

**Response of TSLG to Questions from Seminar
and from Post-Seminar Submissions**

Q#	Category	Name	Source	Question	Response
#1	AFC	BPA	18 Oct 04 E-mail (3)	It was stated that Grid West will calculate AFC and scheduling for all members, to what voltage level will this pertain? Will Grid West be doing AFC on distribution facilities? Will the POD be the actual POD regardless of voltage, or will the POD be at some set voltage level where TX transitions to distribution and the remaining distribution service is still between the customer and the distribution/distribution owner?	Grid West will calculate AFC for the Grid West Managed Transmission System, which will not include distribution facilities. Grid West will manage transmission capacity on main grid facilities between Injection Point (IPs) and Withdrawal Points (WPs). PODs and PORs may be located on facilities of a transmission owner, which are located beyond the IP or WP. (See the Glossary for further discussion of terms -- POD, POR, IP, WP and Grid West Managed Transmission System.)
#2	AFC	Lon Peters PGP	E-mail 16 Oct 04 (3)	Be explicit that AFC is offered by Grid West.	Point noted.
#3	AFC	Lon Peters PGP	E-mail 16 Oct 04 (8)	Clarify how the existing rights inventory is conducted, before the voluntary request for translation (in whole or in part) to IWRs is submitted.	Grid West, with input from parties providing transmission service under pre-existing agreements and obligations, will identify the aggregated injection and withdrawal commitments. The inventory is an internal Grid West database used to determine AFC to meet new requests for service, whether through the longer-term Capacity Expansion Service or through the Reconfiguration Service. This inventory is not binding on specific requests for translation of pre-existing rights to IWRs.
#4	AFC	Lon Peters PGP	E-mail 16 Oct 04 (14)	Explain the interaction between TBL's continuing automation processes and the parallel processes at Grid West.	The intent of TSLG's design work is to take full advantage of current systems or those that may be developed prior to Grid West start-up. Although an explicit consideration of the TBL's automation process has not yet occurred, BPA developments, the Western Interchange Tool of WECC and other participant developments will be meshed into the final design. TSLG will consider these kinds of opportunities in its future work.

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#5	AFC	Mark Jackson BPA	Seminar Q&A (4)	How will Network service be evaluated in the transmission rights base case?	We have not reached this level of detail yet, and expect this to be the topic of continuing work. Each provider currently evaluates the impacts of Network Service on its system. Grid West will perform this evaluation in the future with inputs from each provider. Using the inventory of existing rights, Grid West will prepare a base case for each annual auction. The base case will be updated for each subsequent auction. To obtain a feasible base case, an evaluation will be made of potential uses including Network Service. This type of evaluation addresses the same problem faced by transmission service providers today when they consider the impact of network service commitments upon their ability to grant new service requests.
#6	Auction Methods	Lon Peters PGP	E-mail 16 Oct 04 (7)	Begin thinking about uniform (market-clearing) vs. discriminatory (pay-as bid) auctions, both for IWRs and capacity products within the CCA.	As noted, the examples used during the seminar were based on clearing price methods, although pay-as-bid auctions could also be used. Consideration of the preferable method is a topic for further work.
#7	Auction Methods	Steve Anderley Consultant	Seminar Q&A (11)	What are the relative benefits of settling prices at bid versus market clearing prices?	<p><u>Clearing-Price Markets.</u> In general, clearing price markets allow those making offers for sale to reveal their true opportunity cost to the auction operator, and thereby produce the lower clearing prices at the margin. However in a clearing price market, all quantities purchased and sales occur at the market clearing prices. Because of this feature, some feel that sellers are overpaid.</p> <p><u>Pay-As-Bid Markets.</u> In pay-as-bid markets suppliers are paid the price they offer if selected without regard to the price paid to the last supplier selected, i.e., the marginal supplier. If there is a spread between the offer prices, this theoretically lowers the total amount paid to suppliers. However in an effort to maximize their revenues, bidders will base their offers on their expectation of the price paid to the marginal supplier, as they see the highest price paid in each auction round. As a result in multiple round auctions, the pay-as-bid price tends to approach the clearing price. It is also possible for the pay-as-bid price to exceed the clearing price level, because low cost suppliers may over estimate the marginal offer price as they try to deduce what the eventual price would be for the last offer selected. When there are multiple buyers of a service, the buyers normally pay the average price, which some feel sends an incorrect signal about the value of energy.</p>

