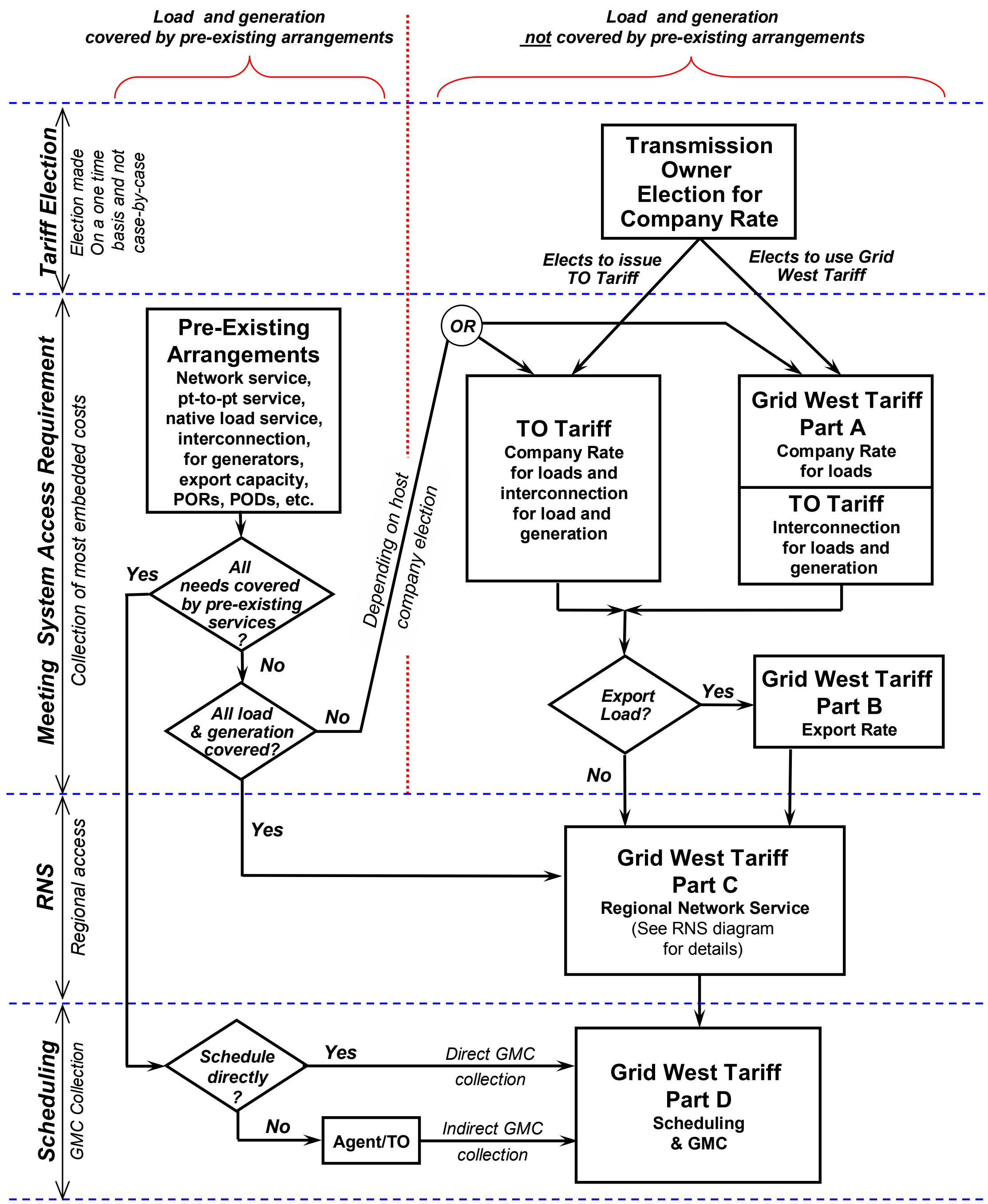
Responses to Questions Submitted for TSLG Open Conference Call On Module 1 Report

An open conference call was held on June 3, 2004 by the Transmission Services Liaison Group (TSLG) for the purpose of discussing the Module 1 Report. This document provides information discussed during the conference call and is provided for the use of RRG participants in their review of the Module 1 Report.

