



Market Transformation's Role in Keeping the "Lights On" in the Pacific Northwest

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3/18/2002

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1



Why Was the PNW "Short"

- **Regulatory "uncertainty" reduced conservation investments**
- **Above average "water" conditions mask underlying resource deficits**
- **Beginning in the mid-1990's West Coast wholesale market prices were below levels needed to justify construction of new generation**

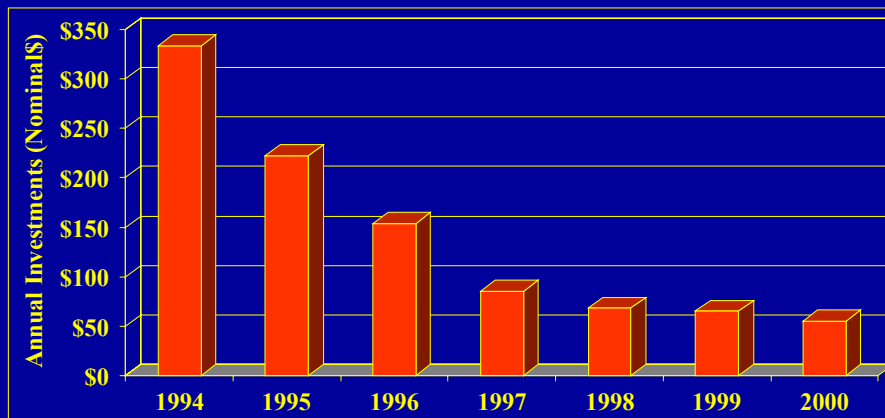
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PNW Utility Conservation Resource Acquisition Investments Fell Significantly Between 1994 - 2000



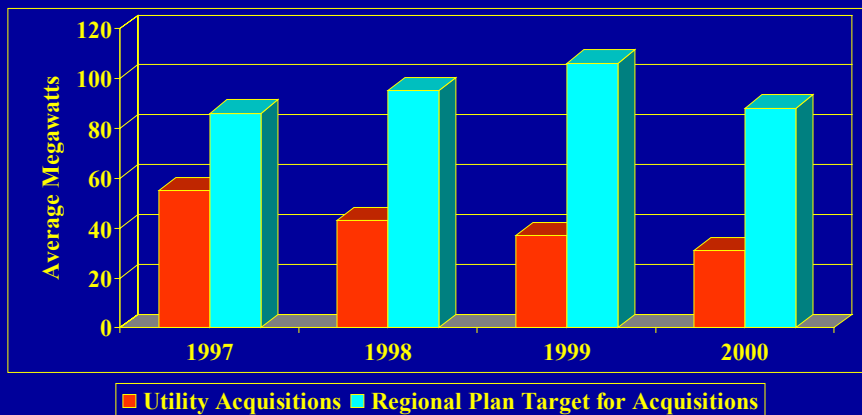
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Regional Utility Conservation Acquisitions Failed to Meet Council Plan Targets From 1997 - 2000



