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**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

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

Docket No. RT01-35-000

**INITIAL COMMENTS AND MOTION
TO INTERVENE OF POWEREX CORP.**

Pursuant to the Commission's October 24, 2000 notice in this proceeding, Powerex Corp. ("Powerex") hereby files its initial comments regarding the October 23, 2000 Supplemental Compliance Filing And Request For Declaratory Order Pursuant To Order 2000 ("Stage 1 Filing") by the above-referenced parties ("Filing Utilities") with respect to RTO West. Powerex also moves for leave to intervene in this proceeding.

By way of such comments, Powerex respectfully shows the following.

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I.
CORRESPONDENCE AND COMMUNICATIONS

Correspondence and communications regarding these comments should be addressed to the following persons, both of whom should be placed on the Commission's official service list in this proceeding:

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II.
IDENTITY OF POWEREX

Powerex is the wholly-owned marketing subsidiary of the British Columbia Hydro and Power Authority ("BC Hydro"). Powerex is a major marketer of power to customers in the United States, Mexico and Canadian provinces outside British Columbia. Powerex is authorized by the Commission to make sales of power at wholesale in U.S. interstate commerce at market-based rates,¹ and also holds firm and non-firm transmission rights on transmission systems such as the Bonneville Power Administration ("BPA") that will be controlled by RTO West.

Powerex has been actively involved with the RTO West Filing Utilities and other regional stakeholders in RTO formation and development for the Pacific Northwest

¹*British Columbia Power Exchange Corporation*, 80 FERC ¶ 61,343 (1997). The Commission has completed its first triennial market power review of Powerex. See Letter Order issued September 12, 2000 in Docket No. ER97-4024-012. Powerex has notified the Commission that its name has been changed to Powerex Corp., and is awaiting acceptance of its filing in that regard.

pursuant to the Commission's Order No. 2000. Powerex, along with BC Hydro, has committed extensive internal and external resources to the RTO West formation process. Over the course of the past several months, Powerex officers and employees, as well as its outside consultants and experts, have participated in numerous working groups to establish a workable RTO framework in the Pacific Northwest. Powerex will comment on the Stage 1 filing from its perspective as a marketer and transmission customer on transmission systems that would be controlled and operated by RTO West.

III.
ORDERS REQUESTED BY FILING UTILITIES
AND REQUEST FOR CONSOLIDATION

The Filing Utilities in their Stage 1 filing seek a declaratory order approving: (1) the RTO West Articles of Incorporation and Bylaws; (2) the scope and configuration of RTO West as proposed in the filing; and (3) the form of Agreement Limiting Liability Among RTO West Participants. Additionally, three of the Filing Utilities (BPA, Idaho Power and PacifiCorp) request the Commission to find:

. . . that the concepts as a package embodied in the Transmission Operating Agreement and Agreement to Suspend Provisions of Pre-Existing Transmission Agreements are acceptable to the Commission and consistent with the requirements of Order 2000, subject to timing and procedures detailed in Section VII.A of this filing.

Stage 1 filing at 6.

Six of the nine Filing Utilities have determined to participate in RTO West through an independent transmission company (TransConnect, LLC, hereinafter referred to as "TransConnect").² The Filing Utilities sponsoring TransConnect have made a separate

²The Filing Utilities participating in TransConnect are Avista Corporation, The Montana Power Company, Nevada Power Company, Portland General Electric Company, Puget Sound Energy, Inc. and Sierra Pacific Power Company.

RTO compliance filing in Docket No. RT01-15-000. Powerex believes that the TransConnect filing is an integral part of the overall RTO West proposal, and could affect the scope and extent of the transmission facilities placed under the control of RTO West, the terms and conditions of, and rates for, transmission service to be offered by RTO West, and the independence of RTO West from Participating Transmission Owners. The TransConnect application also involves common questions of fact and law with RTO West.

Powerex therefore requests the Commission to consolidate the RTO West and TransConnect applications. Such consolidation is particularly appropriate in that both applications are still in the formative stage, with numerous common open issues to be resolved in Stage 2. Consolidation will greatly enhance the efficiency of the negotiation process in Stage 2 by allowing parallel but common issues to be resolved in the same forum.

**IV.
COMMENTS REGARDING RTO WEST STAGE 1 FILING**

Powerex endorses the Supplemental Comments being filed on this date by BC Hydro. BC Hydro's comments fully address the declaratory orders sought by the Filing Utilities, and need not be repeated by Powerex.

Powerex in these comments will instead address two additional issues: (1) the elimination of segmenting on the BPA transmission system that will be achieved through the RTO West proposal; and (2) the ultimate desirability of a single RTO encompassing the entire Western Interconnection.

