

Operating Committee Meeting Fall 2009

WSPP TRAINING

Course (Hour) 1: WSPP BASICS

**Arnie Podgorsky
Wright & Talisman, P.C.
1200 G Street, N.W., Suite 600
Washington, D.C. 20005-3802
(202) 393-1200
podgorsky@wrightlaw.com**

These training materials contain no legal opinions or formal interpretations of the WSPP Agreement.

INTRODUCTORY CONCEPTS

- WSPP is a not-for-profit, income tax exempt, Utah corporation. WSPP has members (no shareholders) and officers, but has no operating office or employees. WSPP has funds, the WSPP Agreement, and an OATT.
- WSPP has existed on a permanent basis since 1991.
- An early experiment in market rates, the organization evolved from the experiment, then to a contiguity requirement, and then to today's open membership.

INTRODUCTORY CONCEPTS

- What does “WSPP” stand for?
 - Previously “Western Systems Power Pool,” but “Western” was a misnomer. Because the WSPP Agreement is used in many parts of the U.S., the corporation renamed itself WSPP.
- Over 300 members (fewer active members) from all market sectors – IPPs, IOUs, electric cooperatives, and public utilities – members are both FERC jurisdictional and non-jurisdictional.

INTRODUCTORY CONCEPTS

- The WSPP Agreement is a widely-used master power sales agreement, generally for physical delivery
 - Physical (forwards) versus futures contracts; daisy chains and bookouts in physical trading are not likely to be futures.
- WSPP Agreement is FERC filed and approved. What does this mean and what doesn't this mean?
 - Members need their own market based tariffs (or can trade at cost-based rates under the Agreement).

INTRODUCTORY CONCEPTS

- More conceptually, from commercial and regulatory standpoints, what functions does WSPP serve?
 - Enhances market liquidity (ease and extent) in bilateral markets. Liquidity means more counterparties, and enhanced competition.
 - FERC promotes competition generally and in many regions via RTOs and ISOs. How do bilateral market characteristics compare with those of centralized (RTO-ISO) markets?
 - Products and pricing. Service Schedules A, B, and C.

INTRODUCTORY CONCEPTS

- Why an OATT?
 - Order No. 888 required that WSPP file an OATT. This tariff is available to non-members as well as members. It applies only to members' transmission facilities not already subject to an OATT.
- WSPP operates a website containing all of its basic documents, educational documents, postings by any member, listings of members and their traders and representatives, and a page to post power for sale or offers to trade. www.wspp.org

WSPP CORPORATE AND GOVERNANCE

- Not-for-profit corporation, under Utah law.
 - Articles of incorporation; bylaws (§ 8.1.1)
 - Members; no shareholders
 - EC is the WSPP Board of Directors, with complete authority. EC elects officers (which also are the administrative committee).
 - OC also has officers, and authority under the WSPP Agreement.

WSPP CORPORATE AND GOVERNANCE

- Each of EC and OC consist of representatives and alternates of all members. The EC (§ 8.1) and OC (§ 8.2) govern WSPP (officers govern day-to-day). Article 7 (Administration); Article 8 (EC and OC).
- Each member receives one vote on each Committee. WSPP Committees vote on changes to Agreement. No amendments except upon a 90% affirmative vote of voting members (present or by proxy).
- Is 90% productive or unproductive?
- Is 90% OC approval of an amendment required for EC to consider? See §§ 8.2.2 and 8.2.3.

WSPP CORPORATE AND GOVERNANCE

- Operating Committee meetings are well attended and provide opportunities for traders to network, develop new trading relationships, and discuss possible transactions.
- Be careful of antitrust concerns.
- Contract subcommittee of Operating Committee meets to address and develop revisions to the WSPP Agreement to ensure that the terms are up to date and satisfy the needs of members. Current contract issues and cases are also discussed.
 - Open involvement
- Task forces and other ad hoc groups.

WSPP CORPORATE AND GOVERNANCE

- Administrative Committee (officers) prepares annual budget. § 7.2. Operating expenditures have been limited. Members have not been assessed operating costs for many years (but can be assessed under § 7.3); costs have been funded by new members' fees of \$25,000 each.
- Books and records available for inspection. § 7.6

WSPP CORPORATE AND GOVERNANCE

- Some WSPP vision options
 - WSPP with limited functions: keeper and reviser of the Agreement; training.
 - WSPP analyses and takes positions on market issues, e.g., with NERC, FERC, or RRO: e.g., BAL-002-WECC-1 and retagging.
 - WSPP participates in evolution of Western markets- e.g., toward dynamic capabilities without an RTO.

WSPP CORPORATE AND GOVERNANCE

- Possible limitations on some options
 - Funding is by new members dues; not a predictable cash flow associated with actual costs.
 - Lack of professional staff
- Depending on vision, these limitations may be constructive or not; that is for members to decide.