

PNNL Power/Electricity Markets Summer Study Session

WORKSHOP NOTES

Exercise Session: Barriers to Realistic Price Signals in the Pacific Northwest August 9, 2004

Following an introduction to market concepts and an introduction to the challenges of a hydro-constrained system, participants were asked to consider barriers to revealing realistic price signals in the Pacific Northwest. Twenty-five key points listed by each participant were assembled and weighted voting was used to assess the relative significance of these 25 points for the participants.

Results:

Top 25 brainstormed barriers to realistic price signals in the Pacific Northwest

1. Focus on low rates (current focus on low retail [residential] rates tied in with political risk and hydro expectations)
2. No infrastructure, real-time prices signals and demand response (no mechanism—infrastructure—signals, responses, for real-time demand response for end-users)
3. Historical cost recovery regulations
4. Huge impact on BPA (concentrated ownership)
5. Fear of market manipulation
6. Lack of agreement, too much diversity among state regulators (regulatory diversity/divergence)
7. Value of demand not yet known
8. Focus on stability in rate bases
9. Lack of trust in market solutions
10. Undefined Transmission ownership (stakeholder property [T & D] ownership not defined)
11. Value of embedded constraints (how to price other embedded constraints)
12. Belief that transparency causes competitive disadvantage
13. Value of distribution system unknown
14. Conflicting objectives hydro/water use
15. Customer fear of bills increasing
16. Boom/bust variability of hydro system
17. Concern about appropriate market structure (concern of regulatory agencies for what is appropriate market structure)
18. Skepticism about societal benefits
19. Curse of cheap hydro
20. Costs and benefits of enabling technologies
21. General lack of understanding of how markets work
22. Impact of transmission constraints on market
23. How to price engineering constraints
24. Infrastructure for equitable communication of price info
25. Market feedback for operations and planning (strengthen feedback to transmission and system operation and planning)

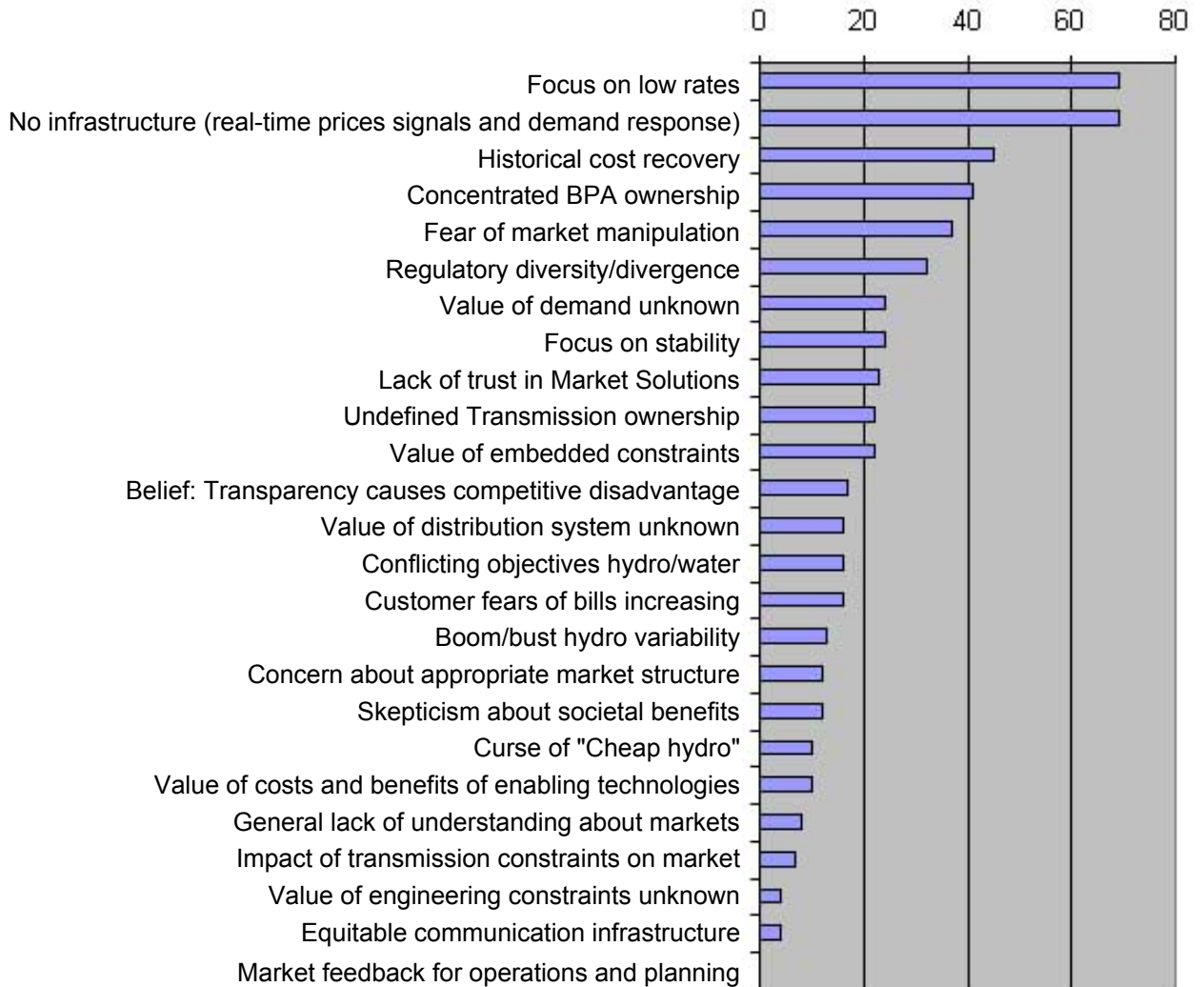
Workshop Notes from
Designing Effective Power Markets for the 21st Century: Pacific Northwest Region
Presented by the Pacific Northwest National Laboratory in association with the GridWise Alliance, Portland State University Department of Economics, and the Bonneville Power Administration

August 9-11, 2004, Portland, Oregon

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Ranking of Barriers to Revealing Realistic Price Signals in the Pacific Northwest



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