Description of Filing Utility Expectations Concerning Application of RTO West Scheduling (Grid Management) Charges to Non-Converted Contracts

Various RTO West stakeholders have expressed a desire to understand how scheduling-based grid management charges collected by RTO West would apply to third parties' non-converted transmission contracts with RTO West Participating Transmission Owners ("PTOs").

To answer this question, we have started with the assumption that non-converted contract transactions would be accommodated in one of two ways: (1) the PTO with the service obligation would receive FTRs from RTO West sufficient to enable the PTO to meet its obligations under the non-converted contract; or (2) RTO West would "hold back" from available transmission capacity enough capacity to permit PTOs to fulfill their obligations under non-converted contract and then carry out PTO instructions to implement the necessary transactions.

In either case, when a transaction under a non-converted contract constitutes a "schedule" for purposes of assessing a grid management charge, the PTO would receive that charge. Where a non-converted contract allows the PTO to modify rates applicable to transmission service, the PTO would have the choice either to modify the charges under the non-converted contract to "pass through" the grid management charge or to otherwise recover the additional cost. Where a non-converted contract does not allow rate modification, the PTO will have to bear the grid management charge and will not be able to recover it from the customer served under the non-converted contract.

Another consideration is whether sales of "exempt" FTRs could serve as a possible source of revenues to offset grid management charges that cannot be recovered from non-converted contract customers. This concept depends on which approach RTO West takes with respect to fulfilling non-converted contract obligations. The concept will work if RTO West issues FTRs to cover non-converted contract obligations. This is because if there are times when not all of the FTRs issued for non-converted contracts are needed to schedule deliveries, the PTOs with the service obligations could sell unneeded FTRs into the secondary market. The revenues from those sales could help offset grid management charges the PTO is not able to recover.

The Filing Utilities intend that the application of grid management charges will not be subject to "gaming" (such as by combining schedules relying on non-converted contract rights with schedules submitted directly under the RTO West Tariff by (or for) the same transmission customer). To help achieve this objective, the Filing Utilities' pricing representatives recommend that the grid management charge be assessed on all schedules on the basis of energy volume scheduled at the Point of Receipt onto the RTO West Transmission System (whether that Point of Receipt in an interconnection with a generator or a tie-line to an adjoining transmission system).