

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**Avista Corporation,
Bonneville Power Administration,
Idaho Power Company,
The Montana Power Company,
Nevada Power Company,
PacifiCorp,
Portland General Electric Company,
Puget Sound Energy, Inc,
Sierra Pacific Power Company**

Docket No. RT01

-35-007

**COMMENTS OF
WILLIAMS ENERGY MARKETING & TRADING COMPANY
IN SUPPORT OF THE COMMENTS SUBMITTED BY
THE INDEPENDENT ENERGY PRODUCERS ASSOCIATION AND
THE ELECTRIC POWER SUPPLY ASSOCIATION**

Pursuant to the April 30, 2002 Notice of Filing in the above -captioned docket, Williams Energy Marketing & Trading Company (“Williams”) submits the following comments in support of the comments filed by the Independent Energy Producers Association (“IEP”) and the Electric Power Supply Association (“EPSA”).¹ In support thereof, Williams states as follows:

I.

BACKGROUND

On April 22, 2002, the Avista Corporation, the Bonneville Power Administration, Idaho Power Company, Nevada Power Company, PacifiCorp, Portland General Electric Company, Puget Sound Energy, Inc. and Sierra Pacific Power Company, joined by British Columbia Hydro and Power Authority, a nonjurisdictional Canadian utility,

¹ Williams filed a motion to intervene in this proceeding on November 20, 2000 and is therefore a party to this proceeding.

(collectively, the “Filing Utilities”) filed with the Commission an errata filing relating to the Filing Utilities’ March 29, 2002 Stage 2 Filing and Request for Declaratory Order Pursuant to Order 2000 (“Stage 2 Filing”). The Filing Utilities state that the April 22 errata filing corrects certain errors in the Stage 2 Filing.

II.

COMMENTS IN SUPPORT OF THE COMMENTS SUBMITTED BY IEP AND EPSA

Williams supports the comments submitted by IEP in this proceeding and incorporates them herein. As suggested by IEP, the Commission should accept the Stage 2 filing only with the express condition that the Filing Utilities make a further submission that would: (1) ensure full participation by Transmission Owning Entities in the region by having the facilities in the region operated by the RTO West; (2) establish a market monitoring function that is independent yet preserves the accountability of the RTO West board; (3) provide assurance that the external interface access fee is consistent with regional price reciprocity; and (4) ensure consistent congestion management across the RTO West/California Independent System Operator (“CAISO”) Seam.

Williams also supports the comments submitted by EPSA in this proceeding and incorporates them herein. Consistent with the comments of EPSA, the Commission should ensure that the following issues are adequately addressed before accepting the Stage 2 Filing: (1) RTO West should have complete independence; (2) all users should have non-discriminatory and comparable access; and (3) RTO West should provide the mechanisms for inter-regional coordination and seams issues solutions within the Western Interconnection.

In addition to the aforementioned suggestions of IEP and EPSA, Williams urges the Commission to condition its acceptance of the Stage 2 Filing on a further submission that: (1) requires RTO West to undertake centralized transmission and interconnection studies; (2) makes RTO West the final arbiter in any seams dispute but establishes a stakeholder advisory committee for seams issues; and (3) explains the difference between the “re-dispatch” model resolution of Locational Marginal Prices (“LMP”) set forth in the Stage 2 Filing and a PJM Interconnection, L.L.C. (“PJM”) type energy market resolution of nodal LMPs.

Centralized Transmission and Interconnection Studies. The Commission should require RTO West to implement centralized transmission expansion and interconnection studies. The Commission should increase the responsibility of the RTO West for establishing interconnection guidelines for functions such as interconnection studies, cost allocations, priority management and others similar activities. Because of the inevitable differences in the study and planning methodologies of the various entities, it is likely that congestion will be most effectively reduced through the use of a single study conducted by RTO West.

RTO West Should Actively Resolve Seams Issues, With Input From a Stakeholder Advisory Committee. There appear to be significant differences between the market design models proposed by CAISO and RTO West, and those differences may create seams issues. FERC should require RTO West to take an active role in the resolution of seams issues. The RTO West should be the decision maker in seams disputes, but should receive input from a stakeholder advisory committee that should be

established to address seams issues. This type of stakeholder input and interaction is notably absent in the current and proposed CAISO market designs.

PJM Type Energy Resolution of Nodal LMPs vs. Re-dispatch Model. The cost of clearing congestion, and therefore the costs assigned to transmission usage for those transactions without Cataloged Transmission Rights in the RTO West is proposed to equal the nodal price difference between the injection node and extraction node of any transaction. As shown in the Stage 2 Filing, the RTO West apparently would not use a centralized energy market formulated like the PJM and New York Independent System Operator, a bid-based, least cost security constrained dispatch to determine nodal energy prices. Instead, the Filing Utilities propose to only create nodal prices to resolve the congestion management process, while also employing unconventional bidding strategies and considerations that reflect the multi-dimensional characteristics of northwest hydro system. Following is the Filing Utilities' description of the proposed congestion management process:

The process for clearing congestion that arises during the scheduling process will rely on a system of voluntary bids from generators (and eligible "dispatchable" loads that wish to participate in bidding). Participation in the inc/dec bidding process must be voluntary to avoid disrupting the system of hydroelectric and thermal optimization that is fundamental to the efficient operation of generation resources in the RTO West geographical area. This optimization process relies on operator self-commitment of resources, among other things. To the extent that this voluntary bidding structure raises concerns that markets may not be as deep and liquid as needed for competitive outcomes, the congestion management proposal (together with other elements of the RTO West proposal) provides several tools to address these concerns.²

Williams is concerned that resolving RTO West nodal prices "re-dispatch" algorithms will be significantly different than the nodal prices resolved via the more conventional

² See Stage 2 Filing, Appendix F, page 9, paragraph 3.

PJM energy market algorithms. Williams is especially concerned that the resulting congestion costs will be unnecessarily high and discriminate against merchant generators without embedded transmission rights. The Commission should require the Filing Utilities to explain differences, if any, between the “re-dispatch” model resolution of LMPs as set forth in the Stage 2 Filing and the PJM type energy market resolution of nodal LMPs.

III.

CONCLUSION AND RESERVATION OF RIGHTS

As discussed above, Williams supports the comments submitted by IEP and EPSA. Williams urges the Commission to require the Filing Utilities to submit an additional filing that includes the additions and changes described in Williams’ comments. Williams reserves the right to address and comment on all issues raised in this proceeding.

Respectfully submitted,

**WILLIAMS ENERGY MARKETING &
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CERTIFICATE OF SERVICE

I hereby certify that I have on this 30th day of May, 2002, served copies of the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Michael J. Green