
FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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Docket No. RT01-35-005 and
RT01-35-007

COMMISSION PROVIDES ADDITIONAL DIRECTION AS WESTERN PROPOSAL MOVES FORWARD

The Federal Energy Regulatory Commission today approved many aspects of a plan for development of a regional transmission organization (RTO) in the West.

Chairman Pat Wood, III commented: "Electric power is a vital energy source for American homeowners and a key driver of our economy. We cannot afford a fragmented, antiquated grid. Regional transmission organizations, complemented and buttressed by transparent rules, will ensure nondiscriminatory access and will provide the best framework for meeting the needs of our citizens and our industries. I am delighted that all the parties in the West have worked so hard to achieve an outcome that will satisfy both national and regional needs."

In connection with RTO West, a proposal that would span eight western states, the Commission approved the majority of the filing, including:

- *approval of a governance proposal;
 - *approval of license plate pricing, including the length of the transmission period;
 - *approval, with modification, of the congestion management proposal reflecting the use of locational pricing and financial options to hedge congestion charges;
 - *approval of catalogued transmission rights with voluntary contract conversion;
- and,

(2)

*approval, with modification, of the planning and expansion proposal.

Additional discussions among stakeholders were ordered under the auspices of the RTO West Regional Representatives Group (RRG) and technical conferences with Commission staff. Such collaboration will help clarify such standard market design (SMD)-related matters as congestion management, scheduling protocols, facilities, and cataloguing of transmission rights. RTO West will need to address existing contractual relationships and the operating characteristics of the extensive hydroelectric generation in the Northwest as well as the functioning of thermal and nuclear facilities to complete its market design.

Although SMD currently is a proposal and the industry has not yet filed formal comments on the proposal, the Commission nevertheless believed that the conceptual construct of SMD contains principles that are consistent with the proposed development of RTO West. Because there is a broad overlap of issues between the SMD proposal and the RTO West filing, the Commission looks at the comprehensive filing as both informing and being informed by the proposed rule.

RTOs are developing throughout the United States as a means to remedy economic inefficiencies that stem from the lack of regional coordination and undue discrimination that currently mar the nation's transmission grid. The Commission has stressed that adequate infrastructure, balanced market rules and market monitoring are essential to a genuinely competitive electric market.

Planning, expansion potential and market monitors must be fundamental elements of each RTO, as detailed in the Commission's Order No. 2000, the ground-breaking rule that focused attention on the need for regional coordination. When the SMD final rule is issued, it will provide clear market rules, complementing Order No. 2000.

Today's RTO West order also:

- directs the applicants to file, within 120 days, the proposed RTO tariff, a detailed ancillary services proposal, and a list of their transmission facilities;
- approves, with modifications, the proposed single RTO West market monitoring unit, subject to the SMD rulemaking;
- directs applicants to discuss with state representatives their participation in the planning and expansion process; and,

(3)

- defers action on Canadian participation, while strongly encouraging the Canadian entities to participate in the regional organization.

The Commission noted that BPA is central to the viability of RTO West, and strongly encouraged the ongoing efforts to ensure BPA's involvement consistent with its mandate.

The proposed SMD rule was issued July 31. Comments are due by November 15 and reply comments by December 20.

RTO West, a non-profit organization, spans all or parts of Washington State, Idaho, Montana, Oregon, Nevada, Wyoming, Utah, and a small part of northern California near the Oregon border. Applicants include Avista Corporation, the federal Bonneville Power Administration (BPA), Idaho Power Company, NorthWestern Energy, L.L.C. (Formerly Montana Power Company), Nevada Power Company, Pacificorp, Portland General Electric Company, Puget Sound Energy, Inc., and Sierra Pacific Power Company. Canada's British Columbia Hydro and Power Authority also joined in the application, but Canadian participation is still being negotiated.