

FERC/WestConnect Technical Conference  
September 24, 2003

Comments of Tri-State Generation and  
Transmission Association

## Tri-State G&T Profile

- Serves 44 member systems in NM, CO, WY, NE
- Peak Demand: 2,246 MW (August 2003)
- 2002 Energy Sales: 15,000,000 MWh
- Generation Assets: 1400 MW Coal, 625 MW natural gas and oil
- Purchases: 650 MW WAPA Hydro, 285 MW Basin Electric Coal
- Transmission Assets: Whole or partial ownership in 5,000 miles of TL, 135 substations

## Tri-State Participation in ISO, RTO Activities

- Involved in ISO, RTO formation activities since 1996 including IndeGO, Desert STAR, and WestConnect
- Filed extensive comments with FERC for Desert STAR, WestConnect, and the FERC Standard Market Design (SMD)
- Continue to support RTO formation efforts provided certain conditions are achieved

# Attributes of a Successful RTO in the Western Interconnection

- Allows for participation by all types of utility organizations including traditional vertically integrated IOU, Federal PMA, cooperative, and municipal utilities
- Primary concern is the efficient and reliable operation of the transmission system
- Provide for solid planning and expansion of the transmission system
- Facilitate wholesale market activities, without BEING THE MARKET
- Solid business plan, benefits exceed costs
- BENEFITS THE END-USE CONSUMER

# Core Features of a Practical RTO for the West

- Real time reliability monitoring using simple, straightforward operational procedures
- Sustain ability to deliver owned generation to native load
- Streamline and simplify system operations for scheduling and dispatch of the transmission grid

# Core Features of a Practical RTO for the West (Continued)

- Transmission congestion managed with physical rights – no requirement for RTO generation market participation
- Equitable transmission pricing methodology that will support transmission system expansion
- Solid transmission planning and authorization
- Emphasis on cost minimization – staffing, infrastructure and burdens on participants
- Enlightened governance, whether stakeholder or independent

# Myths Surrounding the Proposals for Standardized Markets

- We have dysfunctional markets, and there are problems that must be solved
- Merchant plants and power marketers will be the models for future power supply expansion
- Deregulation of retail markets will benefit consumers
- Financial transmission rights and LMP markets will cause new transmission to be built
- Market power abuse can be detected and corrected

## Myths Surrounding the Proposals for Standardized Markets (Continued)

- Generation can be dispatched at will to relieve transmission congestion
- Cheaper generation is available in large amounts with significant price differences
- Large amounts of demand response will appear given the appropriate price signals
- The complex pricing and everything else associated with LMP can be automated and computerized, and we'll all understand it

# WestConnect - A Good Start

- Tri-State supports the efforts of WestConnect to phase-in the formation of an RTO in the Southwest and Rocky Mountain region
- Phased-in approach is workable -- learn in developmental mode, not in failure mode
- Appeals to most utilities in the region
- FERC White Paper supports this approach
- Provides immediate benefits with common OASIS ([westTrans.net](http://westTrans.net))
- Provides a framework for regional planning
- Additional steps taken if they are cost-effective

# Postscript: An Argument for Postage Stamp Transmission Pricing

- All consumers share the cost of the shared transmission grid
- Simple to apply, no art form required
- Cost shifts in transmission costs will occur, BUT, the cost shift to end-use consumers when combined with the costs of generation and distribution are small
- Provides reliable cost-recovery mechanism for transmission expansion