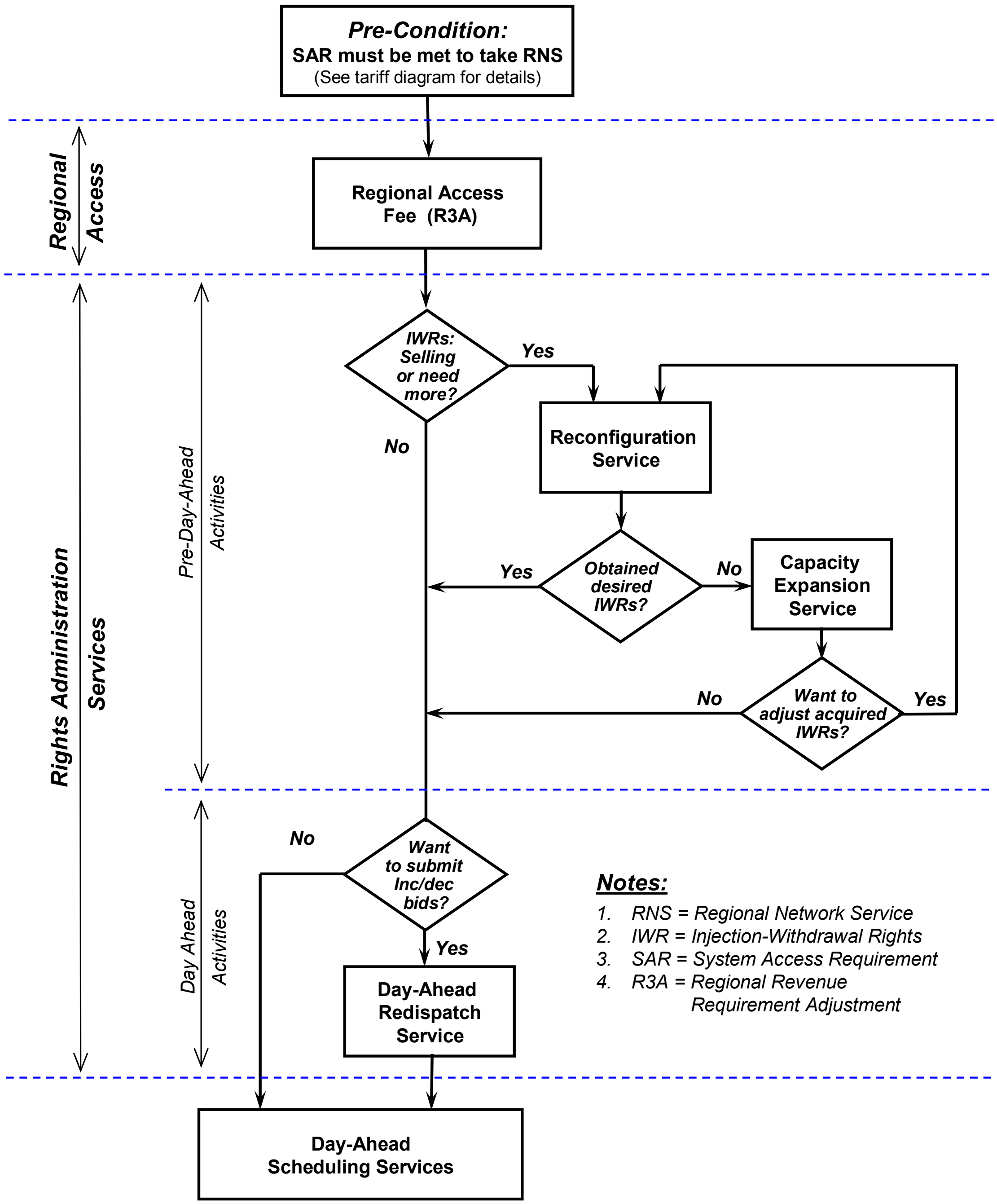
The first section of this document contains three diagrams that illustrate the relationship between beginning state tariffs and pre-existing transmission service arrangements for transmission service under tariff structure Option 2. These diagrams were used at the beginning of the conference call to provide an overview of the Module 1 Report.

The second section of this document provides answers to questions submitted by RRG participants prior to the conference call. The questions and answers were discussed during the June 3rd conference call and a commitment was made to post the questions and answers prior to the June 10, 2004 RRG Meeting. Four sets of questions were received. Each set is shown separately below with the answers inserted below each question.

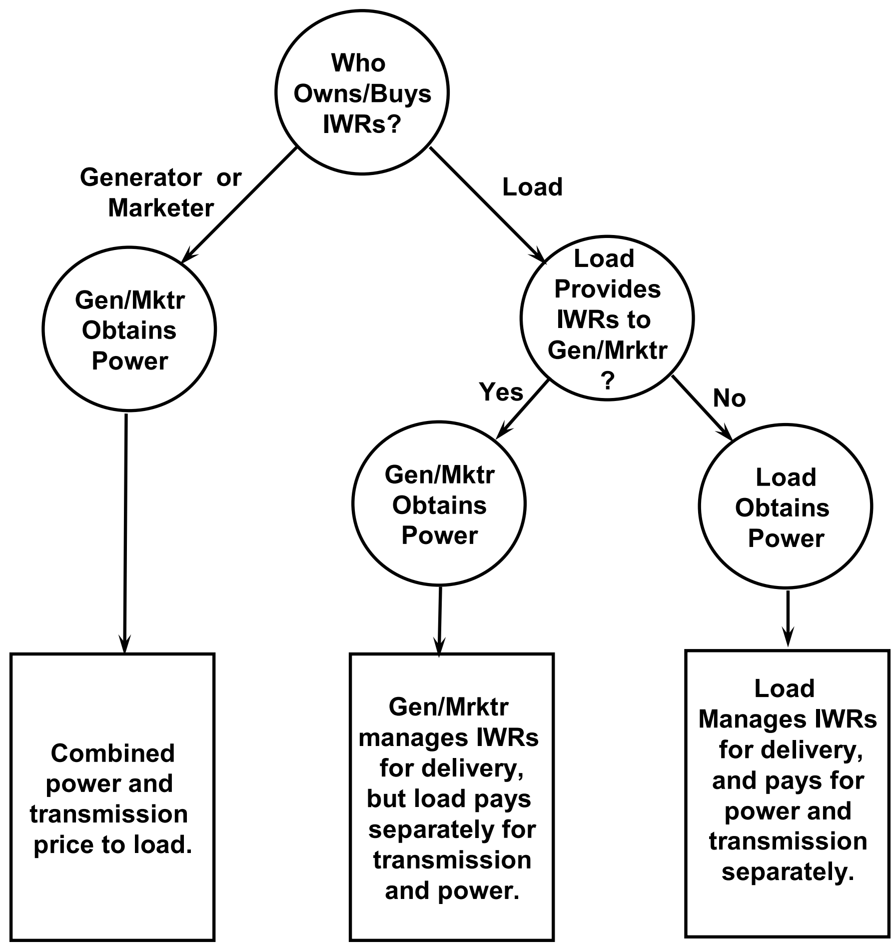
Option 2 – Relationship Among Beginning State Tariffs And Pre-Existing Arrangements



