



Western  
Area Power  
Administration

# Mountain West Transmission Group Panel Discussion

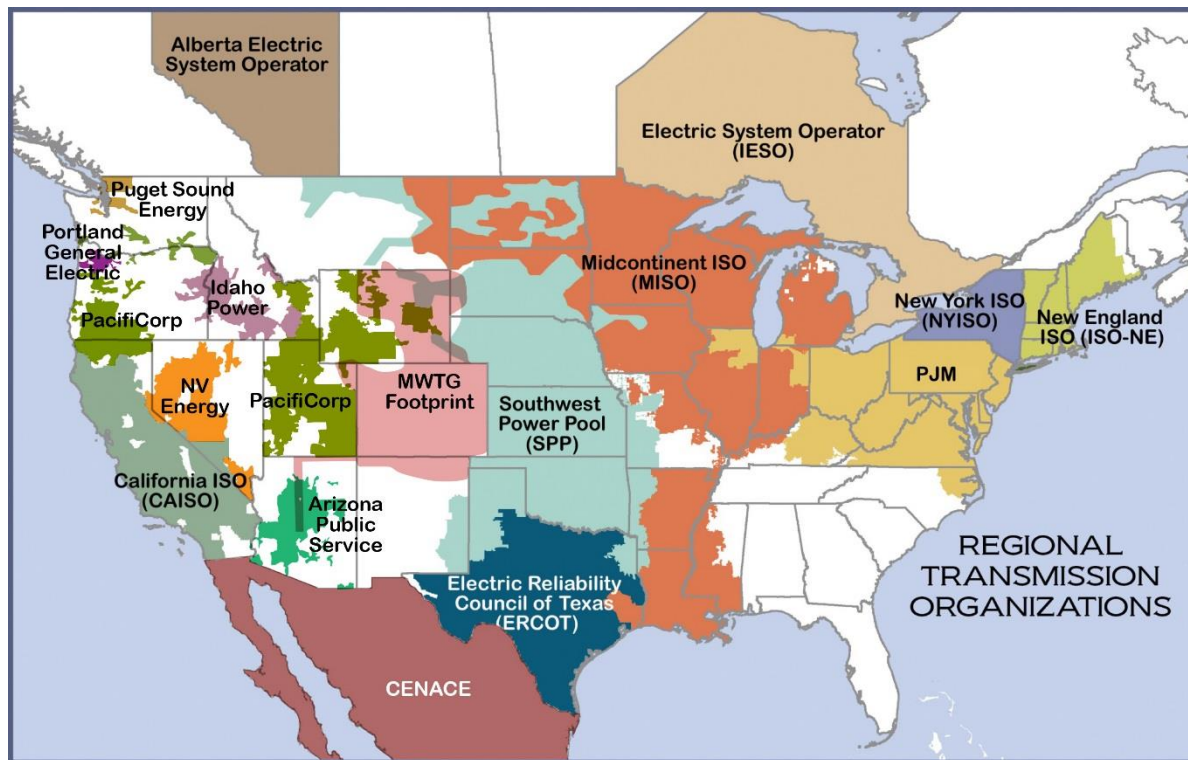
Brad Warren – SVP and Rocky Mountain Regional Manager

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Mid-West Electric Consumers  
Association Annual Meeting

# Evolving Markets in the West



# Future Options

Future Options include:

1. Continue status quo while RTO/Markets likely form
2. Join a RTO/Market

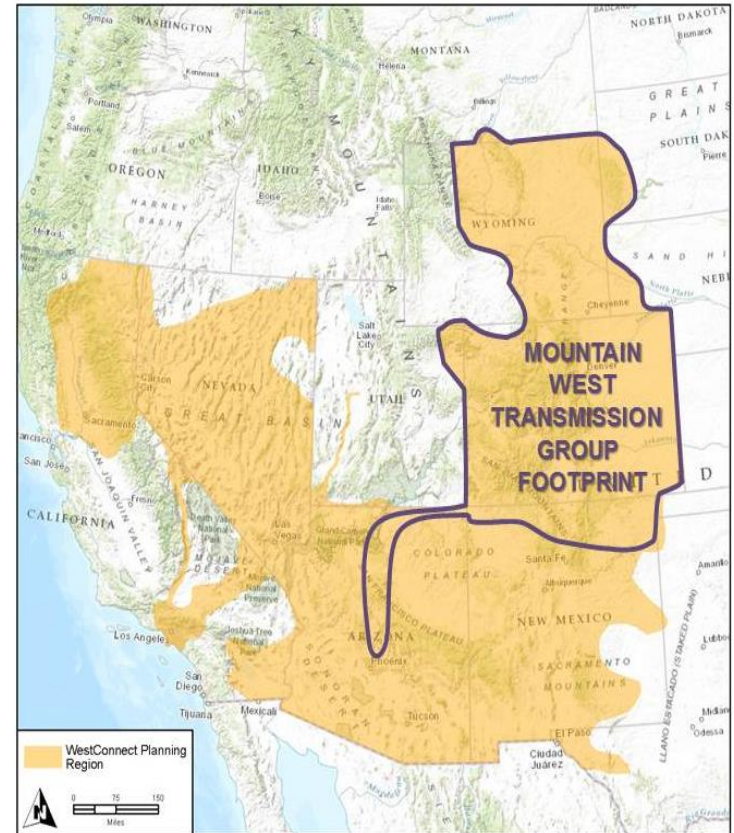
Risks with continuing status-quo:

