

JULY 2000 STATUS REPORT TO THE FEDERAL ENERGY REGULATORY COMMISSION ON RTO WEST ACTIVITIES

This report briefly outlines the status of work on RTO West with respect to each of the minimum characteristics and functions the Federal Energy Regulatory Commission requires in Order 2000 for regional transmission organizations.

Minimum Characteristics:

1. **Independence.** On March 17, eight investor-owned utilities¹ and the Bonneville Power Administration (collectively, the “Filing Utilities”) distributed a short document (the “Form and Structure Outline”) summarizing the Filing Utilities’ consensus views concerning the form and structure of a regional transmission organization for the RTO West region. The Form and Structure Outline specifies that the RTO will be governed by an independent board of directors or trustees, and that a stakeholder advisory board will also be formed to advise the RTO governing board. Work on RTO West governance is proceeding on this basis. Discussions are currently focused on details such as standards for defining director or trustee independence and conflict-of-interest provisions. Other areas of discussion are how independent directors or trustees of the RTO are to be selected, as well as the constitution of a stakeholder advisory committee.
2. **Scope and Regional Configuration.** The Form and Structure Outline states that RTO West is to be designed to cover the transmission systems of all transmission owners that are located in the United States portion of the Northwest Power Pool and willing to participate in the RTO, as well as transmission facilities of the Nevada Power Company. The design should also reasonably accommodate participation by other transmission owners within the Western Systems Coordinating Council (“WSCC”) area, including the Canadian portion of the Northwest Power Pool. With these objectives in mind, RTO discussions include representatives (through the RTO West Regional Representatives Group or “RRG”) from virtually every industry sector in the Northwest Power Pool area, as well as governmental agencies, consumer and environmental representatives, and tribal representatives. This broad participation is intended to allow RTO development to be informed by the diverse needs and preferences of all these groups. The goal is to allow all interested transmission owners with the ability and desire to participate in the RTO to do so, if not immediately, then over the course of time. In addition, to facilitate integration of U.S. and Canadian transmission-related activities, while recognizing important technical, legal, and sovereignty issues, the Filing Utilities and Canadian representatives have formed a Canadian-U.S. Adjunct Committee (the “Adjunct Committee”). The Adjunct Committee is working actively to develop mechanisms to foster Canadian and U.S. transmission coordination and integration.

¹ The eight investor-owned utilities are Avista Corp., Idaho Power Company, The Montana Power Company, Nevada Power Company, PacifiCorp, Portland General Electric Company, Puget Sound Energy, Inc., and Sierra Pacific Power.

3. Operational Authority. In addition to the Form and Structure Outline, the Filing Utilities also distributed on March 17, 2000, a set of consensus principles concerning RTO development (the "Consensus Principles"). With respect to operational authority and short-term reliability, the Consensus Principles state:

"The RTO's Operational Authority and the RTO's authority for maintaining Short-Term Reliability shall not be separated. The RTO specifically shall have the authority (a) to approve and with appropriate compensation to transmission owners to cover additional maintenance costs, to alter transmission maintenance schedules and (b) to enter into agreements that would result in transmission facility interconnections, additions, expansions and upgrades that the RTO found were needed to facilitate transmission reliability and to meet economically the transmission requirements of the wholesale power market."

The RTO West Legal Work Group is working on draft forms of agreement for transmission control, generation integration, load integration, scheduling coordinator functions, and security coordination. These agreements are designed, collectively, to give RTO West the operational authority and exclusive responsibility for short-term reliability contemplated by Order 2000.

4. Short-Term Reliability. Please refer to the discussion under "Operational Authority" above. We currently anticipate that RTO West will have emergency generation re-dispatch rights, as well as the ability to activate pre-established remedial action schemes, under RTO West's form of generation integration agreement. In addition, the current approach to security coordination for RTO West contemplates using the Northwest Power Pool area's existing security coordination organization, Pacific Northwest Security Coordinator (a Washington non-profit corporation funded through WSCC membership dues).

