
CREPC Briefing

RTO West

RTO West

What we are going to say

- Order 2000 Background
- RTO West Chronology
- RTO West compliance with Order 2000.
- Significant Issues.
 - Pricing
 - Asset inclusion
 - Firm transmission rights

Part I: Background

- National Energy Policy Act of 1992.
- FERC implemented in two phases:
 - Orders 888/889 (199?).
 - Order 2000 (1999)
- Goal: create confidence and liquidity in wholesale electric markets.

NEPA 1992

- Required all “public utilities” to provide non-discriminatory access to transmission facilities.
- Required FERC to issue rules implementing the act.

Orders 888/889

- Provided the details for how open access would work:
 - Standardized, FERC approved tariff.
 - OASIS.
 - Codes of Conduct
 - Encouraged Independent System Operators.
- Many parties not satisfied (including transmission owners).

IndeGO

- Regional utilities tried to form an ISO in 1996-98.
- Failed for several reasons:
 - Cost shifting.
 - Lack of a compelling order from FERC.
 - Lack of commitment from senior management of several key parties.
- Full year of no discussions.

Early talks

- East versus West:
 - Scope versus structural challenges.
- Transco versus ISO:
 - For profit and ownership of assets
 - » versus
 - Non-profit and control of assets.
- Waiting for the final order.

While the Order in Progress

- FERC's Regional Workshop (August 1999)
 - Region divided.
- Lawyers Committee - exhaustive look at structural alternatives (4Q 1999).
- Order 2000 Issued (December 1999).
- Discussion and agreement on principles for RTO West (February 14, 2000).

After FERC Issued the Order

- Public Process designed (March 2000).
- Public Process (May 2000 - present).
- Filing due: October 16, 2000.

Part II: Compliance with Order 2000

- FERC very specific in defining both the characteristics and functions on an RTO.
- RTO West's proposal will be fully compliant with each of these.

Order 2000 Basics - 4

Characteristics

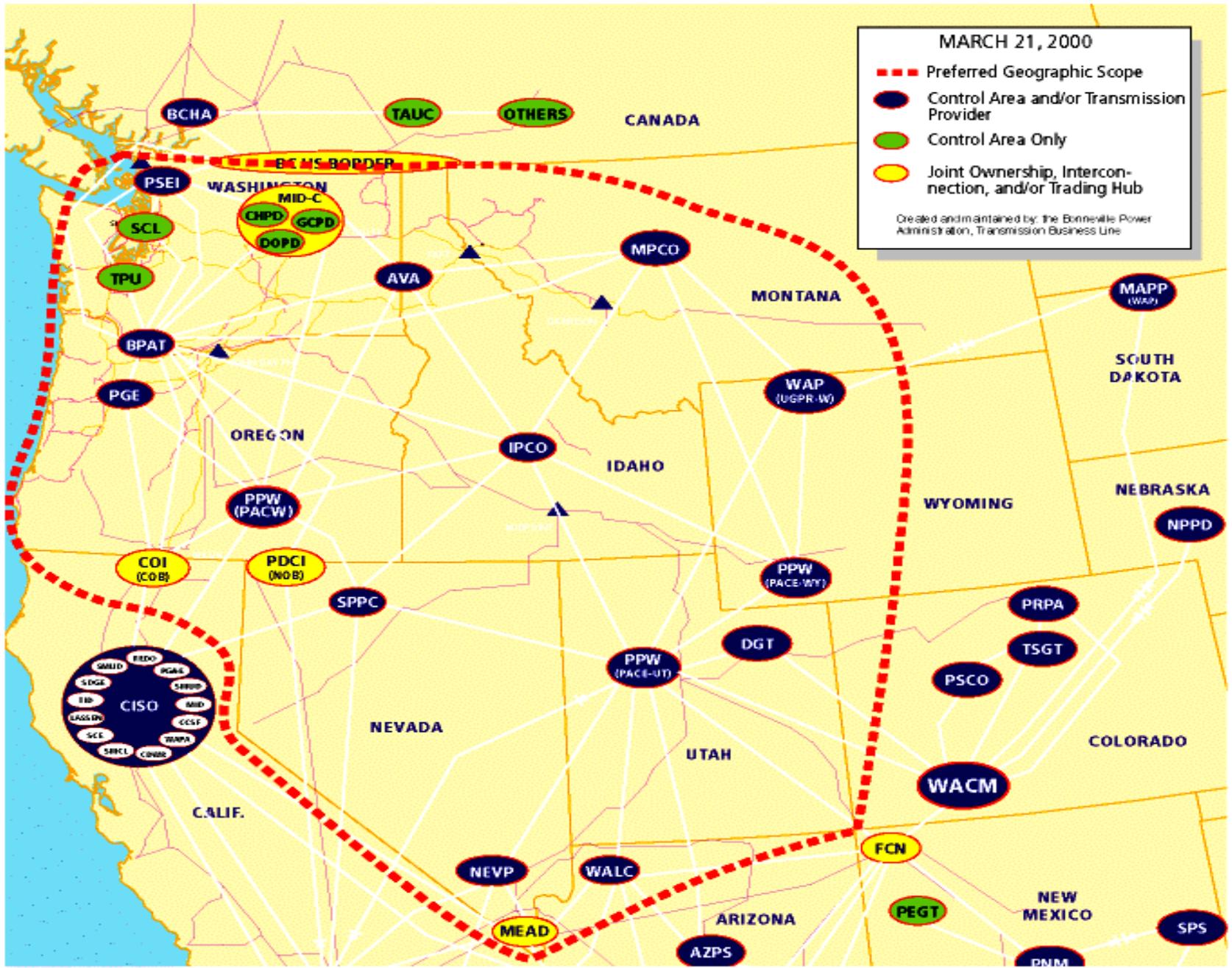
- Independence
- Scope and regional configuration.
- Operational Authority
- Short-term reliability

