THE FRIDAY BURRITO Vol. XXVI #25 September 8, 2023

Progress by One Mistake at a Time

"There is something good in all seeming failures. You are not to see that now. Time will reveal it. Be patient."

Swami Sivananda

"But because we live in an age of science, we have a preoccupation with corroborating our myths."
Michael Shermer

[1] **IMPORTANT NOTICE TO WPTF MEMBERS. ACTION REQUIRED: Beginning this October**, the Friday Burrito will be accessible to WPTF members by **subscription only**. The monthly fee will depend on the number of readers and email addresses listed for each respective WPTF member. For information about the monthly fee, please contact me via email. In many cases WPTF members may have a more cost-effective option subscribing to the Friday Burrito through Energy GPS. Click here to request a quote or more information

Two weeks absent from Burrito writing and I must remind myself how to start. I could talk about what I did over the last fortnight such as attend the WPTF General Meeting in Coeur d'Alene, or finally attain my bucket-list goal of breaking a score of 90 for 18 holes of golf (yes, the golf Gods smiled upon me). Or we could discuss the weather such as tropical storm Hilary that was a big nothing for Southern California … a gentle rain fell for a whole day and our front lawn looks great ever since. Indeed, pun intended, there has been a lot of water under the bridge.

Turn on the Gas Naturally

Things have been moving along nicely in terms of natural gas generation in the CAISO. This is despite the climate crazies telling us that thermal power plants must be shut down in the name of saving the planet. If that were to happen, then we'd be saving the planet in the dark.

I have been tracking the monthly CAISO gas generation and net imports since last December and comparing both to the year prior. A few surprises have popped up. For example, last January when natural gas prices flew into the stratosphere, the CAISO gas generation also increased by 37%! This despite the fact that the year prior California was in its fourth consecutive drought year. A more recent surprise was this summer … during the solar heavy months of July and August. Surely, one would expect that the long daylight hours plus the heat and the swell in utility-scale solar production (plus the decline in domestic demand due to the growth of rooftop solar installations) would yield lower natural gas generation. Add in last year's drought when natural gas was sorely needed and all things point to a 2023 reduction in gas usage for power relative to 2022.

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However, the figure on the next page shows the opposite. Natural gas generation year-over-year for July and August are up 19% and 8%, respectively, while net imports declined both months. The next question is a tricky one … Why? We

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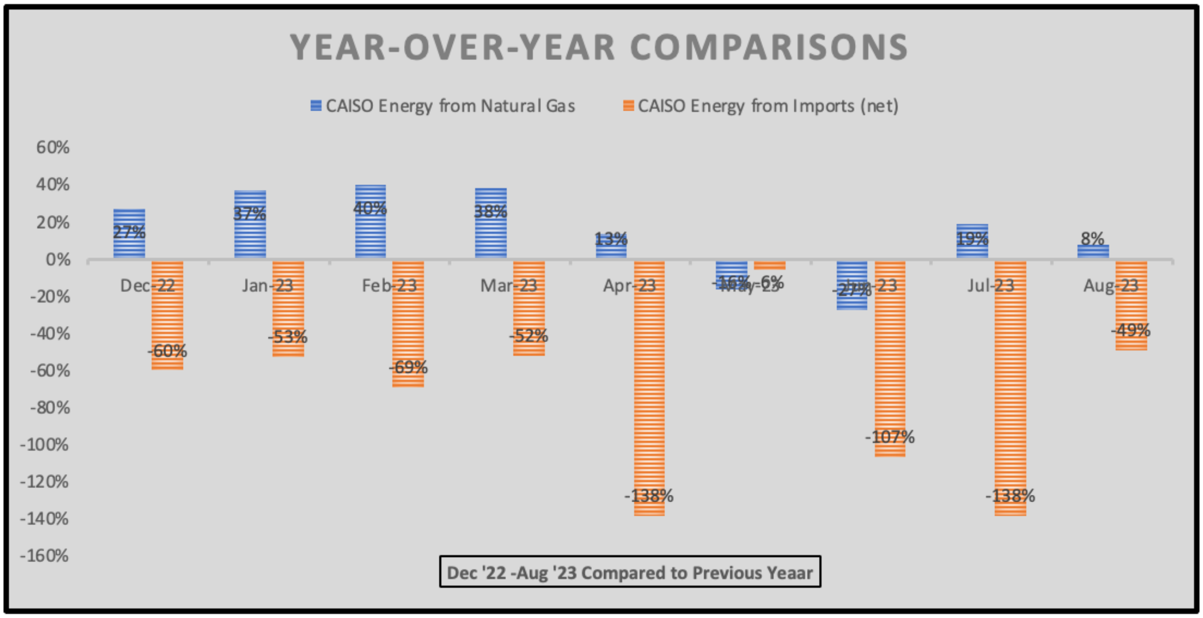
can only speculate lacking firm evidence that the relative price spreads between the CAISO and its neighboring balancing authorities in the Pacific Northwest and Desert Southwest unleashed CAISO power exports thereby decreasing net imports.

