

Notice: Western Area Power Administration (WAPA) to evaluate removal of the Transmission Service resale price cap from its Open Access Transmission Service Tariff (OATT)

Potential OATT Revision 18-01, per October 5, 2018, OASIS Notice to its customers:
[WAPA-OATT-Transmission-Resale-Price-Cap-Removal-Evaluation.pdf](#)

October 10, 2018

Frequently Asked Questions (FAQs) - Version 2

1. Why is WAPA proposing to remove the resale price cap now, and what are the “various changes” that have caused WAPA to re-evaluate its previous position?
Since WAPA made its initial decision to retain the price cap on the resale of transmission service, several notable changes have occurred that have caused WAPA to re-evaluate the resale price cap. Namely, FERC’s pilot study demonstrated the lifting market caps for transmission result in lower overall energy costs, and organized markets have gained more widespread applicability. Also more experience has been gained which the WAPA believes will reduce many of the prior concerns that gaming would occur if a price cap were lifted. WAPA also has several important pending OATT revisions that need to be filed with FERC to retain WAPA’s safe harbor OATT status. When WAPA makes its next OATT filing with FERC, WAPA believes that its position on the resale price cap would need to be addressed given FERC’s refusal to grant BPA’s price cap provisions in BPA’s recent tariff filing. FERC specifically noted in that BPA docket (NJ12-7) that its “rationale for allowing the price cap to remain in place for the purposes of reciprocity in Western was flawed”.¹ Therefore, WAPA will need to be prepared to either defend or revise our current position on the resale price cap provision in advance of any future OATT filing at

¹ 81. In Order No. 890, the Commission stated that removing the price cap on capacity reassignments would create economic incentives by fostering the development of a more robust secondary market for transmission capacity. Shortly thereafter, in evaluating a reciprocity filing in *Western* that was uncontested on this issue, the Commission agreed with Western that because Western had statutory language obliging it to sell power to consumers at the lowest possible rates, it was statutorily barred from lifting its price cap on the reassignment of transmission capacity.^[1] The Commission accepted the rationale provided by Western that allowing transmission capacity to be resold above the price cap violated this principle. However, upon further consideration and with the benefit of comments on both sides of this statutory question, we now conclude that this finding is contrary to the objectives that led to the lifting of the price cap in order No. 739 and Order No. 890.^[2] The Commission is now confronted with the choice of affirming our finding in *Western* or our findings in Order Nos. 739 and 890. We cannot do both.

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FN 103. We have found here that our rationale for allowing the price cap to remain in place for the purposes of reciprocity in *Western* was flawed; however, on a case-by-case basis there may an instance where an entity can validly obtain a waiver from the requirement to lift the price cap. In Order No. 739, we stated that we would not grant a blanket waiver, but would consider individual waivers on a case-by-case basis. See Order No. 739, 132 FERC ¶ 61,238 at P 37.

FERC.

As WAPA continues to expand its business into organized markets, which it did with Upper Great Plains joining Southwest Power Pool (SPP) in 2015, which require the transmission owner to transfer functional control of their transmission facilities to the RTO, WAPA will indirectly be permitting new RTO transmission providers to allow the resale of any of its unused transmission capacity at an uncapped price, including Federal facilities included under the RTO's tariff.

WAPA believes that it may receive increased transmission revenues if the resale price cap is removed, which will help reduce WAPA's rates. In addition, WAPA and the Bureau have a need to make considerable transmission investments to respond to requests for transmission service. Public/private partnerships in such efforts may be able to contribute substantially to those investments if WAPA is able to attract partners who can participate based upon their ability to make a return on their infrastructure investments. Such return is predicated on the ability of those partners to resell unused transmission service without a price cap limitation as FERC proscribed in Order 890.

As a result, based on this more recent experience, WAPA may determine that removing the resale price cap would still be consistent with its statutory obligation to sell power and transmission at the lowest cost possible consistent with sound business principles.

