

The Region's Transmission Solution

Under the auspices of the Regional Representatives Group (RRG), the region has come together to support a "Regional Proposal" that provides a high-level framework that seeks to better manage the regional transmission system and related wholesale markets. The overarching goal of the Regional Proposal is to provide the foundation for a comprehensive approach that could replace the services currently available from separate transmission providers with *regional* services that both suppliers and consumers will view as improvements over their current options.

The Regional Proposal has been developed through the dedicated efforts of RRG members, encompassing transmission providers, power producers, end users, public power, environmental and other public interest organizations, and state, provincial, and tribal officials from across Washington, Oregon, Utah, Idaho, Montana, Wyoming, Nevada, British Columbia, and Alberta. The next phase of regional efforts will focus on more fully developing the key elements of the Regional Proposal with broad regional support. This work will proceed with the recognition that regional parties' ultimate decisions about whether to support implementation will depend on the success of the detailed development process.

The cornerstone of the Regional Proposal is a new, independent organization designed to be flexible, focused on regional needs, and accountable to the region. This independent organization is intended to address today's transmission problems while capitalizing on ways to increase operational efficiency over time.

The Regional Proposal does not envision a one-size-fits-all solution. While the new organization will be independent of all market participants, its core is a flexible business model providing for a staged, voluntary implementation process. The Regional Proposal, which includes identified beginning and advanced target states, allows transmission providers, suppliers, and other system users to choose among different forms of participation based on what works best for them. The region's understanding of and confidence in the independent entity, as well as its scope of operations, can evolve over time. This will also allow for appropriate corrective actions if problems arise as the organization develops.

The Independent Entity Will Be Responsive to the Region

The Regional Proposal calls for a set of checks and balances to provide a stronger voice for the region in shaping how the independent entity develops, particularly in certain fundamental aspects of its service approach. While the board of the independent entity will retain the power to make final decisions in all areas, regional parties will have continuing opportunities to state their views concerning changes in the independent entity's services and operations through:

- Mandatory consultation with state and provincial officials and regulators (as well as tribes with applicable regulatory authority); and
- Mandatory consultation with regional stakeholders, including appropriate advance notice.

Certain fundamental changes in scope will trigger special voting requirements:

- A vote of the 30-member Trustee Selection Committee (six representatives of each of five classes of members, including: major transmission owners, transmission dependent utilities, marketers and generators, end-use consumers, and state, provincial, tribal and public interest organizations); and
- A requirement for a higher level of board approval, (from five to seven of the nine member board) if the Trustee Selection Committee does not concur with the Board's proposal.

The Regional Proposal contemplates that the independent entity will develop products and services that respond to customer needs. There will be an independent market monitor to guard against market abuses by investigating potential problems with regional transmission and power markets. These features are intended to minimize the region's exposure to the kinds of problems that plagued California in its transition to new market approaches.

Regional Integration for Regional Benefits

The independent entity will have an integrated, "big-picture" view of the overall system that is not currently available through separate transmission providers. This perspective should provide better means to support reliability and enhance the region's ability to identify the best solutions to regional transmission problems (including non-wire alternatives). It should also offer a broader foundation to address the region's identified infrastructure needs. And, because the core elements of the Regional Proposal are designed to rely on computer systems that are available "off-the-shelf" today (and can be readily adapted to the particular needs of the region), these kinds of costs should be lower than if the proposal required new, customized systems.

Another goal of the Regional Proposal is to enable system users to understand the cost consequences of their decisions about use of the grid. The Regional Proposal calls for mechanisms that allow greater utilization of existing system capacity without compromising reliability and with the assurance that all pre-existing contracts and other legal obligations will be honored. The Regional Proposal charges the independent entity with providing fair and open access to the transmission system, developing tools to manage congestion more efficiently, and providing better information to the region about needed grid improvements. Most importantly, the Regional Proposal is intended to provide better tools that will allow all of the region's consumers to secure the lowest cost energy supplies available to them.

Regional Development Process

The regional proposal is the result of an intensive six-month process under the auspices of the Regional Representatives Group (RRG). During this process, a comprehensive cross-section of the region's transmission stakeholders examined the region's transmission problems and opportunities, and built on previous regional efforts to develop potential solutions. RRG participation has included:

- State and provincial energy officials and regulators from Washington, Oregon, Utah, Idaho, Montana, Wyoming, Nevada, British Columbia and Alberta; the Northwest Power and Conservation Council; tribal representatives;
- Representatives of regional public power organizations, including PNGC Power, the Public Generating Pool, the Western Public Agencies Group, Northwest Requirements Utilities, the Utah Association of Municipal Power Systems, and Deseret Generation and Transmission Cooperative;
- Generators and power marketers, renewable and environmental community representatives, and end-use customers (including the direct-service industries, large industrial customers, and state consumer representatives); and
- RTO West filing utilities, including Avista Corporation, Bonneville Power Administration, British Columbia Transmission Corporation, Idaho Power Company, Northwestern Energy, PacifiCorp, Portland General Electric, Puget Sound Energy, and Sierra Pacific/Nevada Power.

Next Steps

The next phase of the regional process will be to build from the conceptual foundation of the Regional Proposal toward a comprehensive approach that can be implemented with broad regional support. These efforts will focus on furthering key objectives of the Regional Proposal – workable solutions that provide clear improvements over the services available today – with ultimate decisions on support for implementation dependent on the success of the detailed development process. Other activities related to implementation may include regulatory filings with the states and provinces and the Federal Energy Regulatory Commission, any necessary Canadian stakeholder processes, and a Bonneville Power Administration federal decision-making process, and some evaluations of relative costs and benefits. Near-term efforts will also include exploring funding options and considering when to seat the new board for the independent entity. The goal is to complete as much of this work as possible during 2004.