



Transco--A Presentation to EEI

November 2 - 3, 2000

Entergy Background

Entergy operates five public utilities in four states.

Circuit Miles and Transmission Plant Assets by Jurisdiction:

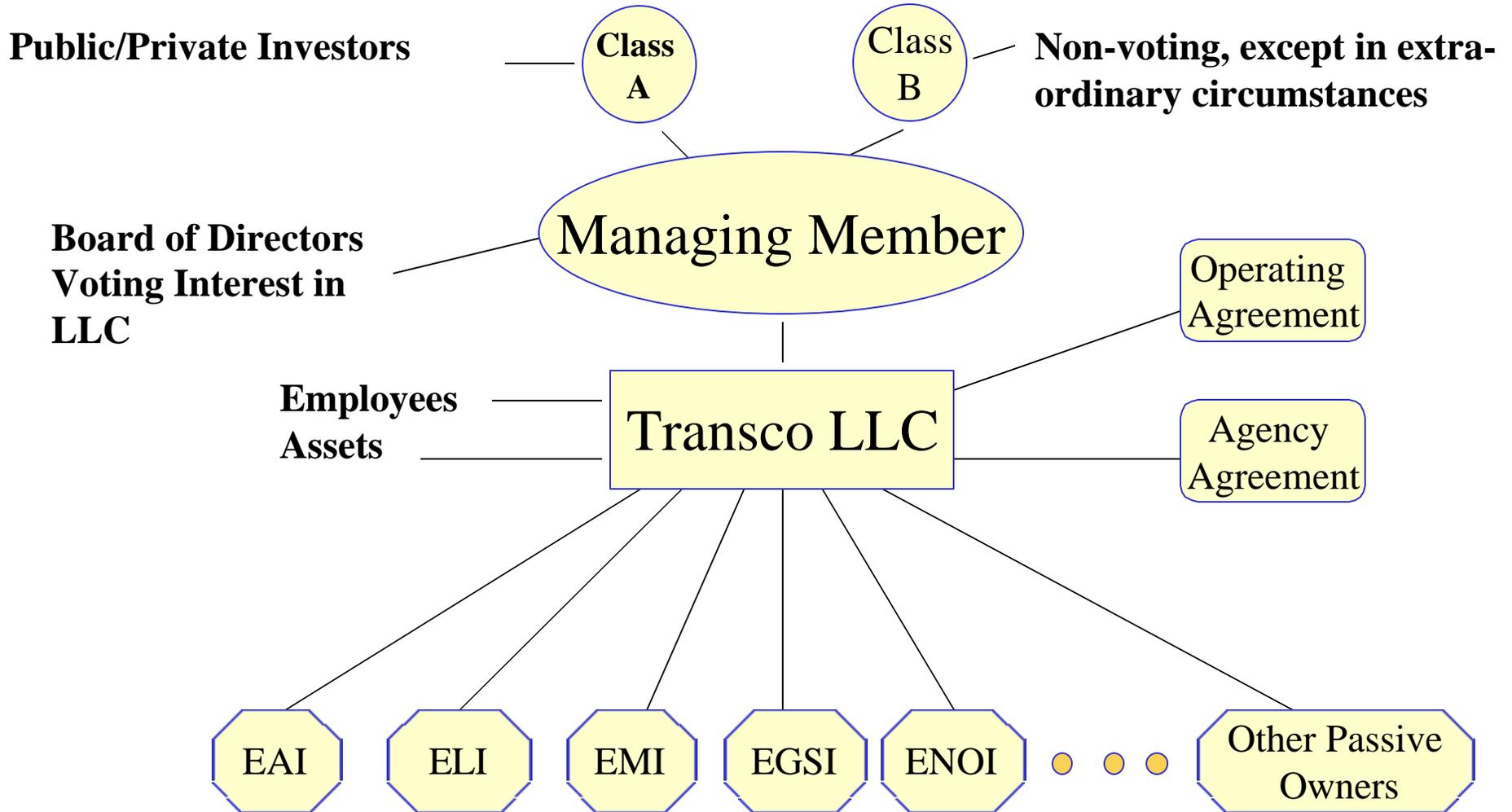
	<u>Circuit Miles</u>
● EAI	4,806
● EMI	2,668
● ENOI	160
● ELI	2,488
● EGSI-LA	2,557
● EGSI-TX	<u>2,438</u>
TOTAL	15,117

- Arkansas and Texas have passed retail access laws, both seeking to start retail access on 1/1/02.

