

## ISSUE PRIORITIES

### **1. Recovery of fixed transmission costs:**

Facilities Inclusion - Defining which facilities will be used in the pricing scheme is essential. PNGC would propose a functional test: all facilities used to transmit power to wholesale utilities should be included in the RTO rate(s). Because this issue drives many other issues (input specification for the pricing model, planning, TCA issues), it should be addressed by the RRG as soon as possible. (Rural Co-ops, shared w/issues 7 & 8)

Transmission facilities included in the West RTO for purposes of area access charges and congestion management charges (i.e., which facilities are in and which are out of the RTO?) (FERC Juris Non-IOU, shared w/issue 3)

Facilities Inclusion/Exclusion. At a very early stage in this process, the RRG must establish which transmission facilities are included and excluded from the RTO for purposes of operations and cost recovery. As an element of issue 1, Recovery of fixed transmission costs, this determination greatly affects the revenue requirements of the RTO. As an element of issue 6, Control area functions to be performed by the RTO, this determination affects where control responsibility lies. As an element of issue 7, Transmission planning, this determination affects how local subtransmission needs will be addressed. As an element of issue 17, Participation by ... Municipal Utilities Under Current Laws, this determination affects whether many utilities in the region need to sign TCAs and generally how their facilities are integrated into regional operations. Public Generators take the position that only the primary functional elements of the regional bulk electric transmission system be included in the RTO operations, planning and cost recovery regime. Generator tie-lines as a general rule should not be included in RTO operations and cost recovery. Intertie facilities may be operated by the RTO, but the costs of these facilities should not be rolled-in to a regional network service charge. (Public Generators, shared w/issues 6,7, & 17)

In light of the concern regarding facilities inclusion and exclusion, the RTO should consider implementing a functionally segmented transmission rate. (Public Generators)

Facilities Inclusion: we believe that this issue should be narrowly defined to include transmission at wholesale only facilities. Some type of recognition for lower voltage vs. higher voltage delivery should be reflected in pricing. (Tx Scheduling Utilities)

Transmission facilities should be defined based on the function served by the facility in question. The RTO should include only those facilities that are used for a bulk power transfer function. If facilities that are not primarily bulk power are included in the RTO, then pricing should differentiate between bulk power transfer and local facilities. Interties facilities should be excluded from RTO network rates, or separate export rates should be established. Generation integration facilities should be excluded. (Urban/Westside TDUs)

Define “bulk power” transfer facilities transferred to the RTO to include only those facilities needed by the RTO to operate the bulk power transmission system.

If non-bulk power facilities are to be included in the RTO revenue requirement, then adopt pricing mechanisms that distinguish in rates between bulk and “local” facilities (e.g. segmented rates) or use direct assignment of the cost associated with the local facilities.

Exclusion of intertie facilities from network rates or establish export charges taking into consideration the roll-in of intertie costs.

Define and exclude generation-integration facilities from RTO control and network rates.

Develop procedures to assure that non-jurisdictional revenue requirements assigned to the RTO are just and reasonable. (DSI Customers, shared w/issue 4)

#### Definition of eligible customers (Industrial Customers)

Disposition of Existing Contracts and Transmission Rights – Existing loads within the Northwest are served through use of existing transmission rights. These rights may be held by a variety of parties and for a variety of durations. Insuring in some way that these rights be maintained for service to load is essential. This issue implicates congestion management, operations, pricing (measurement of costs shifts), implementation and a number of other areas necessary to the formation of an RTO, and should be addressed by the RRG as soon as possible. (Rural Co-ops, shared w/issue 3)

Treatment of existing contracts with respect to area access charges and congestion management charges/firm transmission rights. In particular, the treatment of existing contracts associated with delivery of federal hydropower must be addressed, since the purchasers of this power are precluded from re-selling the product to non-preference entities. (FERC Juris Non-IOU, shared w/issue 13)

Accommodation of existing transmission and bundled transmission/power contracts: RTO West must decide prior to beginning work on pricing, seams and congestion management the handling of existing bilateral or multi-lateral contracts. Entities have made long-term investment decisions on generation resources based on the existence of these contracts. UAMPS strongly believes that existing contracts have to be accommodated by the RTO. The Desert STAR RTO is accommodating existing contracts in its structure. If RTO West does not, this would be a major seams issue for entities that will operate in both RTO’s. This resolution may also resolve the cost shifting issue caused by certain facilities such as the interties being rolled in. The IndeGO model of suspending existing contracts in exchange for rights is not an acceptable resolution of this issue. (Non-BPA TDUs, shared w/issues 3 & 4)

There are two definitions of this issue being discussed and both are important: The resolution of the issue of interface with other utilities or RTO’s will be necessary for the operation of the interconnection as well as commercial transactions. UAMPS has load and resources in RTO West, Desert Star and may have direct interconnections with the California ISO and Rocky Mountain ISO at Mona, Utah and Bonanza, Utah. The

discussion at the RRG has focused almost entirely on the interface with the Cal ISO at COB. Other interfaces are also important. Also, much of the discussion has been on price reciprocity. UAMPS strongly believes that consistency in handling existing contracts, operational considerations and congestion management processes (as many “seams” will also be congested paths) are equally important to those entities that will be operating in multiple RTO’s.

The other “seams” issue concerns what facilities are operated/controlled by the RTO and what are considered local or distribution facilities. This issue needs resolution prior to work beginning in the pricing and congestion management workgroups. UAMPS position is that, at a minimum, all facilities used in the wholesale transactions under the jurisdiction of FERC should be operated and controlled by the RTO. Arbitrary definitions based on voltage level should not be used.(Non-BPA TDUs, shared w/issue 4)

Disposition of existing contracts is critical. For instance, not recognizing existing firm obligations would be opposed by my utilities. (Tx Sched Utilities, shared w/issue 13)

Existing contract treatment (Sierra Pacific/Nevada Power, shared w/issue 13)

The RTO should play an active role in ensuring that existing transmission rights are neither diminished nor expanded. (Marketers)

Cost shift must be minimized and mitigation must be addressed. Data inputs and modeling of scenarios should be sufficiently flexible to permit consideration of a limited number of identified alternatives and options that provide alternative means to mitigate cost shifts. (TDU/BPA Customers)

Costs of Participation: Shifting of costs among utilities should be minimized and costs of operating the RTO should be offset to the extent possible by identifiable reductions in individual utility operating costs. Estimated costs of operating the RTO in excess of estimated reductions in utility specific costs and any cost shifting among utilities associated with the proposed RTO rate structure should be identified early and mitigated wherever possible. This is important because the investor-owned Filing Utilities must obtain authority from their state regulatory commissions to transfer operating control to the RTO. Although statutory requirements vary from state to state, generally speaking to approve the transfer, state commissions must find no harm to the retail customers within their jurisdiction. (States, shared w/issue 5)

Cost recovery and pricing policies should be established to minimize the potential price increases to some subset of customers along geographic or other class lines. IndeGo provided for a long phase-in period to mitigate this concern. (Residential)

Cost shifts (Industrial Customers)

Evaluate cost-shift mitigation/transition mechanisms, using as a benchmark a customer’s existing direct transmission charges (DSI Customers, shared w/issue 4)

Access charges. Customers in sparsely populated states like Montana should not be forever disadvantaged (Montana Power)

Adequate cost recovery for transmission owners, including FERC's promised incentives (Montana Power, shared w/issue 21)

Incentive Ratemaking: The Filing Utilities have stated that they “intend to investigate and describe in their FERC filing forms of incentives that could be used effectively.” This issue should be decided prior to work beginning in the Pricing workgroup. To have the workgroup preparing two pricing models, one cost based and the other performance based probably cannot be done in the given time frame. In addition, no performance-based models have been presented to date. UAMPS does not believe that such a model can be developed by the filing date that will be accepted by the majority of the participants in the development of RTO West. The “open architecture” of the RTO should provide for a well-reasoned discussion and possible implementation in the future. UAMPS is also concerned that the recently announced ITC may implement some form of performance-based ratemaking, which the RTO will have to investigate thoroughly at the same time it is trying to form itself. Transmission Owners, including the ITC, should announce their revenue requirement and how it was arrived at as soon as possible for the RTO to evaluate. (Non-BPA TDUs)

