

RTO West
BENEFITS & COSTS WORK GROUP MEETING
 On June 28, 2000
 (BC WG02)

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

Work Group Meeting Summary

Attendees (10 attendees, 3 by telephone):

Geoff Carr	NW Requirements Customers	503-288-8902	GHCarr@pacifier.com
Phil Carver	ODOE	503-378-6874	philip.h.carver@state.or.us
Eric Christensen	Snohomish Co. PUD	425-783-8649	elchristensen@snopud.com
Bill Drummond	Montana G&T	406-721-0945	wmgt@montana.com
Dave Gilman	BPA – TBL	360-418-8689	dlgilman@bpa.gov
Don Matheson	BPA – TBL	360-418-8692	drmatheson@bpa.gov
Kevin O’Meara	Public Power Council	503-232-2427	kpom@well.com
Don Schoenbeck	RCS	360-737-3877	dws@keywaycorp.com
Vickie VanZandt	BPA – TBL	360-418-8459	yrvanzandt@bpa.gov
Linc Wolverton	ICNU	360-263-3675	lwolv@worldaccessnet.com

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)

Assignments (Includes Action Items) from June 19 and June 28 Work Group Meetings:	Status
1. Work Group Members review previous benefits reports: 1. IndeGO Benefits Report – Final Draft – dated 7/28/98 2. Summary of Potential Benefits of a NW RTO – dated 11/10/99	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 Bud: Distribute to interested parties for comment/additions	Started with initial list developed in seams workshop. Need to augment and test with interested parties.

<p>3. Find links to other Work Groups as they make decisions on access and congestion pricing, and on structure and function.</p>	<p>Done. Geoff Carr and Dave Gilman for Pricing. Don Watkins, John McGhee and Jim Vinson for Implementation.</p>
<p>4. Test Work Group Scope with RRG on June 27.</p>	<p>Done.</p>
<p>5. 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</p>	
<p>6. Quantify benefits from RTO control area performing regulation services (by State if possible) Warren McReynolds</p>	
<p>7. Update old benefits studies with current assumptions/participating utilities. Select best model we can find from these: - Don Matheson GE MAP PMDAM LCG – Uplan Henwood’s assessment of Generation capacity benefits Aurora 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</p>	
<p>8. Arrange first workshop for end of July or early August – Vickie</p>	

Summary of Consensus (Decisions Made)

Work group members recognized the previous studies used PMDAM and GE MAP, which have limitations. PMDAM is better at hydro system modeling, but not great at transmission system modeling. GE MAP is a good unit dispatch tool, but does not reflect hydro system modeling well. Rather than try to upgrade the tools themselves, we decided to find the best tool we can to approximate expected conditions in the RTO region and run some studies to update the previous work with current circumstances (i.e., smaller geographic scope than IndeGO). Most work group members preferred the Aurora model.

We decided to research the FERC and EIA 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 19 Minutes of Proposed Scope of Benefits & Costs Work Group

Comments received about the draft outline of our efforts reflected disagreement about the assessment of type of customer impacts. Although we have decided to try our best to assess the cost shifting implications, this was the outline we started with (not necessarily the final conclusion) – so the minutes were left as they were drafted in this instance. Other changes were incorporated and the final minutes posted on the NWRTO website.

Agenda Topic 2 – Report Out From Filing Utilities Meeting June 27

Vickie attended the filing utilities meeting where 2 significant items were discussed:

- BPA (TBL and PBL) representatives presented their view/proposal on an overall RTO control area. This is an important feature for reliability performance of the RTO and does not preclude existing control areas from being nested under the RTO (and providing their own load following, etc.). Benefits related to having only the RTO control area provide regulation services was presented and should be a part of our Benefits/Costs report. See the attachment.
- The Filing Utilities agreed on a pricing proposal for the existing assets that reflect a ‘company rate’ (reference PacifiCorp’s June 27 white paper titled ‘Proposal for the RTO to use Permanent Company Rates to Recover the Costs of Pre-RTO Transmission Costs’). What customers pay before the RTO will be what they pay after it is in operation for the fixed assets. New facilities will be under a different pricing scheme that is not yet defined. This should cut down dramatically on cost shifting as compared with an area rate for load-based access. The company rate would not be phased out, but would be in effect indefinitely.