Grid West Tariff – Part C
Structure of Regional Network Service



Some Illustrative Alternatives for Using Injection-Withdrawal Rights



Responses to Questions Submitted for
TSLG Open Conference Call
On Module 1 Report

The following questions were submitted by:

Dick Byers
Washington Utilities and
Transportation Commission

Answers have been inserted below
each question in *italic type*.

----- Original Message -----
From: Dick Byers
To: Steven Walton
Cc: Dick Byers
Sent: Thursday, May 27, 2004 4:28 PM
Subject: Re: [RRGA-L] Invitation to RRG for Questions and Comments on TSLG Module 1 Report

Steve,

I note from your e-mail below that you wanted to receive comments and questions by "some date." I guess this date is as good as any other!

I plan to be on the call, barring unforeseen conflicts.

I have a few comments and questions:

1) This is a quibble, but the first few sentences of the first paragraph in the Background discuss "sequential" and "successive" stages of development. This seems a bit strong to me. The proposal, as I understand it, identifies these as potential stages to which the IE would move, but those stages are neither certain, nor well-defined. Seems like some qualifier like "potential stages" is needed here.

> *Answer: No comment.*

2) On page 2 the report lists a number of objectives. I suppose these may have been taken directly from the earlier descriptions of the proposal, but a number of them seem overlapping, if not redundant. The first and sixth bullets appear to be after the same thing (and the words cost and significant should be reversed in the first sentence of the first bullet). The second and fourth bullets may be after slightly different things but they look pretty similar to me. I'd suggest you consider collapsing objectives in this list if they are truly redundant, and if they aren't make them more clearly distinct.

> *Answer: Yes, the two are quite similar, however the sixth bullet explicitly identifies full recovery by owners, while the first describes pancaking. They could be combined.*

3) There seems to be a tension between FN 12 on page 5--"transmission service taken by a transmission owner for its own loads from its facilities does not fall under the Grid West tariff"--and Options 2 and 3 of the Tariff Options on page 14. Does FN 12 apply only to Option 1 on page 14 (i.e. where fixed-cost recovery is determined under the TO Tariff)?

Answer: Footnote 12 applies to Option 1 and to Option 2 when the transmission owner elects to issue a TO Tariff. Please note the end of the specific sentence referenced in the question: "…except as ~~the~~ an option for a transmission owner." (correction added). This exception is added to cover the possibility under Options 2 that a transmission owner could elect to use the Grid West Tariff for identifying its Company Rate and then separately opt to take service for its own load under that portion of the Grid West Tariff..

4) On page 6, I just want to confirm that RNS is optional service and that there are no requirements to give up existing rights or arrangements (including the right of a TO to provide priority to native load service over its own facilities) in order for a load-serving utility to augment its existing arrangements and rights with RNS service offerings. In others words, is RNS service in all senses incremental to and combinable with existing service and rights? I read the first paragraph on page 6 to say that.

Answer: Yes, RNS is not required to continue with pre-existing arrangements. Transmission customers who wish to do business outside their pre-existing arrangements will use this set of services.

5) Again on page 6 under RNS, is there a distinction between the tradable rights to protect against congestion charges described in the first paragraph under RNS, and what were called FTRs under RTO West Stage 2? No quibble here, I'm just trying to make sure I understand.

Answer: No, they are not the same, although they serve similar purposes. First, physical rights under Grid West and financial rights under Stage 2 are fundamentally different approaches to transmission rights. Second, FTRs (Financial Transmission Rights) were associated with both issuance of new rights and conversion of pre-existing rights to standard financial forms under the Stage 2 proposal (i.e., Financial Tranmission Options and Catalogued Transmission Rights). Under the regional proposal, there is no conversion of injection-withdrawal rights (IWRs) that arise from pre-existing arrangements. Such IWRs could be traded in their present form and used as is by the purchaser. If these IWRs are traded through the Reconfiguration Service, the IWRs obtained by purchasers from Grid West will be standardized, however, the details of the service are an item for development in Module 2, to include any necessary curtailment provisions that FTRs do not have.