Efficient Operation and Expansion of the System: The RTO should encourage efficient operation and expansion of the system through its pricing, planning and congestion management practices. The RTO tariff should include a congestion management and pricing mechanism that encourages economically efficient use of scarce transmission capacity, operation of generating resources, and timing and location of new generation and demand-side investments. The RTO planning process, including planning for local reliability, should facilitate least-cost solutions to transmission system needs, whether they involve additional transmission investment, new generation capacity or load management. (States, shared w/issues 3,7,&13)

Pricing of the cost of existing transmission assets (other than congestion costs) must be load-based (Pacifcorp)

The RTO should use load-based access fees to recover fixed costs of the existing system, which are not applied to individual transactions, but are recovered in some indirect way based on some measure of past usage. This will help ensure that intermittent renewable resources are not penalized for inherent resource characteristics and will make it easier to resolve rate pancakes across seams with other RTOs. (States, shared w/issue 4)

Fixed costs of the transmission to be covered through load-based charges. (Renewable Resources)

Pancaking of charges for use of high-voltage transmission must be eliminated. (Pacifcorp)

No transaction-based pancaking of charges that recover the fixed costs of the grid should be permitted: (i) within the RTO, and (ii) at the RTO's boundaries with other RTOs. (Independent Power Producers, shared w/issue 4)

#### Pricing Issues

a. Treatment of export and through sales appears to be a major issue which needs to be addressed up front by the RRG.

b. A common understanding of what "no pancaked rates" means to the RRG. Pancaking, in my mind, refers to the paying of additional embedded cost access charges or rates each time a transaction crosses a control area boundary or a transmission system. (Rural Co-ops)

Transmission pricing that does not adversely affect renewable resources, specifically intermittent central station resources. (Renewable Resources)

The RTO should be responsible for all transmission in the RTO's geographic region that is owned or controlled by participating transmission owners and by those who take service from the RTO. (Marketers)

Recovery of Fixed Transmission Costs (Avista)

Recovery of fixed Transmission costs (BPA, shared w/issue 20)

Recovery of Fixed Transmission Costs (Canada)

Recovery of fixed transmission costs (Sierra Pacific/Nevada Power)

Pricing issues (Tx Scheduling Utilities)

Pricing (Industrial Customers)

### **2. Transmission losses:**

Transmission losses should be assessed in a manner that recognizes the differential contribution to system losses due to location. A postage stamp approach to losses should be avoided. (Urban/Westside TDUs)

Transmission losses (Industrial Customers)

### **3. Congestion pricing:**

Congestion Management and Suspension of Existing Contracts:  
Means of dealing with existing transmission rights over constrained paths.

In some cases, certain customers benefit from the value of rights over a constrained path, although such customers do not necessarily use the constrained path for servicing load. (Avista, shared w/issue 13)

Develop procedures for firm transmission rights including initial allocation and duration of entitlement (DSI Customers, shared w/issue 13)

Need to look at FTR type pricing. Need to determine what pricing signals will cause new construction. (Sierra Pacific/Nevada Power)

Congestion pricing mechanisms that employ firm transmission rights must take into account existing contracts including bundled contracts, transfer agreements and exchanges. (TDU/BPA Customers)

Congestion management should be done in a manner that is practical and workable, and in a manner that either recognizes existing firm transmission rights across congested paths, or otherwise ensures that affordable transmission is available for service to regional loads. (Urban/Westside TDUs, shared w/issue 13)

Accommodation of existing transmission and bundled transmission/power contracts: RTO West must decide prior to beginning work on pricing, seams and congestion management the handling of existing bilateral or multi-lateral contracts. Entities have made long-term investment decisions on generation resources based on the existence of these contracts. UAMPS strongly believes that existing contracts have to be accommodated by the RTO. The Desert STAR RTO is accommodating existing contracts in its structure. If RTO West does not, this would be a major seams issue for entities that will operate in both RTO's. This resolution may also resolve the cost shifting issue caused by certain facilities such as the interties being rolled in. The IndeGO model of suspending existing contracts in exchange for rights is not an acceptable resolution of this issue. (Non-BPA TDUs, shared w/issues 1 & 4)

With the resolution of the existing contracts issue, the congestion management workgroup can begin to design a process/scheme for congestion management. The process should be designed to send the right signals to encourage new transmission construction. The IndeGO model and some of the comments made in the RRG were biased towards solving congestion with generation. This solution is not workable until the problem of market power of generators in many areas of RTO West is solved. (Non-BPA TDUs)

#### Congestion Management

- a. Must be usable by all impacted customers
- b. RRG should discuss whether congestion management is the appropriate vehicle for generation location and other price signals or if price signals should be built into the embedded cost recovery scheme. (Rural Co-ops)

Efficient Operation and Expansion of the System: The RTO should encourage efficient operation and expansion of the system through its pricing, planning and congestion management practices. The RTO tariff should include a congestion management and pricing mechanism that encourages economically efficient use of scarce transmission capacity, operation of generating resources, and timing and location of new generation and demand-side investments. The RTO planning process, including planning for local reliability, should facilitate least-cost solutions to transmission system needs, whether they involve additional transmission investment, new generation capacity or load management. (States, shared w/issues 1,7,&13)

The RTO's congestion management must be market-driven and designed to promote trading liquidity (PacifiCorp)

The transmission access model must be commercially-friendly, and must be market-driven rather than model-driven. It should: (i) be zone- and flowgate-based (simplified to keep the number of zones and flowgates to a manageable number), (ii) rely on grid users' acquisition of the necessary transmission rights to submit schedules, (iii) maximize the role of grid users in the acquisition of ancillary services, (iv) minimize the RTO's role to that of provider of last resort and require that the RTO dispatch ancillary services through transparent rules and clear price signals, and (v) provide grid users with the ability to adjust schedules until near-real-time through a continuous scheduling process. (Independent Power Producers, shared w/issues 13,14&23)

The transmission access model must be commercially-friendly and should be market-driven rather than model-driven. Building on the strengths of the IndeGO model and correcting the IndeGO model's deficiencies, the commercial model which grid users will see should: (i) be zone- and flowgate-based (simplified to keep the number of zones and flowgates to a manageable number); (ii) release to the marketplace, through annual auctions, 100% of all transmission scheduling rights that are not encumbered by existing obligations; (iii) promote the trading of such rights through transmission exchanges operated by the market; (iv) simplify the day-ahead scheduling process by requiring that grid users acquire the necessary transmission rights to submit schedules; and (v) provide grid users with the ability to adjust schedules until near-real-time through a continuous, post-day-ahead scheduling process. (Marketers, shared w/issues 13 & 23)

Congestion Management. Needs to incorporate the addition of new facilities as well as pricing control. The use of load management is at best a stopgap measure. (Tx Scheduling Utilities)

Transmission facilities included in the West RTO for purposes of area access charges and congestion management charges (i.e., which facilities are in and which are out of the RTO?) (FERC Juris Non-IOU, shared w/issue 1)

Develop a workable congestion pricing mechanism (DSI Customers, shared w/issue 13)

Congestion Pricing (BPA)

## Congestion Pricing (Canada)

### **4. Price reciprocity and other seams issues:**

Evaluate cost-shift mitigation/transition mechanisms, using as a benchmark a customer's existing direct transmission charges (DSI Customers, shared w/issue 1)

Minimization of seams-related costs between RTOs/ISOs, including losses, congestion managements charges, and transmission service charges. (FERC Juris Non-IOU)

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RRG should evaluate the goal of eliminating pancaked transmission charges between the Northwest RTO and the California ISO. If such a goal is retained, cost shifts to Northwest RTO associated with such seams issues must be eliminated/offset. (TDU/BPA Customers)

Define "bulk power" transfer facilities transferred to the RTO to include only those facilities needed by the RTO to operate the bulk power transmission system.

