

Comments of the Industrial Customers of Northwest Utilities on the Scope and Purpose of and Representation in the Next Round of RTO West Deliberations

July 14, 2003

The interest of the Industrial Customers of Northwest Utilities (“ICNU”), as we have stated in previous comments to FERC and to RTO West, is to obtain reliable power at the least delivered cost, including all costs of transmission. With these interests in mind, we offer comments on the scope of the next phase of deliberations, on the “Vision Statement,” on problems that the transmission system is facing and on representation in the RRG and how consensus is determined within it.

ICNU recognizes that there are problems with the current transmission system that need to be addressed, whether by new arrangements among existing institutions or by a new organization. However, we do not seek a new regional transmission organization solely for the purpose of embarking on a regional experiment unless that new organization provides lower-cost delivered power and solutions to the problems that exist with the transmission system without introducing new and greater problems to power markets.

In fact, these new deliberations should examine incremental alternatives to a universal, potentially CAISO-type approach to the region’s transmission problems prior to refurbishing the existing RTO West approach.

ICNU is extremely concerned about the high costs of an RTO West “solution” without commensurate benefits in terms of delivered power-cost savings. It is particularly important that RTO West not try to solve problems that do not exist in the Northwest, such as correcting for non-existent societal economic impacts of “pancaked” access by generation providers.

At its RRG meeting on June 25, RTO West proposed and sought comments on the following vision statement to guide the group for the next phase of deliberations.

Unify transmission management to maintain reliability, improve efficient use of the transmission system, and provide the region’s customers with access to diverse, widespread wholesale energy alternatives.

Taking portions of the statement in turn, ICNU makes the following observations:

- “Unify transmission management...” Does endorsing the vision mean establishing a single entity—RTO—that unifies the management? Or, can a combination of existing institutions solve the pressing problems? The unification of transmission management may not be necessary.
- “...maintain reliability and improve efficient use of the transmission system...” These are laudable purposes, subject to cost efficiency, either for enhancements of existing institutions or for a new organization.
- “...provide the region’s customers with access to diverse, widespread wholesale energy alternatives.” ICNU does not support having general transmission users subsidize new transmission in order to obtain new coal or wind resources, if those are what are meant by diverse, widespread energy alternatives.

RTO West also is seeking comments on what RRG members consider the Northwest transmission system’s most pressing problems. ICNU offers the following:

- The need for comparable treatment of bundled and unbundled customers in access to and pricing of transmission and ancillary services. Resolution is needed on the issue of multiple access charges, “pancaking,” to loads.
- The need for imbalance and ancillary markets closer to load centers.
- Removal of cumbersome provisions by end users to obtain access to transmission.
- Resolution of contract- versus flow-path issues so that real transmission capacity that is available is not rendered unusable due to “phantom” congestion embedded in contract-path rights.
- Ability by end users to trade and/or fashion contract rights differently.

In the summary of the June 25 meeting, RTO West comments that the parties in the RRG regard the process as representing an “appropriate broad range of interests.” While we agree with that comment—that is, that a range of regional voices is represented—the summary failed to note a crucial caveat: That representation of many points of view does not properly weigh the economic interests of the region. End users, for example, had but two voices at the table—ICNU and Alcoa—yet end users pay 100 percent of the costs of any decisions.

A consensus rule reflecting the economic interests involved, particularly those of those entities that pay final transmission bills, is necessary to ensure balance. The notes of the meeting did not reflect comments by some that the RTO West board-of-director selection process contains a much more economically balanced approach to consensus. That is, the weighting of the board selection committee in the by-laws would more fairly balance the group at decision/consensus time.