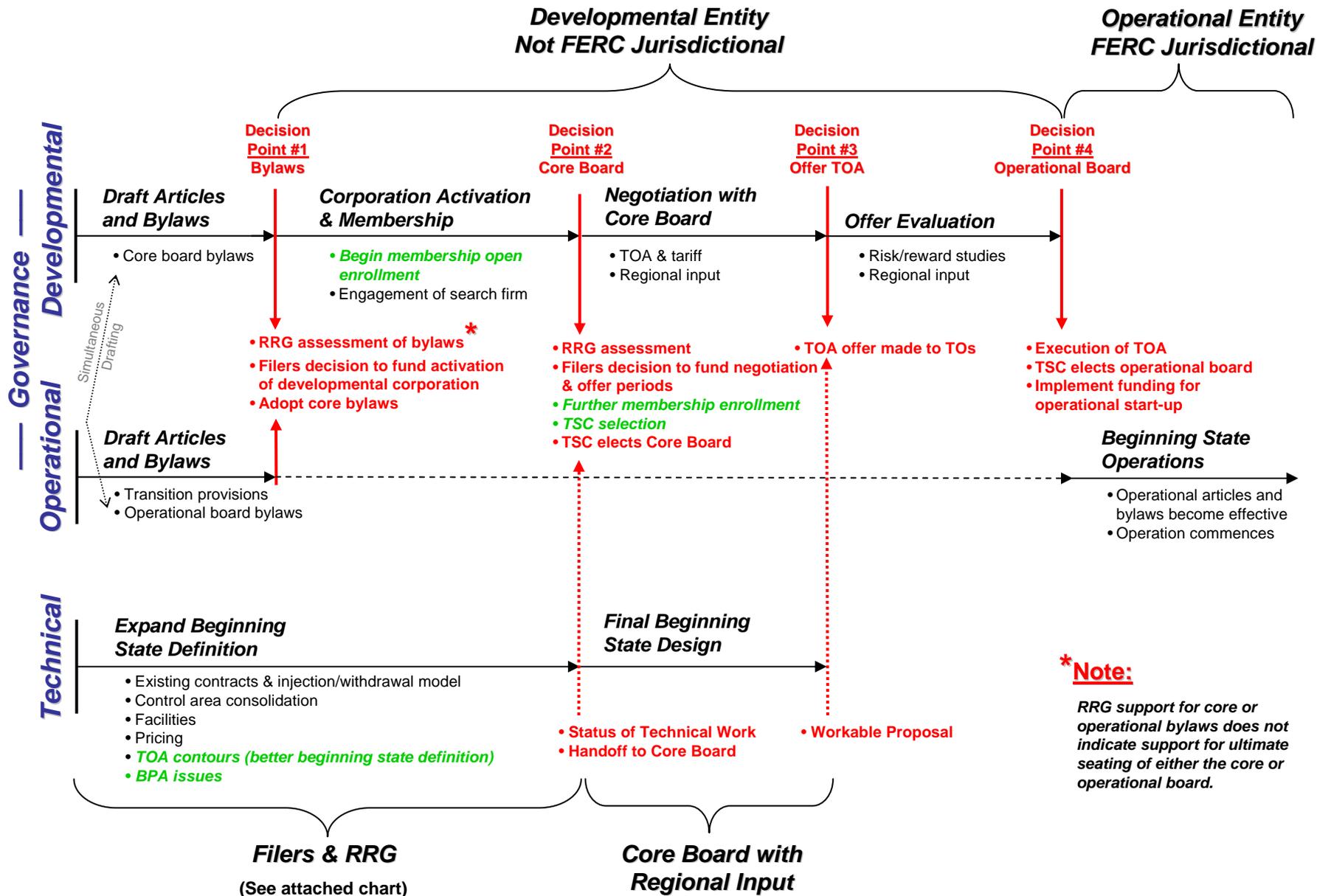