Creation of Transco

- Transmission owners sell, contribute or lease assets to Transco.
- Sale is permanent.
- Contribution is permanent: irrevocable transfer to Transco. Any attempted move out of Transco would require a new round of 203 approvals.
- Lease term not yet determined, but will be long-term.

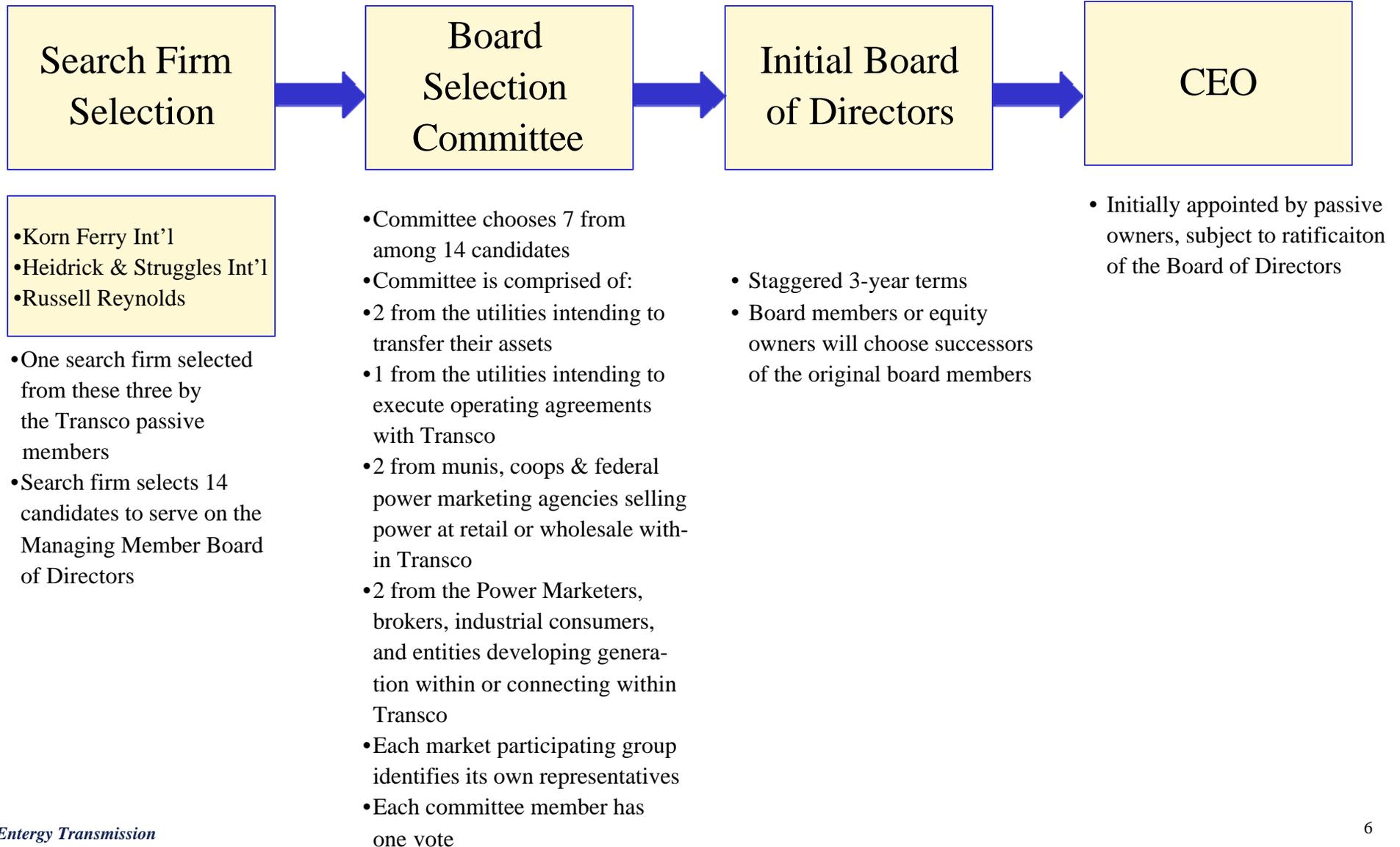
Transco Structure



Class B Limited Voting Rights--Extraordinary Circumstances

- Disposal of substantially all of the assets
- Merger or consolidation
- Acquisition or development of business interests apart from providing electric transmission service
- The initiation of bankruptcy, insolvency, reorganization or other such proceedings
- Amendment of the terms of the LLC agreement
- Dissolution of the company

