

**UNITED STATES OF AMERICA**  
**BEFORE THE**  
**FEDERAL ENERGY REGULATORY COMMISSION**

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<b>Preventing Undue Discrimination and</b>	)	<b>Docket No. RM05-25-000</b>
<b>Preference in Transmission Services</b>	)	<b>and</b>
	)	<b>Docket No. RM05-17-000</b>

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**PREPARED COMMENTS OF JAMES T LOOCK,  
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WESTERN ELECTRICITY COORDINATING COUNCIL**

**(October 12, 2006 Technical Conference)**

Good morning Mr. Chairman and Commissioners. My name is Jay Loock and I am the Director of Technical Services for the Western Electricity Coordinating Council (WECC). I appreciate the opportunity to appear before the Commission today to discuss FERC's proposed OATT Reforms on Regional Transmission Planning. My comments today primarily reflect the positions taken by WECC in our initial and reply comments submitted in this docket.

The WECC respectfully submits these comments with hopes they will provide the Commission and other interested parties with useful information about current WECC practices related to regional and sub regional transmission planning.

The WECC is the regional reliability council responsible within the North American Electric Reliability Council ("NERC") structure for the entire Western Interconnection. The WECC is the largest geographically and most diverse of all the regional councils of NERC. The territory encompassed by the WECC extends from

Canada to Mexico. It includes the provinces of Alberta and British Columbia, the northern portion of Baja California, Mexico, and all or portions of the 14 western states in between. WECC members face unique challenges in coordinating day-to-day interconnected system operations and long-range planning to provide reliable and affordable electric service to more than 71 million people in an area spanning nearly 1.8 million square miles.

The WECC has coordinated regional transmission planning in the West for decades and supports the Commission's principles for coordinated, open, and transparent transmission planning.

The WECC has traditionally addressed, and will continue to address, transmission planning from the perspective of reliability of the Western Interconnection. As the Commission is aware, the WECC has expanded its role to encompass new functions related to "economic" transmission expansion planning. In addition to revising the WECC bylaws in 2004 to remove language prohibiting the WECC from performing transmission expansion planning studies, the WECC has taken on responsibility for managing an economic transmission expansion planning database for the Western Interconnection. The WECC also recently formed a new policy committee under the WECC Board of Directors – the Transmission Expansion Planning Policy Committee (the "TEPPC").

The TEPPC's role is to guide and oversee the WECC in responding to the need for regional economic transmission planning and analyses. The WECC is focusing its expansion planning efforts on providing impartial and reliable data, public process leadership, and analytical tools. Of particular importance with respect to the planning objectives the Commission has identified in the NOPR is the TEPPC's responsibility to ensure that the WECC's economic transmission expansion planning process is impartial,

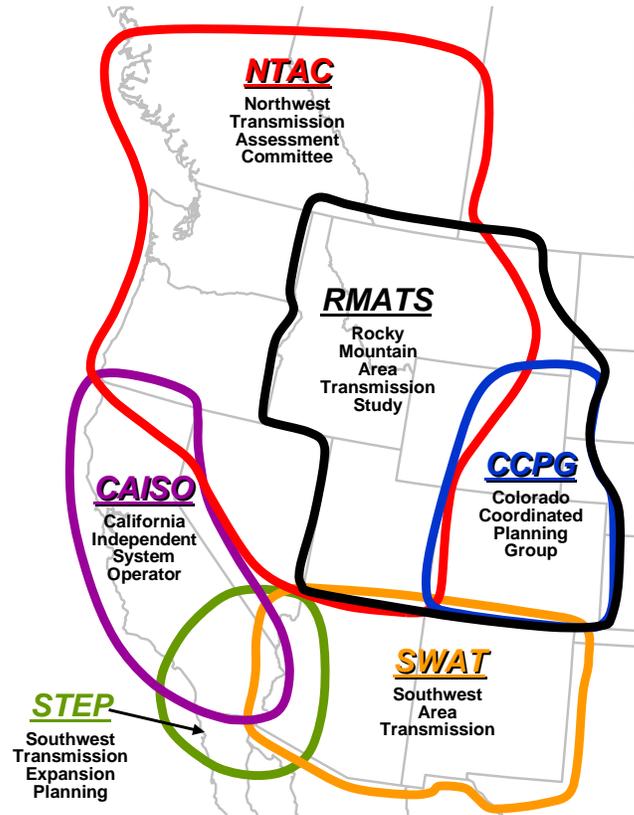
inclusive, transparent, properly executed, and well communicated. The planning process must, at a minimum, include regional experts and stakeholders such as state and provincial energy offices, regulators, resource and transmission developers, load-serving entities, and environmental and consumer advocates. The TEPPC is also responsible for organizing and coordinating activities with subregional planning processes in the Western Interconnection.