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#8	Auction Methods	Steve Anderley Consultant	Seminar Q&A (12)	What assurance is there that there will be adequate liquidity in these markets?	This is a good issue to be considered in TSLGs further work, particularly for the Reconfiguration Service (or RCS). Experience with other RCS type markets indicates that liquidity grows after the first auction round. In the case of the Reserve and Real-Time (Balancing) Energy Markets, the combination of (a) the amount offered by the consolidating parties to meet their shares of the CCA's requirements and (b) the LSEs' desire to provide prices to hedge their exposure, will provide a sufficient volume of trade to mitigate the potential liquidity problem.
#9	CCA	Lon Peters PGP	E-mail 16 Oct 04 (9)	Clarify that Control Area Consolidation, the DA reserve market, and the RT energy balancing market all include Load Regulation service.	The Day-Ahead Reserve Market for the CCA will provide the capacity needed for real time regulation. The Real-Time (Balancing) Energy Market does not deal directly with load regulation. It provides the energy needed to balance loads and resources in real-time on a five minute basis.
#10	Curtailement Rules	BPA	18 Oct 04 E-mail (4)	It was stated that with no non-firm TX there is still some debate as to the priority for curtailments in the case of a system contingency and it was also stated that existing rights would be honored as they exist today, has there been any discussion as to the treatment of NT rights which have a right to be redispatched during a curtailment situation? Recognizing that the redispatch market is still in the developmental stages how would NT redispatch requirements be squared up with the redispatch market when there is the potential for one redispatch affecting the other?	These specific issues have not been addressed and will be the subject of further development work. However, as a general matter, the Network Service redispatch requirement could be accommodated within the voluntary Real-Time (Balancing) Energy Market.
#11	Curtailement Rules	Lon Peters PGP	E-mail 16 Oct 04 (17)	Recognize where curtailment/redispatch rules need to be developed.	As noted during the seminar, rules have not yet been developed for rejection of schedules in the day-ahead process or curtailment of schedules prior to or during real-time. The matter is on the TSLG's open issues list to be addressed in further work.
#12	Curtailement Rules	Mark Jackson BPA	Seminar Q&A (14)	What will be the curtailment priority for these products?	As noted during the seminar, rules have not yet been developed for rejection of schedules in the day-ahead process or curtailment of schedules prior to or during real-time. The matter is on TSLG's open issues list to be addressed in further work.

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#13	Expansion	John White Snohomish PUD	Seminar Q&A (6)	If non-participants in Grid West choose to invest in transmission capacity expansion, what is awarded, e.g., IWRs?	When transmission expansions occur within the Grid West Managed Transmission System, long term IWRs will be granted to the funding parties, based on the increase in transfer capability enabled by the new transmission facilities. These IWRs are physical rights and are therefore analogous to the point-to-point rights that would have been granted for such expansion in the past for large transmission projects. If the expansion is not within the Grid West system, but is either parallel to its system or beyond its boundaries, then the current WECC path rating process would likely apply.
#14	Expansion	Sue Kuehl SCL	Seminar Q&A (9)	Please explain the expansion service.	The TSLG has not developed the Capacity Expansion Service beyond the description provided in the Regional Proposal, however, the TSLG has noted that a method for addressing requests for long term transmission service from AFC should also be included as part of the Capacity Expansion Service. (See pp. 10, 23, 27 & 28 of the Regional Proposal and p. 4 of its Attachment A-2 Development Staging Table.)
#15	General	Lon Peters PGP	E-mail 16 Oct 04 (2)	Be explicit about the full range of current operational flexibilities that the Day One design is intended to incorporate.	Point noted.
#16	General	Lon Peters PGP	E-mail 16 Oct 04 (18)	Start thinking about the standards by which "better alternatives" to current flexibilities would be evaluated.	Point noted.
#17	Market Power	BPA	18 Oct 04 E-mail (7)	The question raised during the seminar, what is to keep parties from speculating in the year long reconfiguration market and hoarding TX rights across congested paths and then reselling those rights into the shorter-term markets at inflated prices, was not fully addressed.	<p>The potential for hoarding is no worse than it is today. Today, a transmission customer may buy transmission rights and not use them. The proposed markets mitigate this potential problem in at least two ways: 1) unscheduled capacity is available in making the Real-Time (Balancing) Energy Market in the CCA, and 2) the existence of the RCS helps value these rights. As to the possibility of selling transmission rights at "inflated" prices, this is limited by the intrinsic value of the energy prices between an Injection Point and a Withdrawal Point.</p> <p>The potential for abuse of market power will be taken up in later stages of the TSLG's work, whether that potential abuse is in a transmission rights market or in capacity and energy markets. However to clarify this issue, some additional points should be noted.</p> <p>1) Capacity not scheduled by the end of the scheduling period will be available to the Real-Time (Balancing) Energy Market within the CCA.</p>

