal ISO and Desert STAR.

A facilitator presented the Planning group's recommendations regarding the role of RTO West in planning and expansion. The recommendations are that RTO West should identify and anticipate congestion problems; develop proposals of potential solutions; and encourage (or facilitate) market sponsors to fund and implement a solution to the problem. The RTO would have an open planning process whereunder it would accept input from interested parties, consider non-transmissions solutions, and encourage other parties to take the lead in developing solutions where they see fit. No one on the RRG objected to this recommendation; many folks noted that as usual, "the devil is in the details".

Another facilitator reported on Congestion Management. In order to meet the December 1 filing date, Congestion Management progress is necessary. If the group does not come to a timely consensus on a particular issue, that issue will not be delayed -- it will be punted directly to the RRG and dealt with at the RRG's next meeting.

In addition to increased efforts in the areas of Planning and Congestion Management, some other content groups will restart next week. These are the Scheduling, Tariff Integration, and Liability Risk/Credit groups.

Yet another facilitator presented an informal competitive solicitation paper developed by the Cost/Benefit group. The purpose of this paper is to drum up interest from consultants interested in doing a cost/benefit analysis for the FUs.

Publics criticized the paper, saying that even something as simple as the objective of the study was not clearly presented. The FUs were asked if they really wanted to know the results of a cost/benefit study; if

so, they needed to work on refining the purpose and scope so that a consultant would know what was needed. BPA asserted that BPA needs the data to be detailed enough for BPA to complete an additional cost study that the agency promised to customers. An FU rep said that if the FUs do not specify exactly what they want, they will not get what they need out of the study. The rep asserted that if the region acts on misinformation, another WPPSS could result.

[Ed. note: here is another report I received on the cost/benefit study discussion: publics asked that the study be done by congestion zone in order to identify the specific effects of RTO West on individual states and even on individual utilities. Publics are skeptical that the FUs, who are paying for the study, will agree to do so. Indeed, some FU reps announced that several FUs would have a problem doing a cost study by congestion zone. As reported in the 7/15/01 Car Talk, 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."

Here's the problem, as publics see it: those FUs who think they will be big winners upon the establishment of RTO West do not want the losers to discover, in advance, how much they are losing. The IndeGO cost/benefit study taught some FUs that when losers know that they will lose, and how much they lose, losers start opposing the program. Thus the idea is to keep numbers as amorphous as possible, and for as long as possible. As far as publics are concerned, despite what the FUs do, BPA is obligated to do a cost/benefit study per its principle (there must be "[d]emonstrable end-use consumer benefits in each affected state.")]

CONGESTION MANAGEMENT

The Congestion Management group is beginning to make headway. The basic conceptual framework for the congestion management computer model was described to the RRG. The Congestion Management group is working to fill in the details, in which the devil is found. For instance, the FUs and publics agree that no one should be made worse off because of the conversion of their existing transmission contract rights into RTO contract rights. Making this work (especially when trying to insure liquidity) is not simple. Apparently enough details have been ironed out that a dry run on the computer model can be made to show what happens when existing contracts are converted to FTRs. This exercise should provide a sense of the overallocation problem (i.e., when converted rights exceed the rating of a flow path).