

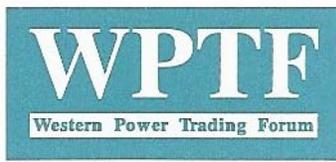
April 4, 2014

**COMMENTS OF THE WESTERN POWER TRADING FORUM ON THE  
PROPOSED USF DUES METHODOLOGY**

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The Western Power Trading Forum (WPTF) appreciates the opportunity to comment on the proposed methodology for assessing dues associated with the compensation of controllable devices under the Unscheduled Flow Mitigation Plan (UFMP). WPTF is not currently a WECC Member, but represents dozens of WECC Members and other registered entities that will be impacted by the proposed changes to the unscheduled flow (USF) dues methodology developed by the Unscheduled Flow Administrative Subcommittee (UFAS). WPTF's comments fall into the following areas:

- I. Review of the USF dues methodology is warranted, but the urgency to update the methodology may be overstated.
- II. UFAS should consider delaying the development of a new dues methodology until two ongoing activities – implementation of the Enhanced Curtailment Calculator (ECC) and FERC's resolution of revisions to the UFMP – are resolved.
- III. The process of updating the USF dues methodology should involve more stakeholder participation and should include a more thorough review of overall USF issues (including a full analysis of the UFMP).
- IV. If an interim approach is necessary, raising the current dues caps should be considered.



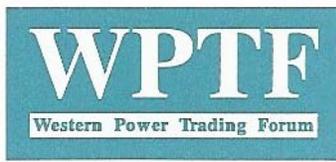
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- V. If, despite these recommendations, the current proposal moves forward, UFAS should:
- a) Evaluate years other than 2012
  - b) Reassess the base fee and clarify its application
  - c) Clarify the treatment of e-Tag data and provide justification for the current allocation method
  - d) Develop a mechanism to include untagged flows in the allocation of dues
  - e) Eliminate the issuance of credits for negative USF contribution
  - f) Address disproportionate impacts on curtailed schedules

**I. WPTF AGREES THAT THE USF DUES METHODOLOGY NEEDS TO BE UPDATED, BUT THE URGENCY MAY BE OVERSTATED**

WPTF agrees that the current annual membership dues under the UFMP need to be updated. The current methodology is overly complex, is based on data that is not reported in a consistent fashion, is only applicable to WECC Members, and is capped as a percentage of 1995 levels. Nearly 20 years later, it is appropriate to revisit this methodology and the caps that are in place. However, WPTF believes that the sense of urgency for immediate reform may be overstated.

Specifically, the sense of urgency seems to stem from the fact that, under the current dues methodology, WECC was only able to pay about 50% of the bills submitted by device owners in 2012. However, 2012 was an unusually high year for USF events and, thus, an unusually high year for device owner compensation. It is our understanding that 2013 required far fewer hours of coordinated operation. Therefore, even without modifying the current dues methodology, it may be possible to recover all of the costs of



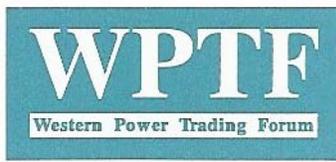
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the program in 2013. Consequently, it seems appropriate for UFAS to consider whether development of a new dues methodology can take a more deliberate and comprehensive approach. In the sections that follow, WPTF describes why it believes a more comprehensive approach is needed and suggests a more near-term revision, if UFAS determines one is required.

**II. TWO ONGOING ACTIVITIES SHOULD BE RESOLVED BEFORE A NEW DUES PROPOSAL IS CONSIDERED**

WPTF encourages UFAS to consider delaying a complete overhaul of the USF dues methodology until two ongoing activities have been resolved. These two activities are development of the ECC at Peak Reliability and FERC action on the current revisions to the UFMP.

