

Western Interconnection Wind Evaluation Team

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- Future issues

Tasks

Seven specific tasks are set forth under the grant: (1) organization of the Western Interconnection Wind Evaluation Team; (2) hold a meeting with the National Wind Coordinating Committee (NWCC) and the Department of Energy (DOE) to discuss high priority actions to advance wind development; (3) Western Interconnection Wind Evaluation Team (WIWET) briefing to the Committee on Regional Electric Power Cooperation (CREPC); (4) participation in key discussions occurring among the Western Interconnection grid management organizations; (5) Bi-annual reports to CREPC; (6) Bi-annual reports to DOE; and (7) final report and program evaluation.

Activities and Current Priorities

October 17-18	Briefing of CREPC on the project Formation of the Western Interconnection Wind Evaluation Team Roger Hamilton, Oregon Public Utilities Commission, chairman Bob Anderson, Montana PSC Michael McDiarmid, New Mexico Energy, Minerals and Natural Resources Department John Nunley, Wyoming Economic Development Council Jim McClusky, California Energy Commission Arne Olson, Washington Department of Community, Trade and Economic Development Jeff Burks, Utah Department of Natural Resources
December 8	WIWET Chairman Roger Hamilton, Oregon Commissioner, briefed the National Wind Coordinating Committee during its meeting in Seattle.

- December 13 WIWET conference call during which the following priorities were proposed:
- (1) Evaluate RTO transmission pricing proposals as they evolve to determine whether they comport with principles established by the NWCC
 - (2) Evaluate transmission and generation planning and system expansion procedures in the Western Interconnection.
 - (3) Examine interconnection policies by RTOs (and transmission owners) as they evolve.
- December 15 FERC finalized a proposed November 1 order on the California market design. WIWET staff examined the provisions for penalties for imbalances and after discussions with the California ISO determined that they would not present major obstacles to wind development.
- February 26 WIWET Chairman Roger Hamilton (OR PUC) and Doug Larson (WIEB) briefed DOE on the priorities of the Team using the information presented below

Status of action on priorities

Efforts under the project have focused on the pricing proposals of the three western RTO proposals: RTO West; Desert Star and the California ISO. RTO West and Desert STAR made initial filings with FERC in October. However, these filings did not contain detailed information on pricing and ancillary service markets. DSTAR planned to make a detailed filing on December 31, but has delayed that filing until some time during the first quarter of 2001. RTO-West plans a detailed filing this spring. The California ISO, which under FERC Order 2000, was to make a filing in January has asked for a 60-day delay.

RTOs in the Western Interconnection



Nevertheless, key elements of the RTO proposals are taking shape in various work groups and working documents. Following is a comparison of the NWCC principles and the provisions of the western RTO proposals as they stand today.

<i>NWCC Principle</i>	<i>RTO-West</i>	<i>DSTAR</i>	<i>CA ISO</i>
1. RTOs should cover large contiguous areas and coordinate with each other to widen trading areas and ensure transmission system reliability.	Large area, but does not include all the western market	Large area, but does not include all the western market	Large area, but does not include all the western market
2. Fixed costs of the existing transmission system should be recovered through load-based access fees	Load-based access fees preferred (but reliance on transaction-based export fees or charges for through transmission)	Same as RTO West	Same as RTO West
3. RTOs should eliminate pancaking of transmission rates within and between RTOs	Pancaking would be eliminated with RTO (except for non-participant's systems); Work underway on reciprocity agreements between RTOs	Same as RTO-West	Same as RTO-West
4. RTO decision-making must provide for non-transmission owner participation	Non-affiliated board	Non-affiliated board	Non-affiliated board (currently appointed by the governor)
5. RTOs should mitigate seams issues between RTOs and have sufficient authority to resolve seams problems.	At the request of CREPC, Western Market Interface Committee is conducting detailed analysis of seams issues among RTO-West, DSTAR and CA ISO. This is a high priority for all RTOs.		

<i>NWCC Principle</i>	<i>RTO-West</i>	<i>DSTAR</i>	<i>CA ISO</i>
6. RTOs should adopt interconnection requirements that are fair, non-discriminatory, and standardized.	Not yet addressed	Not yet addressed	To be part of Comprehensive Market Reform
7. RTOs need to provide for real-time markets as well as forward markets	No, except ancillary services such as real-time balancing markets); rely on private markets; no plans for forward market	Similar to RTO-West	PX has disappeared; ISO operates several markets
8. Ancillary services should be based on competitive market prices	Yes	Yes	Yes
9. RTO pricing policies should support efficient competitive markets that treat intermittent resources fairly.	If liquid market for FTRs then intermittent resources should be OK		
10. RTO transmission planning processes should be open and transparent and examine all resource options	Not yet filed; anticipated use of WIO regional transmission planning process	Not yet filed; anticipated use of WIO regional transmission planning process	Unclear; anticipated use of WIO regional transmission planning process

No action take thus far on system expansion or interconnection issues.

Key Issues

The specifics of RTO pricing schemes will emerge over the next six months on an incremental basis. The major pricing issues are likely to be:

- The allocation of Firm Transmission Rights to existing users and whether so many FTRs will be allocated so as to limit liquidity in FTR markets;

- Avoiding artificial barriers to efficient transmission at the seams where RTOs meet. Efforts are underway through the Western Market Interface Committee to evaluate the adoption of common flowgate methodologies for transmission between RTOs, common congestion management systems, and reciprocity on access fees.

It is expected that RTO system expansion and interconnection procedures will follow the development of pricing systems. Much of the schedule for these developments may be driven by the degree of resolve at FERC to push the creation of RTOs.

Electrically separate grids with vastly different electricity prices

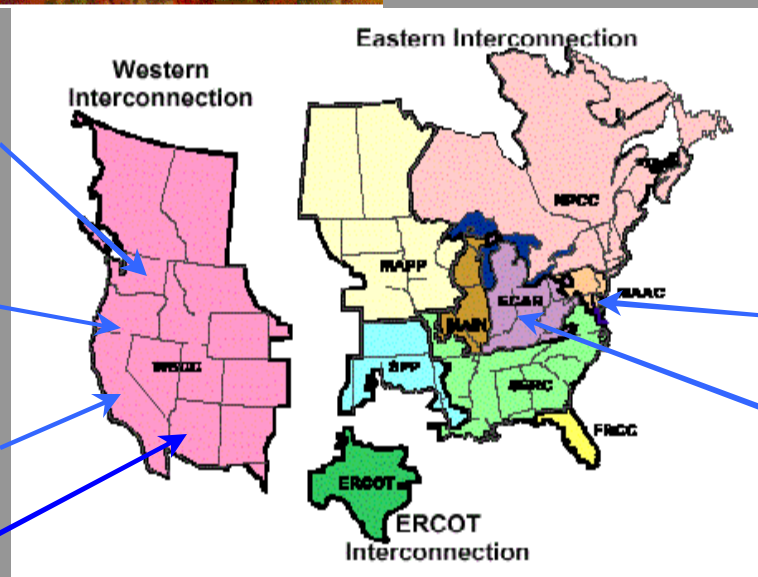
(2/15 prices)

Mid-Columbia \$327

COB \$323

Path 15 N \$320

Palo Verde \$261



PJM Western Hub \$31

Cinergy \$24