2. **FERC removed the transmission service resale price cap from its Pro Forma OATT under its Order 890 several years back.**
 - a. **Why did FERC remove the resale price cap?**

FERC did a pilot study on removing the price cap, and did not find any support for the lack of a price cap resulting in unjust and unreasonable rates.
 - b. **Why did WAPA choose to not remove the resale price cap at that time?**

With the information available at the time, WAPA took a conservative approach with its Order 890 filing in order to avoid any potential abuses of the resale pricing provision.
3. **When did FERC grant WAPA the exemption to retain the resale price cap in its OATT?**

WAPA filed its proposed revisions to its OATT to address FERC's Order 890 on September 30, 2009. FERC accepted WAPA's proposed OATT revisions that retained the resale price cap in its Order dated December 2, 2010.
4. **What customer benefits has WAPA identified, or expect, in association with removing the price cap from the OATT?**

Transmission Customers would be able to participate more fully in a secondary market for transmission capacity, which would provide additional opportunities to reduce their costs associated with unused transmission service capacity.

 - a. **Does WAPA expect any savings?**

WAPA may experience savings for its customers in lowering its rates to the extent that it is able to sell additional transmission service and obtain additional transmission

revenues by providing the opportunity for Transmission Customers to resell transmission service at market prices.

5. **Is resale of federal transmission at a price higher than WAPA’s transmission rate in conflict with WAPA’s core mission, or with any of WAPA’s regulations?**
Based on WAPA’s recent experience and updated evaluation, WAPA may determine that removing the resale price cap would still be consistent with its statutory obligation to sell power and transmission at the lowest cost possible consistent with sound business principles.
6. **Will WAPA be acting as the financial intermediary on resale transactions as also addressed under FERC’s Order 890?**
WAPA didn’t propose to act as the financial intermediary on resale transactions in its OATT revisions under Order 890 in 2009. WAPA will have to see how FERC responds to an updated OATT revision that may remove the resale price cap, and will evaluate the potential impacts to WAPA, if any, if FERC required WAPA to act as the financial intermediary.
7. **What other OATT revisions are under consideration by WAPA during this update?**
WAPA also has several important pending OATT revisions that need to be filed with FERC to retain WAPA’s safe harbor OATT status. These include various recent FERC Orders, such as Order 1000, Order 842, Order 845, etc. WAPA is awaiting clarifications from FERC has other entities make compliance filings, and therefore, WAPA may not be able to include all needed OATT revisions during this update.
8. **Is WAPA going to seek comments on all proposed OATT revisions, or just the price cap, during the informal public process?**
WAPA will be seeking comments on all proposed OATT revisions.
9. **When does WAPA expect to post the proposed OATT revisions?**
WAPA expects to post the proposed OATT revisions in the next 1-2 months.
10. **What are WAPA’s plans for customer engagement on these OATT revisions as part of the informal public comment process?**
WAPA has posted Notice of its evaluation to remove the resale price cap along with other OATT revisions that it is prepared to move forward with, and is posting information for customers on WAPA’s OASIS sites. WAPA plans to hold an information meeting (via Webex) to present the proposed OATT revisions to all customers, and answer questions. WAPA will also request comments following that meeting. Ultimately, WAPA will file the requested OATT revisions with FERC, and customers will also have an opportunity to file comments with FERC.
11. **How long will the informal public comment period be?**
WAPA is still developing the scope of the OATT revisions, and therefore the duration of the informal public process is not yet finalized. However, it is expected to last 1-2 months.
12. **When will WAPA make a final decision on the OATT revisions?**
At the completion of the informal public process.



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13. When would the proposed OATT revisions, including the price cap removal become effective?
Normally, when WAPA files its OATT revisions with FERC it makes the OATT revisions effective approximately 30 days later, subject to subsequent FERC approval. WAPA would plan to file its OATT revisions within approximately 1 month of completing its informal public process and making an internal decision.