

Brief Summary of Grid West RRG Meeting May 5 and 6, 2004

Introduction

This summary is intended to briefly describe the major topics of discussion during the May 5 and 6, 2004 meeting of the Grid 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 May 5 and 6 Meeting

- An RRG meeting was held at the Shilo Inn Suites Hotel in Portland, Oregon on Wednesday, May 5, from 10:10 a.m. to 4:45 p.m. PDT and Thursday, May 6, from 8:30 a.m. to 3:35 p.m. PDT.
- Approximately 55 people attended the RRG meeting, including 29 designated RRG representatives. Five state representatives attended the meeting in person, and one state representative participated by phone.
- The main purpose of the two-day meeting was for the Bylaws Work Group to review with the RRG the proposed Developmental Bylaws, answer questions, and follow up with a discussion of issues raised by the RRG. The RRG decided the meeting on May 19 would be devoted to further review of Developmental Bylaws that will include proposed resolutions of the issues raised. Issues that would benefit from further discussion by RRG will be flagged. On May 19 the goal is for the RRG to reach a comfortable understanding of the proposed Developmental Bylaws.
- The Bylaws Work Group also intends to complete proposed Operational Bylaws as soon as possible for RRG review, with the aim of having a working draft ready for review in advance of an RRG May 25 teleconference on the Operational Bylaws.
- The Transmission Services Liaison Group (TSLG) gave an update to the RRG and reported they hope to have the Module 1 report, concepts of transmission service and tariff structure, posted by May 14. A consultant selected through an RFQ process will carry out the detailed work in Modules 2-5 with TSLG oversight. The TSLG reported that they have made a funding recommendation for the filers to consider and initiated contract negotiations with the selected consultant.
- The SSG-WI Market Monitoring Work Group's recommendation for market monitoring in the West was explained to the RRG.
- Participants in a trip to DC, April 29-30, to brief the Northwest congressional delegation and staff, DOE, FERC Commissioners and staff told the RRG about highlights of the briefings and key questions asked about the Regional Proposal.
- The RRG heard a report about the initial Risk and Reward Study Group meeting held on May 4.
- The RRG will meet again in Portland on Wednesday, May 19, with the focus of the meeting on proposed Developmental Bylaws. A teleconference briefing on the proposed Operational Bylaws is scheduled for May 25. RRG meetings are also scheduled for Wednesday, May 26, and Thursday, June 3.

Transmission Services Liaison Group Briefing (TSLG)

TSLG members explained technical activity on the Beginning State has been divided into five modules. The TSLG is aiming to have a Module 1 report on basic concepts of transmission service and tariff options ready to post on May 14. More details are to be developed in Modules 2-5 about rights administration, scheduling operations and settlement, ancillary services, and specifications and costs of Beginning State implementation.

Technical Work: An RFQ was issued to accomplish the technical work in Modules 2-5, and the TSLG reported on the selection process. The TSLG reviewed responses, interviewed firms, and made a funding recommendation to the filers. Contract negotiations have been initiated with the consultant, and the target is to have technical people on board by the end of May.

Module 1 Report: The basic objectives of the service structure are to preserve elements of the status quo, and at the same time, provide regional services that are non-pancaked using a region-wide view based on full system flow-based evaluation. For the regional service, the access feature of transmission service is separated from the right to inject and withdraw energy. Loads (including exports) meet the System Access Requirement (SAR) by paying a share of the fixed cost of the system, either through pre-existing arrangements or through payment of the Company Rate. Generators meet the SAR by paying for interconnections. Those who satisfy the SAR can take Regional Network Service (RNS), a region-wide service.

Three tariff structure options were developed. In all three the Grid West tariff provides RNS and collection of RNS charges and scheduling charges for transactions. The options differ in who sets the Company Rate and determines when the SAR is met. The TSLG is focusing on further developing option 2 under which a transmission owner may elect to retain rate setting and responsibility for RNS eligibility or, alternatively, put RNS eligibility and Company Rate responsibility in the Grid West tariff. Further development of option 2 requires defining the division of duties between Grid West and transmission owners and addressing fair treatment and comparable service.

It was suggested and TSLG took on the assignment of investigating, through contacts with other ISOs and RTOs, what designs are working and how scope and costs can be controlled. TSLG mentioned that people are coming in to share experiences on the first day of the upcoming May 12-13 TSLG meetings. TSLG agreed to keep RRG updated on what is learned.

Articles and Bylaws Work Group – Presentation, Discussion, and Questions on Proposed Developmental Bylaws

The Bylaws Work Group started with a power point presentation about the Developmental Bylaws, noting that it's important to understand that the Operational Bylaws will supersede the Developmental Bylaws when the service entity becomes operational. The Developmental Bylaws are the key element of Decision Point #1 – the

RRG assesses the Developmental Bylaws and filers, informed by the amount of regional consensus, decide whether to adopt the Developmental Bylaws and fund activities necessary to seat an independent Board of the Developmental entity.