If non-bulk power facilities are to be included in the RTO revenue requirement, then adopt pricing mechanisms that distinguish in rates between bulk and "local" facilities (*e.g.* segmented rates) or use direct assignment of the cost associated with the local facilities.

Exclusion of intertie facilities from network rates or establish export charges taking into consideration the roll-in of intertie costs.

Define and exclude generation-integration facilities from RTO control and network rates. Develop procedures to assure that non-jurisdictional revenue requirements assigned to the RTO are just and reasonable. (DSI Customers, shared w/issue 1)

Seams. There are two definitions of this issue being discussed and both are important: The resolution of the issue of interface with other utilities or RTO's will be necessary for the operation of the interconnection as well as commercial transactions. UAMPS has load and resources in RTO West, Desert Star and may have direct interconnections with

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RRG should consider alternative rate treatments such as (1) “export” charges if interties are rolled in, or (2) exclusion of such facilities from RTO facilities.  
(TDU/BPA Customers)

RTO seams issue must be resolved so as to produce an efficient WSCC-wide market  
(PacifiCorp)

The authorities and roles of the RTO and WIO must be balanced: the WIO should be responsible for Western Interconnection-wide rules and policies for system planning, access, and seams issues; the RTO should focus on implementing the rules and on system operation. (Independent Power Producers)

RTO should encompass as broad a region as possible to ensure reliability and to broaden trading areas. (Renewable Resources)

Solve seam issues and pancaking. (Renewable Resources)

Need to eliminate pancakes with other RTOs (Sierra Pacific/Nevada Power)

No transaction-based pancaking of charges that recover the fixed costs of the grid should be permitted: (i) within the RTO, and (ii) at the RTO’s boundaries with other RTOs.  
(Independent Power Producers, shared w/issue 1)

The RTO should use load-based access fees to recover fixed costs of the existing system, which are not applied to individual transactions, but are recovered in some indirect way based on some measure of past usage. This will help ensure that intermittent renewable resources are not penalized for inherent resource characteristics and will make it easier to resolve rate pancakes across seams with other RTOs. (States, shared w/issue 1)

Price Reciprocity and Seams Issues (Canada)

Sovereign Status of Tribes: The sovereign status of Indian Tribes may not be compromised by the RTO. (Sovereign Tribes, share w/25, 7, and 17)

Explanation: All RTO documents should be drafted in such a manner that acknowledges this sovereignty. Where and when Indian Tribes have jurisdiction to tax or regulate electric power issues on reservation lands, a tribal utility law or regulation will be treated the same as a state law or regulation.

Land Based Right of Ways: The RTO will comply with all tribal and/or federal regulations for all activities on rights of ways on reservation lands. Leases of rights across Indian lands will only be transferred pursuant to existing applicable Federal and/or Tribal regulations. (Sovereign Tribes, share w/25, 7, and 17)

Explanation: Certain federal regulations apply to tribal rights of ways. In addition, certain tribal laws and regulations exist which govern the acquisition of rights of ways and the operation of land rights on tribal lands. Many rights of ways currently may not comply with federal law. At times when incongruities are found to exist, these incongruities will be resolved. Agreements outside the scope of right of way documents have been entered into between entities entering reservations and tribal leadership. These agreements will continue to be enforced. Maintenance of transmission lines and other land based rights must be accomplished with due consideration of tribal cultural places and resources such as archaeological sites, cultural plants, and traditional hunting, gathering and fishing areas where such areas are known to exist. Any assignment of Rights of Ways across reservation lands requires approval of all affected Tribes. It would be a concern if Bonneville Power Administration transferred any easements or other made other agreements related to Tribal Lands.

Tribal Consumers: The RTO should eliminate pancaking transmission costs for these tribal utilities. The RTO should also ensure that costs are not shifted to tribal utilities. The RTO should ensure that rural communities, especially those with a substantial percentage of low-income households, are not adversely affected by any changes in transmission. Reliability in remote areas will be a high priority. (Sovereign Tribes, share w/ 25, 7, and 17)

Explanation: Several Northwest tribes are in the process of establishing electric utilities, and all others are already transmission customers. Tribes are also located in remote, less populated areas.

Fish and Wildlife Restoration: There are several issues associated with the role of the transmission system in the restoration of fish and wildlife. (Sovereign Tribes, share w/ 25, 7, and 17)

A. *Spill to improve fish migration*: Fishery managers are seeking 24 hour spill at a number of hydroelectric projects as part of the regional effort to restore salmon and steelhead. Some parties have raised concerns that such spill operations would affect the

reliability of the power and transmission system. The RTO should have the necessary planning and funding mechanisms to identify any issues associated with fish and wildlife operations and implement a plan to adequately address power and/or transmission reliability issues. This function should be addressed immediately so fish and wildlife measures can be implemented as quickly as possible.

*B. Avoiding excessive spill:* There are times when fishery managers want to limit spill levels to control gas-supersaturation at dams. BPA currently has a right to transmit power generated to avoid excessive spill. The RTO needs to have a mechanism that would continue to allow BPA access to transmission so it can avoid excessive gas-supersaturation levels. Any added costs associated with this access would be part of the FCRPS operations and not counted as fish and wildlife costs for purposes of accounting.

*C. Emergency operations:* Power system operators currently draw down storage reservoirs to meet emergency electricity needs during extreme cold snaps. These operations can reduce the amount of water available later in the water year to improve salmon and steelhead migration. These so called emergency operations have an adverse affect on fish and wildlife, yet there appears to be little incentive in the current generation and transmission system to develop alternatives to deal with these emergencies that do not have an adverse affect on fish and wildlife. The RTO should have the planning and implementation resources necessary to avoid such operations in the future.

*D. Fish and wildlife funding:* BPA provides a significant amount of the funding for fish and wildlife restoration in the Columbia River Basin. Under current law, the BPA fund is composed of revenues from its power business and transmission business. In addition, BPA has assured Northwest tribes that it has the authority and intends to implement a transmission fee if necessary to fund fish and wildlife and assure repayment to the U.S. Treasury. The RTO and any associated legislation should not diminish in any way the ability of BPA to collect revenue to meet its fish and wildlife and other legal obligations from both the sale of power and related services and the sale of transmission services. The RTO must also avoid shifting costs to BPA. Cost shifting would reduce the margin between BPA's costs and market costs. This would reduce BPA's ability to fully fund fish and wildlife restoration.

Renewable and Other Energy Development: The RTO will devote transmission resources to renewable resources. Transmission rates will encourage and not discourage renewable resource development. (Sovereign Tribes, share w/ 25, 7, and 17)

Explanation: Tribal lands have the highest levels of poverty and unemployment in the country. Tribes are being encouraged, through grants and other federal programs, and governmental policies, to develop renewable energy and other energy projects. Tribes are also being encouraged, and have internal policies supporting economic development on reservation lands. Because reservations are usually located in remote and unpopulated areas, transmission is often limited and is the determining factor to the success of a renewable energy project. The RTO's

policies and procedures should encourage the use of transmission to further these policies.

Procedures: The Tribes will have adequate opportunity to review and comment on any proposal before any final decision is made. (Sovereign Tribes, share w/ 25, 7, and 17)

Explanation: ATNI-EDC is a coalition of tribal governments in Washington, Oregon, Idaho, and Montana. The right to negotiate tribal matters lies only with the tribal governments, not with ATNI-EDC. ATNI-EDC has taken on the role of gathering information about the RTO, participating in RTO meetings, and providing information between tribal leadership and the RRG and workgroups. ATNI-EDC will attempt to identify issues on both sides and provide information in a manner that will be helpful in resolving the issues.

RTO Tribal Policy: The RTO, in cooperation with tribes, will formulate a policy to address the communication and resolution of issues between the RTO and the Tribes for ongoing RTO activities. (Sovereign Tribes, share w/ 25, 7, and 17)

Explanation: The ongoing activities of the RTO may impact tribal matters as described above. The RTO should have a method for communicating with affected tribes if, for example, a cultural resource is discovered on a traditional tribal area, or to determine the tribal issues when transmission line maintenance will be done on reservation lands. Likewise, Tribes should understand how best to communicate with the RTO if issues arise.