Minimum Functions:

1. Tariff Administration and Design. The RTO West Transmission Pricing Work Group is currently working to define the basic elements of RTO West's tariff design. Once the Transmission Pricing Work Group reaches consensus on the pricing structure and facilities to be included, its recommendations will be submitted to the RRG for its consideration.
2. Congestion Management. The RTO West Congestion Management Work Group is actively working to develop a market-based congestion management scheme, coordinating closely with the RTO West Ancillary Services Work Group. A key element of producing a workable congestion management scheme will be translating market participants' existing firm contractual transmission rights, which are based on our current rated contract path system, into rights that mesh with the new, market-based scheme.
3. Parallel Path Flow. We expect to address management of parallel path flows through three main elements: (a) continued use of existing approaches (such as the WSCC's coordinated

phase-shifting transformer program); (b) an effective congestion management scheme; and (c) coordination with other regional transmission organizations in the WSCC area (discussed further under “Interregional Coordination” below).

4. Ancillary Services. We are taking as a basic premise that RTO West will, at a minimum, provide for the ancillary services identified in Order 888. With that basic assumption, the RTO West Ancillary Services Work Group is focusing on: (a) how to foster competitive markets for the provision of ancillary services (both for RTO West’s procurement in its role as provider-of-last-resort and for bilateral transactions among market participants); (b) defining any additional ancillary services products beyond the minimum required by Order 888; (c) developing rules for self- and third-party-provision of ancillary services; and (d) working with the RTO West Congestion Management and Implementation Work Groups to understand significant implementation constraints.
5. OASIS and Total Transmission Capacity (TTC) and Available Transmission Capacity (ATC). Work on tariff design and administration and operational implementation is proceeding with the understanding that RTO West will maintain and administer its own OASIS site and will be responsible for calculation of TTC and ATC.
6. Market Monitoring. The RTO West Market Monitoring Work Group has recently conducted a workshop to provide basic information about current market monitoring activities performed by existing Independent System Operators around the country. With this background knowledge, the Market Monitoring Work Group is working to define what markets RTO West should monitor and what the scope of those monitoring activities will be. As with other work group processes, the consensus recommendations developed by the Market Monitoring Work Group will be submitted to the RRG for its consideration.
7. Planning and Expansion. The RTO West Transmission Planning Work Group is working to develop an effective, collaborative, and coordinated planning process that will meet the requirements of Order 2000 and the commercial and reliability needs of the RTO West area. As noted above under “Operational Authority,” one of the Filing Utilities’ Consensus Principles states that RTO West will have authority “to enter into agreements that would result in transmission facility interconnections, additions, expansions and upgrades that the RTO [finds are] needed to facilitate transmission reliability and to meet economically the transmission requirements of the wholesale power market.”
8. Interregional Coordination. The RTO West process is actively addressing interregional coordination through three main mechanisms: (a) the RTO West Seams Work Group; (b) the Adjunct Committee (described under “Scope and Regional Configuration” above); and (c) participation in and coordination with the activities and committees of the WICF process. (WICF stands for “Western Interconnection Coordinating Forum.” WICF is an *ad hoc* group composed of the WSCC, the Western Regional Transmission Association, the Northwest Regional Transmission Association, the Southwest Regional Transmission Association, the Northwest Power Pool, the Colorado Coordinated Planning Group, the California ISO, and the Committee on Regional Electric Power Cooperation.) On June 20, the RTO West Seam Work Group held a joint workshop in Salt Lake City under the auspices of WICF’s Western

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Market Interface Committee. Representatives from throughout the WSCC attended and initiated a very useful dialog on current “seams” issues and potential solutions within the WSCC. In addition, current WICF efforts center on developing a single, more integrated organization to facilitate grid management activities in the West (often referred to as the Western Interconnection Organization or “WIO”). Representatives of virtually all of the Filing Utilities are participating in this process and working to make sure that RTO and WIO developments and activities mesh with and complement each other.