Precisely what fueled those exports one cannot say. Possibly excess solar production. However, if it was simply solar excess, then why did gas burn also increase? Well, it could be that gas provided the reliability support the grid needed even as solar power was being shipped out of California. These are steep What Ifs.

Last week, the California Senate Energy, Utilities and Communications Committee conducted an oversight hearing



focusing on energy reliability. The usual suspects were present for public scrutiny about the mysteries behind California's spotted record on energy policy. Senator Steven Bradford, who includes in his resume a position with SCE, chided his Committee members for addressing the wrong questions … indeed, dancing around the elephant in the room. He said, "*We have folks saying shut them down* (existing gas generation plants) *and you* (directed at CAISO CEO Mainzer) *are talking about reliability. We need to talk about what's needed to provide that reliability and we are not having that discussion because those plants* (existing generation plants) *are still needed to keep the lights on. No ifs, ands or buts about it… We are not having honest conversations when we talk about reliability* (and renewables)." Bless Senator Bradford's heart. He's in the right ballpark with little hope of convincing his colleagues until it will be too late to do much about it. Next week, I'll report in more detail about that Committee's hearing and the big plan proposed by Governor Newsroom and his legislative accomplices. This year's California Legislative session ends at midnight on September 14.

Western States Playbook

CAISO YTD Renewables Curtailment:

As of 8/31/23:	2,267,205 MWh
As of 8/31/22	2,195,647 MWh

% of solar and wind output curtailed relative potential renewables production:

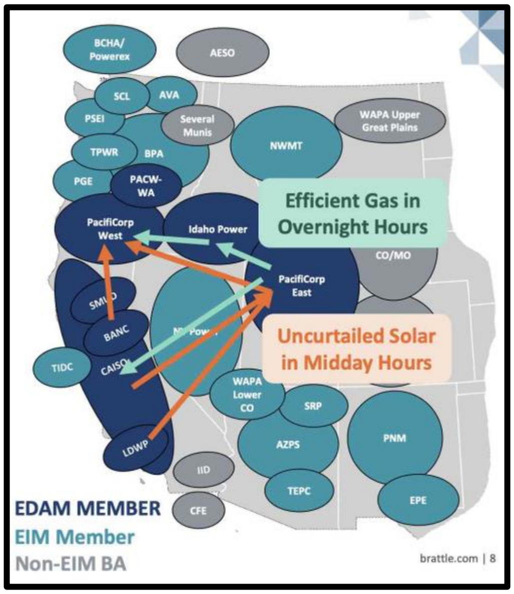
YTD as of Aug 2023	4.92%
YTD as of Aug 2022	4.84%

CAISO's Extended Day Ahead Market (EDAM) Forges Ahead

The faithful assembled in the Holy City of Las Vegas to hear the latest about the CAISO's project that is about to launch. That is, the Extended Day Ahead Market (EDAM). Panelists and guest speakers filled the crowded room with elements of the hoped for development that no doubt will come about but in what form and who will adopt it is too early to say.