A. Elimination Of Segments On The BPA System.

The Commission in Order No. 2000 stated that one of the principal purposes of an RTO is to eliminate rate pancaking.³ Powerex fully supports this objective. One of the benefits of the RTO West proposal is that it will result in a single "company rate" for the BPA transmission facilities that will be placed under RTO West's control.⁴ Such company-specific load-based access fees, together with transfer charges and the contribution to rates from the sale of transmission rights,⁵ will mitigate the rate pancaking that now exists on the BPA system due to its additive network and intertie charges for point-to-point transmission into, out of and across its system.

Unlike the situation with jurisdictional public utilities, BPA has employed a segmented approach toward establishing rates for its transmission facilities. This approach has resulted, *inter alia*, in separately-stated rates for point-to-point transmission service over BPA's Network, Southern Intertie and Eastern Intertie.⁶ These rates are additive for transactions using these paths.

Under the RTO West proposal, BPA's segmented approach would be replaced by a single company rate, which would be based on BPA's total embedded transmission system costs. The company rate would replace the separately calculated rates for

³See *Regional Transmission Organizations*, Order No. 2000-A, [Regs. Preambles] III FERC Stats. & Regs. ¶ 31,092 at 31,383 (2000) (hereinafter "Order No. 2000-A").

⁴Stage 1 Filing at 36.

⁵Stage 1 Filing at 36-39.

⁶BPA formerly maintained a separate Northern Intertie rate schedule, but in its 1996 Transmission Rates and Terms and Conditions Proceeding agreed to eliminate the Northern Intertie as a separate segment of its system and to roll-in its costs to the Network.

Network, Southern Intertie and Eastern Intertie service under BPA's currently-effective segmented rate methodology. This will greatly facilitate transactions that must flow over BPA facilities to reach other markets. It will also conform BPA's rate methodology with the approaches of other intertie owners in the region.⁷

During the IndeGO negotiations, concerns were expressed, particularly by BPA's public agency customers, regarding the impact on Network rates of rolling-in segments of the BPA transmission system, particularly the Southern Intertie. RTO West has addressed these concerns by establishing FTRs and transfer charge obligations for users of the interties with long-term transmission agreements.⁸ Powerex believes that such transfer charges for long-term transmission agreements and the other cost-shifting mitigation features of the RTO West proposal adequately ensure that BPA will recover its revenue requirements on a company-wide basis and protect against cross-subsidization by Network customers.

Powerex fully supports RTO West's company rate approach as a major step towards eliminating rate pancaking in the region, while mitigating the cost shifting that frustrated development of IndeGO.

B. The Commission Should Encourage Development Of A West-Wide RTO.

The Stage 1 Filing creates a structure that will permit broad regional participation, provided that the concepts embodied in the proposed Transmission Operating Agreement

⁷The three jurisdictional utilities that share ownership of the Southern Intertie with BPA (PacifiCorp, Portland General Electric Company and Puget Sound Energy, Inc.) do not segment their ownership interests in the intertie in setting their transmission rates.

⁸The Filing Utilities also propose transfer charges for short-term firm and nonfirm transactions. Powerex opposes this aspect of the Filing Utilities' transfer charge proposal, for the reasons set forth in Section IV(A)(7) of BC Hydro's Supplemental Comments.

("TOA") can be satisfactorily resolved in Stage 2.⁹ This structure includes a framework for British Columbian participation that will provide consistent RTO transmission service over the RTO West transmission system and the transmission system in British Columbia, while giving due regard to Canadian sovereignty, and the differing regulatory structures and requirements in British Columbia and the United States.¹⁰

Powerex supports this framework, which represents a major step towards achieving a "natural transmission region" in the Pacific Northwest that does not stop at the U.S.-Canada border.¹¹ However, the "natural transmission region" should not be limited to the Pacific Northwest, but ultimately should be expanded to encompass the entire Western Interconnection. Powerex urges the Commission to build on the formative steps taken by RTO West and encourage the Filing Utilities and RTO West market participants, and their counterparts in other RTO efforts such as Desert Star and in California, to pursue development of a West-wide RTO,

As the Commission correctly noted in Its November 1, 2000 order in *San Diego Gas & Electric Company, et al.*, 93 FERC ¶ 61,121 (2000) (hereinafter referred to as "SDG&E"):

The events of this summer provide dramatic evidence of the interstate nature of electric systems and markets in the Western Interconnection. California is not an electrical island. Operationally, the transmission facilities currently controlled by the [California] ISO are part of the much larger Western

⁹BC Hydro in Section IV(D) of its Supplemental Comments identifies and discusses the outstanding problems with the TOA.

