

RTO West
Pricing Structure
RRG Pricing Proposal “Option 6”¹
Version 2
As of August 5, 2000

1. Transition from Company Rates to RTO end state rates:
 - Company Rates will remain in effect for a fixed period of time (such as ten years), at which time the entire rate design may be revisited and potentially may be changed by the RTO.
 - Issue: How long will Company Rates remain in effect?
 - Issue: Will transmission customers be charged a Company Rate, a system rate or a FERC rate?
 - Issue: Some parties still concerned about jump ball
 - During the Company Rate period, the cost of all transmission replacements will remain in each transmission owner’s company rates.
 - During the Company Rate period, the transfer charges will remain constant, except that any transfer charges tied to specific FTRs shall expire at such time as the related FTRs expire. Other exceptions to a constant transfer charge may be appropriate on a case-by-case basis.
 - Issue: How to handle FTRs as underlying contracts expires – do transfer payments change? [input needed from Congestion Management Work Group]
 - Issue: How will O&M be treated? [input needed from Pricing Work Group]
 - During the Company Rate period, transmission upgrades and new transmission facilities constructed by a transmission owner will remain in the Company Rate of the transmission owner owning such facilities, except that the RTO may determine that all or a portion of the costs of such facilities shall be allocated to other transmission owners proportional to the relative benefit the RTO finds the loads of such other transmission owners receive from the upgrades or new facilities.
 - Issue: Allocation of benefits and costs (who decides, methodology), including consideration of socializing costs of non-transmission solutions [input needed from Planning Work Group, Congestion Management Work Group (FTRs)]
 - Issue: Treatment of FTRs (FTRs v. revenues to purchase FTRs)[input from Congestion Management Work Group]
 - Issue: Interconnections (standards, mitigation, and who pays for necessary upgrades)[input from Planning Work Group]

¹ Bonneville, Idaho Power, and PacifiCorp originally authored this proposal. It was discussed with the RRG on August 3 and, while the RRG has not agreed to this as the final approach, they have instructed the Pricing Work Group to focus their efforts on resolving the related “pricing” issues. This version (Version 2) sets out those issues and, where work group input is needed, identifies which work group will provide the input (if a work group is not identified, an issue will be resolved by the RRG).

- Issue: How to address if RTO needs to clear congestion through expansion (no congestion market)[input from Congestion Management Work Group]
 - Issue: Will current line extension policies be carried forward? YES
 - GTA customers shall pay the Company Rate of the transmission owner now sharing such GTA customer. For example, GTA preference customers of BPA shall pay the BPA Company Rate.
 - Issue: Not all parties agree that the current treatment of GTAs should be preserved
 - The cost of new transmission facilities constructed to relieve transmission system congestion shall not be included in the Company Rates.
 - Issue: Are there instances where it would be appropriate to include in Company Rates? [Input from joint Pricing, Planning, and Congestion Management Work Groups on Market-Driven Expansion Mechanism]
2. Transmission facilities that may be included as RTO facilities in the Transmission Control Agreement (and in Company Rates during the Company Rate period):
- Each transmission owner must include as RTO Facilities all transmission facilities that the FERC finds are needed to support the RTO's transfer capabilities and the Order 2000 RTO functions.
 - Issue: Does Order 2000 only require a transmission owner to turn over those transmission facilities that FERC finds are needed to support the RTO's transfer capabilities and Order 2000 functions?
 - In addition, each transmission owner also may include, and at any time may remove, any other transmission facilities that meet RTO standards and that FERC does not require, but will allow, to be included as RTO facilities.
 - Issue: Role of RTO in decision to remove facilities (some parties believe that the RTO should be active participant)
 - The right to add or remove such additional transmission facilities shall continue through the term of the Transmission Control Agreement, subject to the FERC's right to change from time to time its definition of the facilities that must be included as RTO Facilities.
 - If the RTO at or after the end of the Company Rate period elects to change the RTO rate design, (i) any affected party may argue what the proper allocation of specific facility costs should be and (ii) any transmission owner may add to remove as RTO Facilities, any transmission facilities that the FERC allows but does not require be included as RTO facilities.
 - The decision as to which transmission facilities shall be included as RTO facilities shall assure continuation by the RTO of service provided by transmission owners to loads of other transmission owners pursuant to pre-RTO transmission agreements (such as GTAs).
 - Issue: Some parties believe this issue is not limited to GTAs and that continuation of service should be assured to all customers (including future customers)
3. Treatment of RTO exports:

- The Participating Transmission Owners, and all other entities currently receiving or having a reservation for firm export transmission service (as well as for firm service within the RTO), shall pay transfer charge amounts comparable to the currently-applicable charges for such firm service, in exchange for FTRs equivalent to their current firm rights. Such transfer charges shall continue for the applicable FTR allocation periods.
 - Issue: How is money from “other entities” collected? [input needed from Pricing Work Group]
- The Participating Transmission Owners shall pay as components of their annual transfer charges, amounts comparable to their typical payments for short-term firm and for non-firm service, both within the RTO area and at the RTO seams. To the extent FTR revenues for non-exempt FTRs are available to each Participating Transmission Owner receiving such transfer charge component, such non-exempt FTR revenues will be applied first to reduce or eliminate the transfer charges for such historic short-term firm and non-firm service.
 - Issue: What is the duration of the transfer payments of short term and non-firm transactions? [input needed from Pricing Work Group]
- The RTO shall auction export FTRs, but shall impose no volumetric export charge.
- Revenues from the auction of export FTRs shall be credited against the Company Rates of the TO whose system creates the flowgate capacity, in the same manner as finally agreed for the auctioning of other FTRs.
 - Issue: What FTRs are associated with exports and how are they distributed to the PTO? [input needed from Congestion Management Work Group]
- A number of parties expressed a concern about further evaluation of the export component of this proposal

4. Major unresolved follow-on issues:

- How should imputed transmission costs related to firm and non-firm power sales be allocated?
- How should lost revenues from third party short-term firm and non-firm wheeling be handled?
- Can BPA eliminate the need for an Island rate, by providing for net load service in its Company Rate?
- Logistics of Company Rate [input needed from Pricing Work Group]:
 - Definition
 - What Company Rate does new load pay?
 - What Company Rate does new transmission owner pay?
 - What Company Rate does existing load with multiple transmission providers pay?
 - Can existing load bypass its current transmission provider to obtain a lower company rate? (painting loads)
 - Treatment of losses
- Treatment of Cost Shifts Between Transmission Customers (many parties believe that the “no cost shift” principle underlying this proposal should be extended to

eliminating/minimizing cost shifts between transmission customers as well as between transmission owners.