

Brief Summary of Grid West RRG Meeting April 28-29, 2005

Introduction

This summary is intended to briefly describe the discussion during the April 28-29, 2005 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 April 28-29, 2005 Meeting

- The RRG met at the Portland Airport Sheraton Hotel in Portland, Oregon on Thursday, April 28, from 1:00 p.m. to 5:00 p.m. and Friday, April 29, 2005, from 8:30 a.m. to 11:45 a.m. PDT.
- Approximately 70 people attended the RRG meeting, including twenty-seven designated RRG representatives. Three state representatives attended the meeting in person and three state representatives participated by phone.
- The meeting started with an overview of Grid West progress illustrating that work is on course and about half completed towards Decision Point 2. The RRG agenda was presented showing when Grid West progress reports would occur during the meeting, and listing reports from other regional groups.
- The Grid West Secretary, Sharon Helms, reported that as of April 28 thirty-four active Grid West memberships were approved and thirty-five applications for a declaration of future membership status were approved. The Secretary reminded the RRG that the initial application window closes on April 29, 2005 and explained the next steps in the membership process.
- The RRG heard a presentation from the Transmission Service Liaison Group (TSLG) about the status of developing the operational and market design conceptual framework (layer two). The TSLG will complete an overview, white papers, and materials for an upcoming seminar on May 25-26.
- Kristi Wallis, facilitator for the Transmission Improvements Group (TIG), briefed the RRG on the TIG organization and work groups. The TIG's goal is to develop, by August 1, proposed detailed alternatives for moving forward in each of four areas.
- Chuck Durick initiated a discussion with the RRG about the potential for Grid West to provide early services as a necessary staging step in Grid West's evolution. Two small groups will bring proposals for approaching the "how" and "what" related to near-term services to the RRG for consideration at the next meeting.
- Ravi Aggarwal gave an update on efforts to develop Regional Transmission Adequacy Guidelines and explained the objectives of the guidelines.

- The RRG was told about an upcoming outreach meeting of the Western Assessment Group (WAG) on May 23 in Portland where west-wide issues and organizational solutions will be discussed. The RRG was also briefed on the recent April 20-21 CREPC meeting.
- Allen Burns informed the RRG of the April 29 petition filing BPA, along with PacifiCorp and Idaho Power, made to FERC to clarify key features of Grid West designed to meet regional needs.
- Sarah Dennison-Leonard briefed the RRG on key design-related pricing issues the Pricing Work has identified and is addressing. A pricing seminar is planned for June.
- Carol Opatrny and Janelle Schmidt presented an update on activities of the Risk Reward Group. This effort is on track to produce an overview paper, white papers, survey results, and an evaluation matrix for a risk-reward seminar on July 20th.

The next RRG meeting will be Thursday, May 26, beginning at 1:00 p.m., and Friday, May 27, beginning at 8:30 a.m. PDT at the Sheraton Portland Airport Hotel. This RRG meeting will follow a TSLG seminar on May 25 and 26.

Overview of Progress and Direction of Grid West Activities

Progress Overview: Referring to the Grid West 2005 Work Plan, Steve Walton gave the RRG an overview update on progress of Grid West activities. Starting with the process diagram showing the four decision points, Steve highlighted that progress on current activities is on schedule and about half way between Decision Points 1 and 2.

There are two work streams of activity underway. One is organizational governance and the four decision points established for moving through the development process to the beginning of operations. The second is the technical work stream, which is expanding the definition of the operational entity's basic features as far as possible by Decision Point 2. The goal is to "hand off" as much work as possible on the completed technical design to the Developmental Board to inform its work on finishing the basic features.

Steve zoomed in on the current areas of work. Completion of the technical work will be followed by seminars in May, June, and July, when the development effort progresses from "producing" to "providing" information to the region. The first seminar is May 25-26. Following the seminars there is a regional public review period during August.

