

RTO West

Pricing Model Summary

February 8, 2001



Working Draft

RTO PRICING Components

During the **Company Rate Period** (through December 15, 2011), RTO pricing will consist of the following components:

- **Load Charge**

- Amount charged to electricity end users for transmission service (based on MWs of load)
- Designed to recover the transmission costs of each Participating Transmission Owner

- **Charges to Purchase Transmission Rights**

- **Firm Transmission Right (FTR)**

- ▶ An entitlement to schedule one megawatt of electric power and energy on a flowpath in a particular direction for a particular hour
- ▶ Will be initially allocated to replace existing firm transmission rights
- ▶ Any remaining FTRs will be auctioned by the RTO on an annual, seasonal, monthly and daily basis as conditions allow

- **Recallable Transmission Right (RTR)**

- ▶ An FTR that was not scheduled during the day-ahead scheduling process
- ▶ Can be recalled up to some specified point before delivery hour
- ▶ Will be auctioned daily by the RTO

- **Non-firm Transmission Right (NTR)**

- ▶ Created by the release of unused capacity associated with non-converted contracts, capacity scheduled for the delivery of operating reserves, and capacity associated with counterflows during the day-ahead scheduling process
- ▶ Will be auctioned daily by the RTO

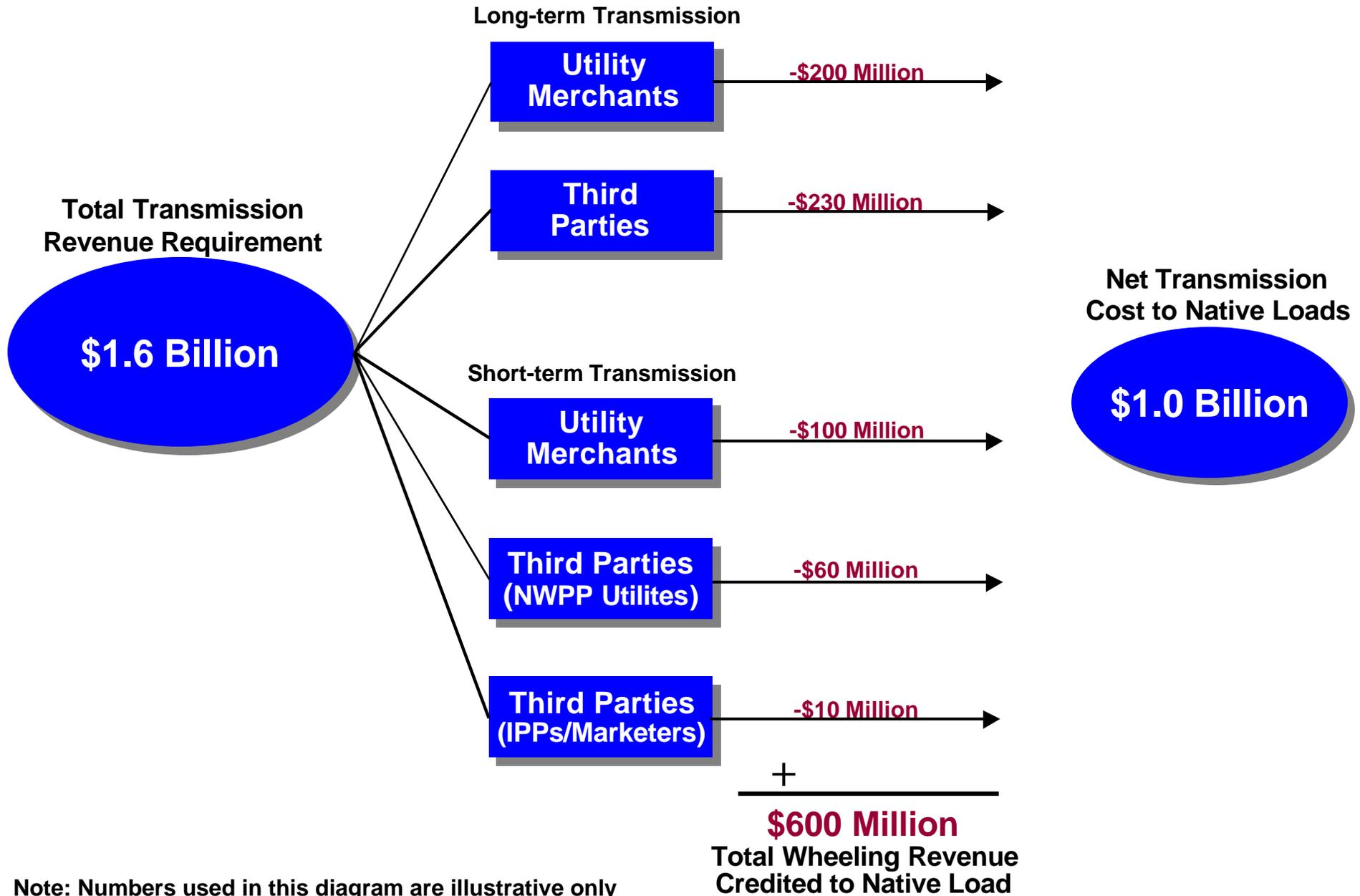
- **RTO Uplift Charge**

- Amount charged to recover the RTO's cost of operation
- Rate design for the Uplift Charge has not yet been determined

