RTO Car Talk – August 26, 2001 Edition

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[Ed. note: as you wade through all this, keep in mind that quote from the top dog at Scottish Power/PacifiCorp: "'I tend to sympathize with the old, regulated monopoly,' Richardson said with a smile. 'Well done, vertical monopoly is probably the best way of delivering cheap electricity reliably to the customers.'"]

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PUBLICS' MEETING WITH BPA

The RTO West filing for December 1 needs to include estimates of FTRs for all the FUs' transmission contracts and load service obligations. In order to do this, BPA must translate its current NT and PTP contracts into their FTR equivalents using (a) contract data, (b) feasible dispatch info from the PBL, (c) input from customers and (d) rules from the congestion management group.

**BPA must do this work regardless of whether customers convert their contracts to RTO West.
**This translation will not be used to coerce customers into converting.
**There would be a total of 24 values, one for each monthly on-peak and off-peak demand.

Because this is a huge workload, the effort must begin soon in order to complete it in time for the filing. The most efficient way of performing this is to convene a small group of BPAT [Ed. note: BPAT=TBL; BPAP=PBL] and public power folks (where public power folks are those on the RRG plus PPC). This group should know both the RTO proposals and BPAT contracts. Publics will need to confirm that so-and-so is representing their interests in this work. Here is the public's representation (BPA customers only) on the RRG:

Category	Principal	Alternate
Public Generators	Paula Green (Seattle)	Dave Osborn (Grant)
Rural Co-ops	Aleka Scott (PNGC)	Doug Brawley (PNGC)
BPA TDUs	Shelly Richardson (NRU)	John Saven (NRU)
Tx Scheduling Utils	Jerry Garman (PRM)	Ray Nelson (PRM)
Urban/West TDUs	Terry Mundorf (WPAG)	Eric Christensen (Sno)

TDU means transmission dependent utility

[Ed. note: I'm told this is as good as it gets in the FTR translation effort right now. The congestion management rules can't be tested to see if they work without something like this, and publics won't get better "deals" on FTR translations by working with BPA's original plan of having 1-on-1 negotiations between TBL AEs and individual customers. The small group will help assure consistency so that some utilities don't get better deals. The down side is that many of the public power reps are notoriously over-booked compared with much of BPA 's staff. Moreover, not all publics are covered by the RRG reps: Soda Springs? Minidoka? Declo? Albion?]

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CONGESTION MANAGEMENT

The group condensed its meeting into one day to allow the FUs time to flesh out the "rights translation" model. Basically, this model uses flow distribution factors to convert current contract rights into FTRs under a set of variable assumptions (peak, non-peak, winter, summer, open-system and closed system). The group spent most of the meeting reviewing the preliminary results from that model's runs.

The scenario considered assumed winter, on-peak conditions in an open system (i.e., open seams). Approximately 21 of 46 flow paths were over-allocated (i.e., when the contracts were converted, the rights allocated on those lines exceeded the path rating). Only four paths exhibited severe over allocation: Idaho to Utah; Lower Columbia to Willamette Valley; Spokane to Eastern Washington; and Utah to NPC North (the northern territory of Nevada Pacific Company). Two FUs have not submitted their data, so the results will change as that information is added. The group brainstormed different ways of reducing or eliminating the over-allocation problem. Six ideas are being written up to be considered at the next meeting.

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RRG MEETING

**Report on TransConnect
A. Puget has formally withdrawn from participation in TransConnect. This leaves Avista, Montana Power, Nevada Power, PGE, and Sierra.

B. TransConnect intends to make a FERC filing next month, although the RTO West FUs (which include TransConnect participants) decided not to do the planned August filing in order to focus on the December RTO West filing. (Little did we know that a handful really wanted to focus on TransConnect). Publics and other stakeholders are troubled that the TransConnect filing would undermine the overall collaborative process and slow the RTO West effort (because resources will be spend on commenting on the TransConnect filing). One stakeholder commented that the TransConnect should make an informational filing only. Anyway, the expected September TransConnect filing will include a detailed rate proposal, information on the TransConnect planning protocol, and a compliance filing on governance issues from the April 26 FERC Order on RTO West and TransConnect.

