

## Summary Matrix – Ideas for Pricing New Long-Term Service Using Existing System Capacity (AFC)

**Introductory note:** All descriptions below refer to pricing for **new** long-term service. They do not apply to pricing for continuing service under “legacy” arrangements (pre-existing transmission service agreements and obligations, including rollover, covered load growth, and fulfillment of obligations to serve native load).

**Summary of terms:**

- A given utility’s rate for new point-to-point service from Grid West is “**Company Rate 1**” or “**CR1**”
- A given utility’s rate for new network service from Grid West is “**Company Rate 2**” or “**CR2**”
- A Grid West injection/withdrawal right with a single injection points and a single withdrawal point is an “**IWR pair**” (this is analogous to today’s point-to-point rights)
- A Grid West injection/withdrawal rights with multiple injection points or multiple withdrawal points (or both) is an “**IWR constellation**” (this is analogous to today’s network service, with analogous restrictions)

**Question 1:** What would a customer pay for a long-term IWR (pair – one injection point, one withdrawal point) that Grid West is able to grant from existing system capacity (AFC), if both the injection point and the withdrawal point are on the same transmission owner’s system?

**Question 2:** What would a customer pay for a long-term IWR (pair – one injection point, one withdrawal point) that Grid West is able to grant from existing system capacity (AFC), if the injection point is on one transmission owner’s system and the withdrawal point is on another transmission owner’s system?

**Question 3:** What would a customer pay for a long-term IWR “constellation” (multiple injection points, multiple withdrawal points) that Grid West is able to grant from existing system capacity (AFC), assuming that all of the injection and withdrawal points are on a single transmission owner’s system?

**Question 4:** What would a customer pay for a long-term IWR “constellation” (multiple injection points, multiple withdrawal points) that Grid West is able to grant from existing system capacity (AFC), if the injection points and the withdrawal points are on different transmission owners’ systems?

**Question 5:** How would the cost to the customer of a given purchase of new long-term IWRs under this option compare to the cost to the customer to purchase comparable new service today?

	<b>Idea 1</b>	<b>Idea 2</b>	<b>Idea 3</b>	<b>Idea 4</b>
<b>Idea Short Description</b>	<b>Long-term IWRs Priced by Withdrawal Point</b>	<b>Long-term IWRs Priced by Higher of Injection or Withdrawal Point</b>	<b>Long-term IWRs Pay Local or Avg “Long-Distance” Rate (not both)</b>	<b>Auction Pricing for Long-term IWR Pairs – Auction Mechanism</b>
<b>Q 1</b> <b>IWR Pair-</b> <b>One system</b>	IWRs priced according to “point-to-point” rate (CR1) for TO of system where IWR is located.	IWR priced according to company rate of the system containing the injection and withdrawal points.	IWR priced according to the transmission owner’s OATT rate.	At time when customer makes a request for a particular IWR pair, it would submit an offer. Grid West, in turn, sets a competition time for that IWR pair when all interested parties could bid for the particular IWR pair; highest bid would get the capacity rights to the IWR pair. Customer pays market clearing pricing determined by auction.
<b>Q 2</b> <b>IWR Pair-</b> <b>Injection / withdrawal not on same system</b>	IWR priced according to the CR1 for TO of the system where withdrawal point is located.	IWR priced according to the higher of company rate of the system containing injection point or system containing withdrawal point.	IWR priced according to Grid West system average rate.	At time when customer makes a request for a particular IWR pair, it would submit an offer. Grid West, in turn, sets a competition time for that IWR pair when all interested parties could bid for the particular IWR pair; highest bid would get the capacity rights to the IWR pair. Customer pays market clearing pricing determined by auction.
<b>Q 3</b> <b>IWR Constellation-</b> <b>One system</b>	IWR constellation would be priced according to the “network” rate (CR2) for the TO of the system where the withdrawals are located.	IWR constellation priced according to the “network” rate for the TO of system where injection and withdrawal point are located (CR2).	IWR constellation priced according to the transmission owner’s OATT rate.	IWR constellation priced according to the Grid West-wide system rate.

	<b>Idea 1</b>	<b>Idea 2</b>	<b>Idea 3</b>	<b>Idea 4</b>
<b>Idea Short Description</b>	<b>Long-term IWRs Priced by Withdrawal Point</b>	<b>Long-term IWRs Priced by Higher of Injection or Withdrawal Point</b>	<b>Long-term IWRs Pay Local or Avg “Long-Distance” Rate (not both)</b>	<b>Auction Pricing for Long-term IWR Pairs – Auction Mechanism</b>
<b>Q 4</b> <b>IWR Constellation-Multiple systems</b>	IWR constellation has a weighted price according to “network” (CR2) rates for TOs of the systems where the withdrawal points are located. Charges weighted according to percentages of customer’s load in various systems.	IWR constellation priced according to higher of weighted pricing based on “network” (CR2) rates for TOs of systems where the withdrawal points are located or injection points are located. Charges weighted according to percentages of customer’s load in various systems.	IWR constellation priced according to the Grid West system average rate.	IWR constellation priced according to the Grid West-wide system rate.

	Idea 1	Idea 2	Idea 3	Idea 4
Idea Short Description	Long-term IWRs Priced by Withdrawal Point	Long-term IWRs Priced by Higher of Injection or Withdrawal Point	Long-term IWRs Pay Local or Avg “Long-Distance” Rate (not both)	Auction Pricing for Long-term IWR Pairs – Auction Mechanism
<p><b>Q 5</b></p> <p><b>Compare idea with today</b></p>	<p>For a <b>long-term IWR pair or constellation all on a single system</b>, the cost to a customer is the <b>same</b>.</p> <p>For a <b>long-term IWR pair not all on a single system</b>, the cost to a customer of a new service request would be <b>lower</b> than comparable service today. Today a customer pays the rates for both systems; under Idea 1 the customer pays just the withdrawal system rate.</p> <p>For a <b>long-term IWR constellation with injection and withdrawal points multiple transmission owners’ system</b>, there is no comparable multi-system network service available today</p>	<p>Cost to customer is same as it is today for all service where the injection and withdrawal points are all in one utility’s service area. Cost will be less by amount equal to lower company rate for service where injection and withdrawal points in different utility service areas are involved. Cost to customer would be not lower than, in most cases higher than, cost to customer under Idea 1.</p>	<p>\$/kW month = BPA \$2.43; BCTC \$4.40; PacifiCorp \$2.66; NorthWestern Energy \$3.43; Grid West \$2.58.</p>	<p>Today, a transmission customer pays pancaked (embedded) rates for all of the legs of a transaction, as well as applicable ancillary services. Under Idea 4, IWR paired rights would be priced at auction prices and constellation rights would be sold at the Grid West-wide system rate.</p>

## Simple Examples of Charges Under Ideas 1, 2,3 and 4

Assume two utilities, A and B

Utility A. System = 4,000 mW, Rate = \$2 kW month

Utility B. System = 1,000 mW, Rate = \$3 kW month

Average rate =  $\$2.00 * 4,000/5,000 + \$3.00 * 1,000/5,000$   
= \$2.20 kW month

### Both Injection and Withdrawal in A

Idea 1	\$2.00
Idea 2	\$2.00
Idea 3	\$2.00
Idea 4	Depends on auction

### Both Injection and Withdrawal in B

\$3.00
\$3.00
\$3.00
Depends on auction

### Injection in A, Withdrawal in B

Idea 1	\$3.00
Idea 2	\$3.00
Idea 3	\$2.20
Idea 4	Depends on auction

### Injection in B, Withdrawal in A

\$2.00
\$3.00
\$2.20
Depends on auction