The remainder of my introductory oral comments will address only some of the questions listed in the technical conference notice. My prepared written statement, which has been submitted for the record, addresses all the questions.

**1. *What is the appropriate geographic scope for an effective planning region or subregion?***

WECC and its members have determined that WECC has a role in meeting the region's need for regional economic transmission planning and analyses by providing impartial and reliable data, public process leadership, analytical tools and services. The activities of WECC in this area will be guided and overseen by the new WECC board-level committee, TEPPC. Members of TEPPC will include transmission providers, policy makers, governmental representatives, and others with expertise in planning, building new economic transmission, evaluating the economics of transmission or resource plans; or managing public planning processes. The committee members will generally reflect the geographic and stakeholder breadth of WECC. Given that the WECC encompasses the entire Western Interconnection, regional participation is at the core of the WECC planning process. Under the auspices of the TEPPC, the WECC facilitates coordination among the Western Interconnection Subregional Planning Groups (see graphic below).

# Western Interconnection Sub-Regional Planning Groups



RMATS – <http://psc.state.wy.us/htdocs/subregional/home.htm>

CAISO – <http://www.caiso.com/thegrid/planning/index.html>

NTAC – <http://www.nwpp.org/intac>

SWAT – <http://www.azpower.org/swat>

STEP – <http://www.caiso.com/docs/2002/11/04/2002110417450022131.htm>

CCPG – <http://ccpg.basinelectric.com>

## 2. Are there specific criteria that can be developed to define the scope and frequency of the congestion studies proposed in the NOPR?

WECC recommends that the analyses and studies that TEPPC should focus on should be plans with west-wide implications and include a high level assessment of congestion and congestion costs. The analyses and studies will also evaluate the economics of resource and transmission expansion alternatives on a regional, screening study basis. Resource and transmission alternatives may be targeted at relieving congestion, minimizing and stabilizing regional production costs, diversifying fuels, achieving renewable resource and clean energy goals, or other purposes. Alternatives may draw from state energy plans, integrated resource plans, large regional expansion proposals, sub-regional plans and studies, and other sources such as individual control areas if relevant in

a regional context. The WECC currently addresses congestion (from operational and planning perspectives) on an Interconnection-wide basis, and in this respect the WECC is unlike the six NERC regional reliability councils within the Eastern Interconnection. In the operational context, transmission providers experience congestion when actual system flows approach system limits. For several years, the WECC has provided information and tools to identify this type of congestion through historical path flow analysis and simulated economic transmission studies. Congestion from a planning perspective arises when transmission reservation requests or requested transmission schedules exceed system scheduling limits. To the extent it limits customer access, this type of congestion represents a barrier to efficient use of the transmission system, and it must be addressed in light of the WECC's process for determining ATC and the contract-path scheduling process used across the West. WECC has worked together with the U.S. Department of Energy, as well as the Committee on Regional Electric Power Cooperation ("CREPC") and the five subregional planning groups in the Western Interconnection, to facilitate analysis and develop information required by Section 1221 of the Energy Policy Act of 2005. This effort has been carried out through an open, public stakeholder process. Parties in the West and the Department of Energy intend to continue to work together in the future to meet ongoing requirements of Section 1221, and to better define, understand, and respond to congestion as it relates to operation and planning in the Western Interconnection. Given the breadth of WECC information and processes, there may be more effective means to address congestion in the West than requiring transmission providers to perform separate congestion studies on an annual basis. The WECC recommends that congestion studies based on cost-production modeling be performed in the Western Interconnection, on

region-wide basis, every two years. These region-wide, biennial studies would identify specific areas of congestion in the Western Interconnection based upon recent operating experience, expected congestion over the next ten years, and congestion associated with various alternative resource development scenarios under consideration across the West. The WECC's integrated regional approach to congestion studies would make better use of the substantial resources required for production-cost studies and would also ensure consistency of information and analysis. Subregional planning groups within the WECC could then focus their efforts on understanding and resolving congestion as it affects operational reliability.

**3. *Is an independent consultant necessary to facilitate planning?***

TEPPC's acts as a facilitator in the western interconnection with three main functions that include:

- (1) overseeing transmission database management,
- (2) providing policy and management of the planning process, and
- (3) guiding the analyses and modeling for Western Interconnection economic transmission expansion planning.

