

Policy Perspectives:

Understanding Standard Market Design

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Western Area Power Administration
December 13, 2002

Agenda

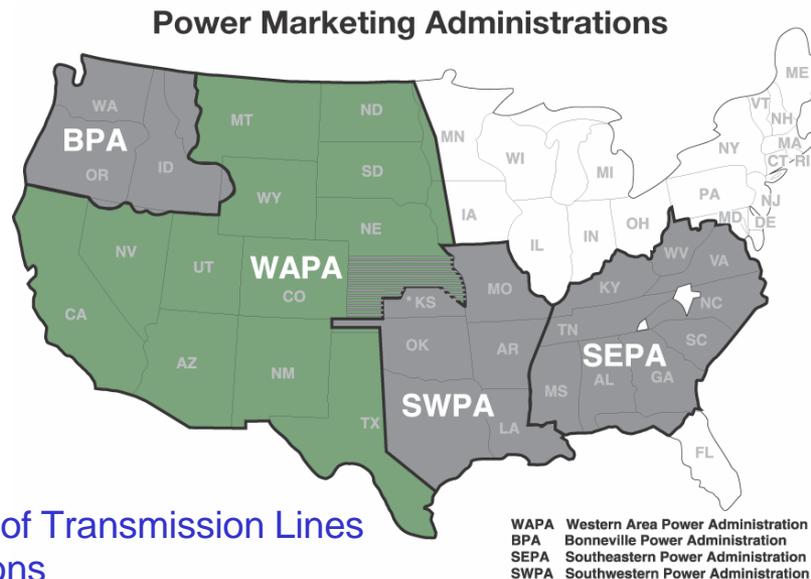
- Western's Profile
- Western's Restructuring Efforts
 - Participation in RTO Formation
- Western's Perspective on SMD

Western's Profile



Western's Service Territory

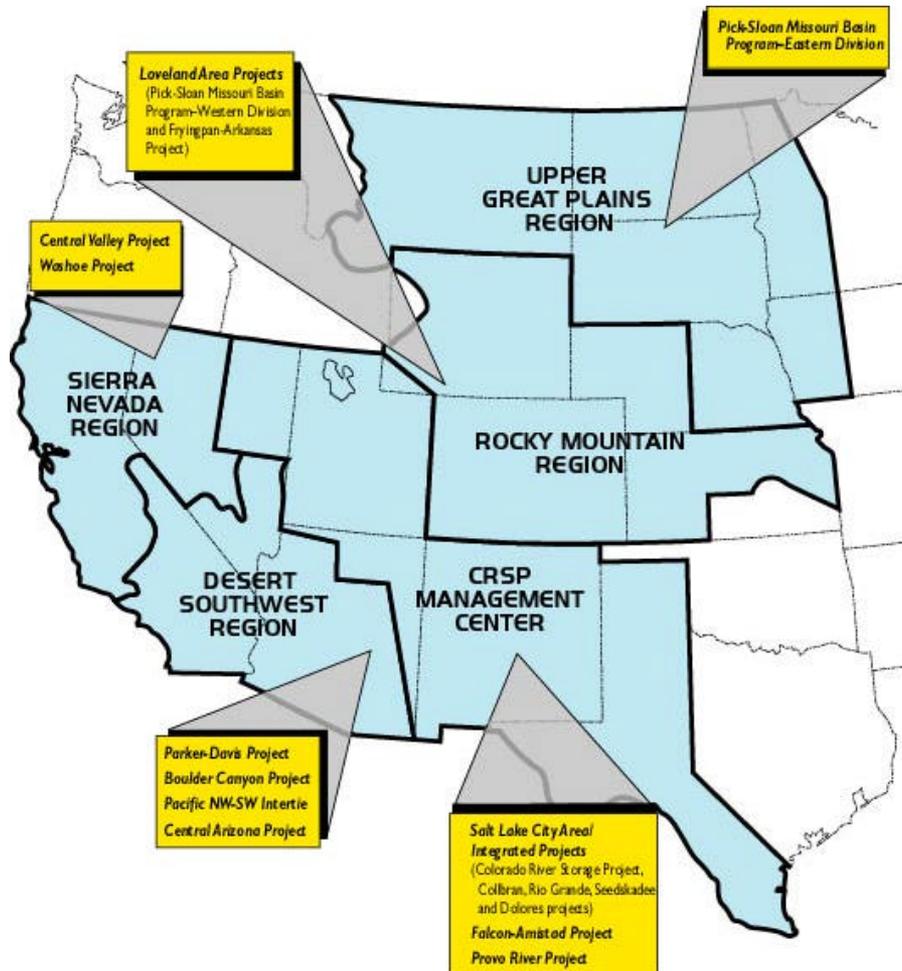
- Western serves a 15-state region of the central and Western United States