## **5. RTO budgets:**

Costs of Participation: Shifting of costs among utilities should be minimized and costs of operating the RTO should be offset to the extent possible by identifiable reductions in individual utility operating costs. Estimated costs of operating the RTO in excess of estimated reductions in utility specific costs and any cost shifting among utilities associated with the proposed RTO rate structure should be identified early and mitigated wherever possible. This is important because the investor-owned FilingUtilities must obtain authority from their state regulatory commissions to transfer operating control to the RTO. Although statutory requirements vary from state to state, generally speaking to approve the transfer, state commissions must find no harm to the retail customers within their jurisdiction. (States, shared w/issue 1)

RTO budgets and start-up costs (Industrial Customers)

## **6. Control area functions to be performed by the RTO:**

Roles and Responsibilities for Reliable Operation (BPA, shared w/issue 23)

Facilities Inclusion/Exclusion. At a very early stage in this process, the RRG must establish which transmission facilities are included and excluded from the RTO for purposes of operations and cost recovery. As an element of issue 1, Recovery of fixed transmission costs, this determination greatly affects the revenue requirements of the RTO. As an element of issue 6, Control area functions to be performed by the RTO, this determination affects where control responsibility lies. As an element of issue 7, Transmission planning, this determination affects how local subtransmission needs will be addressed. As an element of issue 17, Participation by ... Municipal Utilities Under Current Laws, this determination affects whether many utilities in the region need to sign TCAs and generally how their facilities are integrated into regional operations. Public Generators take the position that only the primary functional elements of the regional bulk electric transmission system be included in the RTO operations, planning and cost recovery regime. Generator tie-lines as a general rule should not be included in RTO operations and cost recovery. Intertie facilities may be operated by the RTO, but the costs of these facilities should not be rolled-in to a regional network service charge. (Public Generators, shared w/issue 1,7, & 17)

Control area functions to be performed by the RTO and Ancillary Services, affect generating utilities that currently operate in a hierarchical mode with the surrounding control areas. (Public Generators, shared w/issue 14)

## **7. Transmission planning:**

The role and authority of the RTO vis-a-vis transmission owners in planning, requiring construction of, and restricting construction of (at least from inclusion in rates) new transmission facilities. (FERC Juris Non-IOU)

Regional v. Local Planning Responsibility: An aspect of issue 7, Transmission Planning, that needs additional emphasis concerns responsibility for planning local transmission to ensure reliability power delivery to loads. After establishing the appropriate "bright-line" between regional network transmission and local transmission, a mechanism for coordinated planning and operations must be established. (Public Generators)

Control over the planning and construction of local facilities (non-bulk transfer facilities), and the location and construction of resources (including both generation and demand side) should remain at the local utility level. (Urban/Westside TDUs)

The equal treatment and opportunity from the viewpoint of financial incentives to all entities -- investor-owned, municipally-owned, and cooperatively-owned -- constructing

new transmission facilities whose costs are included for recovery in area access charges, including those who own existing transmission facilities. (FERC Juris Non-IOU)

To the extent practicable rely on (certainly accommodate) market forces throughout the entire system, including at the end-use, ancillary services, and transmission expansion. (Renewable Resources, shared w/issue 14)

**Efficient Operation and Expansion of the System:** The RTO should encourage efficient operation and expansion of the system through its pricing, planning and congestion management practices. The RTO tariff should include a congestion management and pricing mechanism that encourages economically efficient use of scarce transmission capacity, operation of generating resources, and timing and location of new generation and demand-side investments. The RTO planning process, including planning for local reliability, should facilitate least-cost solutions to transmission system needs, whether they involve additional transmission investment, new generation capacity or load management. (States, shared w/issues 1,3,&13)

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**Sovereign Status of Tribes:** The sovereign status of Indian Tribes may not be compromised by the RTO. (Sovereign Tribes, share w/4, 25, and 17)

Explanation: All RTO documents should be drafted in such a manner that acknowledges this sovereignty. Where and when Indian Tribes have jurisdiction to tax or regulate electric power issues on reservation lands, a tribal utility law or regulation will be treated the same as a state law or regulation.

**Land Based Right of Ways:** The RTO will comply with all tribal and/or federal regulations for all activities on rights of ways on reservation lands. Leases of rights across Indian lands will only be transferred pursuant to existing applicable Federal and/or Tribal regulations. (Sovereign Tribes, share w/4, 25, and 17)

Explanation: Certain federal regulations apply to tribal rights of ways. In addition, certain tribal laws and regulations exist which govern the acquisition of rights of ways and the operation of land rights on tribal lands. Many rights of ways currently may not comply with federal law. At times when incongruities are found to exist, these incongruities will be resolved. Agreements outside the scope of right of way documents have been entered into between entities entering reservations and tribal leadership. These agreements will continue to be enforced. Maintenance of transmission lines and other land based rights must be accomplished with due consideration of tribal cultural places and resources such as archaeological sites, cultural plants, and traditional hunting, gathering and fishing areas where such areas are known to exist. Any assignment of Rights of Ways across reservation lands requires approval of all affected Tribes. It would be a concern if Bonneville Power Administration transferred any easements or other made other agreements related to Tribal Lands.

Tribal Consumers: The RTO should eliminate pancaking transmission costs for these tribal utilities. The RTO should also ensure that costs are not shifted to tribal utilities. The RTO should ensure that rural communities, especially those with a substantial percentage of low-income households, are not adversely affected by any changes in transmission. Reliability in remote areas will be a high priority. (Sovereign Tribes, share w/ 4, 25, and 17)

Explanation: Several Northwest tribes are in the process of establishing electric utilities, and all others are already transmission customers. Tribes are also located in remote, less populated areas.

Fish and Wildlife Restoration: There are several issues associated with the role of the transmission system in the restoration of fish and wildlife. (Sovereign Tribes, share w/ 4, 25, and 17)

A. *Spill to improve fish migration*: Fishery managers are seeking 24 hour spill at a number of hydroelectric projects as part of the regional effort to restore salmon and steelhead. Some parties have raised concerns that such spill operations would affect the reliability of the power and transmission system. The RTO should have the necessary planning and funding mechanisms to identify any issues associated with fish and wildlife operations and implement a plan to adequately address power and/or transmission reliability issues. This function should be addressed immediately so fish and wildlife measures can be implemented as quickly as possible.

B. *Avoiding excessive spill*: There are times when fishery managers want to limit spill levels to control gas-supersaturation at dams. BPA currently has a right to transmit power generated to avoid excessive spill. The RTO needs to have a mechanism that would continue to allow BPA access to transmission so it can avoid excessive gas-supersaturation levels. Any added costs associated with this access would be part of the FCRPS operations and not counted as fish and wildlife costs for purposes of accounting.

*C. Emergency operations:* Power system operators currently draw down storage reservoirs to meet emergency electricity needs during extreme cold snaps. These operations can reduce the amount of water available later in the water year to improve salmon and steelhead migration. These so called emergency operations have an adverse affect on fish and wildlife, yet there appears to be little incentive in the current generation and transmission system to develop alternatives to deal with these emergencies that do not have an adverse affect on fish and wildlife. The RTO should have the planning and implementation resources necessary to avoid such operations in the future.

*D. Fish and wildlife funding:* BPA provides a significant amount of the funding for fish and wildlife restoration in the Columbia River Basin. Under current law, the BPA fund is composed of revenues from its power business and transmission business. In addition, BPA has assured Northwest tribes that it has the authority and intends to implement a transmission fee if necessary to fund fish and wildlife and assure repayment to the U.S. Treasury. The RTO and any associated legislation should not diminish in any way the ability of BPA to collect revenue to meet its fish and wildlife and other legal obligations from both the sale of power and related services and the sale of transmission services. The RTO must also avoid shifting costs to BPA. Cost shifting would reduce the margin between BPA's costs and market costs. This would reduce BPA's ability to fully fund fish and wildlife restoration.

