

CONSENSUS ISSUES LIST

The list below contains items that we understand to have been identified as consensus issues to be addressed during the RTO development process. The issues on this list will define the scope of tasks to be undertaken by the RTO development work groups.

1. Recovery of fixed transmission costs: A technical task force would be established to review the IndeGO net transmission cost calculation approach and to update the pricing model constructed for IndeGO. The Rocky Mountain utilities would be removed, and the participating transmission owners should agree on reasonable projections as to 2002 for each of the stand-alone systems. The model then would be re-run to determine the nature and amount of cost shifts. The work group would need to review the revised model results to decide if the various IndeGO choices as to company rates, area rates, rate caps, blending of access charges, and so forth, should be modified to address cost-shifting concerns. Consideration should be given to the geographic scope, both initial and expansion, facilities inclusion, generation integration, treatment of renewable resources, interties, rate design, rate segmentation, tariffs, transitioning, cost allocation, mitigation of rural impacts, and treatment of existing contracts. The elimination of pancaked rates is an objective.
2. Transmission losses: When all rate pancakes are eliminated, and power no longer is scheduled through specific utility systems, pancaked losses will not be reasonably determinable. While the simplest (and possibly the only feasible) initial means of recovering transmission losses under the RTO would be on a postage-stamp basis, transmission loss methodology must be addressed and should be consistent with the approach to congestion management.
3. Congestion pricing: There has been a strong division of regional opinion as to whether a market-based congestion pricing method should be in place at the outset of RTO operations. This question should be resolved early, including consideration of marginal-cost pricing with zonal approximation of nodal pricing. In addition, there has been a widespread concern that the approach to congestion management in the IndeGO proposal was too complex and too difficult to implement. An alternative might be commence RTO operations using contract paths and pre-existing firm rights, rather than to implement flow-based pricing and transmission congestion reservations immediately. The congestion management approach of creating firm tradable transmission rights also should be considered.
4. Price reciprocity and other seams issues: FERC wants RTO proposals to address seams issues. A task force should (i) attempt to negotiate the reciprocal elimination of pancaked transmission charges between the Northwest RTO and the California ISO and any other RTOs that will operate in the WSCC, so as to permit pricing as if there were only one RTO and provided that any resulting cost shifts can be adequately addressed and (ii) recommend any operational features in the Northwest RTO needed to reduce scheduling, congestion and other issues at the seams between

the Northwest RTO and the California ISO. Integration and coordination with Canadian entities should be addressed. Also to be addressed are seams issues with transmission-owning utilities within the RTO but not a part of it. Roles and responsibility for reliability should be addressed.

5. RTO budgets: A task force should review and revise the annual RTO budget estimated in IndeGO, focusing on a cost-efficient operation. A task force also should review and update the study as to the economic benefits of an RTO. Funding requirements and sources of funding will need to be identified for (i) initial start-up costs, including the preparation of the October FERC filing, (ii) provision of working capital and other capital needs at start-up, and (iii) financing (although not directly undertaken by the RTO) of any new construction for which it is responsible after start-up.
6. Control area functions to be performed by the RTO: In IndeGO, concessions were made that reduced the ability to consolidate control area functions in the RTO. The work group should review whether such concessions remain appropriate. If multiple control areas, the work group should define the roles and alignment with the RTO in hierarchical control. The possibility of a phased transition to a single control area should be considered.
7. Transmission planning: The work group should review the IndeGO Planning White Paper and should decide if the approach described still is desired. In addition, the desirability of the proposed agreement among participants concerning planning matters (the so-called "Entity Charter") and of locking in the planning entities described therein should be reviewed. The RTO planning process should (i) consider the role of market participants as well as other partners in the process, (ii) look toward market driven mechanisms to the extent possible, (iii) be designed to achieve cost effectiveness, efficient expansion decisions, whether they involve additional transmission investment, generation capacity or load management, and (iv) address both reliability needs and expansion to relieve congestion, including development of a mechanism to determine whether a decision is driven by market or reliability concerns. Primary planning responsibility for some parts of the RTO transmission system may be retained by transmission providers. The Planning Work Group should address the split between the RTO's primary planning responsibilities and those of transmission providers or an ITC. The work group should address facilities inclusion, criteria for making capital investment decisions, funding, and rate treatment of transmission additions. The possibility of a phased implementation should be addressed.
8. Transmission Control Agreement and the RTO Governance: These documents need review and updates. The primary areas that need to be addressed are (i) the conflict of interest rules, (ii) the means of selecting competent, independent directors or trustees for the RTO, (iii) addition of provisions related to the RTO's market monitoring and interregional cooperation functions, (iv) any additional non-discriminatory standards needed to satisfy BPA's statutory obligations, (v) provisions

giving the RTO sole control over interconnections, and (vi) the role of a stakeholder advisory committee, including budget review.