Whereas I didn't attend or watch the Forum, one of the [key presentations was made by the Brattle Group](). They undertook a simulation of the proposed platform's impacts for a snapshot year of 2032. All the modeling assumptions were properly detailed and defined. The model produced results for the CAISO, PacifiCorp (broken into PAC-East (PACE), PAC-West (PACW), and PAC-West in Washington (PAWA), Idaho Power, BANC (Broken into SMUD and "Rest of BANC"), and LADWP. Naturally, that is a mere skeleton of the likely participants in EDAM, but it makes for a good start in terms of estimating benefits.

Among the charts and figures in the Brattle presentation, I like the one on the left. It gives a sense of the transactional flows from EDAM and exemplifies the nighttime natural gas fueled power imports from Pac East to California, and midday solar exports from the CAISO/LADWP/BANC to Pac West and Pac East. Makes sense. The estimate of net benefits to the hypothesized participants is $432 million. All participants get some net benefit which means it is a win-win platform.



I was curious if the exercise contemplated shrinking volumes for the CAISO's Imbalance Energy Market (EIM) given the swell envisioned for EDAM. The study reported, "*Results are incremental to benefits from EIM membership (i.e., based on difference of 'EDAM+EIM' benefits and 'EIM' base-case benefits). The study finds that EIM trading declines slightly, reflecting that day-ahead optimization under EDAM more efficiently takes on a portion of the role played by EIM today.*" Could be. I would expect that EIM would play a marginal role if EDAM were operational.

WPTF Executive Director, Scott Miller, attended the event, and made some interesting observations: "*It was hard to gauge exactly who was frank about EDAM/CAISO in this meeting, but I was struck by the strength of positivity from the different CEOs. You expect it from PacifiCorp since they have committed to EDAM, but it seemed that NV, SRP and even APS were more positive than I expected. As one colleague who has worked in the Markets+ sphere said to me, 'It made me question my assessments of a few days ago about who wanted to go where'*

"While CAISO made a big deal out of BANC (including SMUD) committing to EDAM, the speculation at the meeting was more about 'the next shoe to drop'. Some believed that LADWP would be (within the next month) since their Board has been briefed and it does not appear the LA City Council has to approve it. Portland General needs to do some due diligence on environmental issues. Once those two entities commit there is a belief that Idaho might have enough to commit but these are speculations.

"The state regulators all made positive noises especially those from Desert Southwest jurisdictions.

"Bottom line, the CAISO staff exuded a vibe of quiet confidence which, when mixed with the words heard from the CEOs and regulators (as well as the Brattle study) made me re-evaluate how the platform may succeed. Of course, it depends on how the EDAM filing goes at FERC and how the discussion on governance evolves over the next few months."

Climate Beckons Faith

Earlier this year, two cyclones hit the island country of Vanuatu within days. The event has been upheld as proof that GHG emissions are altering the climate in disastrous ways. Why? Because, for example, Vanuatu has never before experienced back to back cyclones. QED!

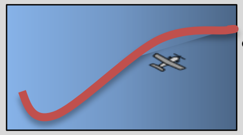
I am amazed at the apparent religious belief that links media-worthy natural disasters to human influences … with the blessings of scientists who opine on such. The [WSJ detailed a United Nations reserve]() that smaller countries have advocated to provide a loss-and-damage fund to be financed by larger industrial countries that emit climate-changing gases. That's right … a pool of money provided by the so-called polluters to relieve the specific damages attributed to climate. You don't need a high priest to put this shakedown into perspective. Per the article, "*A committee working out how the fund will operate is expected to present recommendations later this year. As the talks progress, scientific uncertainty about links between specific weather events and climate change could reduce public willingness in developed countries to pay for loss and damage in poorer nations.*" You think?