Renewable and Other Energy Development: The RTO will devote transmission resources to renewable resources. Transmission rates will encourage and not discourage renewable resource development. (Sovereign Tribes, share w/ 25, 4, and 17)

Explanation: Tribal lands have the highest levels of poverty and unemployment in the country. Tribes are being encouraged, through grants and other federal programs, and governmental policies, to develop renewable energy and other energy projects. Tribes are also being encouraged, and have internal policies supporting economic development on reservation lands. Because reservations are usually located in remote and unpopulated areas, transmission is often limited and is the determining factor to the success of a renewable energy project. The RTO's policies and procedures should encourage the use of transmission to further these policies.

Procedures: The Tribes will have adequate opportunity to review and comment on any proposal before any final decision is made. (Sovereign Tribes, share w/ 4, 25, and 17)

Explanation: ATNI-EDC is a coalition of tribal governments in Washington, Oregon, Idaho, and Montana. The right to negotiate tribal matters lies only with the tribal governments, not with ATNI-EDC. ATNI-EDC has taken on the role of gathering information about the RTO, participating in RTO meetings, and providing information between tribal leadership and the RRG and workgroups. ATNI-EDC will attempt to identify issues on both sides and provide information in a manner that will be helpful in resolving the issues.

RTO Tribal Policy: The RTO, in cooperation with tribes, will formulate a policy to address the communication and resolution of issues between the RTO and the Tribes for ongoing RTO activities. (Sovereign Tribes, share w/ 4, 25, and 17)

Explanation: The ongoing activities of the RTO may impact tribal matters as described above. The RTO should have a method for communicating with affected tribes if, for example, a cultural resource is discovered on a traditional tribal area, or to determine the tribal issues when transmission line maintenance will be done on reservation lands. Likewise, Tribes should understand how best to communicate with the RTO if issues arise.

### **8. Transmission Control Agreement and the RTO Governance:**

RTO must be both structurally and operationally independent of market participants and must serve the public's interest in societal efficiency (Environmental)

The RTO must be structurally and operationally independent of market participants, including control of its own budget. It should institutionalize broad stakeholder input, including direct market participants as well as consumer and environmental organizations. It must be structured to permit timely changes in the future, without being subject to capture by any single group of stakeholders. (Residential)

Transparent, open, process, that includes all stakeholders and that examines and accommodates all alternatives to enhanced transmission. (Renewable Resources)

The RTO Bylaws and Tariff must strictly adhere to FERC Order 2000's independence requirements for Board members, must ensure that all RTO stakeholder committees achieve a reasonable balance of the interests of all stakeholders, must ensure that no one constituency in any group or committee can dominate the recommendation or decision-making process over the objection of the other classes, and must ensure that membership in the affinity groups cannot be gamed or abused, as has occurred elsewhere in the west. (Independent Power Producers)

Participation by BPA that is the same as other TOs except where absolutely necessary to deal with truly unique features of BPA (Montana Power, shared w/issue 17)

Transmission Control Agreement and the RTO Governance (Canada)

Governance issues (Industrial Customers)

### **9. RTO tariffs:**

Determination of appropriately discriminatory operational and rate treatment of those entities that opt out of RTO, especially those whose only significant barrier to participation is higher (perceived or real) transmission costs in RTO participation. (FERC Juris Non-IOU)

File on October 15. Use Pro Forma to greatest extent possible to expedite process toward acceptance. (Sierra Pacific/Nevada Power)

The objectives and schedule for this phase (pre-October 2000) of activity should be aggressive but realistic. It is very unreasonable to believe that a large percentage of the details that are needed to write an RTO tariff can be defined in a 4-5 month period. Filing a tariff that glosses over important details should not even be considered, as that would threaten the proper implementation of the RTO. Unrealistic project goals will lead to failure or an unwarranted excuse for the filing utilities to take over the project. (Marketers)

The RTO Tariff must include comprehensive policies for the interconnection of new generation and for system expansion. These must include a standard interconnection tariff and RTO oversight and participation in the interconnection and expansion processes, although the RTO itself should not be a final decision-maker. (Independent Power Producers, shared w/issue 10)

RTO Tariffs (BPA)

RTO Tariffs (Canada)

### **10. Generation Integration Agreement, Load Integration Agreement, and Service Agreements:**

The RTO should accommodate net metering for generators behind load meters that do not significantly affect the transmission system. (Non-BPA TDUs)

The RTO should be structured to minimize the exercise of monopoly power by transmission or generation owners. The RTO should mitigate any competitive advantages accruing from the operation of a control area. The RTO should prohibit preferential treatment of affiliates. The RTO should ensure that grid interconnection requirements are fairly applied to all resource providers (Residential, shared w/issues 14 & 15)

The RTO Tariff must include comprehensive policies for the interconnection of new generation and for system expansion. These must include a standard interconnection tariff and RTO oversight and participation in the interconnection and expansion processes, although the RTO itself should not be a final decision-maker. (Independent Power Producers, shared w/issue 9)

## **11. Payment Agent Agreement:**

Participation by BPA, Public, Cooperative and Municipal Utilities under Current Laws. (BPA, shared w/issue 17)

What, if any, legislation is needed to assure that BPA can participate in the RTO consistent with full implementation of the “independence” standard. (DSI Customers, shared w/issue 17)

What, if any, legislation is needed to assure that BPA’s RTO revenue requirement is just and reasonable and preclude recovery of any generation-related costs through RTO grid changes (DSI Customers, shared w/issue 17)

## **12. State tax issues:**

### **13. Transmission congestion reservations and the suspension of existing transmission contracts:**

Congestion Management and Suspension of Existing Contracts:

Means of dealing with existing transmission rights over constrained paths.

In some cases, certain customers benefit from the value of rights over a constrained path, although such customers do not necessarily use the constrained path for servicing load. (Avista, shared w/issue 3)

Treatment of existing contracts with respect to area access charges and congestion management charges/firm transmission rights. In particular, the treatment of existing contracts associated with delivery of federal hydropower must be addressed, since the purchasers of this power are precluded from re-selling the product to non-preference entities. (FERC Juris Non-IOU, shared w/issue 1)

Develop procedures for firm transmission rights including initial allocation and duration of entitlement (DSI Customers, shared w/issue 3)

Congestion management should be done in a manner that is practical and workable, and in a manner that either recognizes existing firm transmission rights across congested paths, or otherwise ensures that affordable transmission is available for service to regional loads. (Urban/Westside TDUs, shared w/ issue 3)

Disposition of existing contracts is critical. For instance, not recognizing existing firm obligations would be opposed by my utilities. (Tx Scheduling Utilities, shared w/issue 1)

Service to Legacy Loads in the Northwest: The existing system was designed to have the capability to deliver power reliably to existing regional loads and accommodate regional load growth. These capabilities must convey as rights to existing transmission customers that are Load Serving Entities. Congestion created by off-system loads/resources should not burden these rights. This issue is primarily related to issue 13, Transmission

congestion reservations and the suspension of existing transmission contracts. Other issues are also impacted by the determination of how existing transmission contracts are dealt with. (Public Generators)

Both (1) bundled requirements power and transmission contracts and (2) “general transfer agreements” (Bonneville bilateral contracts with a non-federal transmission owner for transmission services to requirements utility loads not interconnected with Bonneville’s transmission system) must be addressed consistently and concurrently with other existing contracts. Service to legacy or native loads under existing contracts must be accommodated. Related issue: treatment of exchanges that occur in place of firm transmission. (TDU/BPA Customers)

Existing contract treatment (Sierra Pacific/Nevada Power, shared w/issue 1)

Efficient Operation and Expansion of the System: The RTO should encourage efficient operation and expansion of the system through its pricing, planning and congestion management practices. The RTO tariff should include a congestion management and pricing mechanism that encourages economically efficient use of scarce transmission capacity, operation of generating resources, and timing and location of new generation and demand-side investments. The RTO planning process, including planning for local reliability, should facilitate least-cost solutions to transmission system needs, whether they involve additional transmission investment, new generation capacity or load management. (States, shared w/issues 1,3&7)