C. A summary of the TransConnect filing
*Pricing will be "zone rates" (i.e., company rates) based on cost of service for transmission facilities, and a 5-year rate cap as part of their "innovative rates". New investment will be priced incrementally where cost responsibility is known (i.e, direct assignment of costs wherever possible). There will be a negotiated rate authority (like negotiated rates permitted for gas pipelines). The effective date would be the same as RTO West effective date, and no separate TransConnect tariff is planned. Rates will be per the RTO West Tariff. TransConnect hopes for a return on equity of from 12-15.5%. A cost benefit analysis will be performed "consistent with Order No. 2000 requirements" (whatever that means, given FERC said it wouldn't require one!)
*For Planning, TransConnect intends to plan and propose projects that can be justified economically, using "least cost planning" protocol. (Question: How can TransConnect be a for-profit transmission entity that can consider "least cost planning", which must include non-transmission?) TransConnect will have independent authority to plan and undertake "other projects" including projects outside RTO West. RTO West will not unreasonably withhold approval of TransConnect projects within the RTO West control area. It still is not clear how the planning function will be "shared" between TransConnect and RTO West -- or how RTO West will have ultimate planning authority -- although FERC wanted this planning issue addressed. A TransConnect/RTO West meeting to discuss planning has not yet taken place.
*The compliance filing will address the two big issues flagged by FERC: clarification of Class C stock, and filing of audit reports directly with FERC.
D. Next steps are to make the FERC filing next month, get a FERC order and state regulatory OK, get approval from each company to form TransConnect, and then go operational.

**RTO West Planning and Expansion
A. Continued tension over the market driven expansion vs. RTO authority to relieve congestion. The planning group has recommended that RTO West have only limited authority to cause expansion to resolve congestion, but some participants (PNGC and BC Hydro) felt strongly that the risk of market failure was too great and RTO West should have complete authority. On the "market driven" side, the arguments are that price signals will assure that the most efficient solution (transmission, generation or load management) will address congestion. On the "market failure" side, folks questioned whether price signals could be sent in time to assure the market would resolve congestion before that congestion got out of hand. (Path 15 and California blackouts were discussed at length.) This issue is not resolved.

B. Another hot item to be discussed at next week's Planning meeting is transmission adequacy and the planning backstop. The stage 1 decision was that RTO West would have planning "backstop" authority only for those transmission facilities needed for operational purposes. These are primarily higher voltage facilities. Lower voltage transmission and distribution facilities, which generally would not be under RTO West's control, would not be part of RTO West's planning backstop authority. Some parties believe that RTO West should have authority over facilities turned over to RTO West and used for wholesale service regardless of voltage or whether RTO West has them under operational control.

**Market Monitoring
The market monitoring effort will be restarting soon. Two possible departures from the stage 1 proposal will be considered based on recent developments: (a) strengthening the market monitoring function to look more closely at power markets, and (b) having RTO West, California and Desert STAR share a single market monitoring unit which would look at markets across the west. The stage 1 model proposed that the market monitoring unit (MMU) focus on just RTO markets and report annually on power markets (i.e., "MMU Lite"), but with all the dysfunctional power markets there may be a greater need for something more than an annual report. Also, having a single MMU for the west is consistent with the RTO West team pitch that the preferred western model is three "seamless" RTOs serving a single wholesale power market. A shared MMU could support this 3RTO/1market idea as well as help keep costs low. Most still support an MMU that does not wade into the area of enforcement.

**Modifications to the Stage 1 Pricing Model
The changes in the stage 1 pricing model that were proposed at last week's Pricing group were presented to the RRG. As noted in last week's Car Talk, the modified pricing proposal would have a "pool" of costs associated with short-term (lost) revenues that would be included in a grid management fee (along with the costs of the RTO) -- nee uplift charge -- that all users would pay. There would be a cap on the amount of short-term (lost) revenues that would be part of this "pool" going into the grid management fee. There would be no export fee. The proposal is quite new, and has many details to hammer out. Some RRG participants were willing to withhold criticism until more details were available; others voiced concern that exports still weren't adequately addressed.

**Congestion Management Report
See above for a summary of the meeting.

**Alberta
A representative from Alberta said that Alberta is interested in joining RTO West (or at least working out a seams arrangement). Alberta views RTO West as consistent with its own government policy and as a means for resource developers to gain access to markets. It may need enabling legislation to join. An announcement could come as early as October.

**Status of Cost-Benefit Study
Four firms vying to perform the cost-benefit study were interviewed last Friday by a group of FU and stakeholder reps. One firm was the unanimous choice, but the selectee won't be announced until a few details can be worked out. There will be a meeting of the cost-benefit team next Tuesday to refine some of the study areas.