6) On page 10 at numbered paragraph 2(a), the concept of surplus revenues appears as a source of funds to cover R3A. Surplus revenues implies to me revenues collected in excess of cost for the service provided. Does this mean that reconfiguration and redispatch services are not expected to be cost-based? I could see how the actual inc/dec bids might not be cost-based, but Grid West will presumably pay the prices bid if it accepts the offers. Where would surpluses come from? Sale of new rights? Wouldn't users argue that those revenues should properly be used to offset GWSC?

> *Answer: Based on your reading, the term surplus may be a misnomer. The overall recovery of transmission costs will be based on cost-of-service. The "surplus" would be better called a "revenue credit" in cost of service parlance, and come from the sale of ATC not currently being used. In the process of reconfiguring an offer from Point A to Point B into a request from Point C to Point D, capacity may be used that was previously unusable with the outstanding set of rights issued. Such added sales are the flip side of the loss of non-firm and short term firm sales, so it is expected that they would be used to offset these losses that occur when de-pancaked region-wide services is offered. They are "surpluses" only to the extent that they provide added revenue to offset losses or reduce fixed costs. The prices for IWR acquired through the reconfiguration service will be based on what the parties are willing to sell for or buy for, when they consider the value the rights will hold for them in the future.*

7) On page 11, assumptions for tariff structure: RNS requires a central calculation of ATC. Does that central calculation of ATC take assumptions (regarding reserved uses like native load service) from TOs that are load-serving entities, or does it make assumptions regarding the reserved uses? In other words, who sets the sideboards on calculation of ATC, the utility using facilities to meet load, or Grid West seeking to maximize ATC in order to sell additional RNS (for which it might generate surplus revenues. . .)?

> *Answer: Yes, all the outstanding obligations are to be considered in determining whether additional IWRs can be issued. The process of evaluating these obligations will be further developed in future work.*

8) On page 12: tariff options, I have several questions:

> *Answer: The TO Tariffs and Grid West Tariff discussed in the three options deal with setting prices, terms and conditions for future* ***wholesale*** *transmission services, just as today's OATTs provide wholesale*

transmission service. The jurisdictional issues raised in the questions are beyond the scope of the Module 1 Report.

a) I understand the term "responsibility for rate-setting" to apply to fixed cost recovery for RNS service (the SAR). The fixed costs of the TO system are what they are. Is the idea that a different fixed cost rate would be established for RNS than is established for existing service? What would cause that rate to differ -- different (new) facilities, segmented system, ___?

b) I read Option 3 to make Grid West state jurisdictional. The Grid West tariff is proposed to include fixed cost recovery for TO transmission facilities that are state jurisdictional and used and useful in public service to retail customers. Is this what was intended?

c) Option 2 serves only to complicate the jurisdictional issues. Some TOs would control the fixed cost recovery in their own tariffs, for both retail rates and wheeling rates (as they do today). But others would transfer this function to Grid West making Grid West jurisdictional to the states for only some, but not all, of the transmission service it provides.

d) Does Option 3 assume that all TO transmission investment is removed from state retail ratebase, even though the facilities are electric plant (at least in Washington) that provides service to the public in Washington? Does Option 3 assume that the WUTC has the authority to pass through a rate set by Grid West for that service without directly regulating that rate? Can somebody point me to statutory authority for the WUTC to delegate its primary authority in such a way?

e) Maybe I've missed something here, but Options 2 and 3 make no sense to me unless the objective is to make Grid West jurisdictional to a number of states--an interesting outcome, but one that I doubt was intended.

Hope these are helpful Steve. I'll see you on the call.

Dick Byers
Senior Electricity Policy Advisor
Washington Utilities and Transportation Commission
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Responses to Questions Submitted for TSLG Open Conference Call On Module 1 Report

The following questions were submitted by:

Eric V. King
Bonneville Power Administration

Answers have been inserted below
each question in *italic type*.

----- Original Message -----
From: King, Eric V - R-3
To: 'swalton@ieee.org'
Cc: Burns, Allen - R-3 ; Berwager, Syd - R-3 ; Michie, Preston D - R-3 ; Rodewald, Ronald K - R-3 ; Rogers, Robert A (Joe) - R-3
Sent: Tuesday, June 01, 2004 11:26 AM
Subject: Module 1 questions - BPA

Steve, Allen Burns asked that I send these questions on to you.

1) Do customers with existing contracts have to sign an agreement with, or have a separate Tariff with Grid West for existing service (I think the answer is no, but need to verify)?

Answer: No, as long as their service is entirely within their existing contract rights.

2) Do customers with existing contracts, who wish to take additional service that is outside their contract, have to sign an agreement with, or have a separate Tariff with Grid West? If so, does the Tariff cover their full service, or just the additional service?

Answer: The details of implementing TO Tariffs and a Grid West Tariff-Part A have yet to be worked out. TSLG has continuing discussion of what constitutes "new service" within the host company system.