Managing Member--The Selection Process



Transmission Models Considered

Independent Transmission Company (Transco)

- For-profit entity
- Depending on Transco Structure:
 - may or may not require divestiture
 - may or may not own transmission assets
- May operate Power Exchange
- Performs all RTO functions
- May operate transmission assets of others

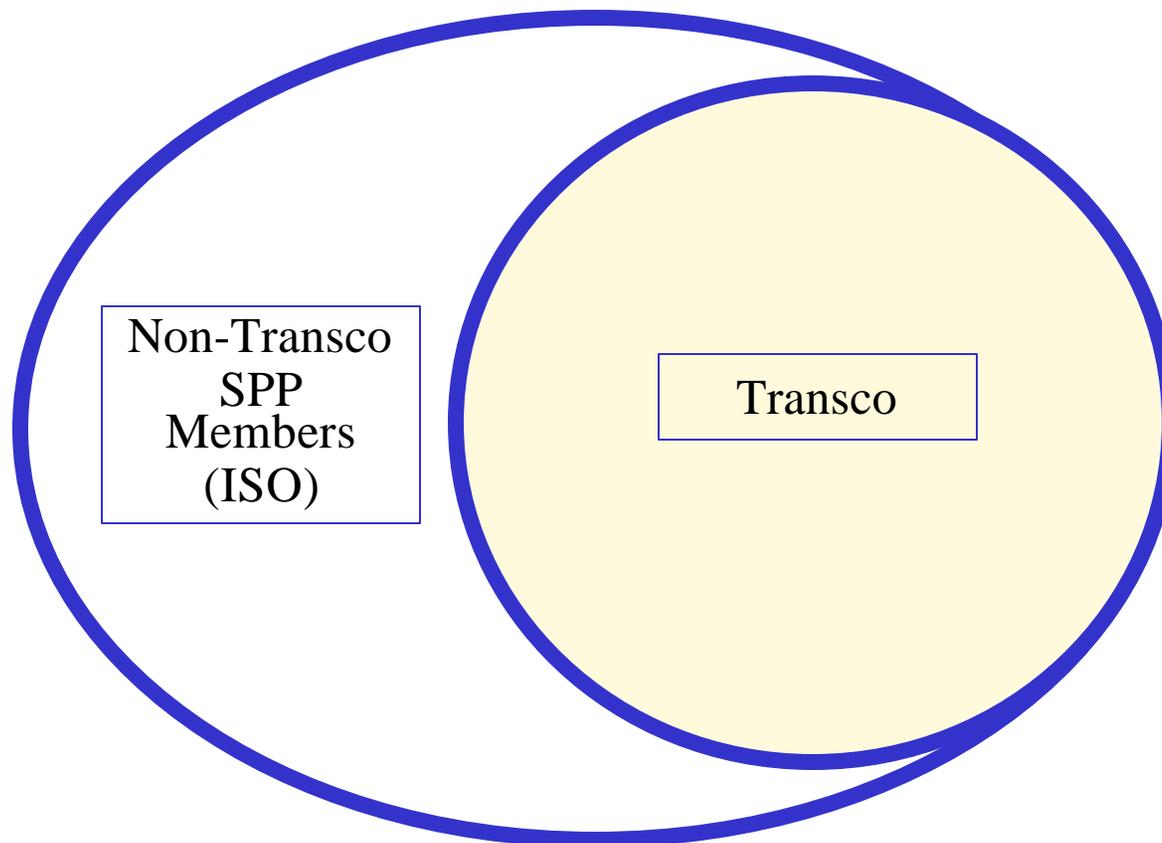
Transmission Models Considered

Partnership RTO:

- RTO as umbrella organization with regional Transcos underneath
- Division of Responsibility between ISO and Transcos:
 - RTO's role: primarily oversight
 - Transco's role: primarily functions with operational characteristics (operational, expansion and maintenance)
- Additional oversight may be preferred by some market participants over pure Transco

SPP RTO & Transco Relationship

SPP RTO



FERC Order 2000 Minimum Characteristics

- Independence from market participants;
- Appropriate scope and regional configuration;
- Possession of operational authority for all transmission; facilities under the RTO's control; and
- Exclusive authority to maintain short-term reliability.