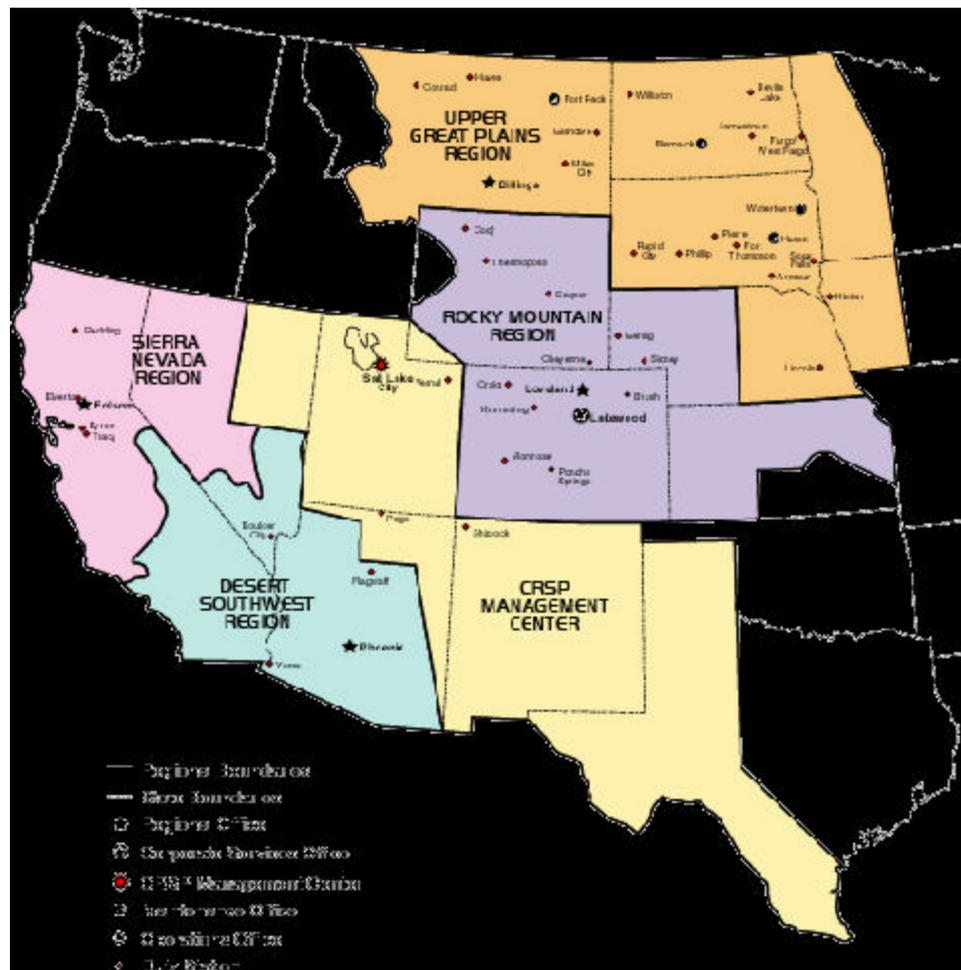
* Note: Both Western and Southwestern market power in Kansas.

- ~17,000 Miles of Transmission Lines
- ~250 Substations
- ~41 Billion Kilowatt-Hours Annually
- ~ 600 Customers

Water Projects



Western's Offices



Western's Customers

- Municipal Utilities - 291
- Rural Electric Cooperatives - 61
- Public Utility Districts – 18
- Federal Agencies – 41
- State Agencies – 55
- Irrigation Districts - 44
- Native Americans - 32
- Project Use – 77

Western's Restructuring Efforts

- California Independent System Operator (CAISO)
- WestConnect RTO (formerly Desert Star)
- TRANSLink Independent Transmission Company
- RTO West
- Crescent Moon RTE
- Midwest Independent System Operator (MISO)

Why is Western Involved?

