

Cataloguing/Options Task Team Recommendation Summary Revised Clean Draft November 22, 2002

(Note: The "Key Assumptions or Decision Factors" column has been deleted to save space because it had no entries.)

Preliminary Notes:

A. The recommendations below reflect the Cataloguing/Options Task Team's initial work for RTO West Stage 3 market design, governed by the ground rule that additional details and proposals are to be consistent with the RTO West Stage 2 FERC filing. There are additional details that some participants wish to include but for which there is not task team consensus that those details are consistent with Stage 2. There are many issues related to aspects of the Stage 2 proposal that one or more task team participants believe should be modified (either because they disagree, don't think it will work as intended, or think there are worthwhile improvements). These are captured generally in the "task tracking" Excel spreadsheet and in more detail in the notes to the Cataloguing and Conversion Process Flow Charts and various task team white papers. (The "task tracking" Excel spreadsheet contains links to the white papers.)

B. The recommendations below also are presented with an expectation that all aspects of the RTO West Stage 3 market design will be evaluated through a "stress-testing" process, which could lead to revisions if the stress testing reveals significant problems.

Task Team	Question/Statement of Issue	Recommendation or Proposed Options
COT - 1	Based on the Stage 2 filing, what are the steps in the cataloguing and conversion process and how do they relate to one another?	The task team believes that the Cataloguing and Conversion Process Flow Charts accurately depict (and add a few consistent details to) the proposal submitted in the Stage 2 filing.
COT - 2	How will information concerning Participating Transmission Owners' pre-existing transmission service obligations (either based on contract or on demonstrated load service obligations) be catalogued to enable RTO West to know which schedules submitted by a Participating	The task team recommends that the information developed through the cataloguing process be loaded into a relational database (which will use a standardized structure to capture information about the characteristics of the pre-existing transmission service obligations and how those characteristics relate to one another). The task team also recommends that the database design be carried out through a public stakeholder process. There are additional proposed aspects of this approach (such as attempting to find a group of standard

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	Transmission Owner are covered by Catalogued Transmission Rights?	contract elements from the “populated” template and “segmenting” contract elements into standard components and nonstandard components) with respect to which the task team has not yet reached consensus.
COT - 3	What is the catalogue sufficiency test and how will it be carried out?	The catalogue sufficiency test is the process that RTO West uses to determine: (a) whether an individual Participating Transmission Owner has provided Congestion Management Assets that are sufficient to cover all of the pre-existing transmission service obligations the Participating Transmission Owner brings with it when it joins RTO West; and (b) whether all Participating Transmission Owners’ Congestion Management Assets, in the aggregate, are sufficient to cover all Participating Transmission Owners’ pre-existing transmission service obligations, in the aggregate. The task team recommends that the catalogue sufficiency test be treated as a two-step test. In the first step, RTO West tests the sufficiency of each individual Participating Transmission Owner’s Congestion Management Assets. In the second step, RTO West tests the sufficiency of all Participating Transmission Owners’ Congestion Management Assets, in the aggregate, based on a process that models the physical operation of the transmission system. The task team does not yet have a recommendation concerning whether the modeling process for the second, aggregate test should include system losses. The members of the Market Design Work Group have not yet reached a conclusion about the best way to perform the first (individual Participating Transmission Owner) step of the sufficiency test. Among the objectives they believe should be addressed in designing the individual test are: (1) the same reliability standard should apply to all Participating Transmission Owners when testing the sufficiency of their assets; (2) at least initially, the test should reflect current practices – that is, it should reflect the manner in which Participating Transmission Owners have analyzed their systems’ ability to support the sale additional

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		<p>transmission service – we want to avoid both allowing Participating Transmission Owner’s to “free ride” on the system and forcing them to overbuild when current facilities are adequate to meet service obligations; and (3) as the system changes over time (new lines, substations, and generators added, etc.), it may become harder to “translate” back into earlier system modeling practices used for assessing the sufficiency of individual Participating Transmission Owner’s Congestion Management Assets. Another concern is guarding against degradation in service quality – that is, how to make sure that Congestion Management Assets are sufficient not just to cover the literal terms of a pre-existing contract, but to support continued service at the level historically delivered to the contract customer. A final concern is the ability to modify the test if it does not seem to be providing accurate, reliable results. Can RTO West unilaterally modify the asset sufficiency test?</p>
COT - 4	<p>Should the provisions related to RTO West’s testing of the sufficiency of a PTO’s Congestion Management Assets be included in the RTO West tariff?</p>	<p>It is not yet clear whether it will make sense for the terms of the asset sufficiency test to be included in the RTO West tariff. The task team therefore recommends that the Tariff Work Group delay drafting any asset sufficiency test terms for the tariff for now. The task team has developed some additional details and proposals related to sufficiency testing, but has not reached a conclusion about how these should be “nailed down” (such as by incorporating them into the RTO West Transmission Operating Agreement or a filing to FERC, etc.) so that all parties know what is intended and what to expect. Another question is what is the best way to give FERC “visibility” into the workings of the asset sufficiency test if those provisions are not part of the RTO West tariff. The task team also recognizes the tension between providing certainty as to how the sufficiency testing process will work and allowing for RTO West to have flexibility to respond to unanticipated problems related to sufficiency testing.</p>
COT – 5	<p>How will information about the</p>	<p>The task team recommends that information about the Congestion</p>

