

RTO West

Filing Utilities

June 20, 2000 Video Conference/Conference Call

Notes

Participants (in all or in part of the conference):

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| Avista | Randy Cloward, Gary Dahlke |
| Bonneville Power Administration | Mark Maher, Peggy Olds, Preston Michie, Lauren Nichols |
| Idaho Power Company | Jim Collingwood |
| Montana Power Company | Bill Pascoe |
| PacifiCorp | Don Furman, Cindy Crane, Marcus Wood |
| Portland General Electric | Frank Afranji, Richard Goddard, Doug Nichols |
| Puget Sound Energy | Kimberly Harris |
| Sierra Pacific | Gary Porter, Carolyn Cowan |
| KEMA Consulting | John Boucher |
| Krogh & Leonard | Bud Krogh, Sarah Dennison-Leonard |
| Neutral Notetaker | Kristi Wallis |

Agenda:

Preliminary Matter – Hoecker Letter (handed out at the 6/15 RRG Meeting, will be posted on the website)

1. RRG Meetings
2. Control Areas
3. BPA Legislative Efforts
4. Transmission Planning
5. Consultant Contract Issues

Agenda Item 1 – RRG Meetings

John Boucher summarized the June 15 RRG Meeting for those who did not attend.

The RRG will meet again on June 28 and July 19.

Last Thursday after the RRG a couple of transmission owners got together for lunch. Peggy Olds prepared notes. It was suggested that the Filing Utilities meet every Tuesday from 4 p.m. to 8 p.m. (PST). After discussion, it was agreed that the Filing Utilities would meet every Wednesday from 1:00 to 4:00 p.m.

Agenda Item 2 – Control Areas:

Mark Maher offered to have Vickie Van Zandt make a presentation regarding control areas and the minimum characteristics for the RTO on Day One. (BPA acknowledges that there will be multiple control areas when the RTO first becomes operational but would like to work towards having a single control area at a future date.) Randy Cloward has recently been to a NERC workshop and has valuable information to contribute, and Mark Maher is going to Montreal this week for a NERC board meeting and will have some additional insights.

Peggy Olds agreed that it would be good for the work groups to have some input regarding the control area issues (especially the Implementation Work Group) as this could affect decisions they need to make.

John Boucher described the Implementation Work Group's assumptions regarding control areas for purposes of their work: (i) when the RTO first becomes operational there will be multiple control areas as presently defined (although how many that is could be affected by how quickly NERC moves); (ii) consolidation of control areas would occur as consolidation became cost justified; and (iii) at least one control area operator (Montana Power Company) would like to relinquish its control area at the formation of the RTO with the RTO taking over MPC's responsibilities.

Randy Cloward stated that if the ITC becomes a single control area that it might assume responsibility for MPC's control area, not the RTO.

Bill Pascoe was not sure whether it made sense for the ITC to have a stand alone control center, but allowed that if that happened it might assume responsibility for MPC's control area. He was certain, however, that MPC did not want to continue as a stand alone control area operator after the formation of the RTO.

Mark Maher suggested that even if there were multiple control areas on Day One that there would likely be a single RTO boundary control area for purposes of scheduling interchange for balancing. (This is one of the topics that Vickie Van Zandt will discuss.)

It was suggested that the Implementation Work Group should not be too wedded to a cost effectiveness standard (in this instance for consolidation of control areas). There will be some elements of the RTO that are appropriate but will result in new costs, and the group should take

a common sense approach to RTO development as opposed to saying everything has to be cost effective.

John Boucher mentioned that there has been considerable discussion about the role of the local control areas *vis a vis* the main control center (for example, at the RTO level, there will be some mechanism for communicating existing congestion clearing efforts to the RTO ancillary services market). These discussions are going on in other work groups and will come back to the Implementation Work Group. Another discussion has involved the question of the availability of backup control centers. While a number of candidates have been put forward, the Implementation Work Group is considering whether it should place a higher priority on those candidates which will be vacated because of consolidation and downsizing (whose owners are getting out of the control center business) as opposed to candidates that will be replaced by the owners.

It was suggested that a number of parties have different opinions of control areas, and it was referenced that at the Seams Workshop today BC Hydro stated that it is impractical to transfer control to the RTO at start up (both with respect to security and cost issues).