But wait, there's more. From the sublime to the ridiculous: "*in March, … the U.N. General Assembly agreed to seek an advisory opinion from the International Court of Justice, the U.N.'s highest court, on countries' obligations under international law to protect the climate from greenhouse-gas emissions for future generations.*

"Vanuatu campaigned for the U.N. court to take up the case. While the science underpinning climate change isn't expected to be a point of contention, Vanuatu officials said they would try to show that recent disasters can be tied to global warming." Reading the article brought to mind the quote by Scientology founder, L. Ron Hubbard who said, "*You don't get rich writing science fiction. If you want to get rich, you start a religion.*" We got it.

This religion will grow in numbers because it appeals to a younger generation. It doesn't take much to be a member. You don't have to attend church, mosque, or synagogue. You don't have to change anything about your lifestyle. Everything will be taken care of through government intervention, tax incentives, and subsidies.

The deacons of Climatology often are journalists covering the environment that report on disasters because that scares people and gets them to read their copy. I read an article last week in Politico entitled, "The Summer from Hell." It said, "*To the scientists studying the planet's warming, this season of heat deaths, burn-inducing sidewalks and coast-to-coast tropical cyclones is just a sign of the havoc to come as humans keep pumping greenhouse gases into the atmosphere.*" Heed the message or otherwise be cast into the depths of hell as a heretic. CalMatters ran a piece this week about wildfires and climate. Here was the intro: "*Wildfires and climate change are locked in a vicious circle: Fires worsen climate change, and climate change worsens fires.*



Ramping Up the Power Curve

Click here to email Dan Richard

Following the energy shocks of 1970s, California led the nation in eliminating oil as a generating fuel and developing cogeneration and renewable energy. "Leading" had its challenges, however, as energy policy in the 1980s entered a boom and bust cycle that the State has never really conquered. In the summer of 1983, responding to the slow development of renewables due to lack of financing for projects without a fixed revenue stream, the CPUC sponsored a "settlement conference" to develop interim "long run" avoided cost-based "standard offer" contracts. They were predicated on estimates of future world energy prices that turned out to be highly optimistic.

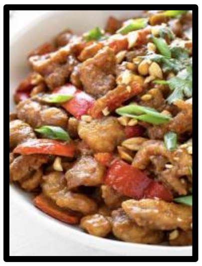
Within two years, the CPUC faced an avalanche of projects that had signed interim Standard Offer #4 (ISO 4) contracts, containing levelized capacity payments and a schedule of escalating energy payments (or fixed heat rate payments for cogenerators). Global oil prices did not, however, rise towards $100/bbl. (the presumed "midpoint" pricing estimate) and natural gas prices did not "fly up" as estimated after the Natural Gas Policy Act of 1978 removed the federal cap on wellhead prices. Instead, the NGPA unleashed a massive exploration boom that was bringing the price of gas down.

By 1985, the CPUC was confronting a growing body of independent power contracts with price structures that by then appeared too generous. Many projects with signed contracts had little else to show for their prospects; some lacked even site control. First, the CPUC imposed some progress standards to winnow the list, but in April 1985 they suspended the ISO 4 contracts altogether. Unfortunately, they telegraphed their concerns for months, resulting in "gold rush" prior to suspension. A year later, the CPUC similarly froze the earlier Standard Offer #2 contracts (fixed capacity, floating energy payments). Utilities wailed that they would be paying hundreds of millions of dollars over true market prices, tethered to the ten-year fixed terms of the ISO 4s. It would take years to figure out which projects would indeed come online and whether the costs would be justified. Other states, seeing the chaos, slowly backed away from aggressive development of independent power for the rest of that decade.

"Scientists, including those at the World Resources Institute, have been increasingly sounding the alarm about this feedback loop, warning that fires don't burn in isolation — they produce greenhouse gases that, in turn, create warmer and drier conditions that ignite more frequent and intense fires."

