

Brief Summary of RTO West RRG Meeting December 10, 2003

Introduction

This summary is intended to briefly describe the major topics of discussion during the December 10 meeting of the RTO West Regional Representatives Group (RRG). It is not intended to be a verbatim transcript of anyone's remarks, and it is not intended to suggest that any particular representative or entity at the RRG meeting agreed with or endorsed the views described in this summary.

Overview of December 10 Meeting

- A RTO West RRG meeting was held at the Sheraton Portland Airport Hotel Wednesday, December 10, from 10:00 p.m. to 5:00 p.m. PST.
- Approximately 70 people attended the RRG meeting, including approximately 30 designated RRG representatives. Four state representatives attended the meeting and five state representatives listened by phone.
- A narrative description of the RRG platform group's proposal and a modified, redlined development staging table were posted before the RRG meeting on December 8.
- Members of the eight-member platform group referred to the narrative description as they explained key aspects of the proposal. Section C, about accountability and governance features, and section B, about the commercial services the independent entity will provide in the beginning state, were explained in more detail.
- The RRG asked a number of questions and offered suggestions where the narrative description could be improved with further clarification and more information.
- The RRG outlined next steps for further development of the platform, which are set out on pages 4 and 5 of these notes. Next steps include 1) completing the narrative, 2) writing an executive summary and message about the platform proposal, and 3) formulating a process, similar to a business plan with schedules and deliverables for the next stage of the RRG process.
- The RRG will have an opportunity to provide feedback on a draft for moving forward with the next stage of the RRG process at the next meeting. The RRG agreed to meet on Thursday, January 15, 2004.

Description of Key Features of Platform Proposal

Regional Accountability and Governance. The platform proposal consists of a beginning state, an advanced target state, and an amended governance proposal for transitioning through time. The goal of the enhanced governance approach is to assure regional accountability through consultation with stakeholders. The approach builds on provisions in the proposed Bylaws for RTO West that provide for stakeholder notification and consultation. Proposed Bylaw provisions and expanded provisions for consultation with regulators and/or state, provincial and applicable tribal representatives were clarified and explained further. The Board has clearly defined obligations to regularly meet with and consult with member representative committees. Both state corporate law and the proposed Bylaws require the Board to exercise independent judgment in making decisions that are in the best interest of the independent entity and its members.

The enhanced governance approach proposes to strengthen regional accountability by requiring that on specific future decisions regarding the scope of the independent entity's activities, the Board must "check-in" with the region. There are five decisions on the "Special Issues List" that the Board must submit to a vote of the 30-member (five classes) Trustee Selection Committee. The Trustee Selection Committee would vote on whether it supports the Board proposal. If the vote results in a remand the Board is required to vote again and can move forward only with an affirmative vote of at least seven (out of the total of nine) Board members.

The platform group reported considering suggested modifications to the Special Issues List and to voting structure requirements. The platform group concluded that to maintain the balance of regional interests, it would not change its proposals for the Special Issues List or the voting requirements. Responding to suggestions for requiring the Board to meet standards and/or criteria before moving ahead with changes in the independent entity's scope, the platform group did not feel it would be workable to impose rigid standards, however, some principles for Board guidance could be helpful.

In general the RRG supported the platform's accountability and governance proposals. One RRG member said the proposed role of the Trustee Selection Committee is a "fatal compromise" to the independence of the proposed entity, and objected to voting on special issues by the Trustee Selection Committee believing such a role undermines the independence of the Board. There was no objection to the mandatory consultation with the states and provinces. One response to the concern was that the Board could be viewed as more independent than it was under the RTO West Stage 2 approach. Other RRG members expressed the view that the compromise is fundamental to making the platform acceptable to the region. In their view, the requirements for consultation and a higher Board vote on certain issues did not impair the Board's independence, but simply strengthened the Board's accountability to the region with respect to major changes in the independent entity's scope of activities.

