

**PROPOSAL TO RTO WEST**  
**Prepared by Michael Alcantar for QFs**  
**June 26, 2001**

**PRINCIPLES FOR  
TREATMENT OF COGENERATORS**

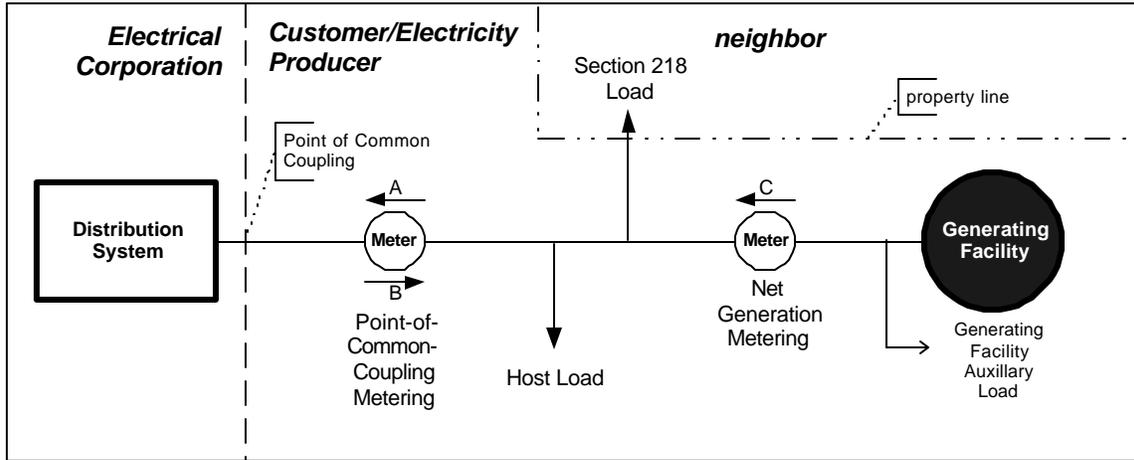
In providing transmission services to a customer with cogeneration, the RTO West will follow the basic principle that these services will be supplied based on the net load or net generation output of that customer. This principle will guide the development of the RTO protocols in all areas including metering, scheduling and ancillary services. Specifically, RTO protocols will provide for:

- The maintenance of net metering of load and generation at the site boundary or point of common coupling meter.
- The procurement and cost allocation for ancillary services only for the amount of load served by power from the ISO grid, i.e., the same treatment accorded all other customers.
- The adoption of policies to assure that customers who choose retail customer-owned generation options are not allocated charges for load that does not actually withdraw power from the grid.

Agreement on such principles is necessary and beneficial because of the unique operational characteristics of a cogenerator. A cogeneration operation produces electrical energy as a byproduct of the production of thermal energy. Accordingly, it is not a typical power generation facility as traditionally operated by a generation utility or in the new market by merchant generating plants. The electrical energy produced by a cogeneration operation is transmitted or delivered in one of two ways. First, it may be utilized by the customer on the same property (“behind the site boundary meter” uses). Second, the energy can be delivered to the grid for transmission and sale to a third party – either the utility to which the generator is interconnected (“the UDC”) or other market participant (collectively, “grid transactions”). For behind the site boundary meter uses, the energy does not flow on to the grid which will be controlled by the RTO, and these uses do not use the RTO grid or RTO services.

The following diagram illustrates the typical configuration of retail customer-owned generation

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“A” is a measure of power flow from the Customer’s Generator to the Distribution System. This power flow is “net” of Generator Auxiliary, Host and Section 218 Loads. This meter is typically located at and referenced as the site boundary or point of common coupling meter.

“B” is a measure of power flow from the Distribution System to the Customer Host Load and/or Generator Auxiliary Load. This occurs either at times when the generator is not operating or if the load exceeds the capacity of the generator.

“C” is a measure of the net Generator output, reflecting output after Generator Auxiliary Loads are served, but before other loads are served.

**Generator Auxiliary Loads** are only those loads associated with the operation of the Generator for its startup and continued operation.

**Host Load** is defined in the Glossary section of Rule 21 to UDC Tariffs as electrical power that is consumed by the Customer at the property on which the Generating Facility is located. Host load that is served by the Electrical Corporation is measured at the Point of Common Coupling

While the cogenerator may not rely on the RTO controlled grid for “behind the site boundary meter” transactions, it typically will maintain a connection for two reasons. First, a cogenerator may require a grid connection to accommodate sales to the grid (to the UDC under existing power purchase agreements or another market participant). Second, the cogenerator may elect to maintain a physical connection to provide standby service to the QF load from the UDC in the event of an outage by the cogeneration facility.

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Load served by cogeneration typically secures standby service from the UDC pursuant to a state jurisdictional tariff and contract. The tariff for stand-by service covers the UDCs' costs of transmission, distribution and, where the customer so chooses, energy. In the new RTO world, the tariff will cover the allocated share of the RTO's costs of transmission services.

The RTO should treat a cogenerator just as it does any other customer, that is, based on its actual usage of the grid. So, for instance, where the customer utilizes the energy output of the generator to satisfy on-site uses, the customer should only schedule with the RTO the net output of the generator being transmitted over the grid or the net load being satisfied by deliveries over the grid. The only metering required should be at the site boundary to measure net generation or demand. The amount of ancillary services required should be measured by the net load or generation output which is utilizing the grid.