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Electricity Markets in Transition

The Western Continuum

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RTO West Progress

Pause and Focus

- **Four “Must-Haves”:**
 - **Facilities Inclusion**
 - **Participation of Non-Jurisdictional Utilities (level playing field)**
 - **Preservation of Existing Rights**
 - **Solidity of the TOA**

RTO West Progress

Pause and Focus (Cont'd.)

- **Full implementation is more likely 2007, not 2006.**
 - **Need to resolve the “must-haves” before doing further work on details of design**
- **Possibility of gradual implementation**
 - **Initial Stage - OASIS, Scheduling, Planning**
 - **Later - Congestion Management, Ancillary Services**

Progress on the BC Front

- **The BC Government Energy Policy is supportive.**
- **British Columbia Transmission Corporation (BCTC) is born: Meets BC needs and aligns with the future regional market development (RTO West).**
- **Independent from BC Hydro, responsible for operation and asset management.**

Correcting the Myths

1. Sovereignty: Not Threatened

- **RTO West governance, operational model, and regulatory framework will ensure that sovereignty is never compromised.**
- **RTO West will have agreements with U.S. transmission owners, BCTC with BC Hydro.**
- **BCUC will regulate transmission services in B.C.**
- **BCTC will operate the transmission system in B.C.**
- **RTO West and BCTC will achieve a seamless Pacific Northwest market.**

Correcting the Myths (Cont'd.)

2. Congestion Management

- **Congestion management revenues are credited to the customers paying the embedded costs of the grid.**
- **The more CM charges collected, the more credited to the customers.**
- **Customer transmission contracts and transmission services for bundled services are protected.**
 - **Not abrogate existing contracts**
- **RTO West “Company Rate Period” to address pricing and cost shift issues.**

Correcting the Myths (Cont'd.)

3. Planning

- **RTO West has no authority over state or provincial regulatory bodies in forcing or siting new transmission**
- **RTO West will develop coordinated regional plans**
- **RTO West Plans will have greater credibility**

Correcting the Myths (Cont'd.)

4. Energy Prices

➤ **RTO West facilitates the transmission market**

➤ **RTO West does not run or facilitate an energy market**

Correcting the Myths (Cont'd.)

5. Transmission Reliability

- **State and regional roles continue**
- **NERC and regional councils remain**
- **RTO role in setting reliability standards**
- **Congestion management is a security constrained dispatch**
- **CTRs for all transmission capability on the grid, but not more than can be accommodated**
- **RTO operated redispatch enhances physical certainty during congestion**

SMD vs. RTO

- **SMD is a good document developed by FERC through extensive consultation.**
- **Criticism of SMD is not based on the substance of the proposed design.**
 - **FERC proposes areas that require further consultation.**
- **FERC: If you don't like SMD, show us your regional proposal.**

The Challenges

- **Many pressures to ensure that existing rights are preserved**
 - **BUT we should not design the new system to simply emulate the existing processes.**
- **Concerns about cost shifts**
 - **Transition periods to mitigate impacts.**
- **Market Power Mitigation**
 - **Energy and environmentally constrained resources pose a challenge.**