The transmission access model must be commercially-friendly, and must be market-driven rather than model-driven. It should: (i) be zone- and flowgate-based (simplified to keep the number of zones and flowgates to a manageable number), (ii) rely on grid users’ acquisition of the necessary transmission rights to submit schedules, (iii) maximize the role of grid users in the acquisition of ancillary services, (iv) minimize the RTO’s role to that of provider of last resort and require that the RTO dispatch ancillary services through transparent rules and clear price signals, and (v) provide grid users with the ability to adjust schedules until near-real-time through a continuous scheduling process. (Independent Power Producers, shared w/issues 3,14&23)

The transmission access model must be commercially-friendly and should be market-driven rather than model-driven. Building on the strengths of the IndeGO model and correcting the IndeGO model’s deficiencies, the commercial model which grid users will see should: (i) be zone- and flowgate-based (simplified to keep the number of zones and flowgates to a manageable number); (ii) release to the marketplace, through annual auctions, 100% of all transmission scheduling rights that are not encumbered by existing obligations; (iii) promote the trading of such rights through transmission exchanges operated by the market; (iv) simplify the day-ahead scheduling process by requiring that grid users acquire the necessary transmission rights to submit schedules; and (v) provide grid users with the ability to adjust schedules until near-real-time through a continuous, post-day-ahead scheduling process. (Marketers, shared w/issues 3 & 23)

Identified facilities necessary to the RTO are those functioning as bulk power transfer facilities. Such a definition does not encompass all facilities of like voltage if some of those facilities do not function to transfer bulk power at wholesale. For example, a lower voltage line that transfers wholesale bulk power is appropriate to include in RTO. Related issues: treatment of existing contracts, service to legacy/native load, exchange arrangements. (TDU/BPA Customers)

Develop a workable congestion pricing mechanism (DSI Customers, shared w/issue 3)

#### **14. Ancillary services:**

RTO role in the provision of Ancillary Services: Does the RTO facilitate and manage an ancillary services market, or does it allow an "independent" ancillary services market to function (with monitoring of ancillary services from a reliability standpoint performed by the security coordination function, wherever it sits). (Avista)

There needs to be a market before designing market based pricing for ancillary services. In most of the RTO West area, existing generator owners have market power, especially in the provision of some of the ancillary services and until the industry can provide multiple suppliers of ancillary services to each load pocket, the rates for these services must be cost based. (Non-BPA TDUs)

The RTO proposal must include a workable plan for an efficient competitive market in ancillary services. (PacifiCorp)

Foster competitive markets as a means to least cost transmission solutions. The RTO should facilitate (or create where necessary) efficient competitive markets for ancillary services, energy imbalances, and transmission rights. The RTO should include both demand side and supply side solutions in transmission planning and addressing transmission constraints. The RTO should not erect barriers to entry or participation by intermittent resources. The RTO should consider the use of a multi-settlements approach to prevent the strategic withholding of generation and promote demand-side bidding. The RTO should ensure that transmission access for native load customers is not compromised since they have paid for the system to date. (Residential, shared w/issue 14)

The transmission access model must be commercially-friendly, and must be market-driven rather than model-driven. It should: (i) be zone- and flowgate-based (simplified to keep the number of zones and flowgates to a manageable number), (ii) rely on grid users' acquisition of the necessary transmission rights to submit schedules, (iii) maximize the role of grid users in the acquisition of ancillary services, (iv) minimize the RTO's role to that of provider of last resort and require that the RTO dispatch ancillary services through transparent rules and clear price signals, and (v) provide grid users with the ability to adjust schedules until near-real-time through a continuous scheduling process. (Independent Power Producers, shared w/issues 3,13&23)

The RTO rules for the RTO's procurement and use of ancillary services (including balancing energy) should maximize the roles of the grid users and minimize the roles of the RTO by: (i) ensuring that the RTO is truly a provider of last resort; (ii) unbundling ancillary services requirements and relying on ancillary services exchanges operated by the market for acquisition and trading of ancillary services; (iii) requiring the RTO to dispatch ancillary services through transparent rules and clear price signals; and (iv) ensuring that any residual duties performed by control area operators do not leave a control area operator with the ability to create competitive advantages for itself (including its retail services arm in places where retail access is instituted) over competitors. (Marketers)

We desire to have the option to either supply our own ancillary services or obtain them from a third party before to being forced to utilize the RTO. (Tx Scheduling Utilities)

To the extent practicable rely on (certainly accommodate) market forces throughout the entire system, including at the end-use, ancillary services, and transmission expansion. (Renewable Resources, shared w/issue 7)

The RTO should be structured to minimize the exercise of monopoly power by transmission or generation owners. The RTO should mitigate any competitive advantages accruing from the operation of a control area. The RTO should prohibit preferential treatment of affiliates. The RTO should ensure that grid interconnection requirements are fairly applied to all resource providers (Residential, shared w/issues 10 & 15)

Ensure that there are mechanisms for mitigation of undue market power in markets operated by the RTO, including those for ancillary services and remedial action scheme provision. (States, shared w/issue 15)

Control area functions to be performed by the RTO and Ancillary Services, affect generating utilities that currently operate in a hierarchical mode with the surrounding control areas. (Public Generators, shared w/issue 6)

RTO control of federal generation (BPA)

Ensure that intermittent renewable generators do not suffer a competitive disadvantage through operating and ancillary service provision requirements tailored to the characteristics of more conventional generating resources. (States, share w/issue 23)

### **15. Market power monitoring and mitigation:**

The RTO should be structured to minimize the exercise of monopoly power by transmission or generation owners. The RTO should mitigate any competitive advantages accruing from the operation of a control area. The RTO should prohibit

preferential treatment of affiliates. The RTO should ensure that grid interconnection requirements are fairly applied to all resource providers (Residential, share w/issues 10 & 14)

Ensure that there are mechanisms for mitigation of undue market power in markets operated by the RTO, including those for ancillary services and remedial action scheme provision. (States, shared w/issue 14)

The RTO will need reasonable rules for the mitigation of market power in transmission rights and ancillary services (including must-run energy in load pockets). Mitigation of generator market power should focus on reasonable, interim bid caps for existing resources that are determined to have market power. (Independent Power Producers)

### **16. Incentives for performance efficiency:**

### **17. Participation by BPA, Public, Co-operative, and Municipal Utilities under current laws:**

Extent of FERC oversight over BPA transmission revenue requirement; BPA Cost Recovery Obligation issues. (Avista)

The formation of the RTO must not diminish BPA's ability to meet its total cost recovery obligation (barring federal legislation) (Environmental)

What, if any, legislation is needed to assure that BPA can participate in the RTO consistent with full implementation of the "independence" standard. (DSI Customers, shared w/issue 11)

What, if any, legislation is needed to assure that BPA's RTO revenue requirement is just and reasonable and preclude recovery of any generation-related costs through RTO grid changes (DSI Customers, shared w/issue 11)

Currently BPA has certain transmission access rights to facilitate the avoidance of spill for fish protection (to limit Nitrogen gas saturation) at hydro facilities. These rights must not be diminished nor subject to significantly increased costs (Environmental)

Participation by BPA that is the same as other TOs except where absolutely necessary to deal with truly unique features of BPA (Montana Power, shared w/issue 8)

Establishing the ability of Bonneville to participate in the RTO in a manner that does not compromise an acceptable level of independence for the RTO is a very high priority item and needs to be addressed as quickly as possible. (States)

The formation of the RTO should not require any action, whether contractual or legislative, that will alter or diminish the security of BPA's third party debt obligations. (Urban/Westside TDUs)

Facilities Inclusion/Exclusion. At a very early stage in this process, the RRG must establish which transmission facilities are included and excluded from the RTO for purposes of operations and cost recovery. As an element of issue 1, Recovery of fixed transmission costs, this determination greatly affects the revenue requirements of the RTO. As an element of issue 6, Control area functions to be performed by the RTO, this determination affects where control responsibility lies. As an element of issue 7, Transmission planning, this determination affects how local subtransmission needs will be addressed. As an element of issue 17, Participation by ... Municipal Utilities Under Current Laws, this determination affects whether many utilities in the region need to sign TCAs and generally how their facilities are integrated into regional operations. Public Generators take the position that only the primary functional elements of the regional bulk electric transmission system be included in the RTO operations, planning and cost recovery regime. Generator tie-lines as a general rule should not be included in RTO operations and cost recovery. Intertie facilities may be operated by the RTO, but the costs of these facilities should not be rolled-in to a regional network service charge. (Public Generators, shared w/issues 1,6,&7)

Participation by BPA, Public, Cooperative and Municipal Utilities under Current Laws. (BPA, shared w/issue 11)

Sovereign Status of Tribes: The sovereign status of Indian Tribes may not be compromised by the RTO. (Sovereign Tribes, share w/4, 7, and 25)

Explanation: All RTO documents should be drafted in such a manner that acknowledges this sovereignty. Where and when Indian Tribes have jurisdiction to tax or regulate electric power issues on reservation lands, a tribal utility law or regulation will be treated the same as a state law or regulation.