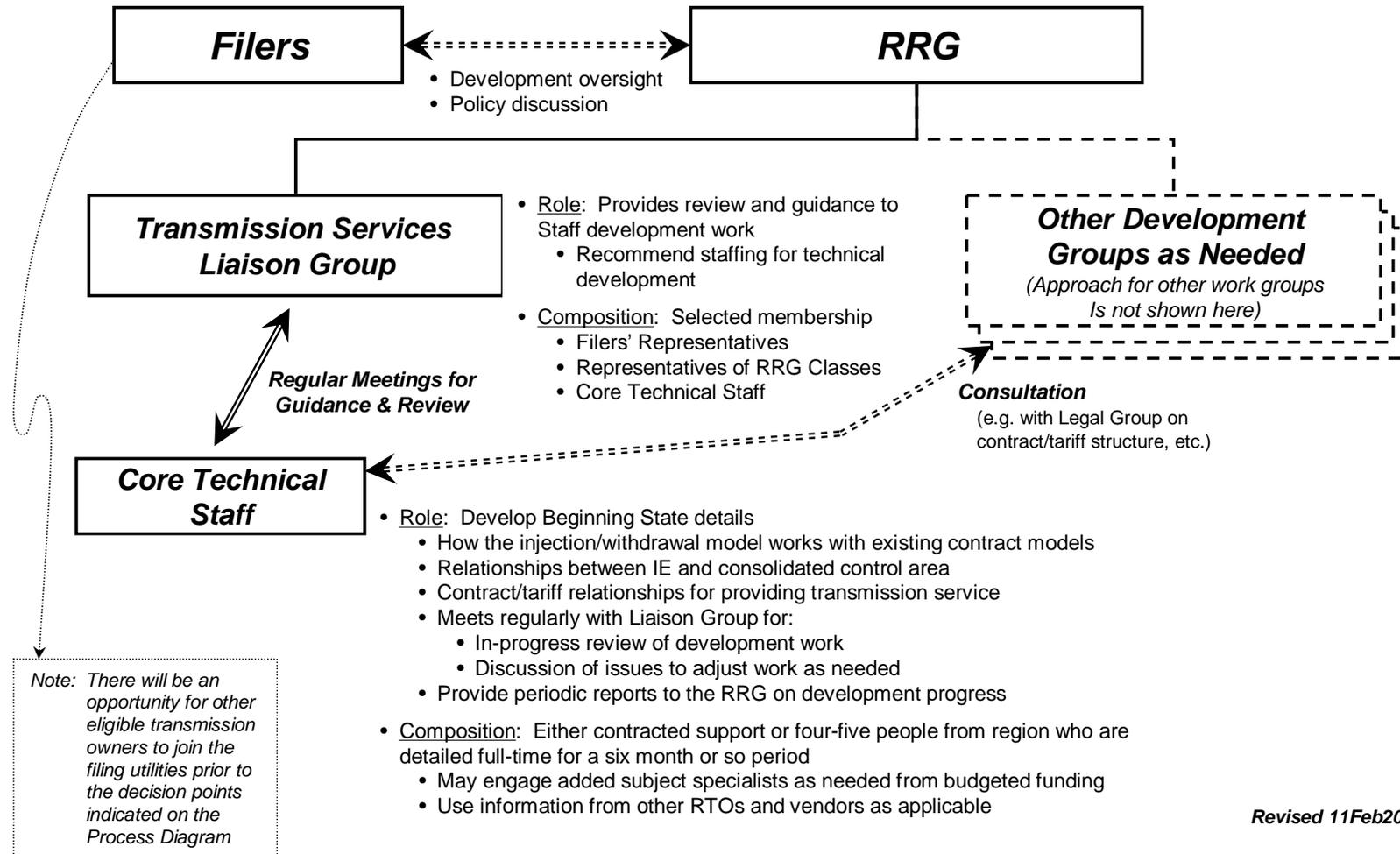


