

RTO Car Talk – August 10, 2001 Edition

TRANSMISSION FIXES

The Western Governors' Association is interested in looking at "fixing" transmission constraints in the western states. Earlier this year, there were plans for a task force to consider answers to three issues: what transmission is needed; how to get financing; and how to expedite the siting and permitting process. The task force intended to contact transmission owners and discover what plans folks had for upgrading facilities to eliminate or reduce congestion. The Conceptual Transmission Plan prepared for the Western Governors' Association is posted at

http://www.westgov.org/wga/initiatives/energy/transmission_rpt.pdf

This plan will be discussed at the governors' next meeting on 8/13.

BPA AS SCHEDULING COORDINATOR (SC)

BPA's PBL reps met with public power reps to present basic principles and a few concepts associated with BPA's proposed SC function in the RTO West world. Recall that RTO West will transact business with Scheduling Coordinators. Presentation highlights:

****WHO:** BPA would become an SC for (a) its own bulk power transactions, (b) non-converted transmission contract holders regardless of the type of power deal they have; and (c) full and partial simple power purchasers that convert their transmission contracts [to RTO service] and that choose BPA as their SC. Transmission customers of BPA who choose NOT to convert to RTO West MUST use BPA as their SC. Transmission customers who DO convert and have full or simple partial power deals may choose BPA or another provider of SC services. BPA may expand its offering of SC services to converted folks beyond full and partial simple power deals; no word yet.

****COST AND PRICE:** BPA intends to minimize cost and manage risk to provide "best total value for consumers". The SC service would be provided on a not-for-profit basis, priced so as not to increase risk of missing a Treasury payment.. The risk of providing the SC service would be reflected in the price. [Ed. note: so the basic formula appears to be, "price = cost + some amount for risk", which could result in quite pricey SC service.] Price might be so high that there could be financial pressure to convert to RTO transmission service in order to use another (cheaper) SC service provider.

****STRUCTURE:** Not really known right now because it's not certain what BPA would look like after RTO West takes control of much of the TBL function. But TBL is expected to remain an organization within BPA, and Standards of Conduct requirements would be met to the extent they are applicable. There are concerns that there be no conflict of interest, particularly for those utility customers who might be competing with BPA's bulk power function. Similarly, failure to assure that there is no conflict of interest might force some folks (those with resources to be sold into the market) to convert.

****WHAT WOULD BE OFFERED:** At RTO West startup, the SC function would include submitting balanced schedules; managing generation; managing FTRs; and performing billing & settlements. BPA has identified the "bookends" of the SC service: doing the bare minimum that RTO West would require on the one hand; and doing just about everything from before preschedule through billing & settlements on the other. What BPA would do is probably somewhere in between. BPA's power and transmission business lines are [Ed. adverb: FINALLY] comparing notes to determine exactly what they each do today.

****PUBLIC PROCESS:** BPA would have a public involvement process, possibly including a 7(i) process for setting the price of the SC service.

An update is expected in another month. If anyone wants electronic versions of some of the materials provided by BPA, please let Sue Furst (sfurst@ppcpdx.org) know.

ANNOUNCEMENT

A facilitator announced that the Bud-Krogh-Coordinating-Team has hired two new people to help staff the RTO West effort. Dean Perry, retired BPA system engineering wizard, will work on ancillary services, while Stephanie Watson, most recently a BPA attorney, will evidently work on legal aspects of the December 1 FERC filing.

CONGESTION MANAGEMENT

The group is making "working" decisions. The group reviewed and gave a general OK to the working zonal map and the list of flow paths; and fleshed out the basic methodology for translating rights and netting schedules so that modeling work can be completed. Preliminary numbers may be ready in two weeks -- at the next congestion management meeting.

Some specifics associated with translating rights are still contentious. For instance, the group can not reach consensus over whether there should be a review of the feasible dispatch assumptions two years after RTO start-up (other options are having a review every year, or having no review). Quite a bit of work has been done to describe how schedule netting will work. SCs and RTO West will be allowed to net schedules and sell any resulting rights as RTRs (recallable transmission rights). When netting schedules, SCs and the RTO are responsible for ensuring that no harm is caused to the transmission rights holders. If RTO West generates revenues (costs) as a result of netting, the revenues will be used to offset (increase) the uplift charges.

The group also discussed the use of phase shifters internal to RTO West and at the seams. No definite conclusions were reached, but the group agreed to use the status quo WSCC baseline case for initial modeling runs.

PLANNING

The group has added a little meat to its consensus recommendation presented at the RRG last week. The group agreed that RTO West should have authority to support financially some expansion projects. If the RTO finds that the avoided costs are greater than or equal to its annual revenue requirements (congestion costs) on a line, then RTO West should invest in an expansion project. RTO West should not invest past the point that it will receive benefits (reduce uplift costs).

Planning will be a coordinated process where the RTO will provide information at an open forum and promote congestion relief and improved reliability standards. There seemed to be consensus that in this process that RTO West should not have the authority to allocate costs of expansion projects, and that it must justify preferential treatment to one expansion plan over another. The process for an adequacy backstop has yet to be fleshed out. Some FUs are concerned that a strong backstop will be a disincentive for expansion. Publics are worried that without a strong backstop, reliability will be compromised.

The group discussed the process for addressing planning issues with control areas adjacent to, but not part of, RTO West. This is one of the issues flagged for the next Planning meeting.

[CONNECTING THE DOTS, cont'd -- an editorial

(The purpose of these editorials is to describe the RTO West world, and to compare it to what existed for over half a century in the Northwest. If I am in error on any point, I have asked Sue Furst to let me know after the fact.)

Requirements service has been the hallmark of BPA's existence. Until the wholesale market was deregulated, here's how requirements service worked:

BPA's transmission system was planned and built to serve load. So for those preference customers connected to the BPA transmission system and located within the BPA control area, if the system became congested, BPA simply (and behind the scenes) redispatched federal generation to relieve the congestion. BPA set the federal generation to run at levels of the forecasted requirement load, then BPA automatic generation control (AGC) made the necessary adjustment from the initial settings in order to follow the actual load.

Under this arrangement, all utilities paid for the cost of redispatch, regardless of who benefitted.

BPA's amoeba-like division of itself into PBL and TBL in order to comply (voluntarily) with FERC orders 888 and 889 changed that to some degree: PBL provides TBL with "X" amount of generation ("regulating reserves") so that TBL can match generation with load. (The folks who work with AGC are primarily assigned to PBL, but there are a few who are stationed in TBL.) In BPA's most recent transmission rate case, it proposed a tariff provision called, "regulation and frequency response service" -- an ancillary (and thus separately charged) service, which I think covers some or all of the redispatch function.

The structure of an RTO will result in a more basic change for at least two reasons:

1. BPA's control area will be replaced with an RTO control area (a collection of zones -- at first 50+ zones, now around 17; it is this collection of zones that is the cause of the congestion management fight). Balancing load and generation becomes very tricky from a cost-shift viewpoint. Under a pure RTO system, those who benefit will pay. While the cost of redispatch is spread over the region now, making redispatch relatively cheap on a per-customer basis, the same redispatch paid by just those in one zone could be very expensive on a per-customer basis.
2. RTO West may be under no (or only a limited) duty to plan or build to serve requirements loads. Transmission expansion and pricing may rely to some extent on market signals created by congested paths. Solutions for congestion relief would consist of building new transmission; building new generation; or conservation. At this time, an RTO work group recommends that RTO West have authority to fund new transmission facilities after going through a public process, and provided that the RTO West area -- not just an out-of-the-way small village -- benefits.

End of this week's editorial.]