9. RTO tariffs: The IndeGO tariff was drafted quite some time ago and was one of the last documents to be addressed during the IndeGO process. There have been numerous developments around the country since the IndeGO work was completed that suggest a fresh approach to the RTO Tariff would be preferable. The RTO Tariff should be designed to best accomplish the objectives of the RTO, consistent with Order 2000. Among other things, work on the RTO Tariff should take into account: (i) the need for a new generator connection policy; and (ii) treatment of must-take (typically associated with hydro spill) generating resource commitments. In accordance with FERC's policy of non-discrimination, the RTO Tariff should afford treatment that is not unduly discriminatory as among end use loads of the RTO transmission system regardless of whether such end use loads are (a) distribution or direct service loads of transmission owners that sign a TCA, (b) distribution loads of transmission-dependent utilities, or (c) distribution loads of transmission owners that do not sign a TCA due to a legal impediment.
10. Generation Integration Agreement, Load Integration Agreement, and Service Agreements: The agreements should be reviewed by the work group, however, and should be (i) revised to reflect the RTO's right to control transmission interconnections for transmission reliability and for bulk power transmission purposes, and (ii) revised as needed to comply with all post-IndeGO WSCC and security coordinator negotiations related to transmission reliability.
11. Payment Agent Agreement: In order to deal with BPA's issues related to payment of nuclear plant debt, the participating transmission owners will need to create an agency agreement, to provide for the collection of transmission revenues and for payments to the RTO and the transmission owners. The agreement will need to be structured so as to facilitate the RTO's borrowing and credit requirements and to address the Total BPA Cost Recovery Obligation.
12. State tax issues: A risk has been identified that BPA's (or a municipal utility's) entering into a Transmission Control Agreement might trigger property taxation of now tax-exempt property. A legal work group should consider how to avoid this problem, if possible, under current laws, or alternately should propose the legislation needed to avoid such additional taxation.
13. Transmission congestion reservations and the suspension of existing transmission contracts: Transmission congestion reservations and the treatment of existing contracts were spelled out in the IndeGO proposal, for contracts in effect as of mid-1998. This description needs to be updated to as close to the RTO filing date as is feasible. The existing exchanges and the South Idaho Exchange in particular need to be addressed. The rights of existing utilities to transmission used to serve native load and the oversubscription of paths need to be addressed.

14. Ancillary Services: The RTO's role as the supplier of last resort for ancillary services needs to be further defined, including how the RTO will foster competitive market pricing for the ancillary services it purchases. In addition, the work group should consider development of RTO rules concerning the acceptable provision of ancillary services on a self-provided or third-party-provided basis. Local grid reliability must be maintained. Treatment of renewables needs to be addressed.
15. Market Power Monitoring and Mitigation: The work group needs to define (i) the RTO's role in monitoring for anti-competitive behavior in the transmission and ancillary services markets and (ii) the nature of restrictions, if any, that might be placed on market participants to mitigate power problems.
16. Incentives for Performance Efficiency: The ongoing incentives for RTO employees or for any third party management company employed by the RTO to manage the RTO reliably and efficiently must be implemented by the RTO's independent board. However, the RTO Filing Utilities intend to investigate and describe in their FERC filing forms of incentives that could be used effectively.
17. Participation by BPA, Public, Co-operative, and Municipal Utilities Under Current Laws: One of the initial tasks of the RTO Filing Utilities will be to determine what, if any, RTO standards or provisions not already identified would be needed for BPA and other public entities to execute a Transmission Control Agreement with the RTO without change in currently applicable federal or state law. If such initial work indicates that the necessary standards or provisions would be inconsistent with RTO independence or with the principles of the RTO Filing Utilities, the necessary legislation to permit BPA's participation in a conforming RTO must be specified. The Columbia River Treaty and the BPA Cost Recovery Obligation issues need to be addressed, as do the problems that parties beside BPA potentially have with existing laws and participation in an RTO (e.g. tax-exempt financing, 85/15 rule for cooperatives).
18. Risk Management – Finance and Insurance: The issues of potential liabilities of the RTO and of the participating transmission owners was explored extensively during the IndeGO effort. However, these issues need to be revisited in light of ongoing market development and in light of the development of enhanced transmission security arrangements, to determine if the previous resolutions remain adequate. The liability of the RTO, if any, for its violations of the tariff should be addressed.
19. Independent (as defined in FERC Order 2000 Characteristic #1) transmission owners: How independent transmission owners interface with the ISO, including the division of any RTO function performed by an independent transmission owner, must be addressed. An independent transmission owner, in addition to an independent transmission company (ITC), may include but is not limited to independent Canadian entities.

20. Customer Benefits: a) Definition and b) Measurement.
21. Economic Incentives to Owners to Join RTO: Linked to issue 20.
22. Retail Load Access to the RTO system (Revised issue statement being prepared)
23. Operations: Operating protocols, staff, hardware and software (including that needed for OASIS, e-tagging, scheduling, billing, ancillary services, and congestion management) are needed to implement an RTO. How do established operations protocols need to be revised in order to accomplish this? How will other existing protocols such as phase shifter operations, use of nomograms, and islanding schemes be impacted? How will renewables be handled? Can all operational aspects be in place by December 15, 2001? Steps identifying how to transition operations from existing structure to an RTO need to be developed.
24. Canadian Cross Border: The Northwestern natural electricity market involves Canadian entities governed by totally different political, governance, regulatory, and social drivers. FERC encouraged the participation of Canadian entities in the RTO initiative, and the issue should be addressed in the filing of the jurisdictional entities.