Richard Goddard stated that the Implementation Work Group is putting together a conference call with other ISOs and plans to discuss a number of implementation issues. It may be particularly useful to talk with the Midwest ISO, which has faced similar challenges (multi-state/multi-NERC regions). Marcus Wood expressed concern about the applicability of the Midwest ISO's solutions to RTO West, for example, congestion clearing in the Midwest ISO will be handled by a transco within the ISO as contrasted with the Northwest's decision to have the RTO handle congestion clearing. That said, some of the Filing Utilities believe it would still be valuable to get the Midwest ISO's input.

Bill Pascoe wanted to be sure that by starting with multiple control areas that the RTO did not build barriers to efficiency. One of the good things about the RTO is that it will be able to use paths up to actual flow limits as opposed to cutting back path capabilities based on schedules (taking advantage of counter-loop flow), and Bill hoped that this would not be sacrificed to accommodate multiple control areas.

Randy Cloward stated that the RTO would be able to internalize scheduling issues, and that even with multiple control areas the RTO would be able to schedule to the flow-ability of RTO lines.

Agenda Item 2 – BPA Legislative Efforts:

Peggy Olds provided an update regarding BPA's legislative efforts regarding the study ban and employee issues. No further work has been done with the study ban issues.

Jeff Stier and Nicole Morgado, BPA's D.C. staff, continue to look for a vehicle to deal with employee issues, and have drafted placeholder language to be inserted in the Senate Water and Energy Appropriations Committee Report. They will shop this with appropriate Senate staff during the next week. Peggy Olds provided the draft language.

“The Committee is aware that in response to FERC’s Order 2000 respecting Regional Transmission Organizations (RTO), efforts are underway in the Pacific Northwest to explore and pursue formation of an RTO. The Bonneville Power Administration is actively participating in those efforts. We understand that if BPA ultimately participates in an RTO, the impacts on BPA employees could be significant. The Committee encourages the BPA Administrator to use whatever administrative authorities are at her disposal with regard to accrued leave, seniority, health and retirement benefits, and other related matters to ensure that BPA employees have an equitable opportunity to compete for jobs in the RTO. If it becomes apparent that existing administrative tools are inadequate to address these matters, the Committee may choose to take legislative action.”

Bill Pascoe asked whether this legislation deals with BPA’s employees’ post-employment restrictions. It was explained that it does, but only in part. The Administrator has some waiver authority, and this language clarifies that authority. There are restrictions on the ability of BPA employees to discuss future employment opportunities while they are still employed by BPA. The Administrator can waive these restrictions for Bonneville employees who are considering working at the RTO at the same time they are working on the RTO development. A second post-employment restriction, which the Administrator cannot waive, is the prohibition against certain ex-Bonneville employees dealing directly with Bonneville on certain matters for a specified period. This prohibition would not affect dispatchers, but would be more problematic for managers who are negotiating contracts and salaries. The placeholder language does not deal with this restriction.

It was noted that while there were similarities between the government and private industry with respect to some employee matters (for example, non-competing clauses), while a private company’s board could vote to change the rules, in Bonneville’s instance it would take Congressional action.

Federal employees’ retirement plans present a different issue. Mark Maher pointed out the proposed legislation was to create a level playing field for federal employees regarding employment opportunities at the RTO, not to give them an advantage or force the RTO to hire BPA employees. He suggested that if anyone saw the placeholder languages as special treatment, they should speak up.

Agenda Item 3 – Transmission Planning:

Although the next agenda item was categorized as Transmission Planning, it related to a topic that has been the subject of Pricing Work Group discussions – facilities to be included in the RTO.

John Boucher reported that the Pricing Work Group has been talking about facilities inclusion and voltage segmentation. In the facilities discussion, the work group has been focusing on three data sets. It has been suggested, however, that the group may be wasting time collecting data that may not be applicable (what transmission owners and the states will ultimately agree to/will not agree to).

The Pricing Work Group is trying to collect a reasonable data set to model, so that it can identify and evaluate cost shifts in different scenarios. It was noted that the facilities that are included might be different for pricing purposes than for operational purposes.

Kimberly Harris expressed frustration about the information that the transmission owners are supposed to provide relating to the 7-factor test, as it is not clear to Puget what information certain individuals are asking for and whether it is even being used in conducting the 7-factor test (cost data rather than function of a line). Further, this data will not be provided to FERC before October 15 and is not being currently gathered.

Kimberly Harris is concerned that some of the individuals sitting on the RRG might not be policy level principals, but are members of the Pricing Work Group who are simply asking for the information that the Pricing Work Group data gatherers would like to see. Puget felt that Dave Hackett's summary of the consensus reached at the last RRG meeting regarding data production was correct, and disagreed with Don Schoenbeck's recharacterization of the RRG's consensus. She felt as if people were walking away from the RRG without a common understanding of consensus reached and then providing the wrong information to the Pricing Work Group. She asked if anyone else shared this frustration.