Agenda Topic 3 – Report Out and Guidance from RRG on June 28

Vickie attended the RRG meeting and presented our status on scope and schedule. See attached presentation slides. We received good feedback on our approach.

The RRG accepted the pricing proposal for recovery of fixed assets through a company rate. I asked about whether replacements would be covered under the company rate or the new facilities method and we were asked to consider replacements both ways. I also

asked about the addition of facilities needed to keep existing capacity up (not creating new capacity, but staying even with load growth, etc.) and we were asked to consider that in the a new facility category.

Agenda Item 4 – Review of Previous Study Efforts

We considered the IndeGO Benefits-Costs Report and the Summary of Potential Benefits Report and discussed what modifications in assumptions would need to be made. We decided that there were some updates (i.e., geographic scope) needed and that we would consider only the filing utilities participation in updating these studies.

Work group members recognized the previous studies used PMDAM and GE MAP, which have limitations. PMDAM is better at hydro system modeling, but not great at transmission system modeling. GE MAP is a good unit dispatch tool, but does not reflect hydro system modeling well. Rather than try to upgrade the tools themselves, we decided to find the best tool we can to approximate expected conditions in the RTO region and run some studies to update the previous work with current circumstances (i.e., smaller geographic scope than IndeGO). Most work group members preferred the Aurora model. The model review will include:

- GE MAP
- PMDAM
- LCG – Uplant
- Henwood’s assessment of Generation capacity benefits
- Aurora

Don Matheson will find Aurora-familiar resources and scope this effort. Suggested people to contact: Rob Anderson (BPA PBL), the NWPPC, Dennis Phillips (BPA PBL), Puget Power, Kurt Granat (PacifiCorp), and Ray Bliven (RCS).

Agenda Item 5 – Perceived Problems Draft

We decided to start with the problems draft that was developed by the Seams workgroup workshop, add some operational and expansion issues to this list, and test it with interested parties through Bud Krough. Vickie will expand the Seams Workshop list and test with the team before asking Bud to send out for review and comment.

Agenda Item 6 – Assign Link to Pricing Group

Geoff Carr and Dave Gilman will serve our as our links to this group

Agenda Item 7 – Assign Link to Implementation Group

Don Watkins, John McGhee and Jim Vinson will serve as our links to this group.

Agenda Item 8 - Area of Benefits Assignment

Warren McReynolds will continue work on the regulation benefits. Initial quantification of the benefits of the RTO providing all regulation was estimated and discussed. See attachment.

Don Matheson and Dave Gilman will be responsible for the generation capacity benefits category.

Don Matheson will research the FERC \$20B estimated benefit of restructuring and Vickie will look into the EIA analysis and see if anything there is extractable for our use (analysis by area??).

General Discussion:

It was noted that our highest value effort may be to help the workgroups decide between alternatives by giving them a relative cost/benefit picture of their potential choices.

Vickie will contact KEMA for use of the Kingstad Center and try to get our first workshop scheduled in late July or early August.

We ran out of time before we could discuss Geoff's paper:

NRU Proposal for Cost Benefit Analysis, dated June 27, 2000.

We'll take that up at the July 12th meeting.

Next Meeting:

July 12, 2000 2:00 pm – 5:00pm, Work Group #3
BPA Ross Complex, Dittmer Building, Room 211

Handouts:

Control Area Operation for RTO West
(Warren McReynolds and Ron Rodewald's presentation to the Filing
Utilites)

Equivalent Capacity for Self-Provide Method
(Quantifying Regulation Benefits – Warren McReynolds & Kevin Johnson)

RRG Presentation Slides – RTOWest Benefits-Cost Work Group

Issues list from Seams Workshop

NRU Proposal for Cost Benefit Analysis