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Revised Discussion Draft
PROPOSED PRINCIPLES FOR
TRANSFER CHARGE NEGOTIATIONS
AND LIST OF UNRESOLVED ISSUES

(Note: Proposals listed in I. are the result of preliminary discussions among filing utilities' Pricing Content Group representatives and are subject to revision.)

I. Proposed Principles

- a. **Treatment of contract rights**—Suspended contracts need to be converted to RTO service by mapping the contract provisions to RTO service. The existing contract parties will attempt to completely map the existing provisions to RTO service. At the conclusion of the negotiation, the parties should list:
 - (1) any provision(s) where the agreed upon mapping involved converting to an ongoing right by one or both of the parties to change the RTO service. For example, a right to terminate the contract on 5 years notice could be converted to right by that party to terminate the transfer charge and FTRs upon termination of the contract. (A termination right could also be converted to termination of the transfer charge and FTRs at a fixed date—this would NOT require listing because it would not be an ongoing right.)
 - (2) any provision that the parties could not agree on how to map to RTO service.
 - (3) All rights and obligations that the parties agree should be suspended (this is required by the TOA)

- b. If the contract has a **fixed termination date**, transfer charges and FTRs will terminate on that date unless the contract is required for load service. If the contract is required for service to load, transfer charges and FTRs will continue. However, if the pricing under the existing contract is other than OATT, the transfer charge will be recalculated based on OATT pricing or the provider's Company Rate.

- c. **GTA Service**--The conversion negotiations must result in a complete package that provides service to all of the subject load, whether served by transmission or distribution, while recognizing that operational control of the distribution system is not being ceded to the RTO. The transfer charge will be based on the charges in place on the date of the start of RTO operations, as specified in the existing contract. For the term of the existing contract, this transfer charge is adjustable only for changes in the provider's unit costs, if it selects the *adjustable* alternative for its *received from* transfer payments, and for load growth, if applicable. After the date of contract expiration, the transfer charge should be adjusted to reflect the OATT rate or Company rate for transmission service plus, for loads served off the distribution system, a distribution charge.

- d. **O&M service** provisions will not be suspended. If the price or pricing methodology for O&M service is separately identified in the existing contract, then that provision will also not be suspended. If the price for O&M services is bundled with the price for transmission service, then that total bundled price will be converted to a transfer charge.
- e. **Use of Facilities and direct assignment** service provisions will not be suspended, and the charges will not be included in transfer charges. These facilities will be billed and paid for as they are under the existing contracts.
- f. If all of the transmission facilities under the contract are turned over to the RTO, then the contract will be suspended.
- g. If none of the transmission facilities under the contract are turned over to the RTO then the contract will not be suspended.

II. Open Issues

- a. For contracts that provide service to **load growth**, the transfer charge should also adjust for load growth. Precisely how to adjust the transfer charge for load growth has not been determined. There are issues concerning the relationship between potential adjustments for load growth, contractual demand limits, facility cost sharing, and adjustments for unit cost increases.
- b. **Imbalance Energy:** Some contracts currently deal with energy imbalance through an exchange account. Will bilateral exchange accounts continue under RTO West? Will all provision of Ancillary Services at prices bundled with transmission service or at no charge be continued for the term of the contract.
- c. **Power Factor:** Many contracts contain a provision to charge for reactive support based on a penalty charge for low power factors. How should power factor penalties be handled?
- d. How should contract provisions for **emergency service** be handled? Are expected practices concerning operating and forced outage reserves, as well as the availability of generation during emergencies, sufficient to allow suspension of Emergency & Breakdown Relief provisions?

- e. In some cases an existing contract needed for service to load will terminate prior to commencement of RTO West operation. The time gap may be quite small. There should be some way of bridging the gap without the administrative burden of negotiating and implementing a complete network service package for a service that may only have a duration of weeks or months. Ancillary services must also be considered in cases where there is a time gap between existing contract service and RTO West service. Any bridging arrangement must include ancillary services.

f. How will losses be treated?