

## **RRG Process Group Ideas for Possible Regional Proposal Work Efforts During 2004**

### **BACKGROUND:**

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. For these reasons, a fundamental element of the Process Group's recommendations is preparing to elect an initial Board of Trustees for the Independent Entity as expeditiously as possible (with the goal of holding elections by the end of 2004). The Process Group's recommendations contemplate that the initial Board of the Independent Entity may have fewer than nine members, a very small staff, and more limited authority than will be the case when the Independent Entity approaches commercial operation in its beginning state. The Process Group believes that seating an initial 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 Independent Entity's 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 steps over the next six to nine months that could allow the region's stakeholders to elect the Independent Entity's first Board of Trustees by the end of 2004.

**POSSIBLE WORKSTREAMS FOR “PROPOSED PROCESS TASKS” 1 AND 3:**

1. General Technical (Flesh Out the Beginning State)

(a) Beginning State Transmission Service Process

o Expanded definition of beginning state

**General Tasks:** Carry out as much of the technical work needed to implement the Regional Proposal’s beginning state as possible (to serve as useful guidance and a starting point for the Independent Board, but not designed to bind the Independent Board). Part of the technical workstream would include:

- Demonstrating that the beginning state is workable;
- Demonstrating that the beginning state is an improvement over today; and
- Demonstrating that the beginning state is a foundation for moving toward the advanced target state.

**Proposed Approach:** Designate a “core staff” of specific, qualified individuals from staffs of filing utilities and other RRG participants to dedicate full-time efforts to Regional Proposal work for a specified time period (e.g., six months or so). This core group would also have the ability to engage qualified “subject area experts” as needed within a specified budget. The core staff would collaborate closely with a “liaison group” of RRG representatives and would also report back to the RRG regularly on their progress. See attachment to “Proposed Process Tasks” table entitled “Proposed Approach to Technical Work on Transmission Service Process for Beginning State.”

**Alternative Approach (not selected by the Process Group):** Select an RRG supervisory group to oversee the work of an outside consulting team that has the necessary background and expertise to complete specified tasks. The RRG supervisory group and the outside consultants would report back regularly to the RRG on their progress.

o Consolidated control area

**General Tasks:** Define the functions to be performed by the Independent Entity for the consolidating control areas, services (ancillary services or other services offered to consolidators (and possibly others)) provided by the Independent Entity on behalf of combined control area operators, and identify authority to direct operations granted to the Independent Entity to carry out consolidated control functions or provide services.

**Proposed Approach:** Representatives of filing utilities interested in participating in early control area consolidation to develop an initial proposal, which would then be integrated into the overall technical work on better defining the beginning state.

o Contract/tariff structure for service

**General Tasks:** Develop outlines of legal documents needed to implement the Regional Proposal (e.g., Transmission Operating Agreement, Independent Entity Transmission Tariff, necessary modifications to Participating Transmission Owners’ Open-Access Tariffs); work with Platform Group members and technical representatives to clarify how the Independent Entity’s tariff and Participating Transmission Owner tariffs will work together to provide transmission services (scheduling process for existing customers and responding to requests for new long-term service) under the Regional Proposal (“who does what and how the money flows”).

**Proposed Approach:** RRG Work Group (designated representatives who report back to the RRG regularly on their progress).

(b) Pricing for Beginning State

**General Task:** Flesh out how the beginning state pricing model will work.

**Proposed Approach:** RRG Work Group (designated representatives who report back to the RRG regularly on their progress).

(c) Facilities

**General Task:** Develop an approach to facilities inclusion that fits with the Regional Proposal and is workable for (and will be supported by) all affected parties (customers, transmission providers, state regulatory commissions, FERC).

**Proposed Approach:** RRG Work Group (designated representatives who report back to the RRG regularly on their progress).

(d) Address BPA-Specific Issues

- o GTA
- o Contract lock

**General Tasks:** Work through issues related to treatment of General Transfer Agreement customers and general concerns about “locking in” current BPA transmission service terms.

**Proposed Approach:** To be developed by BPA in consultation with affected BPA customers.

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### 3. Early Board Creation

**General Tasks:** Revise and update RTO West Stage 2 Articles of Incorporation and Bylaws to conform to Regional Proposal, including “transitional” provisions for Independent Entity’s development activities that precede initial operations in the beginning state; carry out steps needed to constitute the Independent Entity as a membership organization and elect the initial Board of Trustees. This process could include a narrowly focused filing with FERC to obtain assurance that FERC would view the Regional Proposal’s governance provisions as sufficient to meet Order 2000’s independence standards.

**Proposed Approach:** RRG Work Group (designated representatives who report back to the RRG regularly on their progress).

(a) Develop proposal for effective, independent counter-party

- Reduced number of trustees?
- Funding certainty with sunset provisions?
- Engage staff?
- Authority to complete detailed development?
- Provision for continuing stakeholder involvement?
- Resolution of tort liability issues?

(b) Implement proposal described in 3(a) above

(c) Elect Independent Entity’s initial Board of Trustees

**[NOTE: Remaining tasks are shown on “Proposed Process Tasks” table]**

**PROPOSED KEY PRINCIPLES TO GUIDE WORK EFFORTS:**

1. Work efforts must not conflict with the Regional Proposal. Where the Regional Proposal is silent, work efforts must further implementation of the Regional Proposal framework.
2. Work results must be technically feasible and all elements must be compatible with each other.
3. Work results should be designed to foster broad regional support.