

RTO Car Talk – August 4, 2000 Edition

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THE RRG met August 2-3 to review recommendations from the various workgroups. There was discussion but not much actual decision-making.

ANCILLARY SERVICES Workgroup presented a package to the RRG that contained recommendations that the RTO be the ancillary services supplier of last resort. There should be rules for self-supply and third-party supply of certain ancillary services. The group also provided a 20-page document describing the RTO West Control Area Model, which includes the obligation of each customer to have a Scheduling Coordinator (if interested, Sue Furst can forward it to you).

CONGESTION MANAGEMENT Workgroup continues to grapple with how to address existing rights to the system. Marketers argue that all rights to the system should be auctioned off, with revenues returning to current rights holders. System users prefer continued physical rights to use the system - they do not think that being compensated for the loss of those rights is an adequate substitute.

COST-BENEFIT Workgroup continues to figure out how to address all the separate cost-benefit issues identified by the group, and is getting more information about DOE studies looking at the benefits of competition. Aurora runs are being done to look at the generation market impacts of having a single transmission operator. [Kyle Sciuchetti's note: the group was introduced as the benefits/costs group. Is this a PR tactic to emphasize the benefits over the costs?] The group will look to other RTOs to find out what unanticipated costs or benefits were factors in their formation.

GOVERNANCE/LEGAL/TRANSMISSION CONTROL AGREEMENT: nothing new.

MARKET MONITORING Workgroup had a conference call with FERC staff regarding its recommendations. FERC staff saw no showstoppers, but did request that there be more detail included in the filing this fall. Examples: clarify the responsibilities of the Market Monitoring Unit (MMU) versus the RTO staff; identify what markets the MMU will and won't monitor; if the MMU role excludes enforcement, then who will enforce (RTO Board? FERC?). The RRG discussed MMU independence again, the upshot being that an annual audit of the MMU/RTO would probably be sufficient to assure independence. The RRG also discussed whether a market participant can sue the MMU/RTO for failing to prevent harm by not reporting anomalous market activity to FERC; this issue will be bumped to the Legal and Market Monitoring workgroups.

PLANNING Workgroup bases its recommendations on 3 principles: (1) current planning functions will continue to be performed in the post-RTO world (but left open for discussion is who will actually do the work); (2) the load-serving entity (such as BPA, Idaho Power), not the RTO, is responsible for providing or buying resources, including transmission, to serve firm loads; (3) parties that pay for facilities should have a voice in the decision-making regarding those facilities. The workgroup proposed that the FERC 7 Point Test be dropped because it might be too inclusive; whether a facility is necessary for "Open Access" should determine whether it should be included in the RTO. Some RRG members believe both RTO and utilities are responsible for reliability. Others feel only the utilities should be held responsible in order to avoid finger-pointing and no one taking responsibility.

PRICING Workgroup will consider a proposal brought forward by BPA, Idaho and PacifiCorp to lock in company rates for ten years (at which point the RTO could revise the rate structure). The cost of transmission replacements would be included in company rates, unless the replacement benefitted more than one transmission owner. BPA's GTA customers would pay the BPA company rate. Companies contributing facilities to the RTO would have considerable flexibility in determining which of the company's facilities were used as transmission and should therefore be turned over to the RTO. Transmission charges for exporting power from the RTO would be equivalent to current charges for those entities having rights to lines used for export. A sixth option was presented at the RRG: all facilities would remain at company rates for a fixed period (20 years?); the assumption is that current rates plus the RTO uplift charge (i.e., RTO overhead) would be the company rate.

SEAMS: some RRGers believe that when preparing the filing for FERC, internal seams should be the primary focus. Others (Alberta) are concerned that both the external and internal seams must be adequately addressed so utilities know where they stand.

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