SPP Partnership RTO Meets Minimum Characteristics

Minimum Characteristics	SPP Oversight Functions	Transco Functions
Independence from Market Participants	Independent not-for-profit board	Independent Board of Directors; Transco has divested/leased systems; Operating agreements with owners unable to divest/lease
Scope and Regional Configuration Operational Authority over Transmission System 1. Operational Control 2. Security Coordination	Larger than present SPP 2. SPP	Transco large enough to manage congestion 1. Transco except in emergency 2. Transco gives re-dispatch info to SPP
Ability To Maintain Short-Term Reliability 1. Interchange schedule respon. 2. Re-dispatch 3. Scheduling Outages 4. Regional Reliability Council Coordination	1. SPP/Transco Coordinate 2. SPP/Transco Coordination Protocols 3. SPP oversight/ADR 4. SPP	1. Transco for its control area 2. Transco – coordinate with SPP 3. Transco

FERC Order 2000 Minimum Functions

1. Tariff Administration and Design
2. Create market mechanisms to manage transmission congestion
3. Develop and Implement Procedures to Address Parallel Flow Issues
4. Serve as Supplier of Last Resort for All Ancillary Services
5. Operate a Single OASIS Site For All Transmission Under Its Control
6. Monitor Markets to Identify Design Flaws and Market Power
7. Plan and Coordinate Necessary Transmission Additions and Upgrades
8. Inter-Regional Coordination

SPP Partnership RTO Allocation of Minimum Functions

Minimum Functions	SPP Oversight Functions	Transco Functions
Tariff Design and Administration	SPP administers single RTO-wide tariff	Transco controls those portions of tariff that affect the commercial terms and conditions of service over Transco's facilities
Congestion Management	SPP/Transco develop single congestion management regime for entire RTO	Transco manages congestion within service area in coordination with SPP and market operator
Coordination of Parallel Path Flows	SPP/Transco coordination protocols	Transco manages within its control area, coordinate with SPP on parallel flows that affect other SPP members
Provide Ancillary Services	SPP/Transco joint procurement	Transco provider of last resort for its service area

SPP Partnership RTO Allocation of Minimum Functions

Minimum Functions	SPP Oversight Functions	Transco Functions
<p>Operate Oasis and Calculate TTC and ATC</p>	<p>1. SPP/Transco develop and administer single site</p> <p>2. SPP/Transco establish single methodology; SPP calculates</p>	<p>1. May develop OASIS node to meet customer specific needs</p> <p>2. Transco sets ratings for Transco grid elements</p>
<p>Monitor Markets</p>	<p>SPP monitors all markets</p>	<p>1. Transco supports the development of a single market for RTO</p> <p>2. Transco may operate market as last resort</p>
<p>1. Balancing Energy Market</p> <p>2. Ancillary Services Market</p> <p>3. Day Ahead Energy Market (not in plans)</p>	<p>Hybrid market model in development; utilizes LMP for real-time market and congestion management & physical rights for forward market</p>	<p>1. Transco supports the development of a single market for RTO</p> <p>2. Transco may operate market as last resort</p>
<p>Planning and Expansion of Transmission System</p>	<p>SPP responsible for regional plan using Transco plan as input. Reviews reliability and necessity</p>	<p>Transco plans for its control area; manages siting and eminent domain decisions</p>

SPP Partnership RTO Allocation of Minimum Functions

Other Functions	SPP Oversight Functions	Transco Functions
Inter-Regional Coordination	1. SPP develops overall coordination plan	1. Transco's planning process supports regional coordination process; Transco works with adjoining RTOs/Reliability Councils in support of SPP plan
1. Stakeholder/State Regulator Committees 2. ADR	1. SPP 2. SPP	1. Transco establish liaison office 2. Transco uses SPP ADR process, may be binding or non-binding

Market Structure and Transmission Pricing

- Transmission Rate
 - License plate access charge paid by load and exports
 - Hybrid Model Under Development
 - LMP Real-time balancing energy market; congestion charge for all transactions based on LMP
 - FTRs used to hedge congestion, obtain delivered price certainty
 - PTRs/Physical Rights utilized to develop forward market
 - Day-ahead market may be developed later

Market Structure and Transmission Pricing

- Energy Pricing
 - nodal pricing paid to generators
 - zonal average price charged to load or nodal if desired by load
- Transmission Expansion
 - Expansions will be funded through both rolled in rates and market funded methods

Market Structure and Transmission Pricing

This model supports key public policy objectives and Order No. 2000's Minimum Functions

- Price revelation through voluntary LMP real-time balancing energy market, with all market players able to buy and sell at the visible prices, forward market developed using flow-gate model and FGRs
- Efficient congestion management to optimize use of the grid;
- Market monitoring during the transition to full competition; and
- Efficient price signals for generation and transmission investment.