- Influence the Tariff & Market Design to Meet our Needs
 - Western must be assured that its transmission rights needed to meet its statutory and contractual obligations are preserved.
 - Western must be assured that it can continue to honor all existing contracts.
 - Western must be assured that it can retain sufficient “final reviewing authority” over operations of its Federal transmission assets.
 - Western must be assured that any increased costs associated with participation in an RTO will be offset by operational and economic benefits to Western and/or its customers.

Western's Position

Western “ will continue to participate and monitor Regional Transmission Organizations (RTO) as they evolve. We need to ensure that any RTO we join will allow us to carry out our mission of serving preference customers with cost-based power. Equally important, we must ensure that any costs linked with creating and operating an RTO are justified by the benefits Western and our customers receive. Joining an RTO must make good business sense.”

Mike Hacskaylo, Administrator

DOE Supports a Reasoned Decision

Secretary Abraham's letter of May 31, 2002 to the Pacific Northwest congressional delegation stated: "[E]ach PMA's participation in an RTO must take proper account of its legal authorities and obligations, as well as the costs and benefits [While the National Transmission Grid Study directed the PMAs to participate in the formation of RTOs, it did not intend to prejudge their ultimate participation in the RTOs themselves.]"

Western's Perspective on SMD

- Existing Transmission Rights
 - Existing Contracts
- Transmission Costs
 - RTO/ITP Administrative Costs
- Reliability
- Regional Flexibility

Western's Perspective on SMD

- Support Regional Flexibility
 - Identify Nature and Magnitude of Problem
 - Craft Evidence-Based, Cost-Effective and Practical Solutions
- Advocate Incremental Approach to Implementation
 - Manage Uncertainties
 - Minimize Unintentional Consequences

Western's Decision

- Western Has a Choice
 - Western Will Evaluate and Consider All Alternatives
 - By Region
 - Business Case
 - Western Will Engage in a Public Process
 - Western Will Complete the Necessary NEPA Compliance

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- Regulatory & Restructuring Website
 - <http://www.wapa.gov/dsw/RR/RR.htm>

Happy 25th Western



The End

Any Questions?

How About Some
ANSWERS?