Peggy Olds stated that she was not aware of anyone at the RRG table who was not the appropriate representative level, either designated principal or alternate.

Bud Krogh will have further conversation with Puget in an effort to try to double check this issue and ensure that those that sit at the RRG are principals who can make recommendations at a policy level.

Bill Pascoe stated that it seemed reasonable to Montana Power to provide a discussion of what Montana did to arrive at the 7-factor test result. He was envisioning providing a brief description, not rate-case-filing quality data. This would not be the final word, Montana would keep refining, and there might ultimately be some different results as Montana's thinking evolved.

Don Furman stated that the information was not to be used to second-guess the application of the 7-factor test. PacifiCorp is comfortable supplying the data behind the 7-factor test and let the other parties do what they want with the information. If the other parties have questions, PacifiCorp will answer them. He recalled that during the RRG discussion it was explicitly stated that the other parties would be using the information to take a rough cut, to get a sense of the big picture and overall pricing.

John Boucher stated his understanding of the RRG consensus, which was not to ask for extra data or a definition of the 7-factor test ahead of time. Rather, after the transmission owners submitted their data the information would be provided, which may or may not be of value to other parties.

It was agreed that John Boucher (with the assistance of Dave Hackett) would take a look at Don Schoenbeck's e-mail characterizing the RRG consensus and respond with a clarification of the parameters of the RRG's consensus.

A question was asked about the work of the planning work group. Kristi Wallis explained that the work group was making good progress and had decided to carry a number of things forward from the IndeGO proposal. One open issue is how the RTO should be involved, if at all, in local area planning. The work group is waiting to hear from the Pricing Work Group about the pricing model before deciding how to treat local planning. Marcus Wood asked whether the group had discussed whether there would be an Entity Charter and expressed some reservations about the group making that decision. Kristi replied that the work group had not gotten that far yet, and indicated she would coordinate with Barney Speckman to make sure that the Planning Work Group and Legal Work Group coordinated on the appropriate way to structure the RTO functions that were ultimately recommended by the Planning Work Group. Some of the Filing Utilities expressed concern about the size of the projected IndeGO planning staff and concerns that the same might be happening in RTO West discussions. Kristi indicated that she had previously communicated their concerns to the work group and she would continue to do so.

Jim Collingwood stated that even if the goal were to keep the planning staff lean, that there would be issues regarding local planning issues and seams that would necessarily involve planning staff (both for the RTO and individual transmission owners). Jim felt that irrespective of the planning model that is adopted (RTO heavy, RTO light), the states would have certain expectations relating to subtransmission. Further, to have a truly reliable system the RTO would need to be sensitive to the relationship between the subtransmission and bulk transmission. There will be area planning issues (irrespective of the planning model) that will necessarily involve local people as well as the transmission owners and the RTO (even if the RTO does not lead the process). Jim concluded that this issue goes well beyond planning, and relates to the control area issue previously discussed and other issues.

It was acknowledged that facilities inclusion (and the ramifications of that decision) involved a tight set of interrelated issues. The Filing Utilities concluded that these issues would require policy decisions, in all likelihood in the near term, and that there might not yet be a clear understanding of the underlying issues by the policy-level representatives. (In particular, while the Filing Utilities originally had thought they have resolved these matters, these are complex issues that have not been fully resolved.)

It was agreed that the KEMA project management team, drawing from the work groups, would frame the issues (including all necessary elements) and prepare a presentation, which would then be discussed by the policy level representatives. The preliminary issue is what facilities should be “included” in RTO West, and from there the issue becomes how should those facilities be handled for purposes of pricing, planning, operations, and other purposes. Further discussions might involve sketching out the RTO – detailing how all of the pieces should be pulled together. It was suggested that this issue be raised with the RRG. Frank Afranji recommended that the Filing Utilities discuss the issue first to see if they have a consensus about how to approach the issue, and then bring the issue to the RRG. This will be discussed by the Filing Utilities at a meeting on Tuesday, June 27, from 10:00 to 4:00 in Portland.

Agenda Item 4 – Contract Increase Questions:

The notetaker dropped off the conference call as there was a confidential business discussion regarding a consultant’s contract. If anyone has a question about the discussion, they should contact a Filing Utility representative.