

FRAMEWORK FOR NEGOTIATING AGREEMENTS FOR NETWORK SERVICES FOR EMBEDDED GENERATION AND SIMILAR SITUATIONS

Preamble

This framework for negotiating Agreements draws upon the Network Pricing Principles, which have been approved under the Access Code by the Utilities Commission. The Access Code has identified cost reflective signals, revenue recovery, simplicity, stability, equity, and subsidy free prices as the key objectives in network pricing.

These principles ensure that the revenue cap is recovered from users in a manner that is understandable, practical, efficient and equitable, and which reflects their usage and benefit from the network. The principles have been applied to network price formulation over the total retail customer's base (as was anticipated at the time of formulation) to recover the Maximum Allowable Revenue (MAR) set by the Utilities Commission.

The Network Pricing Principles have been used to set the approved tariff and schedule for PAWA standard customer supply situations where the network capacity, pattern and level of customer demand, and security of service are of appropriate standard, well known, and easily measured.

The standard tariffs are not directly applicable where the energy carriage differs markedly from where a customer taking its full requirements through the network.

Non Standards Supply Situations

There are various scenarios under which a customer may use the network for carriage of only part of its electricity requirements. For example, installation of on site generation may offer apparent economies for the customer, especially if by-product heat from the generator is valuable. An embedded generator may result in the in minimum use of the network. However, standby network services and standby generation may be needed.

Standby refers to the provision of network services and/or electricity in nonstandard situations where the normal supply sometimes may be unavailable or inadequate.

“Similar Situations” refers to other instances where a customer seeks to contract only part of its standard supply of electricity through the network systems, especially where the customer wishes to retain the option of taking standard supply.

Framework for Negotiating Agreements

This framework provides guidelines for applying the existing Network Pricing Principles to nonstandard site specific network service situations.

It should be noted that separate negotiations may be necessary with PAWA Generation or other generators to satisfy the Access Code requirements for standby generation capacity.

Framework

This Framework provides guidelines for applying the existing Network Pricing Principles to non-standard site-specific network service situations.

The negotiations for agreements for network services will be between PAWA Networks and the party(s) seeking network access and service (the embedded generator and/or its customer's retailer).

Negotiations will be on a case-by-case basis.

If there is a connection to the network, network service charges will be necessary to recover the cost of providing the service. There will only be no network service charges in cases where there is no connection to the network.

PAWA Networks seeks to recover a share of the network revenue cap determined by the regulator from such non-standard site-specific network service situations that is efficient and equitable and which reflects the usage of and benefit from the network.

In particular, the parties to the negotiations will take into account the following:

1. the required type of network services, including the duration, timing and immediacy of those services and the associated levels of standby capacity, import capacity and/or export capacity
2. the network costs associated with the provision of these network access services, including capital, operating and maintenance costs
3. the network extension and/or augmentation that may be necessary as a result
4. the future costs of network augmentation that may be avoided, reduced, or deferred by virtue of the existing network service assets no longer being fully required for embedded customers and therefore available for other purposes.

PAWA Networks
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