If the service requested is outside the host company system, the answer is clearly yes. If the customer wants service outside its pre-existing contracts, it would sign an agreement under the Grid West tariff to obtain Regional Network Service (RNS). The condition for taking RNS is that the System Access Requirement is met either by existing contracts that cover full load or using a TO Tariff or Grid West Tariff-Part A (depending upon the choice made by the transmission owner at the time tariffs are filed) to cover load not under pre-existing arrangements, with exports being treated as load. RNS will provide access to any part of the regional transmission system, and the customer may use the rights administration services to obtain injection-withdrawal rights for any location in the system.

3) In the TSLG Module 1 report and the accompanying graph "Relationships Among Beginning State Tariffs and Pre-Existing Arrangements" there is a recommendation that the Grid West Tariff should include parts B "Export Rate" and C "Regional Network Service". Could you review how the TSLG weighed the advantages and disadvantages of including these services in the Grid West Tariff verses having the TO's include like charges for these services in their Tariffs?

Answer: Regarding the export fee, the Module 1 Report suggests that is is likely that the export fee provisions would fall under the Grid West Tariff. The actual design of the export fee is an activity expected to be done by the Pricing Group. There are two reasons for making Grid West tariff suggestion in the report. (1) In both the IndeGO pricing discussions and in the RTO West Stage 2 filing pricing *discussions, a single price for all export points was adopted to resolve the complex problem of deciding what rate to apply at export points like COB where there are multiple parties with ownership. Facing the same challenge, it seemed likely that the Pricing group would come to a similar conclusion when the consider how to set export fees under the Regional Proposal. (2) Another design lesson, regarding export fees from RTO West Stage 2, is that parties may want to buy blocks of export reservations and then want to sell them to others if they are not used. This would be simpler if centrally administered by Grid West.*

Regarding RNS, early discussions at TSLG considered the possibility of allocating each request for service among multiple tariffs issued separately by each Transmission Owner. This is a very complex approach which was not pursued. During discussion between TSLG and representatives of the Facilities Group, it became clear that the provision of regional service is provided out of the combined system, not from any individual system and should therefore fall under a Grid West tariff as a joint activity made possible by Grid West's optimization of existing capacity in the system.

4) On page 5, the TSLG specifically recommends the adoption of the two-service approach. Is the TSLG asking for the RRG to take action at this time to accept this recommendation?

Answer: The recommendation to treat access and injection-withdrawal rights separately is fundamental to further work on Modules 2, 3 and 4. An RRG assessment of this design recommendation would be appropriate.

Eric King - BPA

Responses to Questions Submitted for
TSLG Open Conference Call
On Module 1 Report

The following questions were submitted by:

Lon L. Peters
Northwest Economic Research, Inc.

Answers have been inserted below
each question in *italic type*.

Questions on TSLG Module 1 Report

May 2004

1. To what extent will existing tariffs and business practices be honored by Grid West, or does the Regional Proposal envision changes to business practices? Currently, not all transmission owners in the Northwest operate with identical business practices. For example, BPA has moved toward flow-based ATC calculations, and offers both partial year service and firm redirected service. How much specificity on business practices will be designed into the Beginning State before the fact, and how much left up to the Developmental or Operational Boards?

   Answer: The issue of business practices has not been addressed by TSLG. The process for determination of ATC by Grid West is to be considered in Module 2. The scheduling and operational procedures are to be considered in Module 3. The codification of pre-existing business practices to be used in interpreting pre-existing contracts is outside the scope of TSLG's assignment and will have to be resolved between the transmission owners and their customers.

2. Will the current PNSC be "rolled into" Grid West or maintained as a separate organization in the Beginning State? If the former, how will the current agreements between the PNSC and regional control areas have to be modified to accommodate the absorption of the PNSC by Grid West?

   Answer: This matter has not yet been addressed. The operational design will be considered in Module 3, to include the relationship between PNSC and Grid West.

3. When is the Pricing Work Group expected to review the RTO West Stage 2 pricing model and develop modifications for the Grid West Beginning State? Will the Pricing WG design the R3A (financial backstop for revenue shortfalls due to the shift from OATTs to RNS)?

   Answer: The specific rate design for the regional access charge, i.e., R3A, will be left to the Pricing work group. The Module 1 Report lays out its purpose and the kinds of cost that Pricing should take into consideration. The Pricing group could begin that review whenever they begin their activities.

4. How will "transparency" be balanced with "commercial sensitivity"? (Details are needed, not just broad policy statements.)

   Answer: This issue has only been discussed in general terms. The specifics would fall under Module 3. As a broad concept, transparency applies to results, so for instance customers would see the prices and volumes at which redispatch cleared, but they would not see any individual inc/dec bids or the generation level of parties who provide redispatch. The later data is commercially sensitive and would be confidential and not released by Grid West, although market monitoring would have access to the raw data and settlements.

5. How will Grid West alter the existing ability of control area operators to consolidate voluntarily?

   Answer: TSLG has not taken up control area consolidation, however, nothing in the Regional Proposal alters parties' ability to combine in any way they choose.

