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**SUMMARY OF TAPS POSITION FOR
 CONGESTION REVENUE RIGHTS TECHNICAL CONFERENCE**

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TAPS members' primary responsibility is to provide reliable service and stable electric prices to consumers within the areas which they serve. To meet these obligations, they have made major generation investments and significant purchased power commitments that never could or would have been made without simultaneously obtaining transmission rights or constructing transmission facilities to be able to deliver these resources to their customers with reasonable price certainty. They will require similar delivery assurance to make and finance resource commitments needed to serve their loads in the future.

For SMD to work for LSEs and to protect consumers from significant increases in the delivered price of electricity during this transition, two requirements are absolutely essential. SMD must provide the assurance of long-term transmission, with price certainty, needed to: (i) protect all existing firm transmission rights obtained to meet service obligations, whether derived from pre-Order 888 contracts or OATT network service; and (ii) accommodate the commitment to and financing of new long-term resources that LSEs need to continue to meet their service obligations. To accomplish these fundamental objectives, the Commission must impose the following requirements:

Principle 1: There must be no diminution of the ability of LSEs to utilize existing resources with existing transmission rights to serve load on a long-term basis.

Corollary 1: Preexisting firm service commitments should not be abrogated; there must be no arbitrary sunsets. CRRs should be allocated for the full term of existing transmission rights and associated generation. A twenty-year CRR, much less a one- or five-year CRR that the NOPR seems to contemplate (§ 249), is no substitute for the thirty-five year firm transmission right on which an LSE financed a base load coal plant.

Corollary 2: CRRs required to support today's firm transmission reservations should be assigned, even if not simultaneously feasible. LSEs should be assigned the CRRs necessary to retain the existing transmission rights that currently support billions of dollars of generation investment. There is something fundamentally wrong with a "new, improved" system of assigning transmission rights if it does not support preexisting firm transmission rights LSEs currently depend upon to serve load from network resources at a reasonable cost. Even if not simultaneously feasible 8760 hours of the year, these existing firm rights are accommodated by the transmission system today, with virtually no interruptions as evidenced by the rarity of TLR 5 events. Those depending on existing firm reservations should not be forced to accept fewer CRRs based on a simultaneous feasibility determination designed to assure self-

♦ An association of transmission-dependent utilities and other supporters of equal, non-discriminatory transmission access and vigorously competitive wholesale electric markets. TAPS members are located in more than 33 states, including: Alabama . Arizona . California . Colorado . Connecticut . Florida . Illinois . Indiana . Iowa . Kansas . Kentucky . Louisiana . Maine . Massachusetts . Michigan . Minnesota Mississippi . Missouri . Nebraska . New Hampshire . New Mexico . North Carolina . North Dakota . Ohio . Oklahoma . Pennsylvania . Rhode Island . South Carolina . South Dakota . Utah . Vermont . Virginia . West Virginia . Wisconsin . Wyoming

funding of the congestion management system. The financial integrity of the congestion management system can be maintained without depriving LSEs of the firm transmission rights that support their past resource investments. As a transitional measure, until transmission upgrades are put in place to support the simultaneous feasibility of all existing firm transmission reservations, any congestion management revenue shortfall associated with supporting existing transmission rights should be rolled into the revenue requirement in at least the same pricing zone(s) that bears that cost today, if not more broadly. The RTO should identify flowgates that contribute significantly to such revenue shortfalls and place such flowgates on its “top priority” list of needed transmission upgrades.

Corollary 3: CRRs for existing uses of the system must be options not obligations. The firm transmission rights LSEs have today are options, not obligations. While CRR obligations may be appropriate for new resources to which commitments are made with full knowledge of the nature of these rights, conversion of existing rights into CRR obligations violates the “no diminution” principle. The substitution of obligations for the existing option-type rights LSEs now enjoy will increase cost and risk to LSEs and their customers.

Corollary 4: CRRs for existing network resources should be assigned, not subject to mandatory auction. TAPS members are not speculators. We need to obtain and hold CRRs for network resources necessary to meet long term obligations. Any CRR auction should be voluntary, not mandatory.

Principle 2: LSEs must be able to obtain long-term CRRs on a basis that supports financing of and commitment to new long-term resources needed by LSEs to meet obligations to reliably serve growing loads and maintain resource adequacy.

Corollary 1: Assignment of new long-term CRRs must be tied to designation of network resources. To finance the new generation necessary to make SMD work, LSEs need the ability to secure long-term CRRs to support new long-term power supply commitments. This can best be achieved by allocation of CRRs in connection with a network resource designation process, consistent with regional transmission planning, for the term of new purchase contracts or life of new generation.

Corollary 2: CRRs must match the amount and duration of the designated network resource. The CRRs assigned during the network resource designation process should provide for delivery to the LSEs’ load of the full capacity of a network resource, up to the life of the resource commitment.