

Draft List of Unresolved Issues Relating to Proposal to Modify Aspects of Stage 1 Pricing Model

1. General Issues:

- ❖ *What is the linkage between changes in the Company Rate and long-term and short-term transfer payments? What are the terms governing adjustability of long-term and short-term transfer payments during the Company Rate Period? Also need to review terms of Exhibit H to the TOA.*

Proposed solution: calculate initial company rate and transfer payments (long-term and short-term) – keep methodology consistent - linkage would be that when unit cost to determine company rate changes, (long-term and short-term) transfer payment obligations change by same percentage (but merchant forgiveness can't cause increased transfer payment obligations)

- ❖ *What happens to FTR revenues associated with capacity used to serve non-converted contracts that expire during the Company Rate Period?*

Proposed solution: Revenues stay with the PTO whose system supported the non-converted contract

- ❖ *When a Filing Utility receives revenues from RTO West auctions of FTRs on its system or capacity, and when a Filing Utility directly receives revenues from secondary market sales of its “exempt” FTRs, what is the Filing Utility obligated to do with those revenues?*

Proposed solution: A Filing Utility that receives FTR revenues from sales of capacity previously used to serve long-term (converted or non-converted contracts) must use those revenues to offset Company Rate (the way the associated transfer payments or contract revenues would have been used before expiration)

- ❖ *How will charges for losses be handled?*
- ❖ *What is the “reference year” for determining short-term transfer payment obligations?*
- ❖ *How do we deal with changes in affiliate relationships between establishment of the RTO West pricing model and signing the TOA (such as if Enron is no longer a PGE affiliate by then)?*

Proposed solution: To the extent corporate configuration changes, the model results would also change.

- ❖ *Are we comfortable that the mechanism of creating a “rollover” window for extending pre-existing contracts will work as we intend? (See § 5.4.3 of the TOA.)*

No problem with this – leave as originally in TOA

- ❖ *How are we planning to deal with conversion of bundled power sale contracts between Filing Utilities?*
 - ❖ *How will we address aspects of the pricing model (as revised) that could take away incentives for NWPP parties (other than Filing Utilities) to join RTO West, such as the plan to “socialize” lost revenues and NWPP short-term revenues?*
 - ❖ *Does the obligation to work to reduce the amount (above and below the cap) in the revenue pool continue through the Company Rate Period or is it one time before RTO West start-up*
 - ❖ *Possibility of investigating a “capital for cashflow” option where a Filing Utility that must make transfer payments capitalizes them and the receiving Filing Utility uses the capital for system improvements – payer gets the associated FTRs*
 - ❖ *Need to discuss the whole set of issues relating to what happens to those eligible customers that “join” RTO West versus those that stay out and who are taking point-to-point service only (no power purchase, no network service) – how do they become subject to a load-based access fee when they’re not now a particular Filing Utility’s load?*
 - ❖ *What does transmission over RTO West facilities to the Mid-C pay (no load)?*
 - ❖ *Merchants’ responsibility to pay for separately tariffed facilities not part of network tariff (like Colstrip)?*
2. Proposal Element: Filing Utility may issue “scrip” to its merchant function in exchange for short-term “internal” transfer payments
- ❖ *Concerns with liquidity effects of this approach*
 - ❖ *If this mechanism is available for Filing Utilities to use with their own merchant functions and with other Filing Utilities, does that create competition between the merchant and the Filing Utility making short-term transfer payments for whatever capacity might be available on the receiving Filing Utility’s system?*
 - ❖ *If a Filing Utility issues scrip to its affiliated merchants in exchange for short-term transfer payments, this will reduce the pool of FTR, RTR, and NTR revenues available to offset RTO West uplift (including uplifted pool amounts)*

❖ *How long does scrip remain valid? Does it expire at the end of the year? Can it be transferred to third parties?*

❖ *Additional tools to reduce the pool?*

Broaden the concept of value (services) that can be given in exchange for or instead of payments (payer could give services in lieu of payment or receiving party could provide services in exchange for payments received); parties should be free to think up options that work for them

Examples – ancillary services, losses, cashflow

3. Proposal Element: Cap on “pool” of short-term revenues to be recovered through a grid management fee

❖ *How do we set the cap?*

4. Proposal Element: Recovering short-term revenue “pool” and RTO West “internal” costs through grid management fee

❖ *What constitutes a “schedule” for assessing grid management fees?*

❖ *What are the components of the grid management fee? Are they limited to the short-term revenue pool and RTO West’s internal costs?*

❖ *Open question as to the manner in which RTO West will recover costs of clearing residual congestion between and within congestion zones.*