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#17 cont.					<p>2) The reconfiguration markets are most likely to be primarily secondary markets, i.e., a place for parties who already hold right to trade them to others. As a result, the percentage of total transmission rights involved in any given auction is likely to be small compared to the total number of transmission rights used on a day-to-day basis. It would very difficult to “corner the market” under these conditions.</p> <p>3) It should be noted that the value associated with any transmission right is derivative, that is, a high value for a transmission right cannot be maintained unless there is an underlying limitation on generation options for serving load. So the only value of holding a transmission right and hoarding it is to forces parties to use less economic sources of energy than would otherwise be available. If block purchases of transmission are used to distort energy or capacity markets (a well recognized problem that is easily detected by market monitors), mitigation strategies can be developed, such as limiting the amount of IWRs purchased by certain market participants.</p> <p>4) The annual RCS is an opportunity for market participants to acquire rights at market-based prices, i.e., the rights are awarded to whoever values them the most based on their bid price. Those bid prices are based on the buyers’ expectations of energy price options for the period of the IWR. To the extent that such rights prove to have a higher value in a later auction than anticipated at the time of original purchase, the right holder should be able to sell to someone who sees a higher value. This is no different than the result obtained today by a party who holds long transmission rights, and who then buys energy on a given day, transmits it using its transmission rights and resells the energy at the market price at the delivery end. In both cases the transmission right is paid for on one basis, but the value of holding the transmission right is recovered based on energy market prices.</p>

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#18	Metering	BPA	18 Oct 04 E-mail (2)	In the settlement discussion on page 41, a major cost savings was discussed, in that existing meters will be used and the various parties will submit meter data to Grid West. Has there been any discussion of the potential problems that may arise because this metering data is not readily available, the actual data itself may be different or incomplete from some participants, or with the control of the meters left to the participants there may be an opportunity to manipulate the data?	Discussions have not yet addressed this level of detail, however, meter data management is an important and recognized concern. Use of existing meters is contemplated only to the extent that they are used for commercial transactions already (e.g., interchange metering). There will be a continued need for the joint meter testing and certification, standards of performance, etc. just as there is today for interchange and commercial delivery metering.
#19	OASIS	Lon Peters PGP	E-mail 16 Oct 04 (6)	Begin thinking about the kinds of data that will be published or not.	To assist market participants, the list of data currently being considered for OASIS posting are AFC data by flowgates on main grid facilities and PDFs (Power Distribution Factors) to allow both buyers and sellers to determine the approximate effect of a right or schedule on AFC. Prices will be posted from past RCS auctions along with the volumes of rights acquired in the auctions, prices and volumes sold/purchased in the Reserve and Real-Time (Balancing) Energy Markets. Other similar non-confidential data would be provided as needed, e.g., transmission outages schedules.
#20	RCS	BPA	18 Oct 04 E-mail (9)	There was a reference back to Module 1 in the background section that referred to customers with existing rights being able to take reconfiguration service and turn those existing rights into another transaction with no additional cost. How would this work for GTA customers that hold TX rights on TBL's system and requested to have their rights reconfigured to get them all the way to their loads? If this is contemplated, how is the cost shift between TX owners dealt with?	<p>To sell a transmission right through the reconfiguration service, the right holder must have the right to resell that right today. Reconfiguration does not create a property right that does not already exist; rather, it provides a standardized and more flexible way to trade transmission rights, since a one-to-one match of injection and withdrawal points is not required for RCS trades.</p> <p>If a right holder has a resalable right, it could use the reconfiguration service to sell its transmission right rather than make a bilateral transaction as it might do today. However, the right holder is still obligated to pay the original provider under its contract, just as it would be today for a temporary bilateral sale, so no cost shift is created by the sale of an existing right.</p> <p>To the extent that the releasing party buys new rights, the revenue from its rights sale could be used to offset for the cost of the new IWRs purchased. If AFC is used to make these new rights available, those additional revenues for Grid West will be available to offset cost shifts through the R3A. The details of this process and mitigation of cost shifts will be taken up by the Pricing Group.</p>