Independence

- Governed by an independent board.
 - Trustees: no affiliation with any interested party. Fiduciary duty to the RTO.
 - Election by committee formed by stakeholders.
 - Candidate pool selected by search firm according to criteria in the Bylaws.
- Management: carrots and sticks.
- Stakeholders: advisory board to assure input

Scope

- Entire Northwest Power Pool, plus Nevada Power.
- Most diverse of any RTO in terms of coincident peak, fuel and weather.
- Two major sets of paths to the Southwest market (California and the Desert).
- Canada? The Rockies?



MARCH 21, 2000

- - - Preferred Geographic Scope
- Control Area and/or Transmission Provider
- Control Area Only
- Joint Ownership, Interconnection, and/or Trading Hub

Created and maintained by: The Bonneville Power Administration, Transmission Business Line



Operational Authority

- RTO will:
 - control scheduled maintenance on assets it controls
 - operate the control center and its backup

Short Term Reliability

- RTO will contract with Pacific Northwest Security Coordinator to provide the security coordination function.
- RTO will comply with NERC and WSCC standards and criteria.

Order 2000 Basics - 8 Functions

- Tariff Administration and Design
- Congestion Management
- Parallel Path Flow
- Ancillary Services
- OASIS, TTC and ATC
- Market Monitoring
- Planning and Expansion
- Interregional Coordination

Tariff Administration and Design

- RTO West will control its own tariff
- It will have the right to unilaterally seek rate adjustments.
- PTO's will have the right to unilaterally seek adjustments from FERC for their individual company rates.
- It will be cost-of-service regulated.

Congestion Management

- FTRs are tradable rights on congested paths
- FTR markets provide price signals reflecting congestion costs.
- “Flow Gate” method for managing congestion (change from current “Contract Path”)
- Certain parties will receive “grandfathered” rights to reflect pre-existing contracts and service to native loads.

Parallel Path Flow

- Much less of a problem in the West due to phase shifters.
- WSCC unscheduled flow procedures are available.
- Proposal for Flow Distributed Scheduling should significantly reduce any remaining problems.

Ancillary Services

- Single control area to maximize regional benefit.
- RTO will be provider of last resort.
- Load serving entities will be permitted to self-provide or self-track.
- Incorporates new NERC terminology.

OASIS, TTC and ATC

- RTO West will be solely responsible for:
 - determining how much capacity is available,
and
 - assuring functional markets for that capacity.

Market Monitoring

- RTO will employ and staff a market monitoring group.
- Market monitor will report directly to the board.
- Required to observe and report aberrations in the market.

Planning and Expansion

- RTO will plan the facilities under its control.
- RTO will have the authority to assure expansion of the system needed for reliability.
- RTO will be responsible for creating market mechanisms for relieving long term congestion.

Interregional Coordination (Seams)

- Canada - exploring a role in RTO West.
- California - ongoing discussions regarding reciprocity, conventions.
- Desert Star - not yet.
- Rockies - apparently joining Desert Star.

Part III: Significant Issues

Some issues have generated significant interest:

- Pricing
- Asset Inclusion
- Congestion Management

Pricing

- Recover embedded fixed costs.
 - Must lead to economic energy production
 - Proposal is load based access charge
- Need to avoid cost shifting
 - Proposal is Company Rate
- Transfer payments preserve cost positions
 - Reflect existing payments between PTOs
 - Still working on details

Asset Inclusion

- Current transmission plant includes lower voltages.
- Some rural wholesale customers want all assets used to serve them included.
- Some utilities and states prefer excluding assets used for local service.
- For some utilities, interstate allocation issues created.

Congestion Management

- Current transmission rights allow generation to reach load obligations.
- Grandfathering FTRs preserves this obligation and helps avoid cost shifting
 - Disposition of congestion revenue uncertain.
- Proposed Flow Distributed Scheduling helps resolve parallel path issues.
 - Eastern areas depend on single path scheduling.