

RTO Car Talk – October 26, 2001 Edition

CONNECTING THE DOTS -- An editorial: Random Speculation About Where FERC Will Go Post-Camp RTO

I asked Kevin O'Meara, our guy who listened to the doings at Camp RTO, what he thinks FERC's long-term plan is. Here are his prognostications:

FERC is determined to move forward with RTOs, and is frustrated that the only RTOs to have formed are two power pools (PJM and NEPOOL) and in two states (New York and California); that slow progress is being made toward establishing RTOs elsewhere; and that almost no progress is being made towards developing the large RTOs that FERC thinks necessary.

The level of frustration was best exemplified by Comm'r Massey, who noted that he kept hearing calls for FERC to provide more process, despite the fact that FERC has been providing process for years. He is willing to provide another process, but only if it concludes at a successful designated endpoint. A number of panelists declared (and I think that FERC agrees) that we are now in the worst of all possible worlds -- we have lost the benefits of the regulated, vertically integrated utilities, but we haven't captured the claimed benefits of the new world.

FERC heard that standardization is good, though there are enough differences between regions that accommodation for regional conditions is necessary. FERC will have problems justifying RTOs in the eyes of some state commissions.

I think FERC has concluded that collaborative processes intended to create RTOs are likely to go on for years without result. FERC's alternative, to impose large RTOs by mandating "mediation" with tight deadlines, hasn't worked very well, either.

Thus I suspect FERC's next approach will be as follows. FERC will issue a NOPR by the end of 2001, and an order early in 2002. The order will define a complete proforma structure for an RTO: governance, pricing, congestion management, the works. The order will be accompanied by a map showing the service areas of a number of large RTOs -- Northeast, Southeast, Midwest and probably three RTOs in the West (but possibly one or two) (ERCOT in Texas doesn't come under FERC's regulations).

FERC will inform all jurisdictional utilities that they have 90 (or 120, or 150) days to make a filing showing where they disagree with the proforma RTO structure; explaining what changes they want to make to the proforma structure; and explaining why these changes are superior in light of regional conditions. If no utility in an RTO area makes a filing, the proforma RTO will be imposed as is. If competing filings are made, FERC will evaluate the filings, and choose on a point-by-point basis which one, if any, is superior. The default is that the provisions of the proforma RTO structure will be imposed. FERC will simultaneously convene meetings between it and the state commissions in each RTO area to hammer out an agreement on what the final RTO structure will be. Those FERC-regulated utilities refusing to join their designated RTO will die the death of a thousand regulatory cuts that FERC has already threatened them with.

End of editorial.

SOUTHEAST REGULATORS DISLIKE BIG RTOs

The Southern Co., a utility holding company serving 4 million consumers, says a SE regional RTO would require \$3 billion in new tx infrastructure, or an 8%-10% rate increase for retail consumers.

A commissioner on the Georgia PSC responded, "We have low prices, we have reliable service, and we have a good system. We think the [FERC] process has been . . . without any consideration to what either

the cost or cost savings are going to be . . . If the average ratepayer in my state has to pay more to promote retail competition, I am most certainly not in favor of it."

[Ed. note: State regulators are oh, so slowly, noticing that FERC is stripping them of their authority. When irate ratepayers burn in effigy someone they think is to blame for high utility bills and rotten service, is it Pat M. Wood's or Curtis Hebert's effigy they burn? No. It's the state governor's or state regulators', i.e., the folks who are actually sensitive to voters.]

NEW YORK ISO'S COST-BENEFIT ANALYSIS

The NY ISO's cost-benefit study of FERC's plan to combine the Northeast electric grid under a single RTO shows that the move could raise consumers' power bills by \$90 million a year. The study contradicts a September study by Mirant Corp. which showed that a regional RTO could save consumers \$440 million a year.

Mirant is an independent energy merchant that wants to ship power across New York transmission wires to reach unregulated wholesale markets, while the NY ISO currently coordinates power shipments on the state's grid.

"If policymakers have been relying on the numbers in this (Mirant) study to inform their decisions ... there is reason to be seriously concerned," NY ISO reps said in a news release.

CONGESTION MANAGEMENT

This week's Congestion Management and Planning workgroup meetings were canceled. The buzz is that the FUs were using this time to meet and iron out their differences. Many RTO participants (both technical and policy folk) attended a presentation on PJM (an RTO that covers the majority of the five Mid-Atlantic states and the District of Columbia). Below are links to the presentations given at this meeting.

PowerPoint Slides of Andrew Ott's presentation for the LMP Educational Briefing (given by Seaborn Adamson)- <http://www.rtoWest.org/Doc/01-10-20SASeabronPJMpresentation-draft.PDF>

PowerPoint Slides of Seaborn Adamson's presentation for the LMP Educational Briefing- <http://www.rtoWest.org/Doc/01-10-21SADraftRTOWestpresentation.PDF>