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#21	RCS	Lon Peters PGP	E-mail 16 Oct 04 (10)	Clarify the various points in the Reconfiguration Service at which feasibility tests will be conducted by Grid West.	A base case will be constructed for each auction. Feasibility of the base case is a prerequisite to conducting each auction. As the auction engine uses both offers to sell and bids to buy, it will seek to maximize value with transmission capacity, while preventing transmission constraint violations. So in addition to testing each base case for feasibility, each auction result is also a feasibility test.
#22	RCS	Alan Cook Tacoma	Seminar Q&A (1)	Could the IWR translation associated with new capacity change over time?	The translation of an existing right to an IWR will be based on the capacity obligations inherent in the existing right. If the right is for a fixed amount of rights, the translation would not change over time. If the right is contingent on some time varying factor, then conceivably the IWR amount could also vary.
#23	RCS	Marshall Empey UAMPS	Seminar Q&A (5)	How will the IWR process relate to the WECC path ratings?	The path rating process identifies total and operational transfer capabilities. These capabilities then become the limits on various paths (flowgates) to be used in the IWR process.
#24	RCS	Don Wolfe BPA	Seminar Q&A (8)	Maybe there should be more granularity beyond HLH and LLH time periods.	This question will be added to the TSLG's open issues list for consideration.
#25	Reliability	Lon Peters PGP	E-mail 16 Oct 04 (15)	Identify any proposals to move responsibilities from the existing Reliability Authorities to the Reliability Coordinator or a new Reliability Authority.	The NERC functional model is currently a moving target. The Reliability Authority has been removed from NERC Standard 0. So there will be no entities that will certify as Reliability Authorities. The TSLG will continue to follow NERC developments and make design changes as appropriate.
#26	Reserve Market	BPA	18 Oct 04 E-mail (1)	For the reserves market, do all reserves for the consolidated control area have to be acquired in the reserves market, or can some of the reserve obligations be covered by long-term bi-lateral deals, in essence allowing for self-supply?	Grid West will acquire all reserves for the consolidating parties through its reserves auction market. A participant may self-supply by offering its own or bilaterally acquired reserves at zero price (that is be a price taker in the reserve auction). The reserves with the lowest cost will be deployed. The price charged to and payment made to a "self-supplier" using this approach will exactly offset. Reserves associated with a bilateral contract need only be certified (as will all sources of ancillary services) by Grid West to be provided.

