

**RTO West  
BENEFITS & COSTS WORK GROUP MEETING**

On June 19, 2000  
(BC WG01)

at BPA’s DOB-1 Building, Vancouver, WA  
and Telephone Conference Call  
2:00 pm – 5:00 pm

**Work Group Meeting Summary**

**Attendees (10 attendees, 2 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>
Bill Drummond	Montana G&T	406-721-0945	<a href="mailto:wmgt@montana.com">wmgt@montana.com</a>
Brian Gedrich	UAMPS	770-425-8100	<a href="mailto:briang@GDSAssoc.com">briang@GDSAssoc.com</a>
Dave Gilman	BPA – TBL	360-418-8689	<a href="mailto:dlgilman@bpa.gov">dlgilman@bpa.gov</a>
John Leland	Montana Power		<a href="mailto:jleland@mtpower.com">jleland@mtpower.com</a>
Kevin O’Meara	Public Power Council	503-232-2427	<a href="mailto:kpom@well.com">kpom@well.com</a>
Lon Peters	Public Generating Pool	503-203-1539	<a href="mailto:lpeters@teleport.com">lpeters@teleport.com</a>
Don Schoenbeck	RCS	360-737-3877	<a href="mailto:dws@keywaycorp.com">dws@keywaycorp.com</a>
Vickie VanZandt	BPA – TBL	360-418-8459	<a href="mailto:vrvanzandt@bpa.gov">vrvanzandt@bpa.gov</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 Work Group Meeting:</b>	<b>Status</b>
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	
2. Develop list of problems perceived (specific to NW) that an RTO would help solve. Test draft list with interested parties.	
3. Find links to other Work Groups as they make decisions on access and congestion pricing, and on structure and function.	
4. Test Work Group Scope with RRG on June 27.	

## **Summary of Consensus (Decisions Made)**

The work group recognized that although only the overall (regional) cost/benefit, some quantified and some qualified, was proposed in the original scope, the impacts of what the NWRTO means to the end user is important information for the regional decision-making process. We decided to attempt to quantify the benefits and costs wherever we could and to try to describe the impacts to different type of customers.

We will try to quantify overall benefits/costs of a NWRTO as well as cost shifts by class of customer, if they occur, that may be expected by pricing method chosen for both fixed costs and congestion clearing costs. This will be done for a few NWRTO structures (what functions does it perform?) and for the variety of assumptions on what facilities are in the NWRTO (what facilities does it manage and what facility costs does it recover?). Benefits/costs will be captured in four areas for each of these possibilities, as they affect rates for delivered wholesale power:

- Market
- Operations
- Planning
- Transmission Pricing (congestion)

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

### **Agenda Topic 1 – Review of Proposed Scope of Benefits & Costs Work Group**

We started with this draft outline as a potential scope:

#### OUTLINE OF BENEFIT-COST ANALYSIS OF NWRTO

##### Executive Summary

Introduction of Concepts (e.g. cost shifts are distributional effects and, while important to individual entities, are not part of the overall cost/benefit study

- 1) Discussion of Major Types of Benefits
  - a) Reduction of Market Power
  - b) Better Trading Markets (e.g. Mid-C Market)
  - c) Encouraging Independent Power Development
  - d) Increased Ability to Augment Transmission Capacity (e.g. lower voltage parallel flow problems)
  - e) Increased System Security and Shared Reserves
  - f) Increased Dispatch Efficiency from Eliminating Pancaked Rates
  - g) Increased Efficiency of Capacity Additions from Eliminating Pancaked Rates

- 2) Dollar Estimates of Benefits (only for dispatch and capacity addition efficiencies, 3f and 3g above, using IndeGO GE-MAPS and PM-DAM studies, respectively)
- 3) Estimates of Net Year-by-Year Costs of Implementation (the Implementation Workgroup would supply)
- 4) Estimates of Cost of Alternative Implementation Strategies (might be of end state or transition costs, again the Implementation Workgroup would supply)

The work group considered/decided on:

