

Grid West Risk/Reward Group Compilation of Selected Survey Responses

1. Production Cost

a. Impact of Pancaked Rates (23 entries)

Marketer: "Selling to California involves 2 BPA wheels (\$3.47/MWh); selling to Nevada involves 3 BPA wheels and 1 Pac wheel (\$8-25/MWh); transactions using the BPA system and another generally becomes uneconomic."

TDU: "Normally pancaked rates are invisible and 99% of our sales and purchases are within the borders of the host control area."

b. Dispatch Inefficiencies (18 entries)

Marketer: "Curtailements on BPA's Interties are used to relieve constraints on the Network even though PSANI studies indicated greater leverage (9:1) resulting from dispatching Network resources."

MTU: "Typically does not see inefficiencies regarding supply-side and demand-side dispatch within the Pacific Northwest."

c. Under-utilization of Existing Transmission Facilities (17 entries)

MTU: "There is a lot of evidence of under-utilized capacity (See SSG-WI Path Utilization Reports); Paths can be fully subscribed with long-term contracts that are not used simultaneously (in actual operation)."

MTU: "No examples of underutilization of transmission capacity; more use out of existing facilities could be gained through new transmission service products."

Marketer: "Would be interested in knowing whether transmission is under-utilized during periods where schedules are curtailed."

d. Effects of Congestion on Power Costs (17 entries)

Marketer: "Congestion/curtailment of the Intertie causes significant economic consequences due to replacement/foregone transactions; Intertie curtailment subsidizes non-intertie network transactions."

TDU: "Our production costs have not been affected by congestion."

e. Effects of Rate Pancaking on Resource Planning (16 entries)

MTU: “Resources located within one’s control area have a built-in economic advantage; using multiple systems results in added economic hits as well as losses.”

MTU: “Ascribing ‘inefficiency’ to the incidence of rate pancaking transmission services for long-term resources is premature.”

f. Other (6 entries)

MTU: “Control area boundaries currently present obstacles both in terms of transmission cost and scheduling coordination.”

MTU: “Local generation benefits from the present balkanized transmission system.”

2. Transmission System Operations

a. Coordination of Transmission O&M (18 entries)

Marketer: “On the Transmission Provider’s system, there is a mismatch between planning outages and ATC available for short-term transactions. There should be one method for calculating ATC for outages.”

MTU: “The current outage coordination used in the NW is effective in coordinating outages such that their impact on the commercial use of the transmission system is minimized.”

GEN: “We are involved in the NWPP 45-day outage planning process which notifies transmission users: CAISO does not participate (their outage information is received at preschedule). More active participation by CAISO would be an improvement.”

b. Inefficiencies and/or Barriers to Entry in Ancillary Services Markets (21 entries)

Marketer: “There are barriers to entry in the Ancillary Services markets due to technical requirements, flexibility limits and inconsistent business practices/systems.”

MTU: “No awareness of barriers to entry in the AS markets.”

c. Comparability of Inadvertent Payback v. Energy Imbalance Charges (13 entries)

Marketer: "Respondent pays imbalance energy charges that are not comparable to inadvertent payback."

MTU: "Inadvertent payback is a reliability issue and should not be considered a market use of the transmission system; the current process is efficient and offers comparable treatment."

d. Compliance with Dispatchers' Orders (17 entries)

MTU: "There is a lack of knowledge of how our system works which has led to curtailments that were not necessary."

TDU: "Not aware of dispatch orders not being complied with."

Marketer: "There have been no circumstances when dispatcher instructions have not been followed, however, there have been instances when orders were implemented and the instructions were in error."

e. Effectiveness of Dispatchers' Orders (13 entries)

MTU: "Schedule cuts have been requested by other systems without any impact on congestion and without re-instating the schedules."

MTU: "Respondent is unaware of any dispatch orders that failed to provide relief when followed."

f. Other (5 entries)

MTU: "The time that current curtailment procedures take to translate curtailed transactions into the actual generation changes that cause the desired changes in flow is too long."

MTU: "Over the last 10 years, the amount and complexity of transmission transactions have increased while the transmission facilities and interconnections between different owners' systems have remained largely unchanged."

