



## UTILITY CONSUMERS' ACTION NETWORK

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Tom Carter  
Power Operations Manager  
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Sierra Nevada Customer Service Region  
114 Parkshore Drive  
Folsom, CA 95630-4710



### RE: TURN/UCAN JOINT COMMENTS ON WAPA'S 2005 MARKETING PLAN FOR OPERATIONAL ALTERNATIVES

Dear Mr. Carter,

I am writing on behalf of The Utility Reform Network (TURN) and The Utility Consumers' Action Network (UCAN). TURN and UCAN represent electricity and utility consumers in the State of California. We represent both the 75,000 combined dues-paying members as well as customers of SDG&E, PG&E and SCE. We offer these comments with regard how the WAPA proposal effects the customers of these utility service areas.

These comments are offered for consideration by Western Area Power Administration (WAPA) **and other federal entities**, including the Federal Energy Regulatory Commission (FERC), Department of Energy (DOE), and Western Electricity Coordinating Council (WECC) with regard to WAPA's 2005 Market Plan to separate from the California Independent System Operator (CAISO).

Our experience over the past few years with restructuring of the electric system has caused a great deal of pain for all Californians—including every interested party involved in buying, selling or regulating this critical product. Any proposed change in energy policy going forward, no matter the forum or the individual or entity proposing the change, deserves a great deal of scrutiny, analysis and consideration. Naturally, our focus is going to be on the impact to the almost 10 million small electricity customers in California who can ill afford to pay for representation in formal proceedings and who can ill afford to re-experience the blackouts and price spikes that befell California during the 2000-2001 timeframe.

As we understand the proposal by WAPA, we have a two serious concerns we would like to raise with appropriate authorities, as follows:

- **Cost shifting/cost inefficiencies.** The facts as we understand them (this is given the caveat that we do not feel that all the necessary data is available at this time to perform a thorough analysis) lead us to believe that there may be a shift in costs

from WAPA customers to non-WAPA customers. The California ISO estimates that this cost shift that could be in excess \$100 million or more over the next decade. The assumptions relied upon by Navigant in its study for WAPA are not publicly available, so we (and no one) can confirm the CAISO estimate. We request that the WAPA cooperate with the appropriate federal entities that oversee WAPA to as to ensure that they can perform a thorough and diligent analysis of the costs and benefits of the WAPA Plan. This process should be as transparent as possible so interested parties can have confidence that all costs and benefits have been accurately identified.

- **Reliability/Operational concerns.** There has been much discussion during the past year or two about new federal proposals to create regional markets and provide for better coordination among physically integrated regional grids. The FERC has put forth the notable "SMD" (Standard Market Design) proposal, followed by a white paper which seems to allow for more flexibility among regions and to better clarify stated goals. TURN and UCAN have some serious concerns with the FERC and its SMD proposal, due in large part to the "absentee regulator" mentality. FERC seemed to exhibit during the energy crisis of 2000-2001. It is our hope that FERC learned lessons from the crisis along with the rest of us and that it will not forsake its mandate to ensure just and reasonable rates for the wholesale energy markets.

Our concern is that WAPA could inadvertently promote the creation of a Western SMD if its creates a fragmented operation of the grid, resulting in so-called "seams issues," resulting in both operational and pricing inefficiencies. Anything that requires extra workload on the part of grid operators—whether within or between control areas—increases the risk of human error and, therefore, the likelihood of power outages. It will be seized upon by FERC as a poster child for a Western SMD. From the standpoint of promoting efficient, coordinated grid operations, and toward the goal of eliminating "seams" between markets, TURN and UCAN believe that every effort should be made by WAPA and federal authorities to explore alternatives short of forming a new control area – or at least ensure that the new control area does not create any new inefficiencies.

- **Concern about Federal Regulation.** As stated above, our decision to present our concerns with the WAPA Plan to form a separate control area does not indicate an endorsement by TURN and UCAN of the SMD or any promotion of regional transmission organizations or regional markets. Nonetheless, to the extent that regional markets are to be formed, and to the extent transmission grids become on a more regional basis, we support that such systems be coordinated and operated in the best interest of consumers.

Until now, FERC has not demonstrated appropriate oversight of the wholesale power markets and promote efficient pricing and operation of the interconnected transmission grid in order to turn around a less than satisfactory track record during the California energy crisis.

For example, there are some specific proposals before FERC that we feel must be approved in order for TURN and UCAN and, no doubt, all consumers in California to have any confidence in the direction FERC wants to go in regionalizing the markets and transmission grids. We highlight two specific examples of particular importance to our organizations. First, it is imperative that the FERC adopt and approve

effective local market power mitigation no less stringent than that put forth by the California ISO in their recent "MD02" filing. Second, there is a companion proposal known as "Oversight and investigation" which proposes several new market rules and associated penalties to deter the recurrence of many of the Enron-style games that were foisted upon Californians during the 2000-2001 crisis. Both of these CAISO initiatives should be approved – if not bolstered – by FERC this year.

These are but two examples of things that the FERC can do that will help to instill confidence in the minds of Californians that federal regulation will afford Californians just and reasonable electricity rates and safe and reliability delivery of electricity. Until that competence and concern is demonstrated, then efforts to separate from the CAISO such as this one proposed by WAPA will continue. And until FERC takes action to prove it can be an effective market overseer, UCAN and TURN will be hard-pressed to advocate against the dismantlement of the CAISO.

Respectfully submitted,



Michael Shames  
On behalf of UCAN and TURN