

Risk Reward Study Group
Meeting #2 – Facilitator's Notes
June 11, 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 (NWPCC), Jim Hicks (PacifiCorp), Vito Stagliano (Calpine), Louann Westerfield (IPUC), Tom Foley (Renewable Resources Community), Dick Byers (WUTC), Mike McMahan (Snohomish PUD); Linc Wolverton (ICNU), Phil Carver (OPUC), Marilyn Semro (SCL), Kevin O'Meara (PPC), Tom DeBoer (PSE), Dave Hoff (PSE).

Not in Attendance:

Ken Petersen (Idaho Power Company)
Stefan Brown (OPUC)
Ray Bliven (DSIs)

Introductions

Bud Krogh opened the meeting by reviewing the agenda and describing the organizational structure of this larger, steering group for the overall Risk and Reward study effort. The group understood that there will effectively be one, large, steering group for this effort, however, work will be performed by sub-groups of this larger group. Progress by the efforts underway will be reported to the larger RnR group, the Filing Utilities and to the RRG. Following this overview, all participants introduced themselves and those not in attendance were noted.

Discussion

1. Study Objectives

Discussion first focused on the direction that the RnR group discussed at the May 4th meeting in order to review and confirm that approach with the larger steering group. Starting with a review of BPA's objectives, the group discussed whether members supported the group's initial commitment to conduct a risk/reward analysis prior to seating of the Developmental Board which would focus on regional impacts and assess benefits by quantifying existing problems identified by the RRG in the summer/fall of 2003 (see the "Reference Document for Work on Regional Transmission Problems and Opportunities", September 5, 2003). There was significant discussion on this topic and unanimous agreement on the stated approach, with the caveat that several participants stated interest also in a distributional analysis but recognized that such an endeavor cannot be accomplished before seating the Developmental Board.

For reference, BPA's stated objectives are:

- (1) To prepare a preliminary risk/reward analysis with a regional perspective prior to seating of the Developmental Board.
- (2) To perform a more detailed analysis, including consideration of distributional impacts, to support the Record of Decision process prior to signing a Transmission Agreement.
- (3) To perform some sort of market design "stress" analysis.

2. Studies

Three areas of study will be started immediately: (1) a review of the TCA study; (2) quantification of the identified problems; and, (3) research into the operating costs of ISOs and RTOs). A fourth effort on modeling approaches was noted, but is not scheduled to be started at this point in time. The intended purpose of these studies and the individuals interested in being involved are listed below:

- **Review of the TCA study**

This effort is intended to revisit the analysis done on behalf of RTO West by Tabors Caramanis and identify what portions or aspects, if any, of that study will inform the current effort. The individuals who will be involved include: Janelle Schmidt, Jim Hicks, Linc Wolverton, Kevin O'Meara, Lon Peters, Mike McMahan and, Terry Morlan.

- **Quantification of Identified Problems**

This effort is intended to use the list of problems/opportunities as a starting point for quantifying problems associated with the region's transmission systems. The individuals who will be involved include: Carol Opatrny, Chris Elliott, Ken

Petersen, Tom Foley, Dave Hoff, Vito Stagliano, Marilyn Semro, Janelle Schmidt and, either Linc Wolverton or Ray Bliven.

- **Research of Operating Costs of ISOs and RTOs**

This effort is intended to gather information regarding the operating costs of various ISOs and RTOs including identification of those elements/activities that resulted in significant costs or significant cost savings. The individuals who will be involved include: Carol Opatrny, Janelle Schmidt, Margot Lutzenhiser and, Chris Elliott.

- **Model Assessment**

Some believe that a distributional analysis is necessary to inform decisions about signing Transmission Agreements. However, the decision has not been made as to whether or to what extent the RnR study group will coordinate this type of analysis. The group did discuss the potential need to review modeling efforts that have been performed on behalf of other ISOs, RTOs or independent grid operators and that this topic will eventually need to be addressed by the group. If the RnR takes on this task, it is expected to involve assessments of models that could be used for a common purpose as well as the analytical assumptions and data that could be shared.

3. Materials Provided

During the meeting, the following materials were provided:

- Notes from the May 4th meeting;
- A short-list of problems derived from the Reference Document for Developing Option Packages to Address Regional Transmission Problems and Opportunities, dated September 5, 2003;
- A matrix entitled “Quantitative Results of NW Industry Restructuring Cost Benefit Studies”
- A summary entitled “FERC ‘Objectives’ for comparison with Probs/Opps list”
- A matrix entitled “Update of Tabors Caramanis Cost/Benefit Analysis”

Note: the Grid West (RTO West) website will be used for posting RnR meeting notes and materials, e.g., a continuation of the Cost/Benefit analysis earlier performed and now, the Risk/Reward study effort.

4. Next Meetings

- June 29, 1 - 4:30 pm at Grid West offices.
- July 23, 9 am - 1 pm in Seattle, at a yet-to-be-determined location.