Land Based Right of Ways: The RTO will comply with all tribal and/or federal regulations for all activities on rights of ways on reservation lands. Leases of rights across Indian lands will only be transferred pursuant to existing applicable Federal and/or Tribal regulations. (Sovereign Tribes, share w/4, 7, and 25)

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as archaeological sites, cultural plants, and traditional hunting, gathering and fishing areas where such areas are known to exist. Any assignment of Rights of Ways across reservation lands requires approval of all affected Tribes. It would be a concern if Bonneville Power Administration transferred any easements or other made other agreements related to Tribal Lands.

Tribal Consumers: The RTO should eliminate pancaking transmission costs for these tribal utilities. The RTO should also ensure that costs are not shifted to tribal utilities. The RTO should ensure that rural communities, especially those with a substantial percentage of low-income households, are not adversely affected by any changes in transmission. Reliability in remote areas will be a high priority. (Sovereign Tribes, share w/ 4, 7, and 25)

Explanation: Several Northwest tribes are in the process of establishing electric utilities, and all others are already transmission customers. Tribes are also located in remote, less populated areas.

Fish and Wildlife Restoration: There are several issues associated with the role of the transmission system in the restoration of fish and wildlife. (Sovereign Tribes, share w/ 4, 7, and 25)

A. *Spill to improve fish migration*: Fishery managers are seeking 24 hour spill at a number of hydroelectric projects as part of the regional effort to restore salmon and steelhead. Some parties have raised concerns that such spill operations would affect the reliability of the power and transmission system. The RTO should have the necessary planning and funding mechanisms to identify any issues associated with fish and wildlife operations and implement a plan to adequately address power and/or transmission reliability issues. This function should be addressed immediately so fish and wildlife measures can be implemented as quickly as possible.

B. *Avoiding excessive spill*: There are times when fishery managers want to limit spill levels to control gas-supersaturation at dams. BPA currently has a right to transmit power generated to avoid excessive spill. The RTO needs to have a mechanism that would continue to allow BPA access to transmission so it can avoid excessive gas-supersaturation levels. Any added costs associated with this access would be part of the FCRPS operations and not counted as fish and wildlife costs for purposes of accounting.

C. *Emergency operations*: Power system operators currently draw down storage reservoirs to meet emergency electricity needs during extreme cold snaps. These operations can reduce the amount of water available later in the water year to improve salmon and steelhead migration. These so called emergency operations have an adverse affect on fish and wildlife, yet there appears to be little incentive in the current generation and transmission system to develop alternatives to deal with these emergencies that do not have an adverse affect on fish and wildlife. The RTO should have the planning and implementation resources necessary to avoid such operations in the future.

*D. Fish and wildlife funding:* BPA provides a significant amount of the funding for fish and wildlife restoration in the Columbia River Basin. Under current law, the BPA fund is composed of revenues from its power business and transmission business. In addition, BPA has assured Northwest tribes that it has the authority and intends to implement a transmission fee if necessary to fund fish and wildlife and assure repayment to the U.S. Treasury. The RTO and any associated legislation should not diminish in any way the ability of BPA to collect revenue to meet its fish and wildlife and other legal obligations from both the sale of power and related services and the sale of transmission services. The RTO must also avoid shifting costs to BPA. Cost shifting would reduce the margin between BPA's costs and market costs. This would reduce BPA's ability to fully fund fish and wildlife restoration.

Renewable and Other Energy Development: The RTO will devote transmission resources to renewable resources. Transmission rates will encourage and not discourage renewable resource development. (Sovereign Tribes, share w/ 4, 7, and 25)

Explanation: Tribal lands have the highest levels of poverty and unemployment in the country. Tribes are being encouraged, through grants and other federal programs, and governmental policies, to develop renewable energy and other energy projects. Tribes are also being encouraged, and have internal policies supporting economic development on reservation lands. Because reservations are usually located in remote and unpopulated areas, transmission is often limited and is the determining factor to the success of a renewable energy project. The RTO's policies and procedures should encourage the use of transmission to further these policies.

Procedures: The Tribes will have adequate opportunity to review and comment on any proposal before any final decision is made. (Sovereign Tribes, share w/ 4, 7, and 25)

Explanation: ATNI-EDC is a coalition of tribal governments in Washington, Oregon, Idaho, and Montana. The right to negotiate tribal matters lies only with the tribal governments, not with ATNI-EDC. ATNI-EDC has taken on the role of gathering information about the RTO, participating in RTO meetings, and providing information between tribal leadership and the RRG and workgroups. ATNI-EDC will attempt to identify issues on both sides and provide information in a manner that will be helpful in resolving the issues.

RTO Tribal Policy: The RTO, in cooperation with tribes, will formulate a policy to address the communication and resolution of issues between the RTO and the Tribes for ongoing RTO activities. (Sovereign Tribes, share w/ 4, 7, and 25)

Explanation: The ongoing activities of the RTO may impact tribal matters as described above. The RTO should have a method for communicating with affected tribes if, for example, a cultural resource is discovered on a traditional tribal area, or to determine the tribal issues when transmission line maintenance will be done on reservation lands.

Likewise, Tribes should understand how best to communicate with the RTO if issues arise.

**18. Risk management – Finance and insurance:**

Liabilities of the RTO and participating transmission owners under an evolving mandatory reliability criteria construct. (Avista)

**19. ITC functions:**

Compatibility between the RTO and the ITC (Montana Power)

**20. Customer benefits:**

Recovery of fixed Transmission costs (cost shifts will impact the cost/benefit of an RTO) (BPA, shared w/issue 1)

The RTO should provide for benefits to all customers. Benefits that accrue as a result of a transformation of the regional network should flow through to ultimate consumers (Residential)

**21. Economic incentives to owners to join RTO:**

Adequate cost recovery for transmission owners, including FERC's promised incentives (Montana Power, shared w/issue 1)

**22. Retail load access to the RTO system:**

Differences between states with and without direct retail access legislation in place. (Avista)

The RTO rules must anticipate retail access and ensure that, where retail access does occur, the RTO rules related to transmission access, the roles of control area operators, metering, load profiling, etc. are competitively neutral towards all users of the RTO grid. (Marketers)

**23. Operations:**

Roles and Responsibilities for Reliable Operation (BPA, shared w/issue 6)

Operations (Canada)

We need to have an RTO startup that is fast but well managed to ensure reliability and no unintended market impacts (Montana Power)

Foster competitive markets as a means to least cost transmission solutions. The RTO should facilitate (or create where necessary) efficient competitive markets for ancillary services, energy imbalances, and transmission rights. The RTO should include both demand side and supply side solutions in transmission planning and addressing transmission constraints. The RTO should not erect barriers to entry or participation by intermittent resources. The RTO should consider the use of a multi-settlements approach to prevent the strategic withholding of generation and promote demand-side bidding. The RTO should ensure that transmission access for native load customers is not compromised since they have paid for the system to date. (Residential, shared w/issue 14)