- Loss of bilateral market
- May not prefer RTO environment that develops without us
- Joining RTO later decreases opportunities to optimize
- Less efficient transmission planning/integration with region
- Difficulty operating the grid with increased renewables



# Context for WAPA role in MWTG

- LAP is 1 of 10 operating entities (LAP, CRSP, TriState, PSCO, Black Hills Colorado, Cheyenne LF&P, Common Use System, Basin, PRPA, CSU)
- Limited generation-side benefits, fixed resource
- Transmission cost shifts are a key issue



# MWTG Joint Tariff

## MWTG Joint Tariff:

- Tariff Administrator/RTO would be single transmission service provider
- 8 zones, but may be modified
- RTOR for all P2P and generally for load outside footprint
- In general, all OATT transmission service converts to Tariff service, Pre-OATT transmission service contracts generally grandfathered
- Results in cost shifts
- Mitigation method identified



# MWTG Regional Cost Allocation

## Regional Cost Allocation for Transmission Expansion

- New transmission expansion that benefits region allocated to entire region (natural result of single TSP across region and FERC Order 1000)
- SPP for example regionally allocates 100% of new 300kV+ facilities and 33% of new 100kV-300kV facilities of approved base plan upgrades
- MWTG reached tentative agreement on regional cost allocation

## WAPA Exemption from Regional Cost Allocation

- Since WAPA has no load growth, should not be subject to certain transmission expansion costs
- LAP system adequate to make full deliveries, won't need new additions
- SPP Federal Service Exemption (FSE) exempts WAPA-UGP from the regional cost allocation
- MWTG agreement to grant WAPA exemption from regional cost allocation





# Financial Costs for LAP in an RTO

## Cost Areas:

- RTO Administrative Charges
  - Covers costs to administer tariff, provide transmission service, run energy market, ancillary market, congestion market
- Some exposure to congestion and marginal losses
  - A Federal Service Exemption (FSE) similar to what SPP has for WAPA-UGP would mostly hedge LAP from congestion and marginal losses for hydro power that serves LAP statutory service obligations, however, firming purchases would be exposed to these costs
- IT and Internal Implementation Cost



# Financial Benefits for LAP in an RTO

## Benefit Areas:

- Resource Side Benefits
  - Energy market, ancillary market, reserve market - all more efficient
- Exemption from Certain Transmission Expansion Costs (part of FSE)
- Potential Staff Savings
  - LAP would no longer run a BA, manage paths, or sell transmission service
  - Some areas would need more staff
- Joint Tariff Cost Shift (hopefully a benefit...not sure yet)
  - Eliminate pancaked rate payments
  - Zonal Rates (loss of pancakes increases zonal rate)
  - RTOR Revenue (decreases zonal rate)





# Financial Impact to LAP Customer

## WAPA Impact:

- LAP FES Rate – takes a lot to move a little
  - For East side only LAP customers, this is the only impact
  - For those with load in the West, they will have to do their own analysis that includes at least the four areas below

## Customer's Supplemental Supply:

- Transmission Service
  - Different rates, but extensive reach with no pancakes
  - TO's would still collect the same revenue requirement
- Elimination of Pancaked Rates
  - Unless held to a pre-OATT grandfathered contract until expiration, no need for pancakes
- Resource Side Benefits
  - Energy
  - Planning reserve
  - Ancillaries
  - Reserves
- RTO Administrative Charge



# What's Next for WAPA? (Estimated)

MWTG Agreement around one direction/RTO.....	December 2016
FRN Recommendation to Pursue RTO Membership.....	Early 2017
WAPA Customer Meeting(s) / Comment Period.....	Spring 2017
WAPA Decision Regarding Pursuing RTO Membership.....	Mid 2017
RTO Membership Go-Live.....	April 2019?

