

Brief Summary of RTO West RRG Meeting October 9, 2003

Introduction

This summary is intended to briefly describe the major topics of discussion during the October 9, 2003 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 October 9 Meeting

- A RTO West RRG meeting was held at the Sheraton Portland Airport Hotel on Thursday, October 9, 2003, from 8:00 a.m. to 4:00 p.m.
- Approximately 78 people attended the RRG meeting, including approximately 27 designated RRG representatives. Five state representatives attended the meeting and two state representatives listened by phone.
- A spokesman from each of the three option groups gave updates about the work efforts on Options 1, 2, and 3. Each explained details of features added to the proposals since the previous RRG meeting.
- The RRG next turned to talking about similarities and differences in the proposed options. The RRG listed areas of potential convergence and key issues where there are still substantive differences.
- Small groups were set up to 1) identify areas of convergence, 2) work on governance, independence, accountability and liability, and 3) work on issues of and related to congestion management.
- The RRG will meet again on October 29 and October 30 to hear about the collaborative efforts of the small groups.
- The RRG set a target date of Thanksgiving (November 27, 2003) to complete the current information gathering process and identify steps to move forward.

Option Group Updates

Updated papers about Options 1, 2 and 3 was posted on the RTO West website and distributed at the meeting. Each spokesman gave details developed since the last RRG meeting and answered questions.

Option 1 – This option is based on a transmission coordination contract (TCC). The proposal relies on existing entities, such as NTAC for planning and PNSC for reliability coordination, and minimizes formation of new entities. Group 1 added more structure to a number of areas, including proposing the concept of a management committee (MC) and outlining the responsibilities of the MC. The group also explained details of its approach for dispute resolution, new transmission rights, transitioning to different cost recovery, congestion management and maximizing ATC.

Option 2 – This option proposes an independent administrator (IA) that does not operate the system and proposes no conversion of existing contracts. Group 2 described in more detail the priority block concept, which is a method to bridge

between existing contract path transmission service and flow-based service. Under this concept, the available transmission that is offered for sale is estimated using flow analysis of the system. Purchasers can buy a level of service that reflects both their willingness to pay for better service and their tolerance for being curtailed. The functions of the IA and how it would operate were explained in detail.

Option 3 – This option is for an independent grid operator and a single operator of centralized markets. However, the group reported trying to relax the boundaries defining the options and put forth a straw proposal for staged implementation. The proposal described attributes of independence and the essential features of an independent entity. The proposal also attempts to come up with the initial, day-one features of an acceptable RTO and proposes features that can be implemented at a later stage. For instance, a financial rights model could be implemented at a later stage after the RTO satisfies certain objective tests that may be established. The group emphasized the ability to achieve an end-state like RTO West Stage 2 with tests along the way and the length of time it takes to get there not pre-determined. The group expects that at least four control areas will consolidate on day one or as soon as possible thereafter.

Areas of Convergence and Issues of Substantive Difference

Some RRG participants advocated capturing the similarities among the options, although it was evident that there are also areas of substantive difference. The RRG listed by major topics areas of potential convergence and areas that need more development work. With the goal of getting the best thinking from each of the option groups, individuals volunteered to work collaboratively in three small groups on:

- a) A draft paper that captures areas of similarities and convergence among the option proposals;
- b) Issues related to governance, independence, accountability and liability;
- c) Issues, where there is significant difference, related to congestion management.

Option work groups may meet separately, if they desire. Option 2 indicated it would hold at least one meeting soon to work further on its proposal.

Small Group Meetings Followed by Next RRG Meeting on October 29 and October 30, 2003, Target Deadline

Small groups will schedule conference calls and/or meetings as needed before the next RRG meeting to work on three issue areas outlined by the RRG. Also, the Option 2 work group will meet again next week.

The next RRG meeting is scheduled for Wednesday, October 29, from 10:00 a.m. to 5:00 p.m. PST and Thursday, October 30, 2003, from 8:00 a.m. to 12:00 p.m. PST at the Sheraton Portland Airport Hotel.

The RRG was asked about steps leading to closure. The RRG set a target date of Thanksgiving (November 27, 2003) to complete the current process. The RRG's aim is to reach a consensus, but if this is not possible, to acknowledge the inability to reach the needed level of consensus and to identify next steps for moving forward.