Ok. I give up. People will believe what they want to believe. But this kind of conviction smacks of tribalism and ancient superstitions. We haven't moved the ball forward all that much, have we?

Chicken in Peanut Sauce with Chef Laura Manz



" When my friends suggested getting together at a conveniently located BJ's, I wasn't sure what food adventure awaited. I was pleasantly surprised with soba buckwheat noodles served with a satay-style peanut sauce. There's a lot of versatility in the choices of vegetables and proteins that can be included and it serves just as well warm or chilled. Thoughtful choices can make this gluten free by using 100% buckwheat noodles and gluten-free soy sauce."

Cube 1 pound skinless, boneless chicken breast into 2" pieces. Sauté pieces in 2 Tbsp. of sesame oil over medium heat until cooked through. In a small bowl, whisk together 1/3 cup peanut butter, 1/3 cup chicken broth, 1 Tbsp. of grated ginger, 1 Tbsp. of soy sauce (low sodium preferred), 1 Tbsp. of honey, 1 tsp. of chili flakes, and one grated garlic clove until smooth. Julienne one carrot into thin strips. Chop 1 cup broccoli florets into very small pieces. Combine all ingredients in a large bowl and toss with a prepared 10-oz. package of soba (buckwheat) noodles until well coated. Top with 1/3 cup scallion rings, ½ cup chopped roasted peanuts, 2 Tbsp. of toasted sesame seeds, ¼ cup lime juice and ¼ cup minced cilantro.

Thanks Laura. I assume that this dish can be made into a vegetarian or vegan recipe by replacing the real chicken with faux soy-based chicken. We occasionally order from a vegan restaurant a grilled chicken salad that tastes every bit as good as the animal meat. And healthier.

Things in the Regulatory World

Former FERC Chair Shares His Wisdom

The WPTF General Meeting in Coeur d'Alene hit all the right notes for a successful conference. It was well attended, held at a classy resort, had terrific conference facilities, and excellent food. Congrats to the WPTF staff that made it happen.

The speakers were excellent, and I reveled in the words of former FERC Chair Pat Wood. Of course, I and others have the utmost respect for him as exemplified by the heartfelt testimonies made by former FERCers Arnie Quinn and Scott Miller, respectively, who served under Pat's tenure during the time of Camelot. More than that, however, was Pat's review of his experiences as both a state public utility and federal energy regulator. He had an eight-point lessons-learned presentation that really hit home. It was a delight to be in the audience to hear his thoughts and below, with Pat's permission, I have borrowed excerpts from his written text to share with y'all.

The title of his talk was, "What I Have Learned At The Front Line (so far)," and with Burrito style panache he added a quotation by George Santayana: "*Those who cannot remember the past are condemned to repeat it.*"

In brief (and I will add my commentary below) here are the eight branches of Pat's Menorah (I know that's not in Pat's normal lexicon, but I love the metaphor):

1. *In a federal system, jurisdiction is messy. States sometimes have non-economic goals that conflict with those of the federal government. And, when clarity from Congress or the courts finally arrives, it can get quickly overridden by technology advances, as we have seen in telecommunications policy and, more recently, with distributed energy resources.*
2. *Technology is relentless. It doesn't respect ratemaking principles, or stranded investment, or customer equity.*

