

RTO Car Talk – September 7, 2001 Edition

\*\*\*\*\*

#### INTERESTING TIDBITS

Culled from page 66, Public Utilities Fortnightly, 7/15/01:

NEPOOL operated for 30 years with 110 employees. New England ISO, NEPOOL's successor under FERC's mandate to form RTOs, employs nearly 300 folks. "[T]here are complexities in doing what we do now that weren't around in a regulated environment," explains the public relations officer for New England ISO.

By April of 1998, the California ISO had spent between \$350-\$400 million to begin functioning. It now employs about 400 full-time people, plus 200 contractors.

The New York ISO was formed in December of 1999. When it took over transmission operations, it had 140 folks on the payroll; today it has 150, with job openings remaining to be filled.

The PJM ISO, which began life in 1995 with 90 employees, now has between 350 and 400 (with more to be hired).

Then there's the Midwest ISO. It received an award from Indiana's Dep't of Commerce under a program called, Economic Development for a Growing Economy. The award is "a credit of up to 3.1 percent of a company's gross payroll for net new jobs created . . ."

This must be what efficiency, lower rates to the end-user, etc. are all about! Thanks, FERC!

\*\*\*\*\*

#### BPA/FU TOP DOGS MEET -- FINAL RTO WEST FILING MOVED TO 3/1/02

BPA and FU brass met last Tuesday to verify alignment among the FUs on major proposals, etc. Topics covered:

- \* NW Congressional delegation and regional stakeholder concerns about sufficient time for overall proposal development that considers and responds to regional participation and perspectives.
- \* A unified RTO West [Ed. note: FU?] position in response to FERC's request for a 12/1 status report on seams resolution; participation by Canadian entities; a framework for formation of a west-wide RTO; and a timetable for achieving that end.
- \* Approaches to assuring that the cost-benefit analysis has enough time for development and review within the region.
- \* Allowing sufficient time to develop technical aspects of the proposal, including treatment of conversion of customer contracts to firm transmission rights (FTRs); and the development of the RTO West role and function in regional planning and expansion.

The brass agreed to shift the date for making a final filing at FERC. (The 12/1/01 date remains to -- at a minimum -- respond to FERC's request for a 12/1/01 filing.) The date for filing the comprehensive RTO West stage 2 proposal will be March 1, 2002.

The FUs intend to continue their current schedule for task technical completion, with adjustments to reflect additional delegation and stakeholder input, and proposals for cost benefit analysis and development time.

\*\*\*\*\*

#### CONGESTION MANAGEMENT

The goal of this week's meetings was to resolve the over-allocation problem identified by the preliminary contract translation exercise. Twenty-one out of 46 paths have been identified as over-allocated, four of which are severely over-allocated. (Over-allocation means that the FTRs on a flow path exceed the rating of that path.) Several solutions to the over-allocation problem were hotly debated and voted on. No

consensus was reached. The group discussed possible changes to the congestion zone map. A subset of the group will meet next week to discuss possible changes.

\*\*\*\*\*

#### PLANNING

Despite the anti-backstop sentiments of many of the group regulars, this week the group made progress toward defining a planning process that includes a backstop designed to relieve chronic congestion in the case of market failure. Here is a rough outline of the possible process:

1. RTO conducts ongoing, system-wide studies to identify potential reliability and congestion problems. (The question has been raised: who will pay for these studies? It seems likely that, because the studies are conducted for the benefit of all, the cost will be "uplifted" to all parties via the grid management fee.) The RTO will be responsive to outside complaints regarding reliability and congestion problems.
2. Through an open public process, RTO West will release information on possible fixes; accept proposals for fixes; and seek cost-sharing schemes by users for potential fixes.
  - 3a. If the project is fully paid for through a cost-sharing scheme by users, no further involvement on the part of RTO West is required.
  - 3b. If a particular project gets close to 100% "subscription" under a cost-sharing scheme, and the remaining financial need is smaller than the uplift cost incurred due to congestion on that line, the RTO can dedicate funds to that project.
  - 3c. If a project gets no or virtually no "subscription", RTO West will try to determine the cause. If due to legitimate economic conditions, the RTO will do nothing. If, however, the cause is due to market failure, the RTO will trigger the planning backstop process. (The group has discussed the possibility of using triggers to determine when the backstop should be used.) [Ed. note: this proposal in particular makes no sense to me.]
4. If RTO West determines that there is chronic congestion or an impending reliability problem, it will act as the planning backstop. The RTO will select the most cost effective fix, and allocate the costs (and FTRs) of the project. (One important open issue is how the RTO is going to allocate or assign costs.) If a party disagrees with the RTO's decision, all involved will go through alternative dispute resolution.