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	<p>Congestion Management Assets that a Participating Transmission Owner contributes to RTO West be captured?</p>	<p>Management Assets that a Participating Transmission Owner contributes to RTO West be captured in a relational database, analogous to the one used to enter all necessary information related to pre-existing transmission service obligations (the CTR database). To the extent that a PTO's Congestion Management Assets include "non-wires" elements (such as redispatch), the task team recommends that the database specify the conditions under which RTO West may call upon these assets, e.g., the submission of a particular schedule or the occurrence of a specified condition on the transmission system. The conditions should be defined by objective, measurable criteria that can be evaluated using computer software tied to RTO West processes such as the day-ahead or real-time markets.</p>
COT - 6	<p>If RTO West's sufficiency test of all Participating Transmission Owners' Congestion Management Assets together indicates that there are more Congestion Management Assets in the aggregate than are needed to cover all pre-existing transmission service obligations in the aggregate, will that be used as a basis to reduce the amount of Congestion Management Assets each Participating Transmission Owner must provide individually?</p>	<p>The task team recommends that even if all Participating Transmission Owners' Congestion Management Assets in the aggregate add up to more than what is needed to cover all pre-existing transmission service obligations, Participating Transmission Owners should still be required to contribute enough Congestion Management Assets to cover their pre-existing transmission service obligations when tested on an individual basis.</p> <p>Linc Wolverton has raised two concerns with respect to this recommendation: (1) that requiring Participating Transmissions Owners to pass the asset sufficiency test on an individual basis when aggregate assets indicate there is surplus is unreasonably onerous (because the individual test may be harder to pass when effects of netting and diversity are not considered); this will give Participating Transmission Owners incentives to make their transmission service obligations "fit" within their Congestion Management Assets by imposing more frequent service curtailments; and (2) to the extent Participating Transmissions Owners must provide more Congestion Management Assets than</p>

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		necessary to meet the aggregate test, there is a dollar impact to the customers who pay Participating Transmission Owner's Company Rate.
COT - 7	How will a contract customer know how its pre-existing transmission rights have been catalogued by the PTO with the transmission service obligation before the contract customer has to decide whether to convert its pre-existing rights to RTO West service (either using "direct-scheduled" CTRs or FTOs)?	The task team recommends that each Participating Transmission Owner not only have an obligation to make a good faith offer to each of its customers to enable them to convert their pre-existing transmission agreements to RTO West service, but also an obligation (when making the good faith offer) to disclose to each customer the catalogue entries the Participating Transmission Owner has made with respect to that customer's contracts. There is still discussion within the task team concerning how and when information about how pre-existing rights have been catalogued will be filed with FERC or otherwise made public.
COT - 8	If a pre-existing transmission service agreement provides for service from points of receipt or to points of delivery that are not on the RTO West transmission system, how with this be handled in the cataloguing process?	The task team recommends that the catalogue entries for all pre-existing transmission service obligations reflect the delivery and receipt points specified in the applicable agreements. The task team further recommends that the cataloguing database include a method of "mapping" all delivery and receipt points that are not on the RTO West transmission system to associated nodes at the boundary of (but within) RTO West transmission system. The associated nodes on the RTO West transmission system would be used for purposes of defining CTR injection and withdrawal points.
COT - 9	How will the provisions of a pre-existing network (NT) transmission service agreement be catalogued?	The task team recommends that the catalogue entries for all pre-existing NT service agreements identify each of the following contract terms: (a) all permitted points of injection; (b) all designated network resources; (c) any limits or range-of-use bounds associated with the points of injection or designated network resources (including those related to timing of schedule adjustments); (d) all permitted withdrawal points or the locations of loads that are allowed to be served with the NT service; (e) a description of how the sum of permitted demand is tied to actual load; and (f) other contract attributes necessary to provide firm transmission service to load.

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		(Note: this recommendation may be subject to further refinement if the Market Design Work Group ultimately adopts one of the concepts the task team currently has under consideration (described under "Informational Item 2" below – providing for the "translation" of pre-existing rights into two components – uniform "standardized" rights and unique "non-standard" residual rights or obligations).)
COT - 10	The Stage 2 proposal's description of the conversion process states that when a customer decides to convert a pre-existing transmission service agreement to RTO West service, the customer must "declare" (at the beginning) whether it will convert its rights to direct-scheduled CTRs or to FTOs. Does that task team view this as a necessary element of the conversion process?	In working out additional details of the conversion process, the task team concluded that many steps in the conversion process are identical for CTR-path conversion and FTO-path conversion. In the case of the CTR-path conversion, the process ends with the issuance of direct-scheduled CTRs to the customer, whereas with the FTO path, there are additional steps that follow the determination of what the customer's direct-scheduled CTRs would be. The Stage 2 proposal also provides that a customer's option to convert its pre-existing rights to FTOs never expires – the customer can make that election at any time. For these reasons, the task team recommends that a customer not have to elect, at the beginning of the conversion process, whether the customer will end the process upon receiving direct-scheduled CTRs or will continue with the process to receive FTOs. A customer could follow the CTR-path conversion to completion and decide then (or at a later date) if it would like to take the additional steps necessary to convert to FTOs based on the information it has gained through the CTR-path conversion process. It is important to bear in mind, however, that the Stage 2 proposal provides that the opportunity for a customer to convert its pre-existing rights to CTRs is limited to the first year following the initiation of RTO West commercial operations. Therefore, the issue of customers electing between direct-scheduled CTRs and FTOs disappears after the first year.
COT - 11	How and when is a Participating Transmission Owner's catalogue database updated and how is that	The task team recommends that a Participating Transmission Owner's catalogue be updated whenever there are changes to a Participating Transmission Owner's pre-existing transmission service