RRG Agenda and Progress Reports: Steve then showed the April 28-29 meeting agenda and illustrated how the Grid West progress reports on Membership, TSLG, Early Service Options, Pricing, and Risk Reward relate to the work underway. Steve also showed when other regional updates, TIG, Regional Transmission Adequacy, and WAG and CREPC reports, would occur on the agenda. The RRG agenda is posted at http://www.gridwest.org/Doc/April28and292005RRG_Agenda.pdf .

The Update Overview on Grid West Work Status is posted on the Grid West RRG page at http://www.gridwest.org/Doc/April282005RRG_Overview.pdf .

Grid West Progress Report: Status of Grid West Membership Activities

Sharon Helms, Grid West Secretary, reported that as of 10:00 a.m. on April 28 thirty-four Grid West active memberships were approved and thirty-five declaratory memberships were approved. A slide listed the number of approved members in each Member Class. The initial membership window closes on April 29 and more applications for membership are expected before the window closes. [Update: All together, eighty-seven applications for Grid West active or declaratory membership were received and approved.] A list of Members (and Members in the 10-day challenge period) is posted on the "Grid West Membership Information" page of the Grid West website (www.gridwest.org/GWMemberInfo.htm).

Sharon also gave a brief summary of the Grid West membership process. The second membership enrollment window is expected to open about September 30th. The membership update slides are posted at http://www.gridwest.org/Doc/April282005RRG_MembershipUpdate.pdf.

Grid West Progress Report: Transmission Service Liaison Group (TSLG)

Steve Walton illustrated the TSLG's layered approach. At this point the second layer, a conceptual framework for the market and operational design, is close to completion. The goal is to prepare an Overview Paper, White Papers, and Reference Papers for a seminar on May 25-26. All of the papers were shown on a slide and Steve briefly described the content of the twenty White Papers. The Overview Paper ties the papers together and explains why Grid West is moving to a flow-based rights approach. There also will be a high-level design summary paper. All TSLG materials will be posted by early May for review and comment before the May 25-26 TSLG seminar.

Steve said TSLG, with The Structure Group, has developed the functional scope of the Grid West basic features and now is working on organizational requirements and implementation plans. This work will lead to estimates for both start-up costs and annual operating costs. Using a flexible tool, the TSLG will be able to model cost sensitivities by changing details of the organizational design.

Concluding, Steve showed a comparison of SMD Style RTO Features to Grid West Basic Features. In the comparison, changes Grid West proposes to make are highlighted in red. The comparison illustrates that Grid West is making incremental changes, and some of the current regional features won't change.

The TSLG Update Report is posted at http://www.gridwest.org/Doc/April282005RRG_TSLGReport.pdf.

Update from Transmission Improvements Group (TIG)

Kristi Wallis, facilitator for the Transmission Improvements Group (TIG), said TIG appreciates the opportunity to get input from the RRG. Noting that the four TIG work group leads gave substantive briefings about work group charters at the last RRG meeting, Kristi briefed the RRG on the TIG organization and efforts to get up and running. Briefings from the work groups will likely be presented to the RRG again in June.

Kristi stressed that all comers are welcome to participate in TIG activities. TIG is on an aggressive schedule. There is a steering committee, legal group, four work groups and

charters for those work groups. The four TIG work groups are Common OASIS, Reliability and Security, Regional Transmission Planning and Expansion, and Market Monitoring. A fifth work group has been provisionally formed to address Flow-Based ATC. Most groups are meeting every week and a near-term calendar of scheduled TIG meetings was provided.

TIG's goal is to come up with detailed proposed alternatives and options for moving forward in each area by August 1. "Sideboard" principles include: solutions must be feasible improvements in the near term, market participants must not unduly influence decision-making, and proposals must not expand FERC jurisdiction. Lon Peters said that TIG will conduct a cost benefit analysis for TIG proposals; some analyses may be interdependent and some may stand-alone. The TIG issues, work plans, and deliverables can be found on the TIG website (tig-nw.org). Kristi Wallis and Tim Culbertson are spokespersons for TIG.