\*\*\*\*\*

#### SEAMS/WESTERN MARKETS

The Seams meeting covered a "need for a west-wide vision statement that addresses both the near term and long term needs and accommodates [sic] the political, physical and procedural complexities of the three proposed RTOs." Also on the agenda were congestion management; price reciprocity; the Seams group's role with respect to the WMIC (Western Market Interface Committee); and some other Seams stuff (phase shifters, planned outages, scheduling timelines).

\*\*\*\*\*

#### MARKET MONITORING

The group is gearing up after being moribund during the focus on congestion management. Since the last time the group met, FERC has emphasized the need for and importance of market monitoring. The RTO West stage 1 proposal contained a very light approach to market monitoring, and this proposal must be revisited to make sure it is "sufficiently strong". And as mentioned in an earlier Car Talk, the RTO West participants are interested in working with Desert STAR and the California ISO to see if a single market monitoring plan/unit for the westside market makes sense. This would mean that the three separate RTOs would somehow share a joint, presumably independent, market monitoring unit (MMU). The preferred MMU structure -- either one MMU for RTO West or one "shared" by three western RTOs -- will be on the agenda for the marketing monitoring workgroup meeting later this month.

A Market Monitoring Workshop will be held sometime in early October in San Francisco. This workshop is expected to provide direction for market monitoring in general. However, it is still expected that the RTO West market monitoring workgroup will make recommendations on how market monitoring will work for RTO West (i.e., whether a stand-alone unit for RTO West or westwide "shared" MMU).

\*\*\*\*\*

#### TRANSCONNECT

Recall that at the last meeting of the RRG, the TransConnect utilities said that they intended to submit a filing to FERC. One area that FERC wanted additional info on was how planning would be shared between RTO West and TransConnect in light of the fact that Order 2000 places responsibility/authority for planning with the RTO. TransConnect's (draft) Planning and Expansion protocol has been posted on the RTO West Website at the address below. Note that this is the link to the TransConnect materials, including the letter on Puget's withdrawal from TransConnect:

[http://www.rtowest.org/Index\\_Page\\_TransConnect\\_Filing.htm](http://www.rtowest.org/Index_Page_TransConnect_Filing.htm)

\*\*\*\*\*

#### COST-BENEFIT ANALYSIS

Discussions have begun with the chosen consultant, Tabors Caramanis & Associates. This firm is technically competent. Caveat: the firm has done a lot of work for Enron and appears to be supportive of RTOs.

The focus at the moment is to develop a statement of work to be completed by 12/1/01. The FUs will shell out \$15,000 to get the work started.

A disturbing element of the meeting was that not one BPA rep was present. This is significant in view of the fact that one of the purposes of the meeting was to determine what data the cost-benefit analysis would generate that BPA could use for its own cost-benefit analysis. For as reported in the past, the FUs are interested only in a global study. It's up to BPA to do a study that is specific to BPA and its customers. Thus PPC's rep focused on ensuring that the analysis performed for the FUs will throw off location-specific information about forecast changes in market prices as a result of the RTO (this is what is needed to be able to estimate cost shifts).

\*\*\*\*\*

#### GLOSSARY AND ACRONYM LIST

For possibly the second time since the birth of RTO Car Talk, attached for your reading pleasure and reference are an RTO glossary and an RTO acronym list, both prepared by Sue Furst of PPC. They can be a great help if you get too mired down in technical jargon.



[GlossaryofTermsfinal1.doc](#)



[Acronym21.doc](#)