Utility Acquisitions Regional Plan Target for Acquisitions

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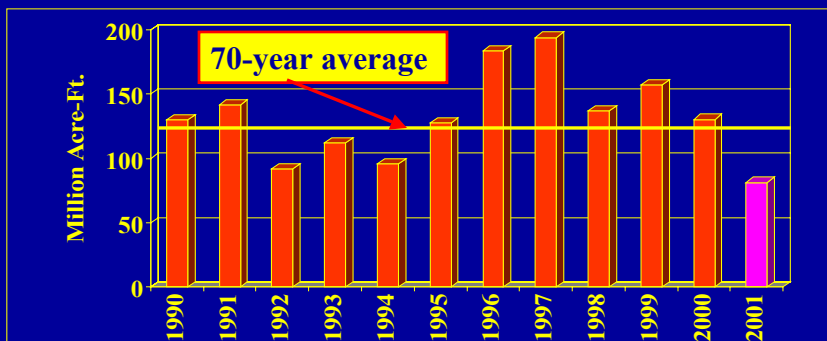
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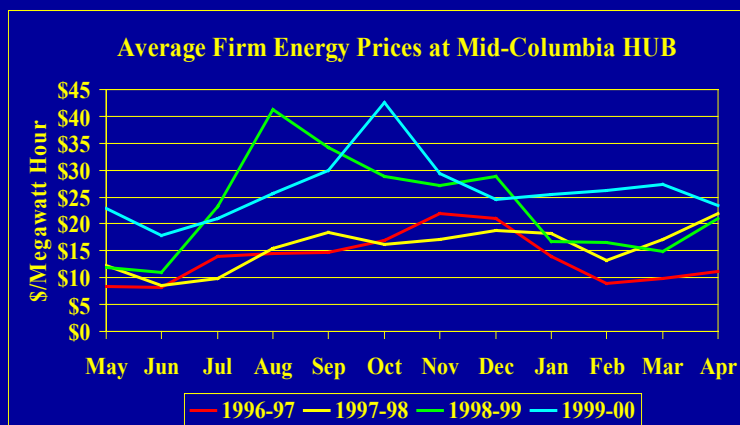


Hydroelectric Production was "above average" from 1996 – 2000

Annual Runoff at "The Dalles"

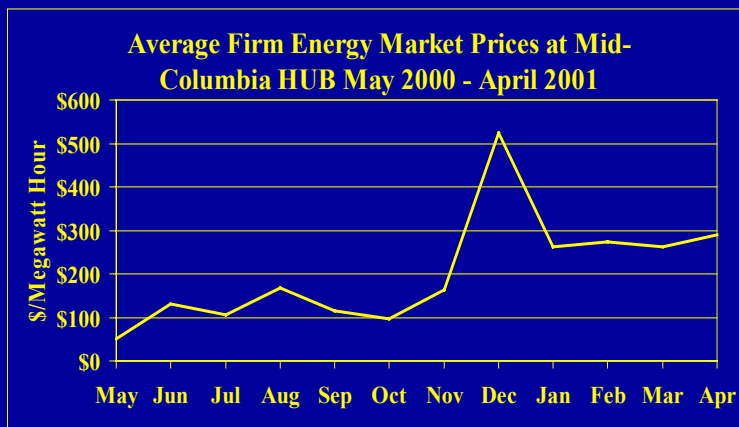


Market Prices Were Too Low To Justify Plant Construction

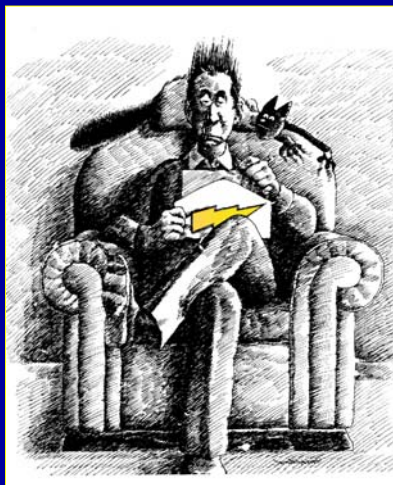




Then – The “Perfect Storm” Hit!



The Pacific Northwest's First Response





The Pacific Northwest's Second Response

Source of Capacity	MW	Average MW
Purchased Curtailments	1500	
Gas/Diesel "Gen-Sets"	740	
Plant Closures	300	
Price & Politically Induced "Curtailment"	175	
Accelerated Utility Programs		45 - 55
Market Transformation		25 - 30



When & Why MT Exploitation Is A "Good Thing"



- Existing knowledge of and relationships with "market participants" facilitated accelerated "ramp-up" of CFL market transformation

PNW CFL sales:

2000 - 381,765

2001 - 5,911,085



When & Why MT Exploitation Isn't A "Good Thing"



- **Markets** get "corrupted" by high resource acquisition incentives
- **Market Actors** don't have the same objectives as power managers (need quick fix vs. want sustained market demand)
- **Market Transformation** is not a panacea (it can't make it rain in the PNW)