3. System Capability and Scope

a. Impact of Reliability Policies (23 entries)

MTU: “The reliability of the transmission grid is compromised by the existence of a large number of autonomous control areas without any ability to quickly and accurately communicate status and needs.”

MTU: “The current NERC standard development process is robust, allowing for significant industry input and coordination to change or enhance reliability policies and practices. With respect to the current voluntary compliance structure, current monitoring and compliance programs appear to be appropriate and sufficient.”

b. Parallel Flow Effects on Transmission (21 entries)

MTU: “Problems include but are not limited to: curtailments, reduction of generation levels and voltage problems resulting from unscheduled flow from outside our control area.”

TDU: “Parallel flows may be an issue, but they are never any issue for us delivering low cost Federal Generation to our loads.”

TP: “Losses are increased by parallel flows through respondent’s transmission line. Incremental losses on the last 100 MW is between 8-9%. Respondent must make up for lost energy due to loop flow.”

c. Failure Propagation and RAS (23 entries)

Marketer: “Initially respondent’s power plant was not required to implement RAS. After project was 90% completed transmission provider informed respondent that RAS would be required at a cost of \$2.5 million. Respondent was able to implement an acceptable RAS for \$500,000.”

MTU: “We don’t see RAS as a problem but instead, a cost-effective means of maintaining ATC. However, RAS cannot supplant all needed construction and upgrades.”

MTU: “Programs to control failure propagation, which we assume to be safety nets, could be enhanced by an organization that has a wider geographic scope.”

d. TTC/ATC Determination (16 entries)

Marketer: "ATC is poorly coordinated between adjacent control areas; the southwest ties are particularly problematic. Some Transmission Providers don't post ATC which results in a lack of transparency."

MTU: "We are not aware of problems with ATC calculations."

MTU: "Recent implementation of a flow-based ATC determination methodology by a major transmission provider has hindered the ability to obtain firm transmission service across portions of their system where, under a contract-path approach recognizing scheduling constraints, firm transmission would likely be available. Other than this recent change in policy by a single transmission owner, we are not aware of any examples of differences or inconsistencies in the determination of ATC among the rest of the region's transmission providers."

e. Differences and/or Inconsistencies in OASIS, Reservation, Scheduling and E-Tagging (14 entries)

MTU: "Transactions involving multiple legs present problems due to different ATC methods, multiple OASISs and changed policies that prohibit stacking more than one scheduling entity on one tag."

MTU: "We are not aware of problems with OASIS, reservation schedules, etc. Most Transmission Providers use OATI and service is consistent and efficient."

f. Impact of TRM/CBM (14 entries)

Marketers: "The Transmission Provider's take-or-pay policy on firm transmission rights that are frequently derated in the name of reliability; is inconsistent with other control areas. Credit for inaccessible firm rights should be mandatory."

MTU: "We are not aware of how we have been impacted by TRM and CBMs."

TDU: "After outages in the summer of 1996, the capacity of the Intertie was reduced; the capacity has still not been restored to those who paid for it."

g. Does E-Tagging Apply to All Schedules (14 entries)

MTU: “We are required to submit E-tags for all scheduled transactions.”

MTU: “We are required to submit transaction tags for energy schedules except for dynamic schedules.”

GEN: “Respondent is required to submit transaction tags for energy schedules, but is not required to submit transaction tags for resources within its control area providing service to retail native load.”

h. Other (2 entries)

MTU: “With centralized scheduling and availability of comprehensive system data on a flow basis, the region would be able to more accurately predict usage and would be able to facilitate additional usage.”

MTU: “Accounting for system uses on a basis aligned with the actual physics of the system would allow for more accurate prediction of transmission flows and reliability performance, and the determination of rights and costs from expansion with more predictability and precision.”

4. Existing Transmission Constraints

Transmission Providers

a. Flowgate/Path Limitations on Transactions (9 entries)

MTU: “All tie-lines are constrained and are posted.”

MTU: “Our Transmission Provider posts paths regardless of the ‘constrained’ status; ATCs are automatically calculated once/day.”

MTU: “BPA started posting paths in 1997; now BPA has 17 paths posted.”

b. Capacity De-ratings and Pre-schedule Limits (11 entries)

MTU: “Pre-schedule curtailments occur primarily on the BPA system (see: <http://www.transmission.bpa.gov/orgs/opi/intertie/index.shtm>.”

