

**RTO West**  
**BENEFITS & COSTS WORK GROUP MEETING**  
 On July 12, 2000  
 (BC WG03)

at BPA’s DITTMER Control Center, Vancouver, WA  
 and Telephone Conference Call  
 2:00 pm – 5:00 pm

**Work Group Meeting Summary**

**Attendees (12 attendees, 3 by telephone):**

Geoff Carr	NW Requirements Customers	503-288-8902	<a href="mailto:GHCarr@pacifier.com">GHCarr@pacifier.com</a>
Phil Carver	ODOE	503-378-6874	<a href="mailto:philip.h.carver@state.or.us">philip.h.carver@state.or.us</a>
Dave Gilman	BPA – TBL	360-418-8689	<a href="mailto:dlgilman@bpa.gov">dlgilman@bpa.gov</a>
Coe Hutchison	Snohomish Co. PUD	425-514-5665	<a href="mailto:cmhutchison@snopud.com">cmhutchison@snopud.com</a>
John Leland	Montana Power Co.	406-497-3383	<a href="mailto:jleland@mtpower.com">jleland@mtpower.com</a>
Don Matheson	BPA – TBL	360-418-8692	<a href="mailto:drmatheson@bpa.gov">drmatheson@bpa.gov</a>
Larry Nordell	Montana DEQ	406-444-6757	<a href="mailto:lnordell@state.mt.us">lnordell@state.mt.us</a>
Kevin O’Meara	Public Power Council	503-232-2427	<a href="mailto:kpom@well.com">kpom@well.com</a>
Margaret Pedersen	BPA – PBL	503-230-3603	<a href="mailto:mepedersen@bpa.gov">mepedersen@bpa.gov</a>
Lon Peters	Public Generating Pool	503-203-1539	<a href="mailto:lpeters@teleport.com">lpeters@teleport.com</a>
Vickie VanZandt	BPA – TBL	360-418-8459	<a href="mailto:vrvanzandt@bpa.gov">vrvanzandt@bpa.gov</a>
Linc Wolverton	ICNU	360-263-3675	<a href="mailto:lwolv@worldaccessnet.com">lwolv@worldaccessnet.com</a>

**Calendar:**

June 19, 2000	Kick Off Meeting for Work Group (Meeting #1) Complete	Ross – DOB-1 (102)
June 28, 2000	Benefits & Costs Work Group (Meeting #2)	Ross – Dittmer (211)
July 5, 2000	NO MEETING	
July 12, 2000	Benefits & Costs Work Group (Meeting #3)	Ross – Dittmer (211)
July 19, 2000	Benefits & Costs Work Group (Meeting #4)	Ross – DOB-1 (102)
July 26, 2000	Benefits & Costs Work Group (Meeting #5)	Ross – DOB-1 (102)

<b>Assignments (Includes Action Items) from June 19 and June 28 Work Group Meetings:</b>	<b>Status</b>
<del>1. Work Group Members review previous benefits reports:</del> <del>1. IndeGO Benefits Report – Final Draft – dated 7/28/98</del> <del>2. Summary of Potential Benefits of a NW RTO – dated 11/10/99</del>	Done
2. Develop list of problems perceived (specific to NW) that an RTO would help solve. Test draft list with interested parties. Vickie: Add operational, expansion issues to list developed in Seams Workshop Team: Test draft issues list	Started with initial list developed in seams workshop. Need to augment and test with interested

Bud: Distribute to interested parties for comment/additions	parties.
3. <del>Find links to other Work Groups as they make decisions on access and congestion pricing, and on structure and function.</del>	Done. Geoff Carr and Dave Gilman for Pricing.  Don Watkins, John McGhee and Jim Vinson for Implementation.
4. <del>Test Work Group Scope with RRG on June 27.</del>	Done.
5. <del>Research benefits analysis done by others: FERC's \$20B estimated benefits from restructuring — Don M. Analysis of benefits/impacts by region done by EIA — Vickie</del>	Done.
6. <del>Quantify benefits from RTO control area performing regulation services —(by State if possible) Warren McReynolds</del>	Done.
7. Update old benefits studies with current assumptions/participating utilities. <del>Select best model we can find from these: — Don Matheson GE-MAP PMDAM LCG — Uplan Henwood's assessment of Generation capacity benefits Aurora</del> Reassess broad categories of benefits: -- Don to find participants in modeling effort. Generation capacity Reduced friction from elimination of pancakes Fuel savings from more efficient dispatch	Selected Aurora as preferred model.  Trying to line up Resources to run simulations
8. Arrange first workshop for end of July or early August – Vickie	Date selected July 31 @ PDX Conf Center.  Need to get word out.