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#27	Reserve Market	BPA	18 Oct 04 E-mail (6)	The diagrams on page 14 and 22 both contemplate allowing non-Grid West members to be market participants and to sell reserves (IOS services) into the consolidated control areas reserves market, is there any concern that these non-member market participants will be able to game the system without having a contract with Grid West that requires the market participants to abide by market rules, or that gives the market monitor the authority to monitor their behavior? Has this potential problem been discussed?	Any party wishing to sell in the CCA markets will have to be certified and execute an enabling agreement that commits the seller to abide by all market rules and to be subject to scrutiny by the market monitor as a condition of participation. Allowing non-CCA entities to sell reserves into the CCA will decrease the cost of reserve supply for CCA members, while providing a market for this commodity to non-CCA market participants. TSLG doesn't currently see any way this can be gamed by non-CCA market participants however this will be re-evaluated as the design details unfold.
#28	Reserve Market	BPA	18 Oct 04 E-mail (8)	The requirement that a member of the consolidated control area will have to provide a share of the reserves equivalent to the amount needed for its obligations will result in BPA providing more reserves than it does today. Currently PBL provides reserves in an amount equal to the full amount of needed reserves minus the amount of reserves supplied by third parties. Under the Grid West CCA BPA will have to hold out the full amount of reserves until a lower bidder makes up some of the capacity and then BPA will get some back, but it will likely be late to market this difference and it will be difficult to plan the hydro system around this unknown quantity. It has been pointed out that less reserves will be needed for the CCA, this is somewhat of a misconception, because it is true that regulating reserves will go down, but spinning and supplemental reserves are tied to the amount of generation and that will stay the same whether the control areas are consolidated or not.	The obligation to supply sources of ancillary services is assumed to apply to Load Serving Entities (the ultimate users of the services). BPA will not have an obligation for the third parties referenced; their obligation to supply their reserves will continue. It is true that reserves are only reduced by the regulation savings associated with consolidation of control areas, and nothing more has been implied. The cost of supplying all reserves should decrease through the use of a market to utilize the lowest cost available sources in the region.
#29	Reserve Market	Lon Peters PGP	E-mail 16 Oct 04 (5)	Be explicit that the current NWPP Reserve Sharing Agreement will remain in place (perhaps with modifications).	It is anticipated that Grid West would become a signatory to the NWPP Reserve Sharing Agreement as a control area operator and that the agreement would continue.
#30	Reserve Market	Lon Peters PGP	E-mail 16 Oct 04 (11)	Consider how to avoid "free riders" driven by the interest of individual suppliers of reserves within the CCA to under-supply their share of consolidated reserve requirements.	Each of the LSEs will be required to supply their share of the reserve. As the rules are developed for the participants obligations, they will include remedies for failure to supply.

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#31	Reserve Market	Lon Peters PGP	E-mail 16 Oct 04 (12)	Explain "Replacement Reserve Service".	Replacement reserves are used in other markets to provide a contingency stack for obtaining additional reserve when scheduled load is less than an RTO/ISO's own load forecast. The cost of Replacement Reserve is generally charged to those who under-schedule their load.
#32	Reserve Market	Dick Byers WUTC	Seminar Q&A (2)	From the perspective of the retail consumer, if the LSE continues to provide its share of reserves and brings quantity and price to the market, even if the wholesale entity sees a lower cost, how will this be translated to the end-use consumer?	Under the reserve market design, LSE's will price reserves at the opportunity cost of using the reserved capacity for other purposes. If Grid West procures cheaper capacity, LSEs benefit by using the capacity that would otherwise be held back as a reserve, for other purposes, such as generating more energy. The added energy revenue received by an LSE will flow to end-use customers through the usual regulatory mechanisms used to address energy cost recovery. (The mechanisms vary among jurisdictions as part of their overall approach to embedded cost recovery.)
#33	Reserve Market	Mark Jackson BPA	Seminar Q&A (7)	Is there a benefit to consolidating CAs in order to reduce overall regulation requirements?	Yes, there is an expected reduction in the amount of the regulating reserve required. There may also be O&M savings and efficiency savings resulting from avoided generation changes.
#34	Reserve Market	Ron Rodewald BPA	Seminar Q&A (10)	The slides should be modified to be more clear about the reserves services that will be offered in the CCA.	Point noted.
#35	Reserve Market	Mark Jackson BPA	Seminar Q&A (17)	Will reserve requirements need transmission rights associated with them?	The locational nature of reserves will be considered. The details of how this will be done have not been developed. However, it is conceivable that a resource located outside the area of need could use transmission rights to qualify as a provider in a higher value reserve area.
#36	R-T Energy	Lon Peters PGP	E-mail 16 Oct 04 (13)	Explain how locational prices for RT energy will emerge from the proposed model.	A security constrained dispatch algorithm will take the production levels of generation, existing system flows, offered prices for incs and decs, system constraints etc. and produce a least-cost dispatch for the next dispatch interval (for instance 5 minutes). The algorithm will calculate the incremental value of producing additional energy at each resource location. These incremental energy values are the real-time energy prices at those locations. These prices can be aggregated to develop zonal and transmission owner level prices.