6. What efforts are going to be made to "cost out" the Beginning State?

   Answer: An RFQ has been issued to obtain technical support services. Discussions are underway to finalize an agreement for such services. As Modules 2, 3, and 4 are developed, a cost estimate (under Module 5) is to be prepared. This estimate will likely be made toward the end of 2004 when the other work is sufficiently clear to enable a good estimate to be made.

7. How will existing native load obligations that are not memorialized in contracts be honored in the Beginning State? Will they be memorialized somehow first? If so, by whom? What if there are disputes over such memorialization?

   Answer: This issue has not been addressed, but will to be taken up in Module 2. The points made in the question will need to be addressed.

8. What efforts are underway at regional IOUs and BCTC to evaluate the applicability of BPA's flow-based ATC methodologies (short-term and long-term) to their own systems?

   Answer: No information. Utilities will have to speak for themselves.

9. Is the recommendation for a "two-service approach" (i.e., separating "access" from Injection-Withdrawal rights) intended to <u>supplement</u> existing service, or <u>replace</u> existing service? Is a transmission <u>customer</u> free to terminate its existing service agreements, in whole or in part, and adopt the new "two-service" package from Grid West? (See the fifth sentence in footnote 12, which refers to the option for transmission <u>owners</u> to shift to Grid West for its "two-service" package. Again, is this option "all or nothing", and who gets to exercise the option?)

   Answer: A foundational assumption for the Beginning State is that pre-existing arrangements will remain in place. The two service approach is proposed as a means of considering how to offer services from the start of the Beginning State and beyond and to clarify the collection of system fixed costs. The "access" component is dealt with through the System Access Requirement and then a customer may supplement its existing service by taking RNS from Grid West.

   While continuation of pre-existing agreements is expected, there is nothing in the proposal that would prevent a customer from exercising contract termination provisions for pre-existing agreements. If that occurred, the customer would have to cover its load under the applicable TO Tariff or Grid West Tariff (depending on the *host company's tariff election). The customer could then take RNS to acquire its needed injection-withdrawal rights using the rights administration services of Grid West. However, in doing so, it would face competition from other parties for injection-withdrawal rights it gave up in terminating its agreements. These risks would have to be weighed by a customer considering termination of pre-existing agreements.*

10. Does the eligibility of generators for RNS, based only on their interconnection with a "host company", apply to <u>existing</u> generators that have PTP contracts or are nominated as Network Resources under NT contracts, or does this eligibility apply only to "new" generators as of some date-certain?

    Answer: Once again, the details have not been developed, however, existing interconnection agreements would meet the System Access Requirement to the extent that they cover all necessary standards and obligations for system control. FERC's recently interconnection standards will apply to new interconnection agreements.

11. What defines the points of "export" and "import" with respect to regional loads? Are control areas that are surrounded by the Grid West control area considered sources of exports and imports?

    Answer: Imports and internal generation are treated the same. The matter of exports to what might be called islands within Grid West has not be explicitly discussed, however, the general principle is that generation can be delivered to any load that meets the System Access Requirement. The application of the principle to surrounded control areas will be part of the further development of the concept.

12. RNS is supposed to reduce loop flow problems. How will existing arrangements, including agreements, for managing and paying for loop flow be altered by the offer of RNS?

    *Answer: "By evaluating schedules on an injection and withdrawal basis, loop flow problems should be reduced." (p. 7) Note that the operative word is reduced, not eliminated. The process for dealing with west-wide loop flow through WECC should remain in place. However within Grid West, the availability of full data for loads and generation will make it possible to determine in advance where problems may occur. Today, the mismatch of contract path schedules and actual flows is never known until real time. By being able to analyze potential problems in advance, it should be possible to deal with problems before the fact, thereby **reducing** the difficulties that arise out of real-time curtailments and so on.*

13. Who bears the risk if Grid West sells Reconfiguration Service and the revenues are less than the actual day-ahead cost of redispatch necessary to supply the Reconfiguration Service?

Answer: There appears to be some confusion here. The Reconfiguration Services is a capacity activity which operates prior to day-ahead scheduling. It is not dependent upon redispatch, but is rather the sale of ATC (used in its broadest sense,) resulting in assignment of injection-withdrawal rights. Given the limited amount of existing ATC, the bulk of the injection-withdrawal rights sold through the Reconfiguration Service may well be derived from offers to sell by existing right holders. In selling injection-withdrawal rights, the Reconfiguration Service will have to consider the outstanding obligations of the system, just as transmission owners do today under their OATTs. However, Grid West will be able to consider combined regional effects. Further work on ATC determination will be part of Module 2.

The Redispatch Service is an energy service that takes added requests for service into consideration at the time of day-ahead scheduling. Parties making voluntary inc/dec bids offer to change their generation (or load). If selected, those parties are committed to adhere to these redispatch commitments in real-time.

14. What circumstances would require an inventory of rights for only <u>some</u> customers before the start of operations? (See footnote 17.)

    Answer: The footnote was intended only to leave open the possibility that in given circumstances, it may be desired by both the transmitter and the customer to resolve a matter at the outset. See the response to Question 1 above for an example of why this might occur.