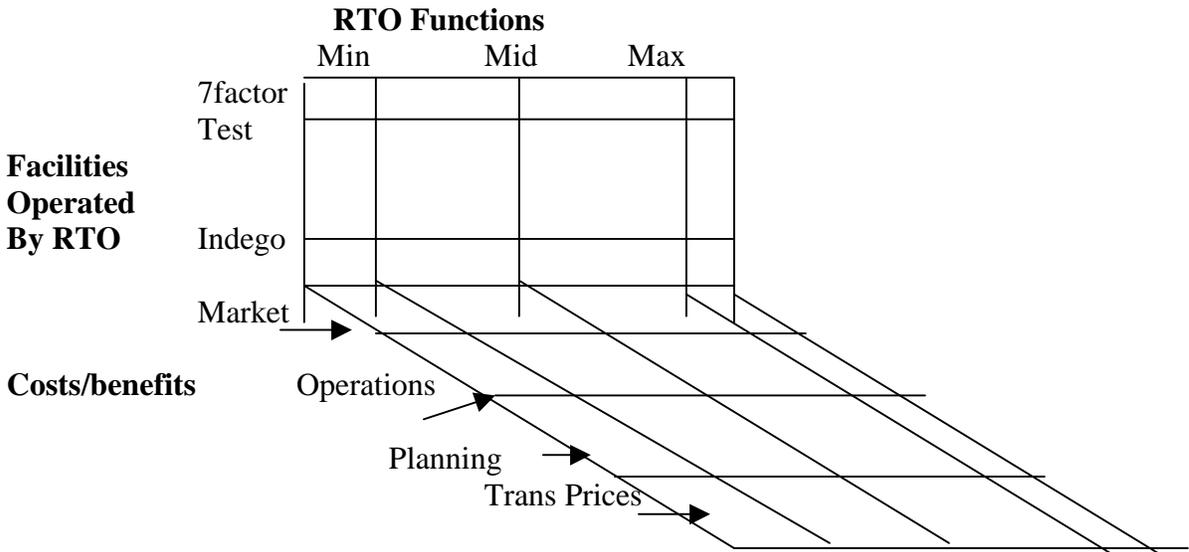
- 1) Focusing on a few (3-5) different configurations of a NWRTO - need this information from the implementation work group
  - 3 –5 possible
  - Start-up focus (what's possible in 2-3 years)
  - End state
- 2) Determine Benefit/Cost for the overall system (NWRTO region)
  - By state?
  - By pricing area?
- 3) Try to identify cost shifts – need pricing decisions from pricing work group:
  - By voltage?
  - By customer type?
  - By pricing area?
- 4) Focus early attention on overall benefits (costs, cost shift data will not be available until some decisions are made in implementation and pricing)
- 5) Need to address allocation of benefits of multiple owners of a single path (interacting paths)
- 6) Need to address interconnection of new generation resources, including renewables (over congested paths)
- 7) Potential benefits through common practices and standards (for capacity utilization)
- 8) Potential benefits in redispatch mechanism to enable markets
- 9) The work group recognized that although only the overall (regional) cost/benefit was proposed in the original scope, the impacts of what the NWRTO means to the end user is important information for the regional decision-making process. We decided to attempt to quantify the benefits and costs wherever we could and to try to describe the impacts to different type of customers.

This may be done using a case study approach, evaluating a typical customer impact:

- Served at low voltage
- Over a GTA
- Large industrial
- Generating utility
- In different pricing access areas
- Over congested paths
- Etc.

This decision means trying to quantify overall benefits/costs of a NWRTO as well as cost shifts by class of customer, if they occur, that may be expected by the choice of a specific pricing method for both fixed and congestion clearing costs. This will be done for a few NWRTO structures (functionality) and for the variety of assumptions on what facilities are in the NWRTO. Benefits/costs will be captured in four areas as they affect rates for delivered wholesale power:

- Market
- Operations
- Planning
- Transmission Pricing (ancillary services and congestion management)



Observations:

- 1) We need to determine what RTO functions make the generation market better?
- 2) Optimizing the use of paths depend on which congestion management method is chosen
- 3) Congestion is higher today than when IndeGO was under consideration

- 4) The value of the Remedial Action Schemes employed today needs to be quantified
- 5) Capacity/inventory of transmission availability varies significantly seasonally and daily
- 6) We need to provide a list of NW problems that we expect a NWRTO to solve or help solve – and to test this list with all NW interested parties

### **Agenda Topic 2 – Review Proposed Schedule**

The schedule proposed is tight. It has this work group completing its analysis and production of its deliverables on the same schedule as the other work groups. Specifically,

Summary of draft finding to the RRG by the end of July  
Final report complete by the end of August  
2 workshops (mid-July and mid-August)

The work group agreed to try to meet these milestones.

### **Next Meeting:**

June 28, 2000 2:00 pm – 5:00pm, Work Group #2  
BPA Ross Complex, Dittmer Building, Room 211

### **Handouts:**

IndeGO Benefits Report, dated 7/28/98

Summary of Potential Benefits of a Northwest Regional Transmission Organization, dated 11/10/99

Proposed Schedule of Meetings and Deliverables

Proposed Scope of Benefit-Cost Analysis