TXPR-04 Issue: Short-term Firm and Non-Firm Recommendation

Background: Short-term contracts consist of (a) wheeling to export or wheeling between RTO members, and (b) short-term bundled power sale with imputed transmission access fees. Short-term bundled power sale with imputed transmission access fees was covered in TXPR-02 at the 8/24/00 RRG Meeting. This issue paper covers the Short-Term wheeling to export and wheeling between RTO members.

Since Order 888/889 the usage of short-term contracts has increased. Revenues or expenses from these contracts provide an offset to the revenue requirements factored into existing company rates.

Option 6 Recommendation: 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 auction revenues from unencumbered (non-exempt) FTRs are available to PTOs receiving such transfer payment component, such unencumbered (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.

Alternative Recommendation: Address the Open Issues, identified below, before accepting the Option 6 Recommendation.

- Duration of the Short-Term and Non-Firm Transfer Payment – Is it the same as all transfer payments or shorter?

- Need to resolve the IPPs (sometimes labeled as the Montana Problem) issue before a short-term transfer payments can be finalized – see briefing paper located in the attachments.

- Need to investigate non-load based access or uplift charges as an alternative revenue stream to offset transfer payments**.**

    - See Montana Briefing paper for alternates proposed but not addressed by the WG
    - Evaluate Puget / Sierra Power / NP non firm proposal for FTR uplift on non-exempt or unencumbered FTRs (proposal distributed but not addressed by WG)

- Allocation of unencumbered FTR auction revenue between Transfer Payments and Loads to reduce rates.

WG Recommendation: WG is split on accepting the recommendation in Option 6 Pricing Proposal and further investigating the open issues.

TXPR-05 Issue: Long term Wheeling (PTO to PTO member) Transfer Payment for Other Wheeling

Long-term wheeling contracts are associated with (1) Wheeling necessary to serve load and (2) Other Wheeling. All active long-term wheeling contracts have a completion date (some with rollover rights) and associated allocation of FTRs while the contract is active. The WG's strawpositions are:

(1) Wheeling necessary to serve Load

> There is general agreement that if the wheeling agreement is needed by purchaser to serve their loads, then the transfer payment and FTR allocation should continue. An example would be a long-term firm wheeling agreement to wheel a company's remote resources to its loads.
>
> Recommendation: Continue the transfer payment for all long-term firm wheeling agreements to load and after the contract expires the load will retain its FTRs allocation.

(2) Other Wheeling

> There is not general agreement on transfer payments for wheeling across a PTO's system and other wheeling that is not necessary to serve load
>
> Alternative 1: Continue the transfer charge after the contract expires and continue the prior FTR allocation (last part is inconsistent with direction of CM WG but necessary to offset the effects of the transfer payment).
>
> Alternative 2: Discontinue transfer charges after Other Wheeling Contracts expire or terminate, except in instances where all parties to the contract mutually agree that the PTO receiving service under the contract is dependent upon the contract to provide service to its load, or interconnect generating facilities to the RTO Grid.

David Gilman provides supporting data for alternative 1 and Kirk Conger provides supporting data for alternative 2.

Alternative 1 Supporting Position Paper

Long term wheeling transfer payments – How should "other contracts" (not needed to serve load) be treated?

There may exist long-term wheeling contracts that are not directly serving load or used for exports. An example may be a contract to a trading hub, as the mid-Columbia. Should the transfer payments and the assignment of FTRs continue or terminate when the contract expires?

Recommendation:
Continue the transfer payment and FTR allocation after the expiration of the contract. The same treatment as contracts necessary to serve load.

Pros:

- The failure to continue the payment may cause a cost shift, as the PTO providing the service would lose a source of revenue. Which would increase the company rate. The PTO may have the revenue from the auction of the associated FTRs.
- The FTRs may be considered non-exempt and the revenue allocated to other uses, as replacing short-term revenue.
- Treating the "other contracts" the same as contracts needed to serve load would have the benefit of not requiring the determination of the use of the expiring contract. Determining if a given contract is not needed to serve load would be fraught with many issues.

Cons:

- This could cause a cost shift if the load is not presently paying the cost, such as economy sales. The treatment of this cost in the company rate would become an internal issue.

Alternative 2 Supporting Position Paper

Alternative 1 mistakenly assumes that discontinuation of these payments will create a cost shift. How can a cost shift be attributed to an event (contract expiration) that was known and measurable *prior* to RTO West formation? It is not accurate to claim a "cost shift" under the circumstance that a contract was to expire even if the RTO never formed. In fact, any cost shift analysis should assume that contracts and transfer payments would not continue beyond the expiration date in the contract creating the transfer payment obligation.

Alternative 2 recognizes that pre-existing contracts have known terms and conditions that will be translated into RTO service. Rollover rights, if any, are specified in these contracts.

WG Recommendation: WG is split on this issue

Linkages to Other Major Issues:

Other Transfer Payment Issues presented to the RRG on 8/24/00.