MTU: “The outage that occurred in the NW in the 1990s resulted in WECC adding criteria in the OTC study process. As a result, ratings have been reduced dramatically.”

MTU: “Schedule restrictions on certain facilities may be necessary during certain operating conditions in late spring or summer operating conditions. Any such de-rates have negligible impact on transmission wheeling revenue.”

c. Real-time Curtailments (7 entries)

MTU: “Most real-time curtailments are in response to actual power flow exceeding the OTC; we don’t have consistent information on what actions were taken when OTC was violated.”

MTU: “We cannot provide all instances, however, we can tabulate the difference between customers’ hourly pre-schedules and final real-time hourly schedules.”

Existing Transmission Constraints

Transmission Customers

a. Use of Flowgates and Posted Paths (14 entries)

Marketer: “Any flowgate that is congested will impact desired transactions; there are numerous in the WECC.”

Marketer: “There are 20-30 paths around the west that ‘impact desired transactions’.”

TDU: “We have not been affected by flowgates or posted paths.”

b. Capacity De-ratings and Pre-schedule Limits (12 entries)

Marketer: “Need to look at COB/NOC curtailments. Planned and unplanned outages appear to be having a significant and on going impact on transactions. In spite of cuts, customers are still paying full contract amounts for transmission service.”

MTU: “This information is not well tracked; it would take a lot of time to compile and is commercially sensitive.”

TDU: “We have only been affected by deratings caused by force majeure.”

c. Real-time Curtailments (13 entries)

Marketer: “Real-time curtailments on the John Day – COB are too numerous to gather.”

Marketer: “Curtailments correlate with high prices thus increasing transactional risks.”

TDU: “We have not been curtailed except for force majeure.”

5. Inconsistent Treatment of Generators/Loads

a. Non-comparable Treatment of Reactive Power (12 entries)

Marketer: “Until recently, the Transmission Provider has opposed compensating independent generators of reactive support while paying the PBL for very similar service. Even now, the payment to generators seems arbitrary.”

MTU: “We don’t have any examples of non-comparable treatment with generation-supplied reactive power.”

MTU: “It is apparent that the allocation methodology used by the Transmission Provider to determine the amount of generation-related costs allocated to Generation Supplied Reactive and Voltage Control products an overstated allocation. No other transmission provider in the Grid West area, provides its affiliated resources with comparable cost allocation treatment.”

b. Non-comparable Treatment of RAS (10 entries)

Marketer: “Several generators are not required to have RAS yet they are equally situated to provide grid relief. Current practice appears to be installation of RAS only on new units.”

MTU: “We don’t have any examples of non-comparable treatment with RAS.”

c. Other Non-comparable Treatment (3 entries)

Generator: “Resources on the BPA Network benefit from the dispatch flexibility of the BPA resources system; this flexibility is not made available to non-Network resources.”

MTU: The non-participating generators (in RAS) get preferred access to transmission. The risks include loss of energy, start-up costs and increased damage to units.

d. Dispute Resolution for Non-comparable Treatment (4 entries)

MTU: “There is room for improvement in the way that TTCs for the N and S ends of the Intertie are curtailed; the net reduction (by BPA and CAISO) usually more than what is actually required.”

MTU: “We haven’t sought to have these inconsistencies addressed through dispute resolution.”

6. Tariff and Business Practice Confusion

a. Economic Inefficiencies Cause by Tariff and Business Practice Confusion (15 entries)

Marketer: “We have voiced complaints against transmission providers regarding business practice and tariff issues (FERC hotline, arbitration (NRTA, WRTA, WECC), FERC mediation and formal complaints).

MTU: “We have no examples of how confusion over tariff language, etc. has resulted in economic inefficiencies.”

Marketer: “Business Practices should be (but often are not) written to support the intent of the tariff rather than to accommodate system flaws.”

b. Pancaked Administrative Processes (11 entries)

Marketer: “Transmission Provider doesn’t operate a functional OASIS site; it relies upon verbal communication that underutilizes ATC (a recently released Inspector General Report confirmed this February 2005).

