

RTO West RRG Portland Airport Sheraton

August 10, 2000

These notes record key issues or comments, or consensus discussions, as gleaned by note-takers as a matter of courtesy. These notes are not intended to record discussions or presentations in their entirety. Refer to the RRG documents posted separately on the web site. Discrepancies are purely the result of human error.

IITC representative Randy Cloward announced will provide a briefing along with a presentation of material maybe at the next RRG meeting?

Congestion Management – Dave Hackett (see slides: Recommendations and Open Issues)

Brian Silverstein

- Principles and Objectives – to provide consistent and unbiased access.
- Focused on market mechanisms to relieve congestion.
- Definitions near final on pre-existing contract and obligations, under development, have three days coming up to address how to deal with this issue.

Next RRG hope to have recommendation on Transmission planning

- Physical rights – emphasize focus on equivalent value, not same terms. Don't want a process that's huge headache for operators to manage system.
- Ancillary Services or requirements – it's important to know the services and the terms ahead of time.
- Physical rights - Decided very early on not to go with the nodal or huge black box model (too big to manage).

In order to have an efficient marketplace have to have exchanges outside of the RTO. Need some sort of exchange mechanism outside of the RTO that meets needs of region.

- Got direction early on, to go to flow-based model. Decision by team “flowpaths” vs. flowgates. Congestion within a zone is part of residual congestion managed by an RTO.

No consensus yet on whether/how uplift charge for congestion costs could be spread.

- Zones – are the places, the regions between the flowpaths.

Definition on what's commercially significant not defined yet. Have laundry list of 40 potential flowpaths.

How manage flowpaths into other RTO is a seams issue that has to be worked out.

- Flow Distribution Factors – clarify firm transmission rights don't exist today, they have yet to be created by the RTO. Today have existing rights.

Haven't determined when or how FDFs are changed by the RTO.

- Preexisting contracts and obligations – status report

Contentious issue yet to be determined is the duration and grandfather date to honor existing agreements.

How to manage transmission used for generation operations for fish spill or other uses, that's not a load serving obligation has yet to be addressed – will add as issue to readdress.

- Preexisting Contracts and Obligations – translation process

Comment expressed that this is a big issue – that people want exactly the same terms. This won't work in the new world – haven't heard from filing utilities come to conclusion on this. Until they do, congestion management will continue to spin their wheels.

Comment that should focus on asking - overall are we happy with this package? We're looking for sufficient simplicity and be able to explain to commissioners and to reduce the cost shifts as much as possible.

No consensus on PCOs entitlement to FTRs. If don't get consensus within probably next week, will have to bring back to RRG for decision.

Publics and small customers have big concerns on the monetization alternative for entitlement to FTRs that's still under review. Tax, financing, risks, costs, coordination with an SC, etc.

Workgroup is still pretty split – no leaning towards consensus. Presented to RRG so have an idea of the issues associated with it. Another feature we haven't discussed - might be to establish a transition date.

- Types of transmission rights – Ren Oren
Dave Perino paper came forward early in the process that outlined a process for maintenance schedules and outages that many of the workgroup members liked that had three options for buyback rights.
Group is still working on developing the models. Degree of risk, and who carries/shares the risk is really the issue that needs to be addressed (maintenance schedules).
Ideally suited for the ITC presentation that is to take place. Many of these issues can't be addressed until we have information from the ITC.
KEMA will get the working proposal out to RRG. Wanted to give this briefing before giving all the details.

- Scheduling
What level of rights required to serve firm load may be a decision of the Scheduling Coordinator, not the RTO.
Recommendations are those of Dave Hackett and Barney Speckman based on completing products and addressing issues needed to meet Sept. 1, but do not represent any discussion or consensus from the group.
If the RRG sees any issues with the direction that the workgroup is taking, any guidance or input from the RRG is welcomed.

Comment that okay with the general direction, but have concerns on how bundled rights will be transitioned.

FERC rep. Mike Coleman – Personally, think this is a very workable framework, others at the commission favor different approaches. Obviously a lot of holes yet, but in general I like the direction.

Bud Krogh Propose no RRG next week, meet two full days the following week, to allow the workgroups more time to work. Presentations during the 8-23, 24 and then get consensus during the following week RRG, maybe using a three day meeting. Get the materials out by the end of next week to allow folks to digest and come prepared to the RRG to discuss the issues.

RRG Meeting Schedule Matrix - John Boucher (See handout)

- Move next week's meetings' issues to the following week.
- Work group meeting schedule will get out tomorrow.

Pricing – Dave Hackett

- Recommendations and open issues. (see slides)
Goal of briefing is to take option six and present some detail on it.
- Treatment of variables that minimize cost shift within company rates
Potentially, exports would have transfer charges for non-owners. In the PTO to PTO transaction, no access fee or transfer charges.

PTO contracts would be suspended. Distinction between suspension and termination: suspended to protect the customer in the event that the PTO backed out, under FERC approval, after two years. Would honor existing terms, rather than be without anything, in the case of a termination.

Joint congestion management/planning meeting coming up to discuss triggers and mechanisms and allocation for expansion.

Based on last discussion from the RRG to flesh out option six, have put other five options off to the side.

Supposed to have a discussion on what happens to contracts that expire across non-congested paths, need the list of contracts. Then will have a better understanding of the impacts.

One alternative is that transfer payments are fixed, to avoid cost shifts.

Big concern over the billing determinant, that it's inequitable to pay fixed transfer payments based on representative past usage.

Suggest a constraint that in the ratemaking process utilities use a portion that's fixed, and that the remainder should be a shareholder risk as well.

Participants need to take a look at defining "representative" and maybe include some projection along with data from base year.

- Discussion that the workgroup will continue working in the same direction outlined in the proposal.
Will continue to reflect the majority/minority recommendation in the proposal that's coming on the

billing determinant – ability to bypass to change company rate for new utility that was a load or for load that reconnects to another PTOs.

From those who commented, there was a clear split on the majority/minority position support.

- Antitrust Issue – No consensus in the workgroup that this is an issue in the workgroup.

Comment that it was this issue that drove away from company rates to area rates very quickly in the IndeGO process. Maybe need to go back and look at the use of company rates vs area rates

The question of how Alberta could participate with the RTO (using area or provincial rate), given they don't have company rates will go to Canadian adjunct committee.

Comment that this should be a relatively small issue among others.

- No substantial change in revenue requirement

The determinants for expansion for reliability is an issue that will be discussed and hopefully be resolved on Monday.

- If new facilities are required, the costs will be recovered as follows.

Option six on congestion going to co. rate, discussion that there may be a time when you would put recover costs for expansion for congestion purposes through a company rate. No consensus on this issue.

- Present remaining slides (see slide presentation):
 - Components of transfer payment still unresolved
 - Export fixed cost recovery
 - Island rate
 - Facilities in RTO
 - Recommendations

There will be no RRG meeting next week.