

9. Seams Issues

California continues to operate the only organized competitive wholesale electric market in the Western Interconnection. However, three regional transmission organizations (“RTOs”) have been proposed in the west in accordance with FERC Order 2000: The California ISO; RTO West¹; and WestConnect.² To address seams issues between the three proposed RTOs, representatives from the California ISO as well as the two proposed western RTOs have been working together through the Seams Steering Group – Western Interconnection (“SSG-WI”). The SSG-WI process was developed to attain the objective of a seamless western market.

SSG-WI’s current effort is focused primarily on facilitating infrastructure development and supporting a good market design process. SSG-WI filed a detailed report on its activities with FERC on January 17, 2003. The following is a brief summary of the activities outlined in that report.

SSG-WI’s essential function is to provide a collaborative forum through which participants’ representatives can develop proposed resolutions to seams issues. When proposals or recommendations are developed by, or presented to, SSG-WI, SSG-WI may consider them as it sees fit. If it deems a proposal or recommendation to have merit, SSG-WI may offer it to the western RTOs for their consideration. The decision rests entirely with each western RTO to act on a proposal or recommendation from SSG-WI. Any SSG-WI proposal or recommendation that the western RTOs may decide to adopt would be implemented through voluntary, independent action of the western RTOs affected by the recommendation. The independent decision making authority of each RTO is a core principle of the SSG-WI process as it is essential to maintaining each western RTO’s accountability to its management and stakeholder constituencies.

SSG-WI has established several work groups to serve the needs of SSG-WI and its participants. Recommendations of the work groups are made to the SSG-WI for its consideration. It then makes any further recommendations to the western RTOs. Below is a brief description of each of the SSG-WI work groups.

9.1.1 Market Monitoring Work Group

The Market Monitoring Work Group initially set out to develop a workable proposal for a single west-wide market monitoring entity that would monitor the California ISO, RTO West, and WestConnect RTO markets and satisfy the Order 2000 market monitoring requirements for each of the western RTOs. However, questions remain as to how to structure this function and the division of responsibilities between the West-wide market monitoring function and the individual RTO market monitoring units. In addition, the work group has identified that it is important to develop a clear understanding of the relationship between the western RTOs’ market monitoring activities and the FERC’s new Office of Market Oversight and Investigations.

¹ The RTO West filing utilities consist of Avista Corporation, Bonneville Power Administration, British Columbia Hydro and Power Authority, Idaho Power Company, Nevada Power Company, Northwestern Energy, PacifiCorp, Portland General Electric Company, Puget Sound Energy, and Sierra Pacific Power Company.

² The WestConnect Applicants consist of Arizona Public Service Company, El Paso Electric Company, Public Service Company of New Mexico, and Tucson Electric Power Company.

9.1.2 Congestion Management Alignment Work Group

The Congestion Management Alignment Work Group addresses seams issues associated with western RTO congestion management models and proposes solutions to seams issues that may impede the efficient operation of a seamless western market. FERC has approved three different congestion management models for the three western RTOs. The California ISO and RTO West propose to use variations of financial rights while WestConnect proposes a physical rights model. In seeking to mitigate or eliminate seams issues related to congestion management in the Western Interconnection, the congestion management work group will attempt to maintain, as far as possible, the basic attributes of each RTO's congestion management model.

9.1.3 Transmission Planning Work Group

The goal of the transmission planning work group is to provide a forum to further the development of a planning process that will result in a robust west-wide interstate transmission system that is capable of supporting a competitive and seamless west-wide wholesale electricity market. The planning work group's highest priority task is to develop a regional transmission planning process that furthers the economic expansion of, and investment in, the west's interstate transmission system and one that furthers the SSG-WI goal of developing seamless western electricity markets. Toward that end, the planning work group is focusing on developing a process to identify transmission projects that are needed for economic reasons to facilitate a competitive and seamless west-wide wholesale market as well as developing a process to resolve differences in transmission interconnections to enable parties to avoid petitioning FERC under the process set forth in Sections 210 and 211 of the Federal Power Act.

9.1.4 Common Systems Interface Coordination Work Group

The Common Systems Interface Coordination Work Group was created to coordinate systems for the western RTOs for seamless interfaces, lower costs and to assure that systems and processes have effective operability and address the complexities of each region with their unique system characteristics and environment. The work group intends to develop an initial plan for implementation coordination by mid-2003. The work group also plans to develop initial proposals related to simulation coordination and business process modeling by that time as well as commencing work on implementation plans for seams-related systems and processes.

9.1.5 Pricing Reciprocity

The Pricing Reciprocity Work Group is tasked with developing a proposal for pricing reciprocity among the western RTOs. The work group's central task is to identify options to implement price reciprocity at the RTO seams. During 2002, the Pricing Reciprocity Work Group was successful in developing an initial set of options and criteria for evaluating those options. The Work Group has identified five key objectives for its work during 2003:

- Identify applicable existing charges and proposed charges applied to various transactions;
- Collect data and analyze the financial implications on the current/proposed processes for collecting revenues related to interregional transactions;
- Finalize development of options for price reciprocity;
- Develop proposals for addressing pricing seams with, and services offered to, non-participants; and
- Develop assessment criteria, consider available pricing options, and identify suggested alternatives.