**Summary of Consensus (Decisions Made)**

We chose the Aurora model to simulate potential benefits in RTO formation. We are now trying to line up resources to run the simulations.

We decided to research the FERC analysis of restructuring impacts and see what could be usable or applicable for our efforts.

We will hold our first of two workshops at the end of July or early August.

## **Highlights of Meeting by Agenda Topic**

### **Agenda Topic 1 – Finalized June 28 Minutes**

Minutes reviewed, approved, and posted on the NWRTO website.

### **Agenda Topic 2 – Report On Efforts to Update Modeled Study**

Don Matheson reported on inquiries into a simulation study scope. The BPA PBL is conducting training in the use of the Aurora model. New resources in addition to Rob Anderson and Dennis Phillips. Don will consider other options for resources, including the NWPPC and bring back a study scope at the July 19 meeting.

### **Agenda Topic 3 – DOE Office of Policy Analysis**

Vickie found and distributed a summary of the May 1999 publication ‘Supporting Analysis for the Comprehensive Electricity Competition Act (from the DOE Office of Economic, Electricity and Natural Gas Analysis, Office of Policy). It has some regional results tabulated. For the NW, it describes impacts within the NW Power Pool region, which is larger than the proposed RTO. The results describe projected retail electricity prices by region, which shows for the NWPP a 1 cent/kwh decrease by the year 2010. The summary shows approximately the same prices for both transmission and distribution, with lower prices for generation. This study did not attempt to quantify the generation expansion benefits.

### **Agenda Item 5 – Qualitative Estimate of Regulation Benefits**

Warren McReynolds prepared an estimate of the generation savings expected in having a single overall RTO (filing utilities only) control area provide the regulation services for the RTO. This does not assume that load following is provided solely from the RTO control area. Warren attempted to quantify these benefits roughly by states. This is a rough cut, and needs some additional checking with the filing utilities to make sure the assumptions on how regulation reserves are being managed today are accurate. This item alone produce as much as \$41M in a year 2000 non-coincidental estimated peak load conditions, and \$27M using average control area loads. Warren will further refine and get us the updated results of his analysis.

### **Agenda Item 6 – NRU Proposal for Benefits-Cost Study**

Geoff described a proposed break-out of benefits and costs that goes beyond the overall benefits and costs for the region, but tries to identify the impact by type of customer (NT; PTP; with and without delivery service; with and without GTA service; with and without

BPA ancillary service) and by state/province (Idaho is split into a north and south region). Comments on the proposal included a request to try to identify the time dimension of the benefits compared to costs incurred, and to try to distinguish between the power markets effects, and the impacts on customers.

### **Agenda Item 7 – First Workshop**

We decided we wished the first workshop to cover what problems we are experiencing in meeting the objectives of a robust market; to review the analysis done so far; provide a status on the remaining analyses; and to try to further narrow the matrix down. We will invite experienced RTO/ISO people to provide their insight. We prefer those already in operation as opposed to those on the drawing board and want their information on what what cost they thought they could implement their RTO for compared to what it actually cost. The 1<sup>st</sup> workshop is scheduled at the PDX Conference Center on July 31 – all day.

### **General Discussion:**

It was noted that if the ITC companies are anticipating a higher rate of return on equity on their assets as a result of divesting, that difference should be quantified along with any incremental benefits ITC formation would bring that would not be included in RTO formation without the ITC. This potential difference described at the RRG meeting on June 27 was the difference between 9% and 12%. We will use this number as a placeholder when we do the cost portion of our work and consult with the ITC companies about any potential incremental benefits they would like us to include.

### **Next Meeting:**

July 19, 2000 -- 2:00 pm – 5:00pm, Work Group #4  
BPA Ross Complex, DOB-1 Building, Room 102

### **Handouts:**

Equivalent Capacity Comparison for Two Self Provide Methods  
(Warren McReyonolds' analysis and distribution of benefits for a single RTO control area providing regulating reserves)

Excerpt from Supporting Analysis for the Comprehensive Electricity Competition Act, dated May 1999. DOE Office of Economic, Electricity and Natural Gas Analysis Office of Policy.

Updated NRU Proposal for Cost Benefit Analysis