

WestConnect Pricing Experiment

**Doug Reese Chair
November 17, 2011**



The Experiment

- Originally a 2-Year Pilot
- Eliminates transmission rate pancaking for limited transactions. The Regional Rate will be the highest posted OATT rate in the path.
- Continues to pancake ancillary services and losses.
- Retains participants' posted OATT rates.
- Start-up/implementation costs borne by Transmission Customers (thru OATI).
- Can be implemented through wesTTrans platform.
- Did not require FERC filing for NJs.
- No State approval required.
- Fail-safe clause for NJs.
- Revenue distributed pro rata based on posted rates

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Regional Transmission Pricing

- **Status:**
 - Began two-year Pricing Experiment on July 1, 2009
 - Participants obtained FERC approval for a second two-year experiment beginning July 1, 2011 through June 30, 2013
 - Extended experiment two years because of unanswered questions due to poor market conditions.
 - Modest usage of the service
 - Majority of transactions from PV to CAISO
 - Administrative Fee increased to \$ 0.95 / MWh (from current fee of \$ 0.08) in the first year of extension, and may increase to \$ 1.20 / MWh if volumes do not increase
 - Transmission Customers pay Administrative Fee



WestConnect Pricing Experiment Participants

Arizona Public Service

Black Hills Power Company

El Paso Electric

Public Service Colorado

Public Service New Mexico

Southwest Transmission Cooperative

Tri-State G & T Association

Tucson Electric Power

Western Area Power Administration

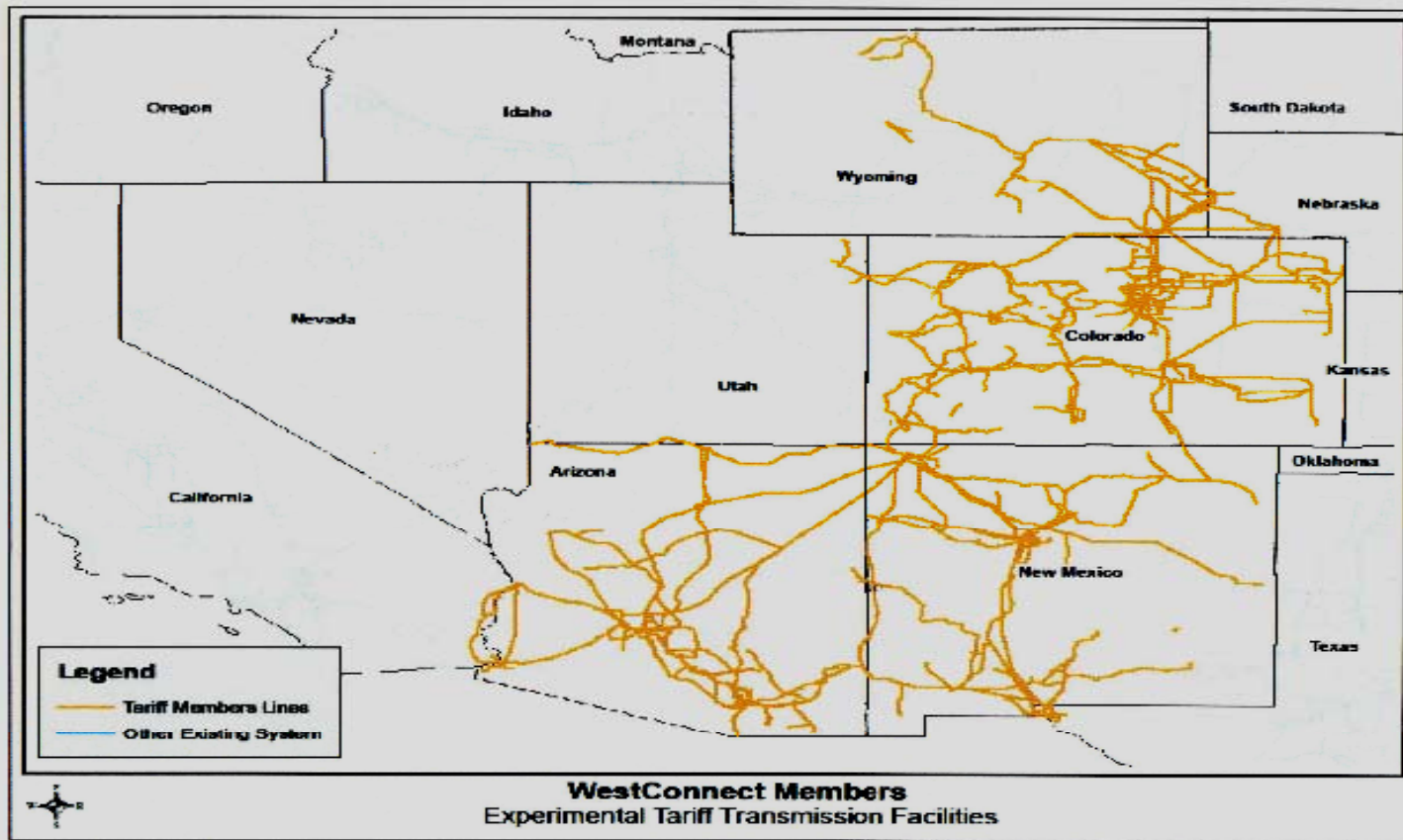
-Rocky Mountain Region

-Desert Southwest Region

-CRSP Management Office

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Price Components

- The Regional Rate will be the highest posted OATT rate in the path.
- Ancillary Service 1 remains pancaked
- Ancillary Service 2 assessed only at sink
- Losses remain pancaked: Monetized at Palo Verde Index price for date of transaction
- Administrative adder of \$ 0.95/MWh (potentially increasing to \$ 1.20/MWh) July 1, 2012 based on usage

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Questions?

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WestConnect Contacts and Information

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