First, UFAS should wait to implement a new dues methodology until the Peak Reliability ECC is available. Waiting for the ECC to be available would allow for a more accurate calculation of causation of USF because the ECC will be able to calculate USF from all flows, including the  $\approx 40\%$  of untagged flows in the interconnection. Moreover, the ECC will use real time system topology in calculating Transfer Distribution Factors (TDFs), which is much more accurate than the seasonal, zonal TDFs used today. Finally, depending on its specifications, the ECC may allow for a more accurate method of determining which parties on an e-Tag should be assessed charges. For instance, the ECC may make it more feasible to determine which transmission paths on the tags caused the flows to go off-path. For all of these reasons, UFAS should delay the development of a new dues methodology until Peak Reliability moves forward with ECC development. UFAS, and other stakeholders, may also be able to participate in ECC development to



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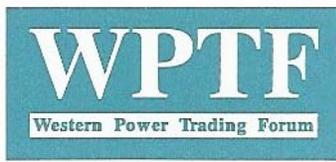
ensure the tool will provide the data necessary to allocate costs consistent with USF causation, if that methodology is deemed appropriate through a more thorough assessment of the UFMP.

Second, any proposed revision to the dues methodology should not move forward until FERC acts on the revisions to the UFMP which were filed in December 2013 by PacifiCorp (Docket ER14-1778). WPTF understands that FERC Staff has expressed a concern that the differentiation between “on-path” and “off-path” schedules may not be consistent with or superior to the *pro forma* OATT. If FERC rules that such a distinction is not consistent with or superior to the *pro forma* OATT, it seems highly unlikely that FERC would then approve a USF dues methodology based on precisely that differentiation. Therefore, it may be wise to consider waiting until the issuance of a FERC Order before substantial efforts are made to move forward with a dues methodology based on the differentiation between on and off-path schedules.

As the 1995 USF dues methodology demonstrates, once a practice is in place, it is very difficult to change. For that reason, and because near-term developments could facilitate a better approach to a new USF dues methodology, WPTF encourages UFAS to delay a complete revision of the dues methodology until the development of the ECC advances and until FERC issues an Order on the UFMP.

**III. THE PROCESS SHOULD INCLUDE A THOROUGH ANALYSIS OF THE UFMP AND SHOULD INVOLVE MORE STAKEHOLDER INPUT AND REVIEW**

While WPTF agrees with the concept of revising the dues methodology, we are concerned about process that has been used to date and believe more stakeholder involvement is necessary. In addition, since a major revision to the dues methodology is



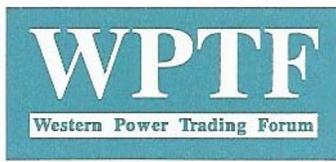
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being proposed, WPTF believes it is the appropriate time to conduct a full analysis of each portion of the UFMP and how USF is addressed in the Western Interconnection.

The current process to revise the USF dues methodology seems unnecessarily rushed and has not provided sufficient opportunity for stakeholder (including non-WECC Member) involvement. Despite the fact that the proposed dues methodology would impact more than WECC Members, WPTF does not believe that UFAS has solicited comments from non-WECC Members (such as those included in the NERC Compliance Registry) that would be impacted by this revised methodology. The audience for reviewing this, and any future USF dues proposal, should include all entities that could potentially be affected and those entities should be given an opportunity comment on the new methodology.

WPTF also encourages UFAS to solicit broader stakeholder participation in any further work on the proposed dues methodology. UFAS may want to consider creating a task force, made up of some UFAS members and other interested entities, to continue evaluating modifications to the USF dues methodology. Such a task force could provide a broader perspective on USF dues than those of UFAS members alone.

Finally, as a more a detailed review of the USF dues methodology moves forward, WPTF urges UFAS to also review the UFMP as a whole. During this process, UFAS should conduct a thorough assessment of the UFMP, including a cost benefit analysis of the coordinated operation of phase shifters that can demonstrate the value of the program to stakeholders. In addition, the effectiveness of the UFMP, as a whole, should be studied and other options for addressing USF in the Western Interconnection should be considered. A thorough review of the UFMP should also consider the ultimate



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beneficiaries of coordinated operation of phase shifters and whether costs should be borne by those that benefit from the program. UFAS should also consider market and reliability impacts that may occur a revised USF dues methodology and for any other revisions to the UFMP that may be deemed appropriate. Substantial revisions to the USF dues methodology provide a perfect opportunity to conduct this thorough analysis, which WPTF believes is necessary.

