Short-term/Nonfirm Transfer Payment Toolbox [DRAFT 100301]

(1) Long-term FTRs

The dollar equivalent of new, long-term contract services (e.g., $12,156,000 Transfer Payment Obligation = 1,000 MW * $1.013/kW-month* 12 months) which would be set to 1,000 MW FTRs for at least the term of the Transfer Payment obligation (i.e., December 2011). This arrangement can be done under now-current OATTs. This arrangement would be subject to rate changes.

(2) Short-term FTRs

The dollar equivalent of new, short-term or partial year contract service (e.g., $6,078,000 Transfer Payment Obligation = 1,000 MW * $1.013/kW-month * 6 months) which would be set to 1,000 MW FTRs for 6/12 specified months for at least the term of the Transfer Payment obligation (i.e., December 2011). This arrangement may not be permitted under the now-current OATTs [further explore]. This arrangement would be subject to rate changes.

(3) Capital for Cash

The Transfer Payment obligation would be used to finance (partly or wholly) system upgrades and resulting incremental capacity (partly or wholly) is compensated in the form of FTRs for at least the term of the Transfer Payment. This arrangement can be treated as a use-of-facilities rate. Flexibility in this approach is available vis a vis the *term* of the FTR allowance (e.g., the life of facilities would presumably extend beyond the FTR payment obligation period). In other words, this investment would need to be discounted in some manner due to the fact that the Transfer Payment Obligation is the result of the no-cost-shift principle that RTO West has embraced. This arrangement would not be revisited; it would be determined by contract.

(4) Minimum Payment

The Transfer Payment obligation would be paid in month thirteen, after payments for FTRs, RTRs and NTRs (including rights on paths not specified in existing contracts, or required for load service obligations) would be accounted for. These rights could also be in the opposite direction of predominant use (to encourage counter scheduling) or on paths not fully allocated at the start-up of RTO West. This payment would be made as a minimum payment for use, as opposed to a scheduling charge, and therefore, should not have an impact on the use of transmission. RTO West would collect these payments and then allocate the revenues received among the PTOs owed Transfer Payments. If an obligated PTO didn't use the system enough during a particular year to cover its Transfer Payment obligation, a “true-up” payment would be made.