The presentation illustrated that the proposed governance structure is a “balancing act” between regional control of the Grid West development process and the desire to seat an independent Board to provide a negotiating counter-party to transmission owners and operators during formulation of the Transmission Agreement (TA) and tariff provisions. With respect to retaining regional control, the Developmental Board will be selected by a 30-member regional stakeholder Member Selection Committee (formerly the Trustee Selection Committee). The express purpose of the Board is to foster regional input. With respect to independence, Board members are required to be independent from market participants. The Board decides whether the design is workable and determines independently what terms to include in the TA offer. The Board is also limited by deadlines set in the Bylaws to accomplish its purpose.

The presentation covered details of voting structure, voting rights, membership classes and allocation of voting power. Next the Bylaws Work Group took questions Article by Article from the RRG. While some questions were raised about the Developmental entities’ purpose, geographic scope, and type of filings it may or may not make, the majority of questions were related to Article V, Members. There were a number of questions about who is qualified to join, which class an entity belongs to, and how the voting power within a class is allocated.

The Bylaws Work Group listed issues raised by the RRG. Much of the discussion on key issues was centered on section 12.2, which provides for a Member vote on a Board offer of the Transmission Agreements (TAs) (referred to as the “override” vote). Many RRG participants said that a Member vote on the offer of Transmission Agreements was extremely important, and a positive show of support was superior to a negative override vote. However, there was a range of opinions on whether the Board should be bound by a vote on offering TAs or whether the vote, while important to demonstrate regional support, should not be binding because such a vote restricts the independence of the Board. Some noted that the need for Board independence is different in the Developmental stage than the Operational stage. Everyone agreed that any proposed solution to accommodate the range of views about voting on the Board’s offer of the TAs, needs to take into account that regional accountability and a measure of broad regional support are key objectives.

In response to questions and issues raised, the Bylaws Work Group will revise the Bylaws and develop proposed solutions or frame issues to bring back for further discussion with the RRG, with the goal of posting another version of the proposed Developmental Bylaws several days ahead of the May 19 RRG meeting.

The Bylaws Work Group also is drafting proposed Operational Bylaws and proposed to have a working draft ready for review with the RRG by teleconference on May 25. An RRG meeting will follow on May 26 to seek RRG approval of both the Developmental Bylaws and Operational Bylaws. The RRG advised that the Developmental Bylaws should be the top priority followed by completing a working draft of the Operational Bylaws.

Reports to RRG on April 29-30 Briefing in DC

RRG members who traveled to DC last week for briefings are: Aleka Scott, Stefan Brown, Wally Gibson, Steve Weiss, and Bob Kahn, along with filing utility RRG members John Carr, Jim Baggs, and Syd Berwager, and Bud Krogh RRG coordinator. Six people from DC staff of RRG members also attended the briefings.

The group told the RRG about highlights and questions raised at briefings with Congressman Peter DeFazio, meetings with House staff and with Senate staff, with DOE, with the FERC Rates West staff, with FERC's Chairman Wood and Commissioner Kelliher, and with Commissioner Kelly. One question from FERC was about how they could be helpful. FERC also asked about the relationships of the many organizations in the West – SSG-WI CREPC, WECC, WGA, etc. These kinds of questions illustrate that people in DC want to know more. There is an opportunity to increase the level of knowledge about transmission-related activities in the West. To this end, Laura Vallance, of Commissioner Kelly's staff, was invited to attend the May 19 RRG meeting.

Briefing on SSG-WI Market Monitoring Recommendation

Kristi Wallis reported that the SSG-WI Market Monitoring Work Group (MMWG) is very close to finalizing a market monitoring recommendation that will be taken to the SSG-WI Steering Group. The recommendation does not provide for mitigation or enforcement; it focuses on investigation, liability and states' access to data. Lou Ann Westerfield said the proposal is a way for non-jurisdictional entities to be comfortable participating in market monitoring and the group has come a long way to make market monitoring very broad. The states are keenly interested in being able to receive data and study reports.

Near-term steps are: 1) more education, outreach, workshop, 2) more engagement with CREPC and WGA as the market monitoring plan, governance bylaws and tariff are finalized, and 3) a concentrated effort, during the statement of intent period, to obtain funding, such as a DOE grant or seed money from those who declare intent to take service.

Briefing Report on Initial Risk and Reward Study Group Meeting

Janelle Schmidt reported that an initial meeting of a Risk and Reward Study Group was held on May 4. Discussions focused on needs and expectations of this effort. The group supported starting with the RRG-developed list of Problems and Opportunities and identifying the costs associated with those elements that could be quantified. Next assignments include: further review of cost/benefit studies that have been done for other restructuring efforts, and conversion of the list of problems that the group reviewed into a matrix that enumerates short-term, medium-term and long-term problems and lists the sources and availability of data or information that will help quantify tangible evidence.

Lou Ann Westerfield advised that, because states must statutorily address costs and benefits, each state should be invited to participate in the Risk and Reward Group.

Because this report occurred at the end of the RRG meeting, a follow-up discussion of the group's composition and goals will be taken up at the next RRG meeting.

RRG Meetings on May 19, May 26, and June 3

The RRG scheduled the following one-day meetings at the Sheraton Portland Airport Hotel:

- ***Wednesday, May 19, 2004 from 8:30 to 4:00 p.m. PDT***
- ***Wednesday, May 26, 2004 from 8:30 to 4:00 p.m. PDT***
- ***Thursday, June 3, 2004 from 8:30 to 4:00 p.m. PDT***