¹⁰The principles for British Columbian participation in RTO formation in the Pacific Northwest are set forth in Attachment H to the RTO West Stage 1 Filing.

¹¹*Regional Transmission Organizations*, Order No. 2000, [Regs. Preambles] III FERC Stats. & Regs. ¶ 31,092 at 31,085.(1999) (hereinafter "Order No. 2000").

Interconnection. The reliability of California's electric system depends on access to generating resources located throughout the Western Interconnection.

Slip opinion at 24. The Commission also noted the strong correlations between California Power Exchange prices and Western market bilateral prices during the past summer. *Id.*

The need for a unified approach to the U.S. transmission facilities within the Western Interconnection has been intensified by the Commission's proposed use of price mitigation measures such as the "soft price cap" in its *SDG&E* order, and its emphasis on structural reforms of the California ISO and Power Exchange, including congestion management redesign. Such reforms could have the unintended consequence of islanding California from the rest of the Western Interconnection unless they are undertaken in the context of development of a West-wide RTO. As stated by the Commission in *SDG&E*:

California's markets will never realize optimal performance until the impediments to efficient utilization of the regional transmission grid are eliminated and the regional interstate transmission system is designed in such a way that it supports transparent, competitive Western bulk power markets - - - markets that support all of the wholesale products that California requires, markets that remove impediments to efficient imports and exports, markets that eliminate rate pancaking and allow California to access more distant markets at a lower cost, markets that undertake regional transmission planning to ensure that the needs of California are considered when transmission expansions in other states are considered, and markets that allow regional market hubs like Palo Verde to develop where new generation can be located to serve multi-state markets.

Slip opinion at 48.

Powerex believes that the development of a West-wide RTO is fundamental to the long-range solution of California's problems with access to power. Powerex urges the Commission to pursue this comprehensive solution rather than simply engrafting California

market mitigation measures on the Pacific Northwest, as some parties have urged.¹²

A comprehensive approach to transmission in the West will also forestall the seams issues that are already developing between subregional RTOs. For example, Desert Star proposes an import/export fee, but RTO West does not. Such fees impede transmission into, out of and across systems and regions, and are incompatible with certain means of congestion management, such as the flow-based physical rights transmission access model that will be used by RTO West.¹³ Seams agreements between neighboring RTOs are inferior to an approach of configuring RTOs as broadly as possible, to prevent seams issues from arising in the first place. Such an approach will also advance the Commission's objective in Order No. 2000 of making the portion of the transmission grid operated by a single RTO as large as possible.¹⁴

Powerex therefore urges the Commission to use the events of the past summer, and the ongoing RTO developments in the Western Interconnection, as a springboard for accelerating formation and development of a West-wide RTO. By encouraging such an approach, the Commission will also prevent further islanding of California, avoid patchwork market mitigation measures in the West and forestall the development of future seams issues that will undercut the collective benefits of subregional RTOs in the Western Interconnection.

¹²See October 26, 2000 complaint by Puget Sound Energy, Inc. in Docket No. EL01-10-000; see also comments of Industrial Customers of Northwest Utilities at November 9, 2000 technical conference in *San Diego Gas & Electric Company, et al.*, Docket Nos. EL00-95-000, *et al.*

¹³See Section IV(D)(3) of BC Hydro's Supplemental Comments for a discussion of the incompatibility of import/export fees with the RTO West proposal.

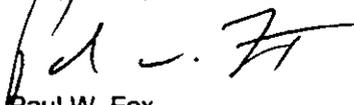
¹⁴Order No. 2000 at 31,082-083.

IV.
REQUEST BY POWEREX TO INTERVENE

As a user of transmission facilities that will be placed under the control of RTO West, Powerex clearly has a substantial interest which may be directly affected by the Commission's actions in this proceeding. This interest cannot be adequately represented by any other party, and thus its participation is in the public interest. Powerex therefore moves for leave to intervene in this proceeding pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 CFR § 385.214.

WHEREFORE, Powerex requests the Commission in any declaratory order issued in this proceeding to: (1) issue an order consistent with the supplemental comments of BC Hydro; (2) consolidate the RTO West and TransConnect proceedings; (3) endorse the elimination of segmenting on the BPA transmission system resulting from the RTO West proposal; (4) encourage development of a West-wide RTO; and (5) grant Powerex leave to intervene in this proceeding.

Respectfully submitted,



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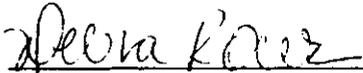
Attorney for Powerex Corp.

November 20, 2000

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing document to be served on those parties to the official service list compiled by the Secretary in this proceeding.

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



Debra Rowe