TDU: “We have been unaffected by pancaking or multiple administrative processes.”

c. Customers: Cost of Multiple System Requests and Schedules (10 entries)

Marketer: “Even when transmission capacity is available, it is rare when a transaction can absorb more than one transmission charge (two or more pancakes kill the economics of any transaction).“

Generator: “Respondent has no examples of inefficiencies or additional costs, to date, resulting from inadequate ATC.”

d. Providers: Lost Opportunities due to Adjacent System Limitations (3 entries)

MTU: “Events in California can impact COI; inter-regional transfer paths need to be coordinated for both path ratings and ATC restoration.”

MTU: “We are unable to sell up to the WECC path rating due to mismatches between TTC determinations.”

e. System Impact Studies (7 entries)

Marketer: “The process was difficult and time consuming. There is no method by which parties with similar interests can share costs. Effectively the transmission provider is paid to do multiple studies which in some cases could have been combined into a single study. This wastes time and Transmission Customer’s money.”

MTU: “We do not have examples of how these studies have impacted resource decisions or instances where we are financially supporting studies that are being supported by others.”

f. Timeliness of System Impact Studies (9 entries)

MTU: “We have four examples of circumstances where SIS or Facilities Studies not timely completed resulted in declined service. In two of these cases, lost revenues resulted.”

Marketer: “We have not experienced any problems in this area.”

g. Effect of Request Processing Delays (7 entries)

Marketer: “BPA’s long-term queue has resulted in a number of foregone transactions, often, start-times are missed.”

MTU “We do not have examples of how delays in processing requests have resulted in foregone transactions.”

7. Planning and Expansion

a. Consideration of Congestion Costs in Investment Decisions (16 entries)

MTU: “Without the ability to purchase adequate transmission; utilities are forced to serve load with local resources even though there is little fuel diversity as a result.”

TDU: “We have no vested interest in system planning.”

MTU: “Because there is no congestion management system in place to cost congestion, schedules are cut or denied to maintain reliable operation and costs are internalized.”

b. Allocation of Costs and Benefits (15 entries)

Marketer: “A status review of BPA’s G20 projects would be helpful; Puget Sound and Kangley – Echo Lake upgrades were delayed due to disagreement of allocation of costs.”

MTU: “We have no examples of how uncertainty about cost/benefit allocation has impacted investment decisions, however, funding responsibilities typically fall on generation owners/purchasers.

MTU: “The present system of transmission planning is done primarily on an individual control area basis, with only limited regional coordination. Examples of the much-acknowledged reasons for lagging transmission infrastructure investment include inconsistently adopted and applied development criteria, unclear cost recovery mechanisms, and unknown effects from parallel system operation.”

c. Suggestions for Planning Coordination Improvements (14 entries)

MTU: “A new paradigm is needed where infrastructure planning is facilitated by the use of a flow-based methodology instead of the contract path methodology now used.”

TDU: “In an age where BPA will face increasing constraints on its borrowing authority, it will be critical to have coordination of planning as well as allocation of costs of expansion; BPA won’t be able to do it all anymore.”

MTU: “The addition of the Northwest Transmission Assessment Committee has improved regional planning; the challenge of getting the plans built and paid for remains.”

d. Services Currently Not Available or Open to Third Party Providers (12 entries)

Marketer: “Order 888 tariffs were not designed with intermittent resources in mind; a pay-as-you go product with monthly settlements is needed.”

TDU: “We find that the transmission services available today are adequate to meet our needs.”

Generator: “Redispatch markets and mature secondary markets could enable the construction of renewable resources; wind is typically a 30-35% capacity factor resource.”

e. Additional Information (4 entries)

Marketer: “The cost of congestion, although not well tracked, results in foregone transmission (long-term and secondary services) and higher energy expenses. It also increases price volatility.”

MTU: “Though today we have some ad hoc cooperation on certain projects, respondent believes that without an independent entity leading this effort the region will not be able to implement the most efficient transmission investments over time.”

f. Other Comments (6 entries)

Generators: “The problems associated with clearing the Transmission Provider long-term transmission queue (for both interconnection and service) might be better administered by a regional RTO.”

MTU: “The region needs as independent entity to monitor wholesale power markets as well as Grid West’s compliance with its own tariff.”

MTU: “The market monitor would also promote transparency of market data, monitor seams, and recommend ways to ensure compatibility between newly developing and existing markets.”