15. Are "base schedules" the same as "day-ahead schedules"? At what time between the DA deadline and real-time (RT) will "supplemental schedules" be entertained?

    Answer: This is an area where much further work will be needed in Modules 2 and 3. The term "base schedule" was meant to indicate a schedule that a customer submits using injection-withdrawal rights it holds that does not require redispatch to execute. If the customer also submits inc/dec bids and if those bids are selected, then the change in generation output or load level produced by redispatch might be called a "revised day-ahead schedule", rather that the original or "base schedule" submitted.

16. Who pays for Redispatch Service? Will Grid West establish liability for Redispatch Costs before purchasing redispatch services?

    Answer: The details of Redispatch Service and its use to facilitate transactions will be addressed in Modules 2 and 3. As a general principle, the settlement of charges within Redispatch Service will be among those who use the service. When redispatch occurs, those who generate more, lower cost energy will be paid by those who buy that energy in lieu of generating using a higher cost source, thus producing a lower overall system generation cost. Credit worthiness and obligations to perform will be required for all participants in the Redispatch Service.

17. How is the question of "resolving reassignment rights" to be answered? By whom? When? (See footnote 19.)

    Answer: Under OATT network service, the customer obtains the right to deliver to its network load based on its load profile. At a given point in time the capacity needed to meet the network load at peak may not be utilized. Typically the right to use this capacity is retained by the transmission owner and sold to others as ATC. The network customer typically does not have the right to sell this unused capacity to a third party. See the answer to Question 1 for further discussion of how and when such resolution might occur.

18. If Grid West is the only source of new transmission rights, will load growth under pre-existing NT agreements be administered by the current provider of NT service or by Grid West?

    Answer: Grid West will be the "gate keeper" for the issuance of rights. When one of a transmission owner's pre-existing customers has load growth covered by a pre-existing agreement, that obligation will be factored into the calculation of ATC. The transmission owner will ask Grid West to determine whether capacity is available to meet the transmission owner's obligations. Grid West will confirm availability or if not available, the transmission owner will be able to use Grid West's services (e.g. reconfiguration or expansion) to meet the transmission owner's obligations. From the point of view of the customer, the current provider administers the contract, using the Grid West services to meet its obligations.

19. Under Tariff Option 1, would the transmission owner set rates not only for pre-existing transmission service but also for RNS service?

    Answer: Under Option 1, the transmission owner sets the Company Rate that applies to any load not covered by pre-existing service. In all three options the price for pre-existing transmission service remains with the transmission owner. In all three options, the regional access rate (R3A) and other RNS charges would be set by Grid West.

20. What is the role of Grid West in determining Company Rates, if any?

    Answer: Under Option 2, if a transmission owner elected to have its Company Rate within the Grid West Tariff, the revenue requirement of the transmission owner would be determined by the usual regulatory processes (FERC in the case of investor owned companies.) Based on the billing determinants (loads), the Company Rate would be calculated by Grid West.

21. What is the nature of the "commercial unacceptability" of Tariff Option 1 on the part of the advocates of Tariff Option 3?

    Answer: The terminology was meant as a generalization to include concern for complexities of multiple agreements, inconsistencies between tariffs of owners, comparability of treatment, etc.

22. Under Tariff Option 2, if transmission providers choose <u>not</u> to take service under the Grid West tariff, how will comparability be established?

    Answer: The issue of comparability goes to rates, terms and conditions. Additional work is underway to understand the implications for each of the terms and conditions and where it would fall under the suggested tariff structure. However, no matter what tariff election a transmission provider/owner makes, there is a common process for obtaining injection and withdrawal rights beyond that provided by pre-existing arrangements. As a result, the TO Tariffs will largely deal with how to meet the System Access Requirement, and that may mitigate the potential problem of inconsistency. The possibility has also been raised of having the TO Tariffs be identical except for price.

Responses to Questions Submitted for TSLG Open Conference Call On Module 1 Report

The following questions were submitted by:

Nancy Baker
Public Power Council

Answers have been inserted below each question in *italic type*.

Public Power Council
1500 NE Irving, Suite 200
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503.232.2427
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2 June 2004

VIA E-MAIL
Mr. Steven Walton
RTO West
5933 NE Win Sivers Driwe
Portland, OR 97220
swiftcreekconsulting@msn.com

Re: PPC's Questions and Comments regarding TSLG Module 1 Report, 14 May 2004.

Dear Steve:

PPC has reviewed the TSLG Module 1 Report, dated 14 May 2004. At this point, the proposal lacks sufficient detail to allow us to resolve any aspect of the proposal's workability. This is the case on a technical level and in terms of the overall value of the proposal. An supportable analysis of data on costs and benefits is necessary to make headway on the latter point. At this point, we cannot conclude that existing transmission service will be preserved in a supportable fashion.

Additionally, PPC will continue to dissent on fundamental aspects of the proposal. Two of PPC's basic requirements for any proposal are that the proposal not result in significant shifts of historic costs among transmission customers and not result in a subsequent significant transmission rate increase. We do not agree that generators or others should be relieved of an obligation to pay regional embedded costs, nor are we comfortable that an export fee is viable as a proxy for such payments. Regarding export fees, FERC has exhibited a marked distaste for them and the fact that it approved, in principle, the RTO West Stage 2 export fee is not assurance that FERC would approve, or continue to approve, an export fee of sufficient size.

