

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

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Avista Corporation)
Bonneville Power Administration)
Idaho Power Company)
The Montana Power Company)
PacificCorp)
Portland General Electric Company)
Puget Sound Energy, Inc.)
Sierra Pacific Power Company)

Docket No. RT01-35-000

**MOTION TO INTERVENE AND COMMENTS OF
AUTOMATED POWER EXCHANGE, INC.**

Pursuant to Rule 214 of the Commission Rules of Practice and Procedure, 18 C.F.R. Section 385.214 (2000), Automated Power Exchange, Inc. (APX) hereby moves to intervene and submit Reply Comments in the above captioned proceeding, concerning the RTO West as a Regional Transmission Organization (RTO). In support hereof, APX states as follows:

1. REQUEST FOR INTERVENTION

All communications and correspondence regarding this proceeding should be addresses to the following persons, who request inclusion in the official service list in this proceeding:

James R. Crossen
General Counsel
Automated Power Exchange, Inc.
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On October 16, 2000, Avista Corporation, *et. al.*, submitted a filing in response to the Commission's Order No. 2000 concerning the formation of RTOs. This filing proposes the RTO West as an RTO.

APX is a privately held California corporation. APX operates an electronic exchange in electric power markets through which willing parties can buy and sell energy for physical delivery in California and in the Midwest. In these markets, participants can trade continuously up to just before the time of delivery. APX is preparing to extend the scope of its exchange operation to include the services of transmission and ancillary services in several locations in the United States. APX also offers the services as a Scheduling Coordinator in California. As such, APX has a substantial interest in the outcome of this proceeding, which cannot be adequately represented by any other party. APX submits that its intervention would be in the public interest and requests that it be granted full rights of intervention.

WHEREFORE, for the foregoing reasons, APX requests that it be permitted to intervene in this proceeding and be granted all rights as a party thereto.

2. COMMENTS

In its Order No. 2000, the Commission required each jurisdictional transmission owner to file an RTO proposal that would be consistent with certain designated functions and characteristics described in the Order. The Commission allowed latitude in the implementation of these functions and characteristics in order to help create the consensus necessary for the formation of an RTO. Achieving such consensus can be difficult and increases the value of the RTO's focusing more on fundamentals and less on detailed implementation.

Moreover, in Order No. 2000, the Commission proposed an aggressive implementation schedule for the formation of each RTO. Meeting such an aggressive schedule can prove to be difficult and costly. As a new organization, the RTO will likely require at least some and perhaps substantial revision in the scope and nature of its operations and services as implementation proceeds. Certainly, such revision has characterized implementation of the existing Independent System Operators in California and in the Northeast. Recognition of the challenge of the schedule and the likelihood of subsequent revision increase the value of flexibility in implementation.

Such considerations imply that the RTO should employ its available resources effectively. In addition, the Commission's regulations prohibit each RTO from taking any action that would limit the RTO's ability to evolve and to improve its efficiency. 18 C.F.R. § 35.34(D)(1) (2000). One efficient way to use resources is to use a third party to provide some or all of the designated RTO functions. The Commission has only required that each RTO be responsible for the performance of the designated functions within a region. However, the Commission did not require that the RTO self-provide each function itself, but instead allowed each RTO to choose between self-provision or provision by a third party.

Indeed, the Commission made clear that RTOs may out-source certain functions to independent third parties. *See, e.g.*, Order No. 2000, FERC Stats & Regs ¶ 31,089. The Commission stated that an RTO may contract its security coordinator responsibilities to an independent third-party. *Ibid.*, 31,091. The Commission also noted that an RTO's congestion management mechanism may reside with an independent third party. *Ibid.*, 31,126. Moreover, the Commission stated that an independent third party may operate the real-time balancing market for a region. *Ibid.*, 31,141. These statements indicate that an RTO can contract for third-party provision of the critical services of congestion management and ancillary services including real-time balancing. By extension, an RTO should also be able to contract for the less critical service of billing and settlement.

APX appreciates the difficulty associated with the creation of new market institutions. APX was present at the formation of the California market that is now the focus of so much of the Commission's attention. In that process, APX proposed a simpler and much less expensive method to operate a forward electricity market than the methodology adopted to operate the California Power Exchange. Indeed, APX implemented its proposed method and thereby showed that an independent entity can perform a critical market function.

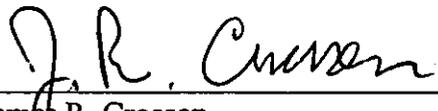
Given that some of the filing utilities have indicated that they may not be ready to perform all of the RTO functions as of December 1, 2001 on their own or have provided only general explanations of how they plan to perform those functions, the Commission should encourage those RTOs to consider outsourcing those functions to independent entity so that the RTO can become operational by December 15, 2001.

Further, the Commission should make clear that each RTO must be sufficiently flexible to fulfill its obligation under 18 C.F.R. § 35.34(l)(1). The Commission should stress that each RTO may look to independent third parties to assist the RTOs in improving their services and evolving as the markets continue to evolve.

Finally, in Order No. 2000, the Commission indicated that RTOs must address seams issues. Parties that are independent of any RTO and market participants that an RTO serves are uniquely able to administer seams remedies. Independent third parties and scheduling coordinators can implement seams coordination across RTOs within standards set by RTOs, FERC, or NERC. The Commission should ensure that any RTO proposal it accepts be sufficiently flexible to accommodate a seams resolution administered by an independent third party.

Respectfully submitted,

AUTOMATED POWER EXCHANGE, INC.

By: 
James R. Crossen
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Dated: November 20, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C., this 20th day of November, 2000.

By: 
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