



RTO WEST Pricing Proposal

Agenda

Pricing Goals

Problems with Stage 1

Possible Solutions

Transmission Use Access Fee Details

Transmission Use Access Fee Results

Grid Management Charge

Loss Methodology

Overview of Stage 2 Pricing Model



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The Original Goals of Pricing:

- Avoid cost shifts
- Eliminate rate pancakes
- Increase economic efficiency
- Continue to Recover Fixed Cost from Users



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Stage 1 Short-Term Transfer Payment Problem

- Increased Short-term System Use
 - 1999 Short-term use \$155M
 - Lost Revenue \$12M
 - 2000 Short-term use \$287M
 - Lost Revenue \$43M
- Produces discrimination between users
- No value and no obligation for Payment
- Transfer Payment many times the posted price for transmission because of the continuing transfer charges



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Various Short-Term Pricing Solutions Evaluated:

- Stage 1: charge historical purchasers a transfer and access charge
 - Stage 2 included looking for ways to provide value for payment
- PTO recovers in its Company Rate
- Uplifted to be recovered over all schedules or loads
- Use FTR Revenue to cover short-term revenue
- Charge future users on a “pay as you go” basis



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Stage 2 Work in Progress Short-Term Proposal

- The Transmission Use Access Fee replaces the Stage 1 proposals for short term transfer charges, NWPP access charges and lost revenue recovery charges.
 - A “pay as you go” proposal



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Stage 2 Short-Term Proposal Details

- Any transmission service not covered by existing long-term transmission agreements or existing load service obligations will pay an access fee for the right to schedule on the grid.



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Stage 2 Short-Term Proposal Details

RTO West Transmission Use Access (the right to schedule) Postage Stamp Rate Calculation:

Sum of All PTOs' Annual Transmission Revenue Requirement
Total 12 CP Loads plus Exports



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Stage 2 Short-Term Proposal Details

- The Transmission Use Access Charge provides flexible access to the grid with the right to schedule megawatts between any pairs of injection and withdrawal points.



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Stage 2 Short-Term Proposal Details

- Transmission Use Access Charge does not provide an FTO.
- If the actual schedule incurs congestion costs, the access charge will offset the congestion-clearing charge up to access charge amount.
- The Scheduling Coordinator would be responsible for all congestion costs each hour that exceed the Transmission Use hourly access charge.



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Stage 2 Short-Term Proposal Details

- **Affiliate Merchant Transactions (under discussion)**
 - Would pay Access Fee on applicable transactions
 - If the schedule uses only the Affiliate's PTO System there would be a special allocation of the fee directly to the Affiliate's PTO
 - If a schedule uses any part of other PTOs systems no special allocation would be used.



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Stage 2 Short-Term Proposal Details

- Revenues allocated back to the transmission owners prorata based on:
 - Historical short-term revenues
 - Expiring long-term contracts (under discussion)
 - Available capacity of new transmission facilities built during the transition to the RTO and [excludes pre-purchased long-term and FTOs]



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Stage 2 Short-Term Proposal Results

- Rate Pancaking Eliminated.
- Cost Shifts Minimized.
- Transaction costs reduced from today.
- All customers using RTO service pay some portion of the system's embedded costs.
 - not dissimilar to the present model.
- Transmission owner bear risk that the fee may or may not make owners whole.
 - Revenue based on actual use of the RTO West system.
 - not dissimilar to the present model.



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Grid Management Charge

- The Charge will be calculated to recover all the RTO West start up and operation costs.
- The GMC will be paid on a \$/Mwh basis for all schedules and is applied at the Point of Injection on the RTO West Transmission System



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RTO West Losses Methodology

- For non-converted contracts will be charged loss factors of the existing participating transmission owners.
- For converted service and new service the filing utilities will not develop a specific losses methodology prior to selection of the independent RTO West Board.



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- **RTO West Losses Methodology**
- **Guiding principles for RTO West:**
 - Recover actual losses.
 - Avoid Costs Shifts.
 - Allow the customer to choose between providing losses and buying losses at the imbalance price.
 - Eliminate pancaking.
 - Send appropriate price signals about resource/load location and operation.
 - Loss factors should not be computed after the fact.
 - The loss methodology proposed by RTO West will be subject to review and approval by FERC.



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Overview of Stage 2 Pricing (Who pays What?)

- Non-converted Service
 - Company Rate
 - Grid Management Charge
 - Existing Pancaked Losses or equivalent



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Overview of Stage 2 Pricing (Who pays What?)

- **Converted Service**
 - Company Rate
 - Grid Management Charge
 - RTO Loss Charge
 - FTOs granted upon conversion



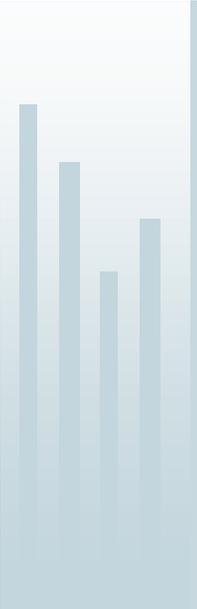
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Overview of Stage 2 Pricing (Who pays What?)

- Transmission Use Service
 - Transmission Use Access Fee
 - Grid Management Charge
 - RTO Loss Charge
 - FTOs or Congestion Costs



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Questions