

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System)	Docket No. ER06-615-002
Operator Corporation)	
)	
)	

**COMMENTS OF
PUBLIC POWER COUNCIL**

In accordance with the Commission’s *Notice of Technical Conference*¹ in the above-captioned proceeding, the Public Power Council (PPC) submits these comments for the Commission’s consideration.

I. Introduction

PPC is a not-for-profit trade association that represents the common interests of the over one hundred publicly-owned or cooperatively-owned electric utilities in the Pacific Northwest. PPC is intensely interested in the California Independent System Operator Corporation (CAISO) tariff, which reflects the Market Redesign and Technology Upgrade (MRTU).

Some of PPC’s member utilities own and operate transmission facilities in the region, and some trade power in the Western wholesale market. Many of PPC’s member utilities rely heavily on the Bonneville Power Administration (“BPA”) for power to serve their retail loads, as well as on BPA’s transmission

¹ Notice of Technical Conference, *California Independent System Operator Corporation*, Docket No. ER06-615-002 (October 24, 2006).

system to deliver federal and non-federal power to their systems. Additionally, all of PPC's member utilities are part of the Western Interconnection. Because of the many roles PPC member utilities play in the region's integrated power network, PPC expects that the CAISO tariff and MRTU have a strong likelihood of affecting PPC members' operations and access to power and transmission services.

II. CAISO and MRTU Effects on Electricity Service in the Northwest

a. The Northwest Region's System

The Northwest is characterized by relatively low rates and a relatively strong record of investment in generation and in transmission. (*See attached graphic on transmission circuit miles completed in 2004.*) It is also largely characterized by cost-based, regulated retail systems—both investor-owned and consumer-owned. Transmission within the Northwest is to a large extent dominated by two transmission providers—BPA and PacifiCorp. Another distinguishing characteristic of the Northwest electric industry is the marked predominance of hydropower. Also, like rest of the West outside of CAISO, we conduct wholesale business through bi-lateral contracts of short, medium, and long-term duration. We have declined to establish formal organized markets and full-blown regional transmission organizations (RTOs), but we do participate in

several other regional entities designed to coordinate various generation and transmission functions.² These policy choices have served us well.

Given the distinctive nature of the electric industry in the Northwest, PPC wants to make sure that, as the “seams” between CAISO and the rest of the West are addressed, our utilities and their customers are not adversely affected, and that we continue to be able to make improvements to the provision of electricity in our region.

b. PPC’s Concerns Regarding MRTU

There is much we do not yet know about how the operation of MRTU could affect our region. We expect, however, to have more information and a stronger sense of the critical issues after attending a WestConnect conference in Sacramento on November 15th, after reading the comments that will be filed November 15th by others in this docket, and after reviewing the compliance filings ordered by the Commission, due 60 days after its September 21, 2006, order that conditionally approved the MRTU proposal.

At this time, our concerns about seams issues generally fall into two categories—“reliability” issues and “commercial” issues. We expect that BPA and others will be filing comments on reliability. Some of our “commercial” concerns include:

² Some of these organizations include ColumbiaGrid, the Northwest Power Pool (NWPP), the Western Electricity Coordinating Committee (WECC), and the Northwest Power and Conservation Council (NWPPC).

- Effects on existing bilateral contracts with parties inside and outside of the CAISO area,
- Effects on the structure of future bilateral contracts,
- Effects on overall bilateral contract markets for energy and transmission,
- Effects on the non-firm power market, and
- Effects on firm bilateral trades between the CAISO and the Northwest.

The Commission should ensure that we do not experience the market chaos that occurred in 2000 and 2001, which has lingering effects in the Northwest. As noted by the Control Area Coalition in its letter of October 11, 2006, to Yakout Mansour, transmission congestion in neighboring control areas may increase and transmission scheduling may become more complex due to MRTU. The Commission should require the ISO to demonstrate that its systems produce workable, reasonable results before full implementation, and should require that back-up systems remain in place in case the new protocols of MRTU fail in some way to produce reliable operations and reasonable energy prices.

Issues associated with imports and exports are addressed throughout the Commission's September 21, 2006, Order on MRTU. The West will be directly affected by the way MRTU treat exports from and imports into the ISO, in terms of:

- pricing,
- scheduling priorities during normal and emergency conditions,
- the ability to use resources outside the ISO's control area to hedge against price uncertainty inside the control area,

- the ability to bid imports into ISO energy and ancillary service markets,
- the ability to bid exports into energy and ancillary service markets outside the ISO,
- ramp rate requirements,
- the allocation of costs to export schedules,
- the ability of Load Serving Entities to use imports to self-supply ancillary services, limits on the types of bids for imported ancillary services (e.g., multi-segment bidding),
- the ability to participate in “convergence bidding”, and
- auctions for Congestion Revenue Rights on interties.