**IV. IF A NEAR TERM SOLUTION IS NECESSARY RAISING THE DUES CAPS SHOULD BE CONSIDERED**

Although, WPTF believes the urgency to revise the dues methodology may be overstated, we also recognize there may be a need to act in a timely manner to ensure that device owners are properly compensated for their participation. Otherwise, there is a risk that devices may be removed from this voluntary program, creating the potential for a significant increase in curtailments in the interconnection. Therefore, as an interim measure, while UFAS conducts a more thorough evaluation of the UFMP and Peak Reliability completes development of the ECC, we encourage UFAS to consider an increase in the existing dues caps, such that device owners could be fully compensated. If this option is deemed viable by WECC Members, it would allow sufficient time to conduct a more thorough review of USF dues and the UFMP.

**V. IF THE CURRENT PROCESS MOVES FORWARD UFAS SHOULD MAKE CLARIFICATIONS AND REVISIONS**

For all the reasons outlined above, WPTF urges UFAS to set aside its current proposal and take a more measured approach. If UFAS nevertheless determines that



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development of a new dues methodology cannot be postponed, it should explain why and address the issues discussed below.

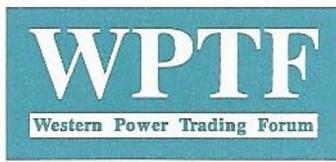
**a. YEARS OTHER THAN 2012 SHOULD BE EVALUATED**

In general, WPTF is concerned about the use of 2012 (and only 2012) as a basis for assessing a new dues methodology. 2012 may have been an anomaly due to the high levels of USF that were experienced. Therefore, while 2012 data may be useful as one point of comparison, it should not be the sole year used to evaluate a new dues methodology and its impact on affected entities.

**b. UFAS SHOULD MODIFY THE BASE FEE AND CLARIFY ITS APPLICATION**

WPTF is not necessarily opposed to a base fee but recommends that UFAS reassess the level of the fee and provide reasoning for assessing a base fee. While a \$5,000 base fee is very small for an entity with a large presence in the Western Interconnection, it is actually a fairly large fee for an entity with a very minor presence in the West and warrants closer examination. Furthermore, the application of a base fee to affiliate companies needs to be clarified and clearly communicated to stakeholders.

It is WPTF's understanding that UFAS intends for the base fee to be charged to one company and not to affiliates that may be individually registered in the NERC Compliance Registry. UFAS should make its intent clear in the proposed methodology and should communicate how such an affiliate relationship will be determined. WPTF is concerned that a base fee which applies to individual operating companies would exacerbate the disproportionate impacts on small members, including those entities that create individual operating companies for each generating plant. Therefore, UFAS should



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clarify that any base fee that may be developed would only apply to one affiliate (or would be split between affiliates) registered in the NERC Compliance Registry.

In addition, UFAS should reconsider the level of the base fee. For budgeting purposes a base fee set at a fixed amount may be a preferable approach, but data from 2012 alone should not be used to develop the level of a fixed base fee. In 2012, a \$5,000 base fee would cover about one third of the program's costs. However, 2012 was a year in which there were an unprecedented number of USF events and an unprecedented number of hours of device operation, thus the program costs were substantially higher than they had been in prior years. Based on UFMP costs in 2009-2011, a \$5,000 base fee would cover between 144-220% of the total UFMP program costs. WPTF is concerned that a \$5,000 base fee is inappropriate because it will actually cover more than the programs costs, and even in years of high USF, could pay for more than half of the program's costs.

If WECC Members prefer to move forward with a "causation" based approach then, it stands to reason, *no more than* 50% of the program costs should be collected from base fees. Therefore, based on an analysis of historical program cost data, UFAS should consider a base fee closer to the \$1,500-2,000 range. This would cover between 43-88% of UFMP costs in 2009-2011. Simply put, 2012, a year with unprecedented levels of USF and the highest program costs in the plan's history, is not the appropriate year to use to develop the amount of base fee that would be collected.