- **Power Loss Compensation**

- Compensation for transmission power losses
- Will be paid back by users of the transmission system in a manner that has not yet been determined

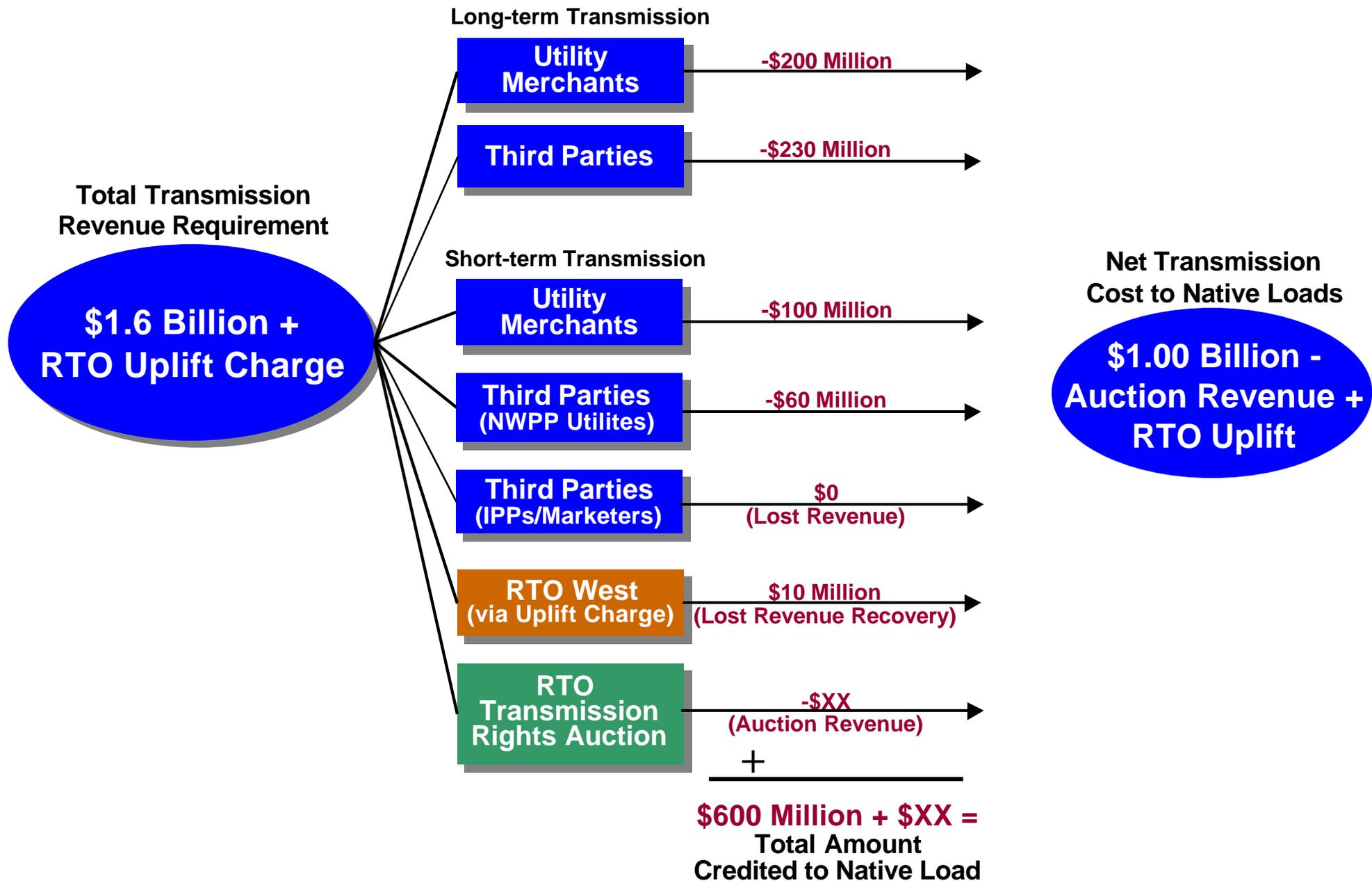
PRE-RTO PRICING



