

## **Problems with Today's Transmission System**

1. **Pancaked Rates and transactions costs** – It is a well recognized problem that pancaked rates and transactions costs, including multiple reservations, scheduling, losses, settlement, etc. distort the market for energy. See FERC's Order 2000. Pancaked rates also imply, in today's world, pancaked control areas, pancaked ancillary service charges, and pancaked schedules. The existence of pancaked rates may lead to less than optimal generation dispatch. It also limits the numbers of buyers and sellers willing to do business with each other. This is of particular concern to PNGC Power members as we are often one or two transmission systems away from our primary power supplier.
2. **Fragmented Planning** – Because of the extreme interconnectedness of the transmission system in the Northwest, the solution to one utility's transmission problem often lies on another party's transmission system. Because of fragmented ownership, competition for load in local areas, and disputes between utilities, sub-optimal solutions to local or sub-regional transmission problems are often pursued. These sub-optimal solutions often take far longer than necessary to implement because there is no mechanism to compel parties to the table.

Further, the current queuing system for generation integration does not adequately integrate generation additions into transmission planning. Because of Order 889, generation and transmission planning were torn apart. A comprehensive way to plan the transmission system, one that includes various generation scenarios and projects, must be found so the transmission and generation investment can proceed with some degree of order.

3. **Lack of Infrastructure Investment**– For a variety of reasons, transmission expansion has been minimal over the past decade. As cooperatives dependent on other companies to make transmission investment, it is essential to us that transmission infrastructure be put in place in a timely manner. Lack of this timely investment could cause severe price spikes in power prices and threaten reliability.
4. **Lack of certainty regarding recovery for transmission investment** – The separation of generation and transmission spawned the expectation that generators will make substantial transmission additions. This merchant transmission has failed to appear and chances of it showing up are very, very slight given the overall financial state of the industry and the IPP community. Traditional IOUs claim regulatory uncertainty about recovery prevents them from making substantial transmission investment. Federal entities such as BPA have borrowing limits and equity considerations. Some improvement in this area must be made so that investors and commissions are secure about transmission investment and its recovery.

5. Reliability – With the devastation of the financial strength of the electric utility industry, the addition of many new players and the explosion of the number of transactions, reliability has suffered. Less money is available for reliability investments and the responsibility for those investments is unclear. In the short-term, more could be done to insure short-term reliability on the overall system.
6. Unused Capacity – The current pro-forma tariff structure leaves capacity on the table. Some transmission investment might be avoided if the system were run as one system, if intermediate firm products were available, if better markets for secondary transmission products existed, and if ATC calculations were made on a uniform basis, among other improvements.
7. Market Monitoring – The complex and difficult system of multiple control areas and daisy chains makes market abuse difficult to detect. Consumers would be better served in a system that could structurally prevent some abuses and have closer market oversight to catch other abuses. We are all still paying for the abuses that occurred in the 2000-2001 period.
8. Congestion Management – We have blunt tools for dealing with congestion on the transmission system. There are a variety of ways to address congestion which should be explored. Now that we are free from the FERC imposed “LMP” solution, we should truly explore solutions to congestion management in the RTO West process.

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