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	<p>related to updating the database containing the Participating Transmission Owner's Congestion Management Assets and re-testing asset sufficiency?</p>	<p>obligations (for example – a contract expires, or an option to serve load growth is triggered, or a customer exercises the right to designate different injection or withdrawal points, or the obligations change as a result of agreement between the customer and the Participating Transmission Owner or through dispute resolution). The database containing the Participating Transmission Owner's Congestion Management Assets would need to be updated whenever there are changes to a Participating Transmission Owner's Congestion Management Assets, such as an upgrade or expansion of the Participating Transmission Owner's transmission facilities. Changes in the catalogue of pre-existing obligations may have an effect on the Congestion Management Asset data. For example, if the outstanding obligations of a Participating Transmission Owner decrease because a contract expires, the Participating Transmission Owner may not need to continue providing as many non-wires assets to support its obligations, and the asset database could be modified to reduce the amount of non-wires assets. Conversely, if a Participating Transmission Owner fails the asset sufficiency test for some reason, the Participating Transmission Owner would have to revise its database to increase its Congestion Management Assets to a sufficient level. Analyzing the reasons that a Participating Transmission Owner has failed the asset sufficiency test may also help define the "triggers" that would apply to any additional non-wires assets that are needed. The task team recommends that RTO West have the discretion to decide when a change to a Participating Transmission Owner's catalogue is significant enough to warrant re-testing for asset sufficiency.</p>

Informational Items

Task Team	Question/Statement of Issue	Informational Item
COT Info #1	How will transmission service associated with a load service obligation (not covered by a pre-existing transmission service agreement) be catalogued?	The task team is currently considering a proposal to require that transmission service needed to fulfill a load service obligation be captured in the form of a network (NT) transmission service agreement before cataloguing. After the transmission service requirement has been translated into an NT service agreement, the terms can then be catalogued in the manner described above under "Recommendation 6" for pre-existing NT service agreements.
COT Info #2	Is there a way to standardize the structure of the catalogue database and, if possible, the manner of recording entries to (1) provide ease of use for RTO West in operations and settlements and (2) potentially simplify and increase the flexibility of the conversion process?	The task team is currently considering a proposal to break pre-existing rights into two components: uniform "standardized" rights and unique "non-standard" residual rights or obligations. The task team believes that this is a promising direction, but has not yet had the opportunity to fully discuss and evaluate the proposal.
COT Info #3	What are the rules concerning the ability of those holding CTRs to trade or resell them?	The task team believes that the Stage 2 proposal providing that CTRs will not be tradable should be followed. The primary reason for the restriction on trading CTRs is to avoid changes in use of pre-existing transmission rights that would undermine a key premise: that all pre-existing claims on the RTO West transmission system will be able to be simultaneously honored in part because of the effects of netting and diversity. If those who are not using portions of their pre-existing rights (especially rights that have significant "optionality") are able to trade or resell the unused portions of their rights to others, the task team believes that actual system use covered by congestion hedges (CTRs) could be much greater than under the current system. At the same time, another core element of the Stage 2 proposal is that the transition to RTO West should neither expand nor diminish rights under pre-existing transmission service agreements and load service obligations. This raises the question of

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		<p>how best to deal with situations in which the holder of pre-existing transmission service rights currently has the ability to make those rights available for others' use (or to permanently transfer ownership of those rights to another party). The task team has not yet developed a proposed answer to this question.</p>
<p>COT Info #4</p>	<p>How successful will the cataloguing process be at defining CTRs that neither increase nor decrease the value of existing rights?</p>	<p>The task team has thus far agreed to explore the current CTR model as the means to achieve the desired balance, but has not yet agreed on what additional details are necessary to strengthen the certainty of the balance. However, some parties believe the current model will allow CTRs to be used in ways that are different from how existing rights are used today, while other parties believe the process and the new model will decrease their rights. If either of these were to occur, the consequences could include reduced or increased amounts of transmission capacity made available in FTO auctions, increased or reduced requirements for the provision of congestion management assets, or cost shifts. The task team will take up this topic at some point during the Stage 3 process and, depending on the outcome, may recommend modifications to the CTR proposal.</p>