Note: Numbers used in this diagram are illustrative only

POST-RTO PRICING

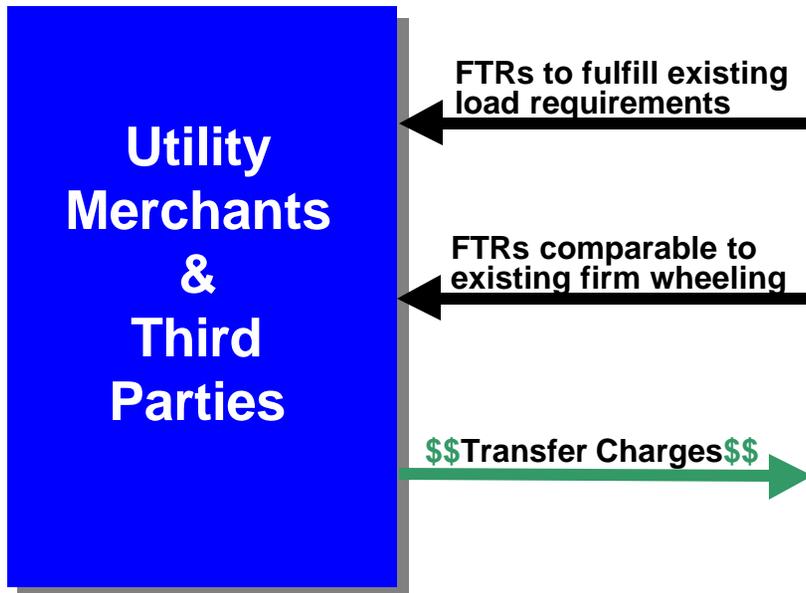
Through Company Rate Period



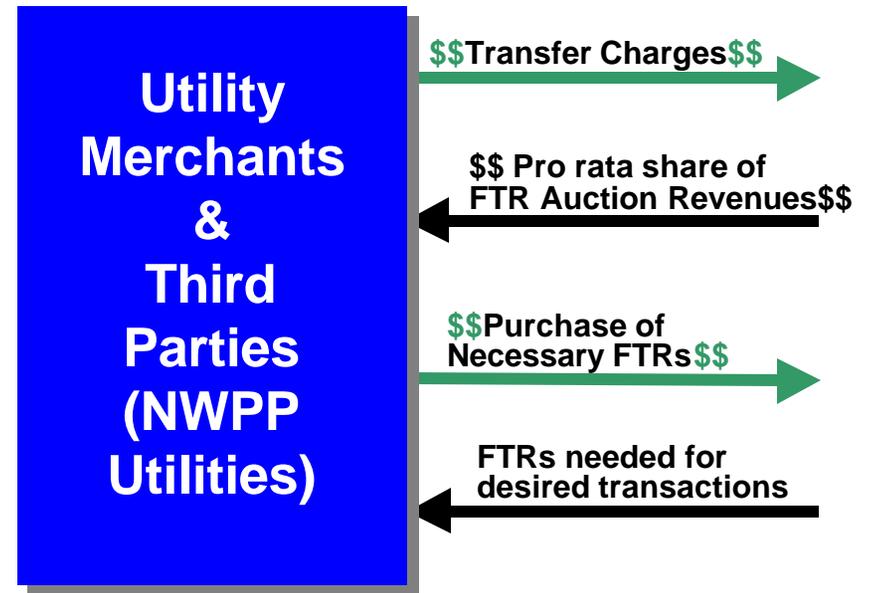
Note: Numbers used in this diagram are illustrative only