We appreciate your taking our questions about the current version of the TSLG proposal. They are as follows:

Questions:

Are the rollover rights in current PTP and NT contracts to be extinguished? If not, how would they be exercised and would transmission owners and Grid West sequester transmission capacity from the market to serve those rights?

Answer: No contract is altered by the proposal, they proceed under the existing terms. Capacity needed to meet existing obligations will be factored in to the calculation of capacity available to issue any new injection-withdrawal rights, much as they are today. The further work on the process will be part of Module 2.

Would rights to extend the terms of non-OATT transmission contracts be honored? If not, would existing native load service be treated as perpetual or would it, in its current form, terminate at some point?

Answer: Again, the contracts are not being altered by this proposal, so a contract will continue or end by its own terms just as it would today. Service to native load customers is part of today's existing obligations. The point of the proposal is not to change these rights, but to administer transmission capacity more effectively.

What role does Grid West have in assuring that existing customers have adequate transmission capacity for load growth? How would transmission owners and Grid West sequester sufficient transmission capacity from the market to ensure that NT customers' load growth is served?

Answer: The transmission provider's obligations under their existing agreements continue, so they will continue to be obligated to meet the growth needs under those agreements. This is essentially the same process as exists today under OATTs, i.e., the capacity is made available based on evaluating physical capacity compared to commitments. The difference is that by making the evaluation on a full basis, there will be opportunities to offer added services of transmission capacity that would otherwise be unused.

How would service to native load be treated in regard to reserving capacity for load growth? Are these capacity "rights" considered to be perpetual or are they limited in duration and amount? How is their treatment to be comparable to treatment of other existing uses?

Answer: Again, native load is part of existing obligations to be factored into capacity availability determinations. None of the existing obligations are altered by the proposal.

Will BPA continue to be able to offer the federal generating system as a single point of receipt for existing contracts and new uses?

Answer: That is a decision for BPA to make. The proposal does not prevent it from occurring or require any change.

How would transmission customers with existing OATT agreements exercise their rights to change PODs and PORs? Who would grant changes in PODs and PORs – Grid West or the transmission owner? Will the customer's use of the POD or POR, once granted, be exempted from congestion charges?

Answer: They would make requests of the transmission provider as they do now for pre-existing arrangements. The transmission provider would inform Grid West of the request; Grid West would perform the needed analysis of the transmission system and provide the transmission provider with the result, i.e., it is available, expansion is needed, etc. The difference for the transmission provider is centralized evaluation of requests, but the customer sees no direct change in process. Exposure to congestion cost will be a function of the provisions of the agreement under which the request was made.

May a transmission customer terminate its existing contracts, in whole or in part, and replace these with Grid West service? Transmission owners may, at their option, convert to Grid West service. Would this option be all-or-nothing?

Answer: While continuation of pre-existing agreements is expected, there is nothing in the proposal that would prevent a customer from exercising contract termination provisions for pre-existing agreements. If that occurred, the customer would have to cover its load under the applicable TO Tariff or Grid West Tariff (depending on the host company's tariff election). The customer could then take RNS to acquire its needed injection-withdrawal rights using the rights administration services of Grid West. However, in doing so, it would face competition from other parties for injection-withdrawal rights that it gave up in terminating its agreements. These risks would have to be weighed by a customer considering termination of pre-existing agreements.

A transmission owner is often a transmission customer today. As a transmission customer they are allowed to take RNS as a supplement to their pre-existing arrangements, just like any other transmission customer. If in addition, they wanted to replace their services under one or more contracts they could do that, subject to the risks noted above. The proposal mentions the possibility of a transmission owner who elects to have its company rate within the Grid West Tariff, might want to take service for its own loads under the Grid West Tariff. If there is interest in pursuing this possibility for the beginning state, further work would be needed to define the terms and conditions for such a switch.

GTA customer in utility A's territory wants to import non-federal power to replace a federal power delivery.

- Using its existing contract with BPA, would it be able to add a new point of receipt on BPA's system?
- How does it purchase new service from utility A for service to existing points of delivery (i.e., assume it displaces federal energy)? Is there a queue or auction?
- Is utility A the GTA customer's "host utility?" If so, must the GTA customer pay utility A's company rate for new service? Must it also pay charges for congestion on utility A's system?

Answer: GTA's are a Bonneville specific issue which TSLG has not addressed.

A full-requirements customer in utility B's territory is served by a BPA-Utility B GTA. The GTA expires; the customer's BPA main-grid contract does not. How does the customer get injection-withdrawal rights for wheeling across utility B's system: are the rights that it previously used auctioned off by Grid West or are they reserved for use by the customer?

We look forward to discussing these issues with you. PPC is continuing to develop analyses of costs and rate design issues and would be pleased to share them with you when they are complete.

Sincerely,

/s/

Nancy Baker
Senior Policy Analyst