3. *Economics carries the day. Subsidies are ephemeral. They have been effective at jumpstarting desired results like rural service, shale/tight sands gas production, renewable energy, and affordable residential service, but once they begin to markedly distort the overall markets, erosion by arbitrage is inevitable. Explicit payments to support public policies are preferable to hidden, embedded subsidies.*
4. *Sufficient infrastructure comes first, then competition, then deregulation—in that order.*
5. *Markets require balanced and vigilant oversight. The threat of burning in hell isn't enough to throttle back bad behavior.*
6. *Networks enable new networks, and those new networks can look very different (e.g., telecommunications/Internet, railways, pipelines, power grids). To the extent they are regulated, their services should be unbundled as much as can reasonably be done, and a collaborative process should be used to design standards for interconnection, interoperability, and reliability.*
7. *Monopoly regulation starts out as a form of customer protection, but often turns into monopoly protection. Regulatory capture is real.*
8. *Finally, each of these industries is deeply affected by the public interest, so the government will always be involved. Customers are the bosses, and when they are forgotten, they know how to get their elected officials' attention.*

<u>What we believe…</u>

1. Competition yields lower electricity rates.
2. Stable and transparent rules and regulations promote private investment.
3. Private investors, rather than utilities, will spend money on new power plants and transmission facilities if they can earn a return that is balanced with the risks.
4. Private sector investment results in lower average prices without risking consumers' money.
5. However, when IOUs do the investing, the risks to them are minimal or non-existent because ratepayers cover all the costs.

6) Overcapacity lowers electricity spot market prices; yet retail rates can increase in this case due to full cost-of-service regulation.
7) Markets work best when there are many buyers and sellers.
8) At-risk money will be put to investment where markets exist that are well regulated and yield credible prices.

He did not recite the list in the order above, but rather blended them to his liking to make a better connection. I will resort to the list order because I can't recall his ordinal assignments.

I found each of the above eight to be very relevant and on point. In my decades of experience planning these types of events it's rare for a keynote speaker to take a fuzzy topic and make it concrete. Pat put a lot of effort into polishing his ideas and clarifying the principles.

Let's take his first item. Would anyone argue that jurisdictional boundaries are sloppy? If it weren't, then many regulatory attorneys would be unemployed. Think of how relevant this is with respect to interstate high-voltage transmission development. It will remain a struggle as it has been for the last sixty years. Pat added the stinger about the slow pace of congressional mandates, agency fulfillment of the law(s), court challenges that ensue, and then by the time that gets cleared up new technologies enter into the debate and often moot the original dispute or make everything more complicated than before. His two points combined into one observation deserve consideration, and Pat is the most informed individual to suggest the juxtaposition.

Second item, technology advancements do not stop or even slow down for industries and their regulators to catch up. Again, this is a bingo because regulators, especially in California, believe they know the future and can regulate towards it. The evident truth is that state regulators plan using a coloring book because of the uncertain timing and adoption of new energy technologies. Dan Richard in his Burrito column above gives that notion full attention.

Pat's third item is about the painful discipline imparted by business bottom lines. No profit means no go and government subsidies are temporary aids. We see this in spades regarding renewable energy technologies in the age of IRA.

Number four is the necessary order of development to have competitive wholesale power markets: sufficient infrastructure, then competition, followed by deregulation. That's a massive commitment. Difficult to enact but his logic stands.

Rounding the bend with Pat's fifth item, vigilant oversight is a must whereas penalties and punishment don't encourage good behavior. In my mind, the latter discourages any behavior as market participants subject to these risks simply close shop. Pat's words brought to mind the wisdom of Vito Stagliano who wrote to me many times before his untimely death in 2008 that competition to be successful needs well-regulated markets rather than no regulation. In the January 2008 edition that I dedicated in Vito's memory, I included eight pages of Vito's Burrito entries over the previous years. The following remains the lasting quote of our colleague relevant to Pat Wood's remark: "*Paradoxical as it may seem, there are actually no deregulated markets, there are only well regulated ones or badly regulated ones. Well-regulated markets are those that inspire confidence that the rules are obeyed most of the time, and when not, the culprits are quickly identified and disciplined. The troubles we have experienced in our industry in the last three years are, in my view, attributable to regulatory over reliance on markets based on bad rules that were furthermore left without even a modicum of oversight.*"

`… and, what we should do:

1. Believe in ourselves.
2. Encourage creation of independent, multi-state regional transmission organizations that coordinate policies with respective state utility commissions.
3. Support rules for resource adequacy that applies uniformly among all load-serving entities.
4. Enforce competitive solicitations by utilities for purchasing either thermal or renewable power.
5. Support choice among retail electricity customers.
6. Lobby for core/non-core split of retail customers.
7. Advocate against policies that limit, through bid mitigation, merchant returns on investment that are utility-like returns.