Several RRG participants voiced concerns about two divergent efforts both working on solving the region's transmission problems – TIG and Grid West. Others suggested that there should be a way to "flange" the efforts together. Because everyone is seeking improvements, the alternatives may be complimentary. In the interest of working out what is best for the region, Bud Krogh suggested that everyone should try to refrain from competitive rhetoric.

Ideas for Early Steps in Grid West Evolution

Chuck Durick introduced the idea of doing some preliminary thinking about how near-term services fit into Grid West's development plan. It needs to be recognized that the TSLG model for the beginning basic features are not the starting point. Getting underway and staging of early services should be addressed with a clear step-by-step vision.

The Developmental Bylaws provide that the Developmental Board may develop and coordinate regional transmission planning, so Chuck illustrated some examples of early administrative planning services that Grid West could provide under TOs' existing tariffs. These services could lead to a transmission plan prepared by Grid West. Provision of early services also could bring value in the areas of market monitoring and control area services. Chuck does not view exploring these early services as competing with the TIG effort, but rather a necessary near-term start to how Grid West will evolve into an independent entity.

The proposal raises some important questions, and Chuck proposed that two small groups get started thinking about 1) "how" provision of early services fits with the bylaws and with regional accountability as established in the decision points, and 2) "what" examples of early services could be prepared for consideration. Chuck proposed to recruit small groups of people to help with these efforts.

A number of RRG participants agreed that Grid West needs to think about addressing problems now and supported giving more consideration to near-term activities. On the other hand, several RRG participants commented that now was not the time for Grid West to get started on early services. One participant stated that his organization was unable to support Grid West moving on early services for a number of reasons, including

the potential for an entity providing services that later may not continue beyond Decision Point 4.

After some additional discussion and recognizing the reservations of several RRG participants, Chuck concluded that two small groups would flesh out proposals for further consideration of the “how” and “what” related to Grid West near-term activities and bring the proposals back to RRG on May 26-27.

The Talking Points about Grid West Near-Term Services are posted at http://www.gridwest.org/Doc/April282005RRG_NearTermTalkingPoints.pdf .

Update on Regional Transmission Adequacy Guidelines (RTAG) Effort

Ravi Aggarwal, RTAG chair, told the RRG that the objective of the effort to develop regional transmission adequacy guidelines is to optimize transmission and resources to meet the needs of the region while balancing reliability, economic, and other public purpose objectives. The objective is to address how the region addresses adequacy standards not covered by reliability criteria. For example, how do the existing NERC/WECC standards for the bulk system apply to local load areas? Current NERC/WECC criteria address physical adequacy. What guidelines are needed to address challenges related to planning economic upgrades? Mr. Aggarwal said the first step is benchmarking and he explained the proposed methodology in his slides.

The expected result of this effort is one or more documents to supplement existing WECC, NERC, and utility reliability criteria. The first set of high-priority guidelines should be completed by September 30, 2005. The completed effort on guidelines is scheduled for regional review and approval by December 31, 2005.

The Regional Transmission Adequacy Guidelines briefing slides are posted at http://www.gridwest.org/Doc/April292005RRG_RTAGReport.pdf . Information about RTAG also can be found at www.nwpp.org click TA -> Publications.

Western Assessment Group (WAG) Activities

Frank Afranji said the Western Assessment Group is attempting to identify and address key commercial issues in the West. This effort is a result of a challenge to the western interconnection from the Western Governors Association. The Seams Steering Group-Western Interconnection (SSG-WI) was organized to deal with these seams issues among RTOs forming in the West. However, the SSG-WI vision needs to evolve to reflect current circumstances, especially in the Southwest.

