



# ***RTO WEST Pricing Proposal***

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## Agenda

Pricing Goals

Problems with Stage 1

December proposal

Non-Converted Rights Service

Historic Reservation Rights

Unrestricted Reservation Rights

Transmission Reservation Fee

FTO Credit

Allocation of TRF Revenue



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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
  - 2000 Short-term use \$287M
    - Lost Revenue increased \$31M
- 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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### Stage 2 December proposal

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

- Grid Management Charge
- Company Rates
- Transfer Charges
- Losses



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### Stage 2 Current Pricing Proposal

- RTO West offers two transmission services:
  - Non-Converted Rights Service
  - Transmission Use Service



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### Stage 2 Non-converted Service

- Users pay
  - Company Rate or PTO Transmission Rate
  - Grid Management Charge
  - Existing PTO losses
- Service limited to catalogued rights



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### **Stage 2 Transmission Use Service**

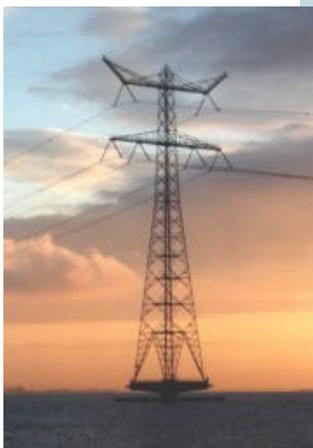
- Reservation Rights are required to schedule transactions
  - Historic Reservation Rights
  - Unrestricted Reservation Rights
- Reservation Rights are different from any congestion management rights or obligations



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### **Stage 2 Historic Reservation Rights**

- Allows schedules between designated injection and withdrawal points
- Available to parties who convert Pre-Existing contracts and Load Serving Obligations
- Limited in scope to the of catalogued rights
- Does not require the payment of Transmission Reservation Fee—Customers pay Company Rate or Transfer Payment



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### **Stage 2 Unrestricted Reservation Rights**

- All Transmission Use Service not covered by Historic Reservation Rights must acquire Unrestricted Reservation Rights
- Allows schedules between any points on the RTO grid
- Requires payment of Transmission Reservation Fee
- May be remarketed



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### Stage 2 Pricing    Transmission Reservation Fee

- Payment of the TRF conveys Unrestricted Reservation Rights and FTO Credits
- TRF is intended to replace short term revenue and revenue from expired long term contracts
- TRF is RTO postage stamp rate:
- Sum of PTOs' Annual Transmission Revenue Requirement
  - Total 12 CP Loads plus Exports



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### **Stage 2 Pricing    Transmission Reservation Fee**

- Rights are sold in strips of the same quantity each each hour
- The TRF will be updated each year for for changes in PTO revenue requirements, if any, and for Loads and Export



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### **Stage 2 Pricing FTO Credit**

- TRF payments will be credited to offset costs paid for FTOs in the day ahead auction
- FTO credits be used at any time during the period of the strip of rights purchased
- May be remarketed with the Unrestricted Reservation Rights or independently



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### **Stage 2 Allocation of TRF revenues**

- Revenues allocated back to the transmission owners based on:
  - Affiliate Merchant Transactions and
  - Pro rata based on
    - Reference year short-term revenues
    - Expired long-term contracts



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### **Stage 2 Allocation of TRF revenues**

- Reference year to be the last Calendar Year prior to RTO operations
- Revenues from expiring long term contracts is actual revenue minus reference year revenue
- Company Rates are automatically adjusted for allocated TRF revenue



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### **Stage 2 Allocation of Excess FTO Auction revenues**

- Uncertain whether the congestion management system will produce FTO auction revenues greater than costs
- Many alternatives have been proposed for allocating FTO revenues—offset GMC, TRF, Company rates, etc.
- Specific allocation methodology is left to RTO West