

RTO West
Pricing Structure
RRG Pricing Proposal “Option 6”¹
Version 4
As of August 9, 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.
 - Observation: PTO rate proceedings will determine what a PTO’s loads will pay for RTO service.
 - Issue: How long will Company Rates remain in effect?
 - Issue: Some parties still concerned about jump ball.
 - Issue: What is the design of the RTO uplift and how will it be treated?
 - During the Company Rate period, the cost of all transmission replacements will remain in each PTO’s Company Rates.
 - During the Company Rate period, the transfer payments will remain constant, except that any transfer payments tied to specific FTRs shall expire at such time as the related FTRs expire. Other exceptions to a constant transfer payment may be appropriate on a case-by-case basis.
 - Issue: How to handle FTRs as underlying contracts expire: e.g., will the initial holder have a right to FTRs in perpetuity or will the duration of its right be coextensive with the term of the underlying contract; will transfer payments change? [Input needed from Congestion Management Work Group]
 - What does “constant” mean? [Input needed from Pricing Work Group]
 - If the underlying costs of the service being provided change over time, should that alter the cost-based streams of transfer payments that are intended to be netted out?
 - Should changing costs be handled through a different mechanism than transfer payments?
 - Issue: How will O&M be treated?
 - How should contract expiration and conversion be handled?
 - During the Company Rate period, transmission upgrades and new transmission facilities constructed by a PTO will remain in the Company Rate of the PTO

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 4) sets out issues identified by the RRG and the Pricing Work Group. Where work group input is needed, the document identifies the responsible work group (if a work group is not identified, the issue will be resolved by the RRG).

owning such facilities, except on the request of a sponsoring PTO, the RTO may determine that all or a portion of the costs of such facilities shall be allocated to other PTOs proportional to the relative benefit the RTO finds the loads of such other PTOs receive from the upgrades or new facilities.

- Observation: This approach does not impact the ability of a PTO to directly assign the costs of facilities and the RTO will not be involved in such decisions.
- Observation: A process will be developed to address the allocation of benefits and costs. [Input needed from Planning Work Group]
 - ❑ Issue: Allocation of benefits and costs (who decides, methodology), including consideration of whether the costs of non-transmission solutions should also be allocated to PTOs proportional to the relative benefit to their loads [Input needed from Planning Work Group, Congestion Management Work Group]
 - ❑ Issue: Treatment of FTRs (for example, will parties be allocated FTRs or revenues from auctions to purchase FTRs) [Input from Congestion Management Work Group]
 - ❑ Issue: Interconnections (standards, who pays for necessary upgrades, and whether negative impacts to transfer capability should be mitigated by interconnecting party) [Input from Planning Work Group]
 - ❑ Issue: Will current line extension policies be carried forward? YES
- GTA customers shall pay the Company Rate of the PTO now serving 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 indefinitely
- 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 these costs in Company Rates, for example, if the RTO decides to clear congestion on a non-commercial path (no congestion market) through expansion? [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 PTO must include as RTO Facilities all transmission facilities that FERC finds are needed to support the RTO's transfer capabilities and the Order 2000 RTO functions.
- Observation: Individual PTOs will decide what facilities are required for this purpose. If a party disagrees with a PTO's decision, they can challenge such decision at the time the RTO/PTO files with FERC.
 - ❑ Issue: Does Order 2000 require a PTO to turn over all of its transmission facilities to the RTO, or only those transmission facilities that FERC finds are needed to support the RTO's transfer capabilities and Order 2000 functions?
 - ❑ Issue: What transmission facilities are needed to support the RTO's transfer capability and Order 2000 functions?

- Issue: Treatment of non-jurisdictional PTOs -- will the same “facilities inclusion standards” apply? (Should non-jurisdictional PTOs have greater discretion with respect to deciding whether to transfer transmission facilities to the RTO?)
- In addition, each PTO 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 an 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 PTO may add or remove as RTO Facilities, any transmission facilities that the FERC allows but does not require be included as RTO facilities.
- Regardless of the decision as to which transmission facilities shall be included as RTO facilities, payment of the full transfer payment shall assure continuation by the RTO of service provided by PTOs to loads of other PTOs pursuant to pre-RTO transmission agreements (such as GTAs), including service over facilities not included as RTO facilities, if any.
 - 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 PTOs, and all other entities currently receiving or having a reservation for firm export transmission service, shall pay transfer payment amounts equivalent to the currently-applicable charges for such firm service, in exchange for FTRs equivalent to their current firm rights. Such transfer payments shall continue for the applicable FTR allocation periods.
 - Issue: How is money from “other entities” collected? Other entities include marketers, IPPs, and utilities that are not affiliated with PTOs. [Input needed from Pricing Work Group]
 - Issue: Does this rule apply to firm service over paths within the RTO to reach an export point as well as firm service to reach a third party within the RTO? [Input needed from Pricing Work Group]
- The PTOs shall pay as components of their annual transfer payments, amounts comparable to their typical payments for short-term firm and for non-firm service, both within the RTO area and for exports. To the extent FTR revenues for non-exempt FTRs are available to each PTO receiving such transfer payment component, such non-exempt FTR revenues will be applied first to reduce or eliminate the transfer payments associated with 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]
- Issue: What is the basis for determining the (stipulated) short-term firm and nonfirm revenues: historical? With or without adjustments. [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 PTOs whose systems create 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 PTOs? [Input needed from Congestion Management Work Group]
- A number of parties expressed a need for further evaluation of the export component of this proposal

4. Major unresolved follow-on issues:

- How should imputed transmission costs bundled into firm and non-firm power sales be allocated?
 - Issue: Does “allocate” include two steps – (1) determining costs and then (2) allocating costs? [Input needed from Pricing Work Group]
 - Issue: What happens if the parties to the sales agreement prefer different methods of allocation? [Input needed from Pricing Work Group]
- How should lost revenues from third party short-term firm and non-firm wheeling be handled?
 - Issue: How will revenues from FTRs be collected and distributed? [Input needed from Pricing Work Group]
- Can BPA eliminate the need for an Island rate, by providing for net load service in its Company Rate? Do other PTOs need a similar net load service?
- Logistics of Company Rate [Input needed from Pricing Work Group]:
 - Definition
 - What Company Rate does new load pay?
 - What Company Rate does a new utility that was previously a load 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 PTOs.)