Thus, “seams issues” are not limited to scheduling and e-tag timelines, but include product definitions, price determination, bidding rules, rules for curtailments, emergency protocols, and the potential for market power to spill over into neighboring states and control areas. The Commission should remain open to proposals for revisions to MRTU over time to address real problems that might arise, and should be ready to act quickly to require changes that are in the interest of consumers throughout the West.

III. Conclusion

PPC awaits more definitive information about how MRTU will actually work and looks forward to participating with the rest of the West in further defining and addressing the CAISO’s tariff in the coming months. Our overriding concern is the preservation and enhancement of our fundamentally sound, cost-

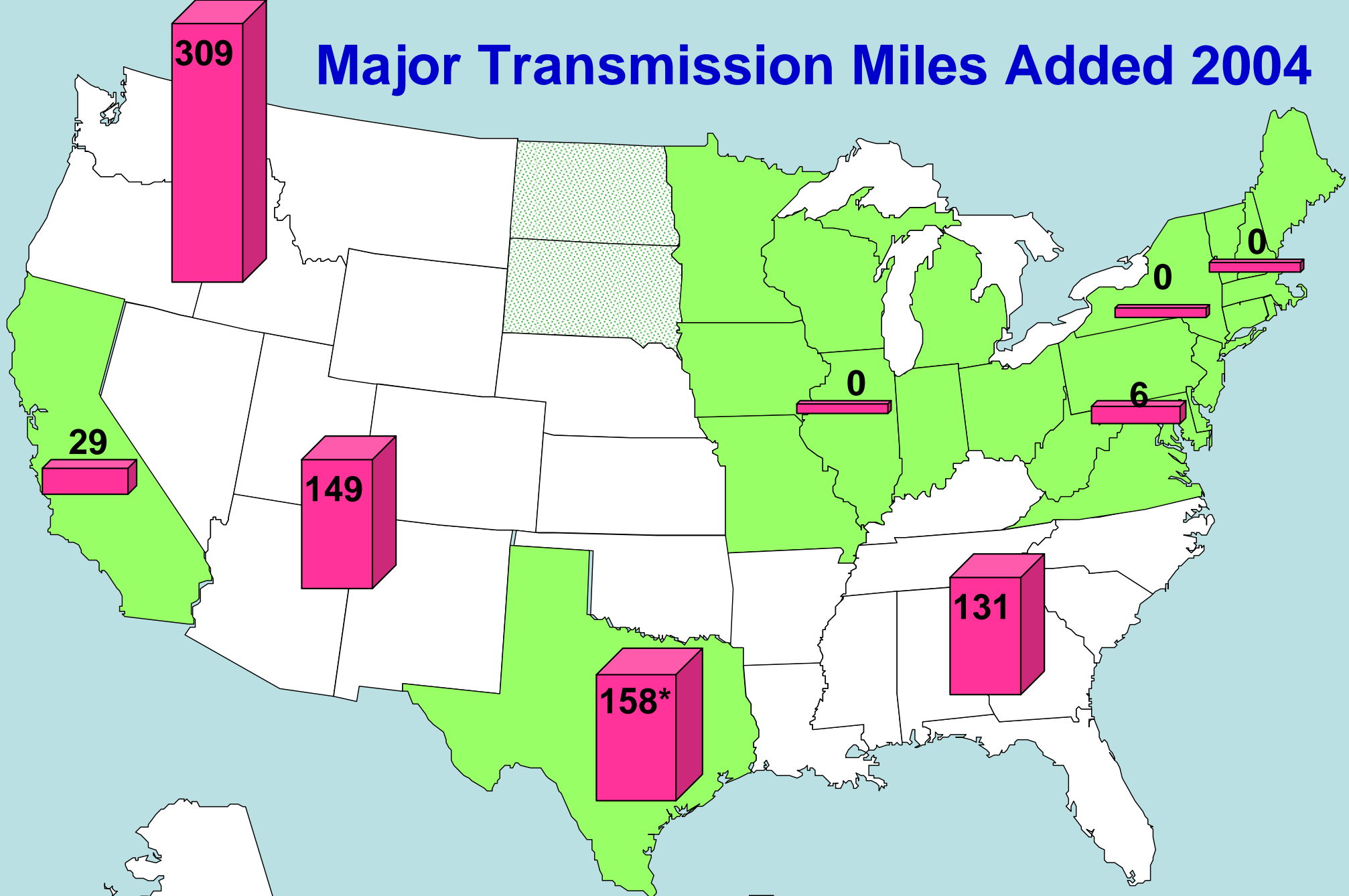
based regulated electricity system that has served the Northwest well for many decades.

Respectfully submitted on November 15, 2006.



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Major Transmission Miles Added 2004



Source: FERC "State of the Markets 2004"

Major Transmission Miles Added 2004

States with RTOs

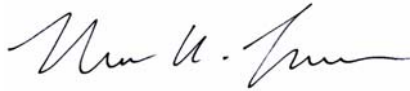
Small part of state in RTO

*estimated

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in Docket No. ER06-615.

Dated on this 15th day of November, 2006.

A handwritten signature in black ink, appearing to read "Mark R. Thompson".

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