

RTOs product of rapid change

by Bob Fullerton

The electric utility industry continues to experience rapid change. An example of that change is the movement toward regional transmission organizations, also known as RTOs.

The concept behind an RTO is simple. Transmission owners in a geographic area place control of their transmission facilities under a common operator. The operator conducts the transmission business independently of the owners, and independent from the buying and selling of power in the electricity marketplace. The goal of this combined system is to increase reliability while promoting competition in the generation sector. Competition is expected to reduce electricity costs to consumers.

Western is currently working with utilities, marketers and other

interests to develop RTOs that meet regional needs while still being consistent with Western's mission. The current high level of reliability that customers expect must be preserved and enhanced.

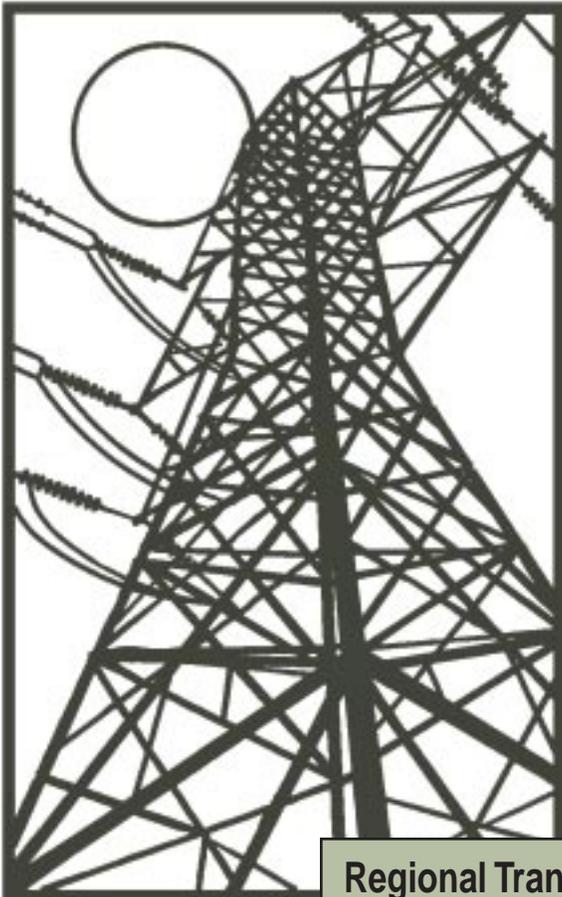
RTOs should be large enough geographically to achieve operational and cost efficiencies. Ideally, RTOs should reduce overall costs and avoid significant cost shifts and inequitable impacts on groups of customers or particular geographic areas.

Western supports RTO formation, but needs assurance that marketing of hydroelectric power is not impacted adversely in the process. Federal transmission facilities in Western's service territory were constructed to deliver hydroelectric power to customers. RTO formation must not impair the statutory requirement to maintain a transmission system that delivers power to customers.

A number of RTOs are being pursued in the western United States. The California Independent System Operator is seeking RTO status, and our Sierra Nevada Region is actively engaged in discussions with the CAISO and other California interests. The Arizona-based DesertSTAR RTO is in its formative stage, and Western's DSW, RM and CRSP MC staffs are intimately involved in addressing the issues. RM is also evaluating a Rocky Mountain RTO, which could encompass the states of Colorado and Wyoming. UPG is considering joining the Midwest ISO. Several Western offices are monitoring the progress in formation of an RTO in the Pacific Northwest.

The Federal Energy Regulatory Commission has set a deadline of October 15, 2000 for investor-owned utilities to file proposals for RTOs, with the goal of having RTOs in operation by December 2001. While Western is not technically subject to FERC's jurisdiction, we have always advocated open transmission access. With encouragement from DOE, Western is directly engaged in RTO formation efforts. We plan to document our progress with FERC in October.

(NOTE: Fullerton is the power marketing advisor to Western's administrator.)



Regional Transmission Organizations

Four required characteristics for RTOs:

- ✓ Independence
- ✓ Scope and regional configuration
- ✓ Operational authority
- ✓ Short-term reliability

Eight required functions for RTOs:

- ✓ Tariff administration and design
- ✓ Congestion management
- ✓ Parallel path flows
- ✓ Ancillary services
- ✓ OASIS
- ✓ Market monitoring
- ✓ Transmission expansion and planning
- ✓ Interregional coordination