Services the Independent Entity Will Provide in the Beginning State. The platform proposal is a staged approach that creates an independent entity that will more closely integrate the commercial and reliability requirements of transmission service. A key feature is pre-existing transmission rights will stay in place. The independent entity will provide service based on rights that need to be held in advance by those proposing balanced schedules. The independent entity will perform power flow oversight to assure all schedules can be executed. The proposal allows for a centralized voluntary redispatch market for generators and loads. In response to questions, the platform group acknowledged that settlement and many other more detailed aspects of the proposal related to what is being termed "day ahead service" have yet to be worked out.

Based on input from technical people, the platform also proposes a mechanism to auction unused capacity called "medium term" rights, i.e. rights available before day-ahead pre-scheduling. The ability to use this capacity would generally come from voluntary trading of existing rights or rights obtained from ATC identified by the independent entity. The RRG generally thought these ideas were worth pursuing.

The platform group gave a brief summary regarding who is providing transmission service and who is collecting revenues in the beginning state of the independent entity. This needs much more work to make it clear to the RRG, and it was suggested that a diagram would be helpful to illustrate the flow of funds related to service, where “de-pancaking” occurs, and cost recovery.

Members of the platform group were asked to make one more round of clarifications and addition of details to the narrative description. Also, the platform group will post the responses to written comments and questions submitted on the introduction and “Development Staging Table” presented to the RRG on November 19, 2003.

Next Steps

With one exception noted, the RRG supported laying the groundwork for submitting appropriate filings and initiating the BPA decision-making process. Preparations and timing for seating the Board of the independent entity also need to be considered.

The RRG discussed activities that need to be completed by the end of the 2003 and during January 2004. A “Next Steps” Plan of Action, reflecting a number of ideas for getting work underway, was developed at the RRG meeting and is on pages 4 and 5 of this summary.

The RRG voiced support for the next steps and for developing a process for moving forward with timelines and deliverables.

Next RRG Meeting on January 15, 2004

The next RRG meeting is scheduled for Thursday, January 15, 2004, from 10:00 a.m. to 5:00 p.m. PST at the Shilo Inn Suites Hotel near the Portland Airport.

**RTO West Regional Representatives Group
December 10, 2003
Plan of Action**

By End of 2003

I. Complete Platform Document, Executive Summary and Messages

- a. Small team (Wally Gibson, Sarah Dennison-Leonard, Steve Walton) will prepare a final draft of the platform document
 - i. Requests for what revisions would be useful
 1. Mapping between problems and opportunities and platform “solutions”
 2. Without detailing entire proposal, filling in some gaps (e.g., a flow chart on where the money goes)
 3. Restating certain questions as statements of intent (not try to answer)
 4. Adding a more detailed description of the advanced target state
 5. Incorporating recent discussions
 - ii. Up to small team to determine how to respond to suggestions
- b. Small team work product will be reviewed by platform group
- c. After input from platform group, the proposed final platform documents will be “shopped” by Bud Krogh and by the platform group with RRG members
- d. Bud Krogh will facilitate preparation of bullet “messages” and also “shop” these with RRG members
- e. Expectation is that the proposed final platform documents and message will be posted as final on the website before the end of the year, and this phase of the RRG process will have successfully reached completion.

During January 2004

II. Process to Fill in Gaps, Build on Platform, and Get to Closure

- a. “Process Group” will develop proposal akin to business plan
 - i. Timeline (development process for filings, technical work, and implementation plan), clear deliverables
 - ii. Consider possible need for outside expertise
- b. RRG would like the Process Group to consider the following in their proposal
 - iii. Tightly-managed process
 - iv. Oversight group (many prefer that this be the RRG) that identifies issues and priorities, and defines specific tasks and deadlines
 - v. Small groups with broad and balanced representation (but limited participation, not open to all comers) develop recommendations on specific issues
 1. Technical, legal (e.g., filings), governance (e.g., transition to independent Board)
 2. Ground rule – Small groups to develop workable proposal within parameters of platform
 3. Small groups will have regular, frequent check-ins with oversight group
 - vi. Continue active state participation (including process to discuss filing requirements)
 - vii. Proposal brought back to RRG

December 19, 2003

- III. Process group will develop proposal during first two weeks of January**
- IV. RRG will consider proposal on January 15, 2004**