# Process Diagram



## Proposed Approach to Technical Work on Transmission Service Process for Beginning State [General Technical Task 1(a)]



## **RRG Process Group Ideas for Governance Workstream**

The Process Group has developed a set of recommended workstreams, as well as some ideas for work processes, that are designed to build on RRG support for the Regional Proposal developed in recent months and to maintain the RRG's positive momentum by moving the Regional Proposal forward.

In developing its recommendations, the Process Group felt making changes from past approaches would be helpful. In its effort to lay out a better process, the Process Group sought to provide for greater transparency, effective stakeholder involvement, and more efficient means for accomplishing necessary work. The Process Group also thought it was important to incorporate an effective, independent counter-party into further development activities as soon as feasible. Many filing utility representatives and other RRG members have expressed support for this idea. Other RRG members have indicated concern that an initial Board of Trustees for the Independent Entity should not be seated without broad regional support. Bearing these considerations in mind, the Process Group recommends prompt initiation of foundational work that will make it possible to elect an initial "core" Board of Trustees for the Independent Entity. The Process Group's recommendations contemplate that the core Board may have fewer than nine members, a very small staff, and a clearly defined developmental mission. The role of the core Board would be more limited than that of the full Board that would take office as the Independent Entity transitions to commercial operations. The developmental organization that the core Board would govern would not be subject to FERC jurisdiction.

The goal is to complete the foundational work (in parallel with further work to flesh out the beginning state of the Regional Proposal) so that, with sufficient regional support, there can be an election to seat a core Board by the end of 2004. The Process Group believes that early seating of a core Board offers a number of potential benefits to the region and the implementation of the Regional Proposal.

As many participants and observers have noted, our region has explored the idea of a regional transmission entity at a conceptual level for many years. Bringing Independent Entity representatives into the development process may help change the dynamics from past approaches that have not provided clear and efficient resolutions to contentious issues. It will provide a bona fide counter-party with which potential PTOs (Participating Transmission Owners) can negotiate in earnest without concern that a later-instituted organization will expect to negotiate further while treating previous compromises as starting points. The core Board will be motivated to seek resolutions that are acceptable to the region and potential PTOs as a whole, rather than advocating from the perspective of particular party or interest group. Also, to the extent that representatives of the Independent Entity help build the foundation to implement the Regional Proposal, they can bring institutional continuity as the Independent Entity transitions to its initial operating state. Interested parties across the region will be able to gain experience with the Independent Entity through representatives with real faces and names, instead of referring to an abstract unknown.

The Process Group believes, therefore, that further work on the Regional Proposal should include near-term workstreams (with appropriate intermediate decision points) to enable a core Board to be elected by the end of 2004 if determined to be appropriate.

### **List of Issues Related to Bylaws Provisions for “Core” Board**

Below is a list of issues that the RRG Process Group believes will need to be addressed during development of Bylaws to allow the region to elect an early “core” Board of Trustees. As used below, the terms “core Board,” “core corporation,” and “core Bylaws” are intended to refer to the Independent Entity’s developmental period (when it will not be subject to FERC jurisdiction and will not yet offer any commercial services). The terms “operational Board,” “operational corporation,” and “operational Bylaws” are intended to refer to the period during and after the Independent Entity’s transition to commercial operations.

The Process Group envisions that both the core and operational Bylaws would build from the foundation provided by the RTO West Stage 2 Bylaws. The core Bylaws would be tailored to reflect the specific developmental mission of the organization during its pre-operational phase. The operational Bylaws would in most respects track with the RTO West Stage 2 Bylaws, with appropriate modifications to conform to the Regional Proposal (including its governance provisions).

1. Purposes of the corporation and limitations on the core Board
2. Process for regional input
3. Internal voting structure of membership classes related to selecting TSC members
4. Number, qualifications, and compensation of core Board members
5. Deadlines and remedies related to accomplishing core Board mission (*e.g.*, term, “sunset,” incentives)
6. Ensure pre-TOA non-jurisdictional status of the core corporation and Board
7. Form of core and operational Bylaws
8. Role of the existing RTO West Board of Directors in administering the process to get to the core Board (including resolving disputes over membership)
9. Transition from core Board to operational Board
10. Fee structure for initial membership in core corporation