Lesson number six describes the pathway of networks for different commodities including energy and telecommunications. The goal should be unbundling the supply chain as much as possible using collaboration and skill.

Seventh on the list was monopoly protection, and in the way Pat discussed it, I thought it was the most important element. Regulators tend to protect the regulated. It's a symbiotic relationship. He recalled his first interview with then Texas Governor George W. Bush to head the Texas PUC. He retold what the future president said to him, "*'Pat, the utilities care more about what we [pointing to himself and the Texas Senate and House] think than what their customers think. That's wrong and we're going to change it. Get us to a market.' Needless to say, I took the job because his customer-focused rationale resonated strongly with me. Plus, having served as a Commissioner's counsel at FERC during the development of the last of the major natural gas restructuring rules, Order No. 636, I had a good template for how restructuring a network industry could be successful for customers."*

His final point is that politicians may control the short-term policy horizon but if faulty decisions fall upon customers, then the ballot box can and will prevail. I'm desperately waiting for that to happen in California.

Grand Phunk Salsa a la Energy GPS

The Perplexing Case of WA GHG Auctions

The State of Washington's carbon policies continue to evolve and perplex. This week the Department of Ecology released the results of their most recent auction. The auction price cleared $63.03 which was in-line with expectations. The headline number was unremarkable. As part of the Department of Ecology ("Ecology") press release, they also announced a change to how they would release and price allowances that are part of the Allowance Price Containment Reserve ("APCR"). The Washington legislation calls for a fixed percentage of the allowances to be placed into an APCR, and those allowances *could be released for purchase when auction prices breached a certain level. How, when, and at what price to release the APCR allowances was left to the discretion of Ecology.*

In June, Ecology published a document which divided the APCR allowances into Tier 1 (priced at $51.90) and Tier 2 (priced at $66.68) and provided a schedule for when those allowances would be released. Ecology's approach defied logic and traditional wisdom in carbon markets. Normally, a regulator would sell the cheapest allowances first (to provide price containment) and only after the cheapest allowances were sold out, then they would sell the more expensive allowances. Ecology decided to sell half of the allowances released at the Tier 1 price and the other half at the Tier 2 price. Due to the perceived (and what we think is real) shortage of 2023 allowances, the first APCR auction resulted in the sale of all Tier 1 and Tier 2 allowances. And that's why the bilateral market and the most recent auction results have cleared right around the Tier 2 allowance price.

On Wednesday, Ecology pivoted. They changed both the release schedule – they are releasing more allowances sooner rather than later – and the breakdown between Tier 1 and Tier 2 – with 100% of the next APCR auction being priced at Tier 1. Specifically, the next APCR auction will include 8 million Tier 1 allowances and no Tier 2 allowances. This shift is more in line with what the electricity industry has advocated, but it is also somewhat maddening as the market shortage was foreseeable (Ecology hired a consultant before program launch to evaluate the program and the consultant predicted this outcome) and Ecology could have implemented more thoughtful policies from the beginning.

The market response to this change has been swift. Bilateral prices immediately fell from $66 per ton down to $55. On Thursday, prices moved back up to the $58 to $60 range. In some ways, the changes to the APCR allowance release are akin to moving the deck chairs around on the Titanic. By our math, Washington emissions through 2026 will blow threw the supply of allowances, available offsets, and the APCR allowances. Gasoline and natural gas demand is hard to change in a short period of time, the vehicle fleet and heating infrastructure doesn't change out on a dime.