The transmission access model must be commercially-friendly, and must be market-driven rather than model-driven. It should: (i) be zone- and flowgate-based (simplified to keep the number of zones and flowgates to a manageable number), (ii) rely on grid users' acquisition of the necessary transmission rights to submit schedules, (iii) maximize the role of grid users in the acquisition of ancillary services, (iv) minimize the RTO's role to that of provider of last resort and require that the RTO dispatch ancillary services through transparent rules and clear price signals, and (v) provide grid users with the ability to adjust schedules until near-real-time through a continuous scheduling process. (Independent Power Producers, shared w/issues 3,13&14)

The transmission access model must be commercially-friendly and should be market-driven rather than model-driven. Building on the strengths of the IndeGO model and correcting the IndeGO model's deficiencies, the commercial model which grid users will see should: (i) be zone- and flowgate-based (simplified to keep the number of zones and flowgates to a manageable number); (ii) release to the marketplace, through annual auctions, 100% of all transmission scheduling rights that are not encumbered by existing obligations; (iii) promote the trading of such rights through transmission exchanges operated by the market; (iv) simplify the day-ahead scheduling process by requiring that grid users acquire the necessary transmission rights to submit schedules; and (v) provide grid users with the ability to adjust schedules until near-real-time through a continuous, post-day-ahead scheduling process. (Marketers, shared w/issues 3 & 13)

Ensure that intermittent renewable generators do not suffer a competitive disadvantage through operating and ancillary service provision requirements tailored to the characteristics of more conventional generating resources (States, share w/issue 14)

#### **24. Canadian Cross Border:**

Recovery of Fixed Transmission Costs (Canada, share w/issue 1)

Congestion Pricing (Canada, share w/issue 3)

Price Reciprocity and Seams Issues (Canada, share w/issue 4)

RTO Tariffs (Canada, share w/issue 9)

Transmission Control Agreement and the RTO Governance (Canada, share w/issue 8)

Operations (Canada, share w/issue 23)

## **25. Sovereign Tribes:**

Sovereign Status of Tribes: The sovereign status of Indian Tribes may not be compromised by the RTO. (Sovereign Tribes, share w/4, 7, and 17)

Explanation: All RTO documents should be drafted in such a manner that acknowledges this sovereignty. Where and when Indian Tribes have jurisdiction to tax or regulate electric power issues on reservation lands, a tribal utility law or regulation will be treated the same as a state law or regulation.

Land Based Right of Ways: The RTO will comply with all tribal and/or federal regulations for all activities on rights of ways on reservation lands. Leases of rights across Indian lands will only be transferred pursuant to existing applicable Federal and/or Tribal regulations. (Sovereign Tribes, share w/4, 7, and 17)

Explanation: Certain federal regulations apply to tribal rights of ways. In addition, certain tribal laws and regulations exist which govern the acquisition of rights of ways and the operation of land rights on tribal lands. Many rights of ways currently may not comply with federal law. At times when incongruities are found to exist, these incongruities will be resolved. Agreements outside the scope of right of way documents have been entered into between entities entering reservations and tribal leadership. These agreements will continue to be enforced. Maintenance of transmission lines and other land based rights must be accomplished with due consideration of tribal cultural places and resources such as archaeological sites, cultural plants, and traditional hunting, gathering and fishing areas where such areas are known to exist. Any assignment of Rights of Ways across reservation lands requires approval of all affected Tribes. It would be a concern if Bonneville Power Administration transferred any easements or other made other agreements related to Tribal Lands.

Tribal Consumers: The RTO should eliminate pancaking transmission costs for these tribal utilities. The RTO should also ensure that costs are not shifted to tribal utilities. The RTO should ensure that rural communities, especially those with a substantial percentage of low-income households, are not adversely affected by any changes in

transmission. Reliability in remote areas will be a high priority. (Sovereign Tribes, share w/ 4, 7, and 17)

Explanation: Several Northwest tribes are in the process of establishing electric utilities, and all others are already transmission customers. Tribes are also located in remote, less populated areas.

Fish and Wildlife Restoration: There are several issues associated with the role of the transmission system in the restoration of fish and wildlife. (Sovereign Tribes, share w/ 4, 7, and 17)

A. *Spill to improve fish migration*: Fishery managers are seeking 24 hour spill at a number of hydroelectric projects as part of the regional effort to restore salmon and steelhead. Some parties have raised concerns that such spill operations would affect the reliability of the power and transmission system. The RTO should have the necessary planning and funding mechanisms to identify any issues associated with fish and wildlife operations and implement a plan to adequately address power and/or transmission reliability issues. This function should be addressed immediately so fish and wildlife measures can be implemented as quickly as possible.

B. *Avoiding excessive spill*: There are times when fishery managers want to limit spill levels to control gas-supersaturation at dams. BPA currently has a right to transmit power generated to avoid excessive spill. The RTO needs to have a mechanism that would continue to allow BPA access to transmission so it can avoid excessive gas-supersaturation levels. Any added costs associated with this access would be part of the FCRPS operations and not counted as fish and wildlife costs for purposes of accounting.

C. *Emergency operations*: Power system operators currently draw down storage reservoirs to meet emergency electricity needs during extreme cold snaps. These operations can reduce the amount of water available later in the water year to improve salmon and steelhead migration. These so called emergency operations have an adverse affect on fish and wildlife, yet there appears to be little incentive in the current generation and transmission system to develop alternatives to deal with these emergencies that do not have an adverse affect on fish and wildlife. The RTO should have the planning and implementation resources necessary to avoid such operations in the future.

D. *Fish and wildlife funding*: BPA provides a significant amount of the funding for fish and wildlife restoration in the Columbia River Basin. Under current law, the BPA fund is composed of revenues from its power business and transmission business. In addition, BPA has assured Northwest tribes that it has the authority and intends to implement a transmission fee if necessary to fund fish and wildlife and assure repayment to the U.S. Treasury. The RTO and any associated legislation should not diminish in any way the ability of BPA to collect revenue to meet its fish and wildlife and other legal obligations from both the sale of power and related services and the sale of transmission services. The RTO must also avoid shifting costs to BPA. Cost shifting would reduce

the margin between BPA's costs and market costs. This would reduce BPA's ability to fully fund fish and wildlife restoration.

Renewable and Other Energy Development: The RTO will devote transmission resources to renewable resources. Transmission rates will encourage and not discourage renewable resource development. (Sovereign Tribes, share w/ 4, 7, and 17)

Explanation: Tribal lands have the highest levels of poverty and unemployment in the country. Tribes are being encouraged, through grants and other federal programs, and governmental policies, to develop renewable energy and other energy projects. Tribes are also being encouraged, and have internal policies supporting economic development on reservation lands. Because reservations are usually located in remote and unpopulated areas, transmission is often limited and is the determining factor to the success of a renewable energy project. The RTO's policies and procedures should encourage the use of transmission to further these policies.

Procedures: The Tribes will have adequate opportunity to review and comment on any proposal before any final decision is made. (Sovereign Tribes, share w/ 4, 7, and 17)

Explanation: ATNI-EDC is a coalition of tribal governments in Washington, Oregon, Idaho, and Montana. The right to negotiate tribal matters lies only with the tribal governments, not with ATNI-EDC. ATNI-EDC has taken on the role of gathering information about the RTO, participating in RTO meetings, and providing information between tribal leadership and the RRG and workgroups. ATNI-EDC will attempt to identify issues on both sides and provide information in a manner that will be helpful in resolving the issues.

RTO Tribal Policy: The RTO, in cooperation with tribes, will formulate a policy to address the communication and resolution of issues between the RTO and the Tribes for ongoing RTO activities. (Sovereign Tribes, share w/ 4, 7, and 17)

Explanation: The ongoing activities of the RTO may impact tribal matters as described above. The RTO should have a method for communicating with affected tribes if, for example, a cultural resource is discovered on a traditional tribal area, or to determine the tribal issues when transmission line maintenance will be done on reservation lands. Likewise, Tribes should understand how best to communicate with the RTO if issues arise.