POST-RTO Service and Payment Flows

Long-term Transmission



Short-term Transmission



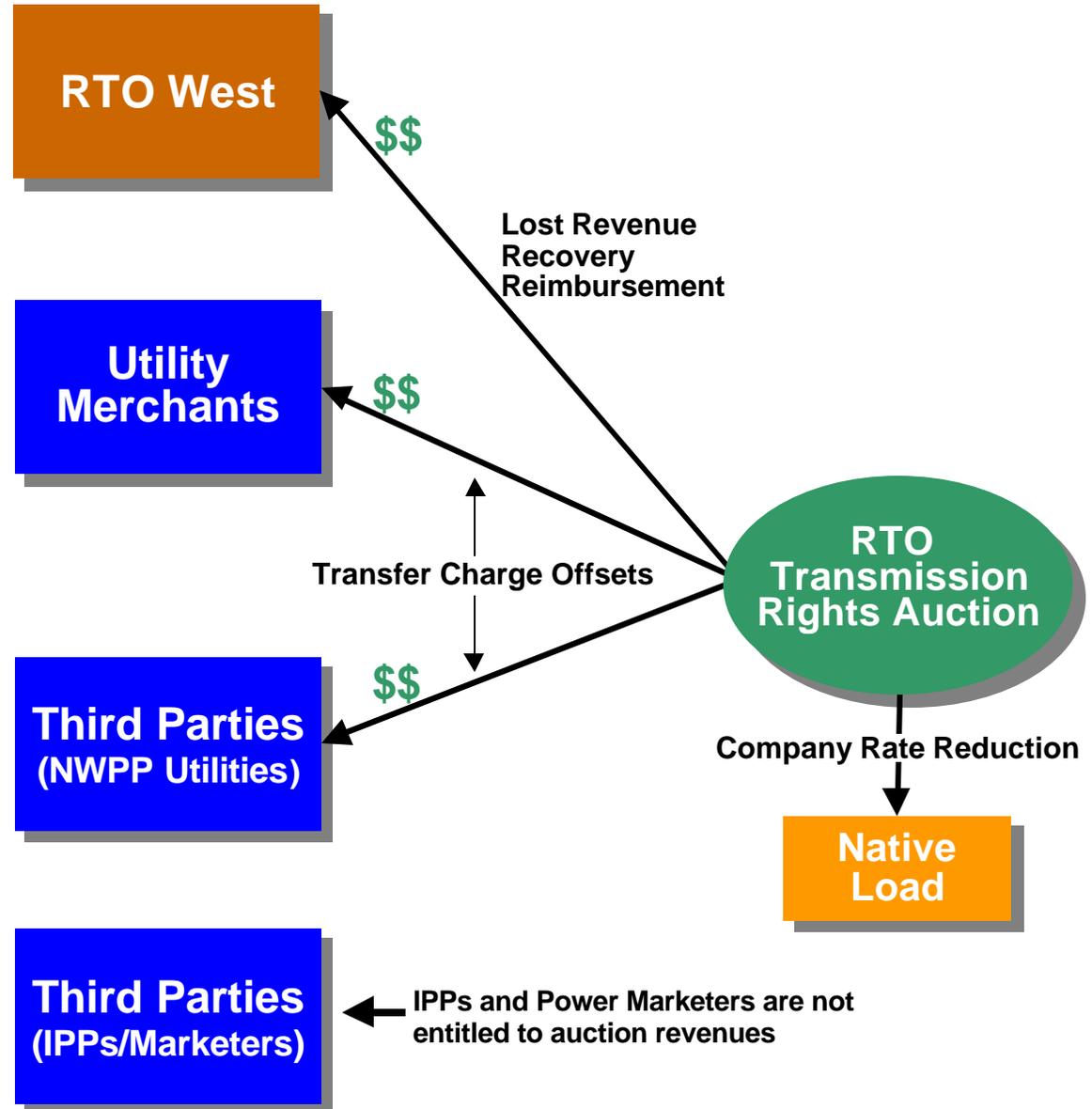
Note: Transfer Charges paid for both short-term and long-term transmission are designed to replace the current levels of transmission revenues earned by each Participating Transmission Owner and will be fixed for the Company Rate Period (through December 2011).

Transmission Rights Auction Revenue Distribution

The revenue from the sale of excess Firm Transmission Rights (FTRs) initially shall be credited pro rata to each Participating Transmission Owner (PTO) holding the applicable FTRs.

Each PTO's allocated revenues will then be applied as follows:

- First, to RTO West to offset any allocation made the the uplift charge to compensate the PTO for its Lost Revenue Recovery amount.
- Next, pro rata to return or offset amounts paid to the PTO as Transfer Charges for short-term wheeling and to compensate the PTO for any loss of Transfer Charges from long-term wheeling agreements that expire during the Company Rate Period.
- Then, to the PTO (for the benefit of their native load) with a corresponding reduction in their Company Rate.



RTO PRICING Conclusions

- **Native Load Customers will see little impact from RTO pricing during the Company Rate Period**
 - ▶ Each transmission owner will continue to allocate its own revenue requirement to its own native load customers
 - ▶ Most current revenue requirement credits for current long-term and short-term levels of transmission service to non-native load customers will be preserved
- **RTO Pricing is designed to minimize any shifting of costs among the various transmission owners during the Company Rate Period**
 - ▶ Native loads will continue to pay for transmission service based on the costs of the transmission owner that provided pre-RTO service to such loads
 - ▶ Transfer Charges are fixed for the Company Rate Period to allow transmission owners to recover their current levels of transmission revenues
- **Recovery of the RTO's operating costs may result in a slight increase in transmission rates to native load customers**
- **Auction revenues from the sale of excess transmission rights might be available to reduce the charges to native load customers**