The Western Assessment Group pulled together a small core of people from various western groups to discuss the existing organizations dealing with commercial issues and to think about what would be needed going forward. This effort has produced a white paper that defines West-wide issues and identifies three organizational options. Key west-wide issues identified by the WAG are: market monitoring, resource adequacy, transmission planning, pricing and congestion management, and commercial standards through interaction with NAESB.

The small group effort is open to participation by all interested parties. A broad-reaching invitation to a May 23 meeting about the WAG initiative was sent out today, April 29. The

meeting is being hosted by PGE in Portland. There is a link on the WECC website to the May 23 meeting agenda and registration form.

CREPC Report

Syd Berwager told the RRG about a CREPC meeting on April 20-21 where he participated on a panel about the pros and cons of WECC taking responsibility for west-wide commercial issues. Syd said he stressed that the criteria for any organization taking on commercial issues must be: ease of formation, cost-effectiveness, and adequate representation and governance. If WECC takes this on, another concern is whether WECC already has a “full plate” and can devote the resources to focus on commercial issues.

Pete Craven reported on additional issues covered at the CREPC meeting, such as regulatory principles and resources adequacy. Pete said transmission issues are gaining importance.

BPA Petition Filing at FERC

Allen Burns reported to the RRG that on April 29 BPA petitioned FERC for a declaratory order. The petition asks FERC whether it will accept key features of Grid West and asked for a response by July 1. PacifiCorp and Idaho joined in the filing.

This filing will be addressed under Order No. 888 not Order No. 2000. Grid West would operate under FERC jurisdiction, but would not be an RTO. The petition seeks to clarify that if Grid West is approved under Order No. 888, FERC would not later impose requirements under either Order No. 2000 or Standard Market Design.

The petition asks FERC to formally clarify, among other things, its support for preserving existing transmission rights, minimizing cost shifts and maintaining pricing provisions, preserving the non-jurisdictional status of parties, and preserving BPA’s rights to withdraw from Grid West.

Grid West Progress Report: Pricing Work Group (PWG)

On behalf of the Pricing Work Group, Sarah Dennison-Leonard highlighted for the RRG how the contemplated Grid West pricing model will be different than the Stage 2 RTO West proposal. One of the fundamental shifts affecting pricing is that the proposed Grid West market design is a physical rights system. A party must have rights to schedule. This has important implications for the pricing design.

Sarah covered a number of key points for pricing. For example, an approach will be needed that addresses how to price new long-term transmission rights in a multi-system structure and provides appropriate cost recovery for new long-term service. As an illustration, Sarah showed how a physical rights approach makes a difference for export transactions.

The Pricing Work Group also has identified provisions in the Operational Bylaws that protect against unsupported changes in rate structure. These might not fit well now that the contemplated design is better understood.

The Pricing Work Group Update is posted at
http://www.gridwest.org/Doc/April292005RRG_PricingUpdate.pdf .

Grid West Progress Report: Risk Reward Group (RnR Group)

Carol Opatrny and Janelle Schmidt presented an update on activities of the Risk Reward Group. This effort is on track to produce an overview paper by June 22nd and hold a seminar on July 20th. The anticipated deliverables include: overview paper; white papers on individual problems/opportunities and risk elements; quantification of benefits and costs; a summary of survey results; and an evaluation matrix that will provide a menu of benefits correlated to chosen assumptions.

The RnR work group will meet again on May 5 (the group meets every other week) to start deliberation of white papers and to further coordinate results and findings with other Grid West-related efforts, such as CCA, TSLG and Pricing.

The Risk Reward Group's Update Report is at
http://www.gridwest.org/Doc/April292005RRG_RnRUpdate.pdf .

Next RRG Meeting – May 26-27, 2005

The next RRG meeting is Thursday, May 26, from 1:00 p.m. to 5:00 p.m. PDT and Friday, May 27, 2005, from 8:30 a.m. to 12:00 noon PDT at the Sheraton Portland Airport Hotel.

A TSLG Seminar will be held on May 25 and until noon on May 26. The RRG meeting will immediately follow the TSLG seminar at the same location.