

RTO West

Revised Agenda for May 17, 2000 Meeting of the Regional Representatives Group (RRG)

This revised agenda for the RRG May 17 meeting is an effort to respond to a number of suggestions regarding the subjects that should be addressed.

1. Consideration of Consensus Issues List 9:30 – 10:00
2. Prioritization of Issues and Final Assignment of Issues to Work Groups 10:00 – 10:30
3. Roles/Process for RRG and Work Groups 10:30 – 10:45
4. Break 10:45 – 11:00
5. RTO Architecture – Form and Structure 11:00 – 12:00
6. Lunch on your own 12:00 – 1:00
7. Filing Utilities' Presentation and RRG Discussion on
 - Congestion Management
 - Content of October 15 FERC Filing
 - Honoring Existing Contract Terms
 - Control Area Integration
 - Retail Access and Eligible Customer issues1:00 – 2:30
8. Break 2:30 – 2:45
9. Discussion of Transmission Facilities To Be Included in RTO 2:45 – 3:45

Summary of Discussion at May 17 RRG Meeting
(Item numbers correspond to number assigned in Agenda above)

5. RTO Architecture – Form and Structure

Bill Pascoe summarized the RTO Filing Utilities' consensus concerning RTO form and structure. (It is available on the RTO West Website (www.rtowest.org)). To be consistent with FERC's guidance in Order 2000, the scope should be large and include the transmission systems in the Northwest Power Pool Region, Sierra Pacific transmission resources, and Canadian systems should they desire to join. The legal structure initially would be a state-chartered non-profit corporation. The RTO would function as an ISO with no ownership of transmission poles and wires. Governance would be by a non-stakeholder independent board of directors with a stakeholder advisory board.

Two principles that will govern RTO form and structure include open architecture and non-discriminatory treatment of transmission customers as set out in Order 2000.

These items on scope, legal structure, independent board governance, open architecture, and non-discriminatory treatment should set the boundaries for the Work Groups' consideration of issues 8, 11, 17, and 19.

In addition, because Order 2000 directs RTO jurisdictional entities to collaborate closely with Canadian entities in B.C. and Alberta, an Adjunct Committee of RTO Filing Utilities and B.C. and Alberta policy representatives will address how Canadian transmission resources will be integrated with the RTO.

Whether other areas, such as the Rocky Mountain region, will be included in the RTO will depend on the desire of entities in those areas. It will also require the Transmission Pricing Work Group to determine cost shift implications and develop proposals for addressing them.

To a question about whether the Filing Utilities would consider a for-profit structure, the response was that initially to bring BPA into the RTO, it was necessary for the RTO to be a non-profit entity. To achieve some of the efficiencies and willingness to take investment risks in transmission improvements and upgrades that a for-profit entity might take, other market mechanisms need to be developed to motivate behavior through appropriate incentives.

To contain costs, there was uniform support among RRG members to use existing transmission facilities, but this does not mean using the existing organizations.

While some filing utilities would like to see a transition to a type of RTO that would own wires and poles, it was concluded that initially the RTO as an ISO would not. This conclusion is important guidance to the work of the Transmission Planning Work Group on planning and expansion.

7. Congestion Management Jim Collingwood summarized the Filing Utilities' views on congestion management. So as not to delay start-up of the RTOs, and because it is a tough issue, FERC provides some extra time in Order 2000 to implement a congestion management system. However, it is important to have an effective congestion management tool in place by start-up on December 15, 2000 that the system operators can implement.

RRG members added that we should get as much done as possible on developing a congestion management model by October 15, 2000 so that we can start with the functionality required by the Order on December 15, 2000. It is important to lay out the principles first and then develop the details. While it may not be possible to put a perfect system in place, the challenge is how to manage congestion without a perfect system. An important task of the Congestion Management Work Group is to identify the paths in the Northwest that are currently congested.

Content of October 15 FERC Filing Jim Collingwood emphasized the views of the Filing Utilities that the October 15 filing deadline is real, and that their intent is to file a full RTO proposal with all supporting documentation at that time. Work Groups must not think that the deadline is not real or that it would be OK to slip it.

To the question of whether the RTO filing would include everything that was in the IndeGO filing, the answer was "Yes, everything there and more."

As to when RTO West would start converting to an independent board with an advisory committee, the response was to start doing this by the end of this year. It is better to organize the RTO corporation sooner rather than later. A transition plan will be developed in the Implementation Work Group, and many of the issues will also be addressed in the Legal/Governance Work Group.

Honoring Existing Contracts Peggy Olds gave the Filing Utilities' views that they have no intent to abrogate any existing contracts or to lose the value of any existing contracts. This principle extends to all contracts. It was pointed out that the current system is a constrained one and that, for better or worse, we are seeking to retain the benefits of the existing constrained system. The term of existing contracts is important to keep in mind. It is important for the Work Group to look at all of the sub-issues below this principle. An IndeGO work group went through every contract, and there is need to update the information. Much of the information is available today on OASIS, but information about

some capacity committed through pre-Order 888 bundled power and transmission contracts is not.

Control Area Integration Frank Afranji explained that the Filing Utilities' vision was over time to have one, over-arching control area umbrella to monitor the system. However, the pace for reducing the fifteen Northwest control areas to a smaller number or an eventual single control area is dependent on a number of factors. The Work Group must understand what NERC is proposing to do in re-configuring the control area system in North America. It was noted by one RRG member that a control area is a technical term and how to reduce the number should be driven by technical considerations. Another member responded that control area operations have distinct personalities, and that it is important not to mix marketing and technical considerations. The Work Group should develop its recommendations with the understanding that while there will be multiple control areas when the RTO starts up, the long-term goal is to consolidate control areas cost-efficiently to the extent feasible.

Retail Access and Eligible Customer issues Kimberly Harris noted that the Filing Utilities do not see the creation of an RTO as expanding or curtailing any existing rights to obtain transmission service from FERC-regulated transmission providers. It was pointed out that Order 2000 is neutral with respect to states that have legislated retail access and those that have not and was not intended as a vehicle to modify FERC's existing policies concerning eligible transmission customers.

9. Discussion of Transmission Facilities To Be Included in RTO

Don Furman emphasized the need to proceed with developing a model for determining which transmission facilities would be included in the RTO. He noted that while RRG members could probably agree today on 75% of the facilities to be included, it is important at this stage to stay flexible and not draw any hard line in the sand.

Further discussion indicated that preparing this model involves a huge amount of data collection and analysis. Various types of tests were mentioned: a functional test, FERC's Seven Factor Test, cost test, and access test. There is a need to develop a common understanding on what data to collect and what to do with it.

At the conclusion of discussion, there was consensus among RRG members that the Transmission Pricing Work Group should focus the data collection and modeling on three data sets:

- (1) IndeGO model
- (2) All transmission facilities as defined by the FERC Seven Factor Test

- (3) All transmission facilities as defined in the FERC Seven Factor Test plus any additional facilities required to access existing wholesale customers.