**c. TREATMENT OF E-TAG DATA SHOULD BE CLARIFIED**

Many stakeholders are currently unclear on exactly how e-Tag data is treated in the proposed methodology. UFAS should provide additional details on the methods that

are being proposed to assess “causation” based fees for USF dues. For instance, it is currently unclear how e-Tags for dynamic transfers are treated under the proposed methodology. It is also unclear whether the PSE creating the e-Tag is assessed charges for off-path flows or if another PSE is charged. It would be beneficial for UFAS to provide several illustrative examples of e-Tags that would be assessed charges and how those charges are allocated, so that stakeholders better understand the exact methods that are being proposed.

In addition, UFAS should provide reasoning for splitting the “causation” portion of USF dues 50/50 between the first and last party on the e-Tag. WPTF understands this decision was made after a poll at an OC webinar, but, nevertheless, some logic for why this is a reasonable approach needs to be provided. In addition, UFAS should consider the impacts of an after-the-fact assessment of charges on commercial transactions, which are especially difficult for PSEs to account for and recover.

**d. UNTAGGED FLOWS SHOULD BE ADDRESSED**

Transitioning to a “causation based” approach for recovering USF dues should not completely exclude untagged flows. According to prior UFS presentations and discussions, untagged flows account for about 40% of flows in the Western Interconnection. This 40% cannot simply be ignored when determining USF causation. The ECC would provide data to determine USF from all sources, including untagged flow, which is one reason WPTF has recommended that UFAS consider delaying implementation of a new methodology until the ECC has been developed.

However, if a new dues methodology moves forward before the ECC is available, UFAS should consider allocating a portion of the program costs to untagged flow in a

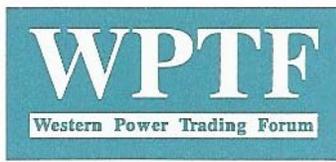
simple, straightforward manner. For instance, in the absence of the ECC, it may be reasonable to assume that 40% of USF is “caused” by untagged flows. The costs of that portion of USF could be allocated to LSEs based on the entity’s net energy for load which is not already accounted for in e-Tags.

**e. CREDITS FOR NEGATIVE USF SHOULD NOT BE ISSUED**

The dues methodology should not provide credits to schedules that relieve USF because that practice fundamentally alters the UFMP. The dues collected under the UFMP are meant to reimburse the owners of controllable devices for participating in the program, not to incentivize schedules that reduce USF. Issuing these credits adds more than \$550,000 to the 2012 bill. These credits are outside the scope of the UFMP and serve to provide new incentives for scheduling practices, the impacts of which have not been fully considered and are not discussed in the UFMP. UFAS should not propose issuing such credits without a more comprehensive revision to the UFMP and an assessment of how such credits might impact scheduling practices in the Western Interconnection.

**f. CURTAILED SCHEDULES ARE DISPROPORTIONATELY IMPACTED**

WPTF understands that the methodology proposed by UFAS would assess USF costs based on e-Tag values for the upcoming hour. Therefore, even if the schedule is curtailed under the UFMP, dues are still allocated to that schedule. This may create a disproportionate impact on schedules which are curtailed, in that they are both curtailed and would be required to pay for the costs of operating controllable devices to manage USF. These disproportionate impacts may provide another reason to wait to revise the dues methodology until development of the ECC, which should allow visibility into



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whether output was reduced and thus, USF contributions were also reduced. In the absence of the ECC, UFAS should consider these disproportionate impacts and possible methods for mitigating them.

## **VI. CONCLUSION**

WPTF is supportive of revising the outdated USF dues methodology. However, WPTF encourages UFAS to thoroughly assess whether such a revision can be delayed until development of the ECC and until FERC issues an Order on the current revisions to the UFMP. Such a delay will allow for the development of an improved dues methodology, a full review of the UFMP and broader stakeholder involvement. In the interim, UFAS could also consider proposing an increase to the existing dues caps, which would allow device owners to be fully compensated while providing time to develop a well-reasoned and thoroughly researched modification to the dues methodology. If UFAS determines that a complete reevaluation of the dues methodology cannot be postponed, UFAS should revise the methodology as described in these comments.

Respectfully submitted,

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