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#37	R-T Energy Market	BPA	18 Oct 04 E-mail (5)	Page 69 refers to “real-time offers Incs/decs to relieve congestion or produce a least cost dispatch solution,” it was stated that the redispatch market is not yet developed, but generally incs/decs refers to redispatching resources. Please explain what was meant by this statement. Will the real-time market allow for real-time redispatch bids and it is only the day-ahead redispatch market that is not yet figured out?	It is the Day-Ahead Redispatch Market with which there are unresolved issues. The delay in resolving the design of the Day-Ahead Redispatch Market arises out of the conflict between the need to make the Day-Ahead Redispatch Market financially binding and the requirement to protect existing transmission rights, where a significant number of parties have the right to change their day-ahead schedules prior to the operating hour. The Real-Time (Balancing) Energy Market will use inc and dec offers to formulate a least-cost redispatch for each dispatch interval within each operating hour to minimize production cost as it acquires balance energy.
#38	R-T Energy Market	Lon Peters PGP	E-mail 16 Oct 04 (4)	Be explicit that loads can bid into the inc/dec market.	Loads can bid in the inc/dec market. The term “resources offers” was used in the description of the markets, instead of generation offers, in order to be inclusive. Load offers will need to meet the certification requirements, i.e., demonstrate (a) that they are capable of providing the control and responsiveness required for the service they are offering to the CCA and (b) that they have ownership of the energy they wish to make available.
#39	Scheduling	Lon Peters PGP	E-mail 16 Oct 04 (1)	Add an Example Scenario in which a non-Member of Grid West that operates its own control area or is in the control area of a third party wheels power from its own generation or contract resource to follow its load on a dynamic basis.	This example will be added to the existing examples. It adds a dynamic transfer feature not covered in the other examples.
#40	Scheduling	Lon Peters PGP	E-mail 16 Oct 04 (16)	Lay out the sequence of events associated with the use of existing rights of firm redirects under PTP contracts.	This issue will be included in the work to be done in the next round of development.
#41	Scheduling	Ray Nelson PRM	Seminar Q&A (3)	How do you get transmission in real-time that is needed to support a contingency?	All unused transmission capacity will be available for use. The process for making it available during the Adjustment period (i.e., for the time when the day-ahead process ends until the beginning of the Operating Hour) will be developed in the next layer of TSLG work. Reserves used to respond to contingencies within an operating hour, already have transmission capacity use associated with them through locational reserve requirements. The details of transmission use for reserves will be considered more fully in subsequent design work.

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#42	Scheduling	Marshall Empey UAMPS	Seminar Q&A (15)	Where will the specific injection and withdrawal points be?	While specific generating plants or points of interconnection will be needed as injection points, withdrawals to serve load could be specified by area with a distribution factor provided by the customer or developed jointly by Grid West and the transmission customer. (Also see the response to Question #1 above for further discussion.)
#43	Scheduling	Dave Gilman BPA and Marshal Empey UAMPS	Seminar Q&A (16)	Why aren't e-tags needed for schedules within the CCA?	In general, E-tags are only required between (Balancing) Authorities. E-tags are needed for interchange accounting and indirect control of transmission flows through curtailments, which must be tracked between source and sink. However, within the CCA, Grid West will have direct information on generator output and will be able to exercise direct control using resources voluntarily provided to the Real-Time Energy Market to manage transmission loading rather than relying exclusively on schedule curtailment. The other accounting information normally drawn from e-tags could be provided from energy dispatch information. Specific mechanisms to acquire the needed information have yet to be developed.
#44	SSG-WI	Marshall Empey UAMPS	Seminar Q&A (13)	What is being done with neighboring ISOs given that Grid West is planning to adopt a flow-based system? ??	The SSG-WI process spent some months working on approaches that could be used to deal with external flow effects in the West. In the event that Grid West moves forward beyond the development stage, this work can be extended to deal with flow problems between the regions of the Western Interconnection. The CAISO is adopting a flow-based scheduling process under their Market Redesign and Technology Upgrade Program and will need to address this question soon, well before Grid West is operational.