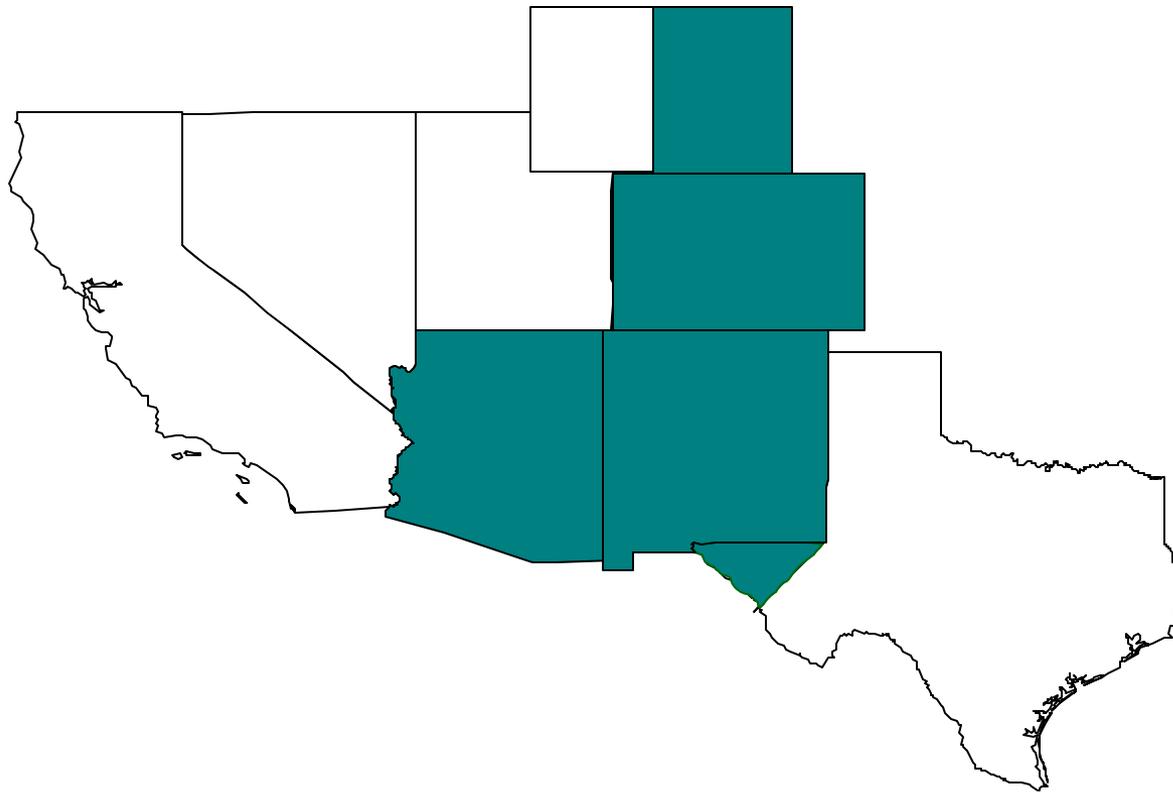
California ISO

www.caiso.com



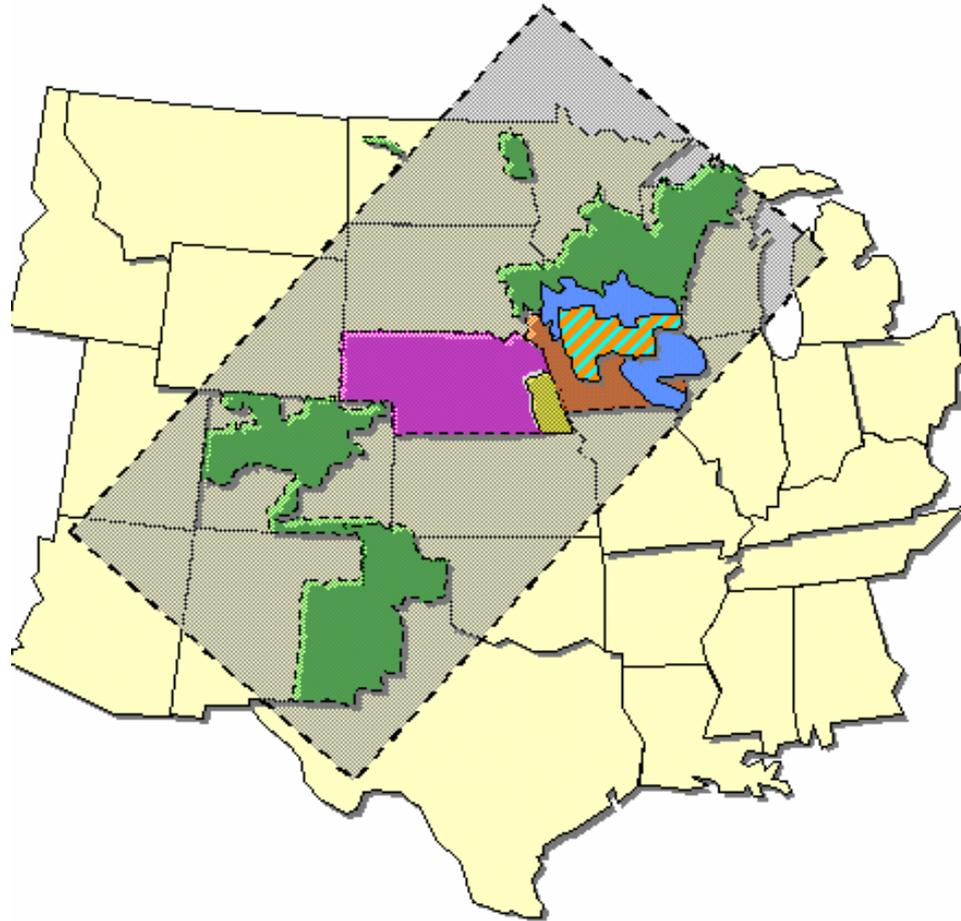
WestConnect RTO

www.westconnectrto.com



TRANSLink ITC

www.translinktc.com



RTO West

www.rtowest.com



Crescent Moon RTE

www.crescentmoonrto.org



Midwest ISO & SPP

www.midwestiso.org