These functions compliment but do not replace the responsibilities of WECC members and stakeholders to develop and implement specific expansion projects.

**4. *What are some effective mechanisms for safeguarding confidentiality while permitting meaningful access to transmission information?***

WECC transmission planning activities are open to all interested stakeholders and transparent. The TEPPC is responsible for making sure that WECC planning is inclusive.

Subject to appropriate confidentiality and security protections, the WECC's expansion planning database is available to transmission providers, transmission customers, and other WECC members participating in the planning process. All WECC system planning criteria, assumptions, and data are available to participating members. The TEPPC's responsibilities include assuring that the planning process continues to be transparent, impartial, and inclusive. The WECC has several initiatives underway to facilitate information exchange. Information and reports related to the Rating Process are also available to a broad range of stakeholders. In addition, the WECC Planning Committee is currently working to improve the quality and consistency of the system models used in the planning process.

**5. *How should the planning obligation be coordinated with state processes?***

Members of TEPPC include policy makers and governmental representatives. The WECC's expansion planning database provides consistent, system-wide information to enable transmission providers, and transmission customers, state and provincial regulators, and other stakeholders to effectively participate in regional and subregional planning processes. TEPPC data, analyses, and findings are provided to WECC members, subregional study groups and policy makers.

**6. *If an open season requirement is added for large new transmission projects, what conditions or limitations should be associated with it?***

The market-driven financing alternative relies on the financial interests of market participants (generators, load serving entities, large end-users or independent third parties acting as agents on behalf of the others) to get appropriate transmission built. Examples of such participants would include a load serving entity contracting for distant, lower cost

generation, a generator gaining access to higher value markets or a marketer seeking to gain competitive advantage in a trading position.

Typically, a project sponsor would subscribe a larger project with a number of participants, each of whom had concluded that they could gain economic benefits that exceeded their financial commitment and risks. Those who have subscribed (contracted for service) on an expansion project would be contractually committed to support the expansion through the payment of rates as negotiated with the project sponsor or as established through an open season process. Subscribers would typically bear the risk that the market conditions that currently support their benefits would endure or even improve over the duration of their commitment. Benefits (firm service rights or financial hedges) would be contractually defined and protected. The open season subscription process, successfully used in the gas pipeline industry, is frequently cited as a model for subscribing such market participant financing of transmission.

Philosophically, this model relies on the traditional regulatory precept that cost recovery should follow cost causation. That is, those who benefit from and cause the expenditure should pay for it. It presupposes that those benefits can be contractually specified and protected. From a regulatory perspective, the capacities created and the rates or other payments made by the customers would be held separate from the rest of the transmission system.<sup>i</sup>

***7. Can the proposed regional planning requirement achieve its goals if the participants in the regional planning process have not achieved agreement among themselves on appropriate cost-allocation issues? If not, what can be done to encourage the development of such cost allocation agreements among regional planning participants?***

TEPPC's Charter specifically defines its role in transmission expansion planning. Elements that TEPPC will *not* be involved are developing or advocating cost allocations, or developing or advocating cost allocation criteria.

**8. *What is the appropriate role for demand response in planning?***

WECC defines demand response as the reduction of electrical consumption at the end-use customer level in response to high wholesale electricity prices, system resources capacity needs, or system reliability events. This reduction can be achieved through curtailment (e.g., turning off lights, raising temperature set points) or self generation (e.g., turning on backup generators). End-users may receive payments for participating in demand response programs. Demand response can also include real-time pricing, advanced metering, payments for load reduction, energy efficiency and other elements in wholesale and retail markets. Demand Response programs address supply and demand issues and present a win/win/win opportunity for regulators, utilities, and end-users by increasing grid reliability while helping to keep energy prices low.

Demand response can play a key role in both wholesale and retail markets. In wholesale markets, it can introduce needed price responsiveness when wholesale prices spike, and can help reduce the ability to exercise market power. In retail markets, demand response can assist load serving entities hedge their positions and meet their load obligations at the least cost.

## COMMUNICATIONS

Communications concerning these comments should be addressed to

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<sup>i</sup> “**Financing Electricity Transmission Expansion in the West** *A Report to the Western Governors February 2002*”. [http://www.westgov.org/wga/initiatives/energy/final\\_rpt.pdf](http://www.westgov.org/wga/initiatives/energy/final_rpt.pdf)