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Tom Vinson  
Legislative Director  
Rep. Peter DeFazio's Office  
Fourth Congressional District

**RE: RTO West - Comments of the NW Energy Coalition**

Dear Mr. Vinson;

Thank you for this opportunity to present our concerns regarding the formation of RTO West. We understand that your office is collecting and distributing stakeholder comments to the other members of our delegation. The NW Energy Coalition ("NWEC") is a coalition of about 100 utilities, consumer, low-income and environmental organizations in the Northwest working toward a clean and affordable energy future. We have been actively involved in the formation of RTO West, and Steven Weiss has been the "environmental representative" on the Regional Representatives Group ("RRG") which has been advising the filing utilities in the process.

NWEC has generally supported the formation of an RTO for the Northwest because it could potentially lead to savings to consumers and benefits to the environment, as compared to the current system, by producing more efficient generation and use of electricity. However, we now have serious doubts about whether that potential will be realized by the filing utilities' current proposal. In fact, we see several serious risks, especially to local and state control of our power system which should be a cause of great concern to the NW Delegation. We discuss in more detail below the potential benefits that a well-designed RTO West could realize, and then the problems and risks contained in the current filing utilities' proposals.

***Potential RTO West improvements to current NW transmission system.***

1. Time-of-use and locational price signals to utilities, generators and direct access end-users.
2. Regionwide least cost planning -- resulting in least cost solutions for generating and transmitting power.

3. More efficient use of the current transmission system and better dispatch of generation.
4. The development of more conservation, load controls and distributed generation.
5. Fairer treatment for renewables and distributed generation by providing:
  - a. a real time balancing market;
  - b. unbiased interconnection policies;
  - c. access to transmission on short notice.

However, while a well-designed RTO West could provide these benefits, the current filing has serious deficiencies which, if not addressed, would cause NWECC to have to oppose its formation.

### **Problems with Filing Utilities' current filing.**

#### **1. Weakens or eliminates state and local control.**

As currently written, the proposal will give enormous powers to a new regional board beholden only to FERC. Local utilities, state utility commissions and siting boards, and the Bonneville Power Administration presently make the decisions affecting billions of dollars of NW consumers money. Decisions to raise rates to build transmission--which critically affect utility decisions to build generation and acquire conservation--will be taken from the hands of locally accountable officials and given to the RTO board. To challenge those decisions, one can only appeal to FERC, an institute even less connected to the Northwest than will be RTO West. This shift in power to the federal government should be of utmost concern to our delegation.

#### **2. The expansion model is seriously deficient.**

1. It creates a new centralized authority with the ability to allocate costs to unwilling utilities, both public and private (including BPA). This removes state and public utility boards and commissions' regulatory authority over expansion decisions. Their only appeal will be to FERC.
2. RTO West is prevented from funding and implementing non-wires solutions to congestion problems even when its own analysis shows that to be less costly. In many cases, the least costly fix to a "transmission" problem is targeted demand side management, interruptible contracts with large users and the location of new generation close to a utility's loads. However, under the current proposal, RTO West is prevented by contract from funding such solutions even when its own planners identify cheaper ways of relieving the congestion.

#### **3. The pricing proposal biases decisions on where to locate new generation.**

Developers deciding where to locate new generating plants should have incentives

to build where it will minimize congestion and the need to build costly new transmission lines. Under the current proposal, generators seeking to serve loads of incumbent utilities will be penalized if they locate off that utility's "footprint," or territory.

**4. RTO West may be unable to react quickly, or at all, to unforeseen circumstances and unintended consequences.**

1. Critical authorities that RTO West might need to respond to future events are prohibited by the Transmission Operating Agreement ("TOA") contract between the filing utilities and the new RTO. The TOA contract, unlike the Tariff, cannot be changed. It is unwise to lock down too much of how RTO West will operate into contracts. Instead, by leaving more in the tariffs, RTO West will have the ability to petition FERC to change how it operates. The TOA is much too detailed and specific in how it will require RTO West to provide congestion management, ancillary services and expand the system. Instead, these details should be moved to the tariff which can be changed upon approval by FERC.
2. The current version of the filing does not give RTO West the ability to quickly mitigate market power. The RTO will have to petition FERC for permission to take actions against market abuse. Given the experience in California, and the uncertainty and risk of moving into this new model, RTO West should have authority to act on the first day of its operation.

**Conclusion**

Unless the serious deficiencies in the filing utilities' current proposals are addressed, NWECA cannot at this time support the formation of RTO West. We hope the members of the Delegation will take an active role in making sure that any RTO approved for our region: (a) maintains local and state control over expansion decisions; (b) provides for least cost solutions to congestion problems; (c) gives developers of new generation proper price signals; and, (d) has adequate flexibility and authority to respond to unforeseen situations and market abuses.

We would welcome the opportunity to be of further assistance to the delegation's Members and staff working on this important issue.