"The bottom line is it's going overwhelmingly very, very well" said Reuven Carlyle, a Democrat who sponsored a portion of the cap-and-invests legislation back in June. Ecology and others on the left have also heaped praise on the program. Despite many self-congratulatory statements, the policy winds may be shifting. The Seattle Times reports that Ecology is moving rapidly to pursue linkage with California and Quebec's existing carbon market as those prices are closer to $30 per ton. Democratic State Senator Mark Mullet, who may be running for Governor, released a legislative proposal which includes (a) modifying the schedule of emission reduction goals between now and 2050 (raising the cap, presumably), (b) expanding the use of the APCR allowances to increase current supply. His stated goal is to reduce allowance prices so they are more in line with California carbon prices.

The changes being floated now likely make sense. What's unfortunate is it didn't have to be this way. The State of Washington chose to ignore best practices from other markets. They did not incorporate a structured plan to link with California from the outset. As we've discussed before, the emissions data is muddy and the complexity in the power sector is huge. Those trying to navigate this market face big challenges. Although the first compliance period covers 2023 through 2026, the most logical thing for an entity with a compliance obligation to do is get through 2023 and worry about 2024 and beyond later. Lowering the cap, increasing the supply of APCR allowances, or linking with California would all put downward pressure on prices.

The above Op Ed is from the team at Energy GPS with Tim Belden as the lead writer.

Shout Outs and Murmurs (👀 & 👂)

The Public Generating Pool (PGP) is seeking an Energy Policy Analyst to help track market policy developments and develop PGP strategies and perspectives. They will consider new entrants or semi-retired individuals with commensurate experience. Hours and work conditions are very flexible. Happy to chat with anyone who might be interested in advance of applying. Interested candidates may contact Mary Wiencke, Executive Director, at (971) 288-9999, or check their website.

Dan Walter penned a reply to Randy Hardy's column in the August 18 Friday Burrito: "*Needed to respond to Randy Hardy's 'When Two is Less than One'. I couldn't disagree more regarding his opinion. It also appears to be at odds with the Burrito tenet 'Competition yields lower electricity rates'. Pre-ordaining who the winner will be for all utilities can only lead to higher costs and a lack of future innovation. Why not propose a single power provider, a single grocery store chain, a single car manufacturer – wouldn't these also lead to, by this theory, higher efficiencies?*

"We tried something similar to this in our own industry in the West not too long ago – with what should have been predictable results. It was the common Reliability Coordinator (RC). We thought if we created a single RC it would be both less expensive and provide better service. And somewhat predicably, if one uses history as a judge, we ended up wrong on both counts. There was a lack of accountability and no apparent competitive pressure: and innovation, customer service, and costs all eventually suffered. Every entity in the West today, whether taking RC service from the CAISO or SPP, is receiving better and less expensive RC service than they did under the entity they created that was subject to no competitive pressures (until it suddenly had competitive pressures and quickly collapsed).

"If there ends up being a single RTO in the West, it should be the results of head to head competition for the region's business. I personally feel even in that case that this would likely be too big and that two, constantly nipping at the others heels, would yield the best long term results for customers. Under the proposal a few weeks ago by a handful of Western state regulators, they not only seem to support having no competition and choice available for the entire West for a DA or RTO market, but also propose having no competition or choice involved in who would operate the market. Instead – I hope we allow healthy competition to yield the best results."

Dan, you make a solid case for letting the market participants vote with their dollars and their feet. I am optimistic that the western entities will have choices in the near future and for a long time forward.

Odds & Ends (_!_)

For you folks who get the meat-filled version of the Burrito, below are your stories:

After hearing input from some members, the WPTF Board has asked Gary to eliminate the "Below the Belt" section of the Burrito distributed to WPTF members. The Board appreciates there can be differing views on content like this that are intended to entertain.

Scott Miller
Executive Director
Western Power Trading Forum
410-858-7391
smiller@wptf.org