

Risk Reward Study Group
Meeting #1 – Facilitator's Notes
May 4, 2004

Notice

These facilitator's meeting notes have been prepared for the personal use of the participants in the Risk Reward Study Group (Rn'R Group). These notes do not necessarily represent the position of any individual participant or the position of the group as a whole. Because different views and positions may be developed in subsequent discussions, these notes are provided solely for information purposes and to communicate the general nature of the discussion.

Attendance

Bud Krogh (Grid West Coordinating Team), Chris Elliott (Grid West Coordinating Team), Janelle Schmidt (BPA), Carol Opatrny (BCTC), Lon Peters (PGP), Terry Morlan (NWPPCC), Jim Hicks and Pete Craven (PacifiCorp), Bob Kahn (NIPPC), Larry Nordell (Montana Consumer Council), Tom Foley (Renewable Resources Community), Dick Byers (WUTC), Mike McMahan (Snohomish PUD).

Not in Attendance:

Ken Petersen (Idaho Power Company)
Marilyn Semro (Seattle City Light)

Information Sharing

Lon Peters shared that he and Kurt Conger just completed an impact study of RTO West for Seattle City Light. The Table of Contents from the study was shared and it is expected that eventually, the study will be publicly available.

Dick Byers, conceding that communication for this effort falls on the shoulders of the Filing Utilities, expressed concern that not all states, e.g., Utah, Nevada, Oregon, Idaho, are participating directly in this group and asked that the group composition be reconsidered. Mr. Byers emphasized that individual state representatives could participate in the group on behalf of their own state, but that they would not be able to represent the views or needs of other states.

Discussion

1. Needs and Expectations

Various members shared the needs and expectations for this effort. Janelle Schmidt, BPA, enumerated some of what BPA is looking for which set the stage for general discussion:

- Need for preliminary risk/reward analysis prior to seating of the Developmental Board.
- Need for more analysis to support the ROD process prior to signing to the Transmission Agreement.
- Some sort of market-stress analysis (testing whether expectations will be satisfied, workable).

2. Study Approach

Two general approaches were discussed:

- (1) Defining Grid West in terms of various benefits and comparing those benefits with costs. This could be accomplished by looking at other studies and identifying what aspects might be anticipated to be characteristic of Grid West;
- (2) Starting with the RRG-developed list of Problems and Opportunities and quantifying those elements that lend themselves to such. This information could be used to inform the development of Grid West.

The group supported starting with the second approach, recognizing that some elements, e.g., elimination of pancaked rates, could be quantified using results from (“mining”) studies already done. This approach would enable the first level analytical effort to be divorced from any particular institutional structure.

3. Review of Problems

The group reviewed the perceived problems with the existing transmission systems (See the Reference Document for Developing Option Packages to Address Regional Transmission Problems and Opportunities, dated September 5, 2004 including “raw” notes from September 3 and 4 RRG meeting), starting with a short-list of problems prepared by Carol Opatrny.

The group interpreted some of the items, suggested which ones could be quantified, identified some potential information sources, e.g., NTAC, Pacific Northwest Security Coordinator, Northwest Power Pool, etc. The idea discussed was that this effort will be able to produce some anecdotes or case-by-case examples and enable some system-wide quantification of the problems.

4. Assignments

- (1) Need to identify what FERC is looking for (to inform this effort), e.g., cross-walk FERC’s objectives, as expressed in its 2003 white paper, with the RRG’s list of problems and opportunities.

(2) Provide linkage to the Tabors Caramanis (TCA) study that RTO West funded in 2001-2002 (sent last week via e-mail by Janelle Schmidt).

(3) Further review of cost/benefit studies that have been done for other restructuring efforts.

(4) Turn the list of problems that the group reviewed into a spreadsheet that identifies problems (short-term, medium-term, long-term, if applicable), potential source of data, form of information, availability, etc.

5. Materials Provided

In addition to the other materials reference in these notes, the following materials were shared:

(1) Janelle Schmidt shared a matrix she prepared entitled “Quantitative Results of NW Industry Restructuring Cost Benefit Studies” which summarizes studies and results done by RTO West, IndeGO, TCA, and the Department of Energy.

(2) Notes prepared by Vito Stagliano, Calpine, from an exploratory discussion about a Risk/Reward analysis (March 31st, 2004).

6. Next RnR Meetings

The tentatively set two future meeting dates: Tuesday, May 25 (1-5 pm) and Tuesday, June 15 (1-5 pm).