



Current Activities Overview

August 2005

Where Grid West Is Now and How We Got Here

Those who support implementing Grid West believe that the time has come to act. They believe that although the region's transmission system has many different owners, we need a one-utility approach to:

- assure high reliability in the future,
- increase efficiency, and
- assure timely construction of needed infrastructure.

The Grid West proposal lays out a path to achieve this one-utility approach.

The Regional Representatives Group (RRG) laid the basic foundation for Grid West in summer 2003. Since that time, the RRG has worked collaboratively on this unique proposal for an independent transmission provider that responds to the problems, opportunities, priorities, and concerns of the region Grid West will serve. The Grid West proposal builds on nearly 10 years of regional efforts seeking better ways to plan and manage the region's transmission facilities and services.

In 2005 the RRG has been assembling a comprehensive, integrated proposal that will allow regional parties to decide whether they support moving forward at Decision Point 2. Decision Point 2—the second of four decisions that must be taken before Grid West can begin commercial operations—is scheduled for September 29, 2005.

Decision Point 1 was the first of the four decisions. It came on December 9, 2004 when the bylaws that currently govern Grid West activities—these are called the Developmental Bylaws—were adopted.

If the region decides that work on Grid West should continue after Decision Point 2, then a new Board of Trustees will be elected to manage the Grid West development process. This "Developmental Board" will be made up of five independent trustees elected by the representatives of Grid West's members. An executive search firm has been hired to recruit candidates for the Developmental Board. On July 27, 2005, the search firm came to an RRG meeting to share the names of more than 30 people who have expressed interest in serving as independent trustees for Grid West.

The Developmental Board will be responsible for guiding Grid West through Decision Points 3 and 4. Decision Point 3 is the point at which the Developmental Board must offer agreements to the transmission owners for use of their facilities. If the Board does not make this offer

within 12 months after taking office, it must call a members' vote on whether Grid West should be dissolved.

Decision Point 4 is a decision by Grid West's members about whether Grid West should launch its operational stage so that it can begin to offer transmission services. Decision Point 4 must happen within 12 months of Decision Point 3. If there is a "critical mass" of transmission owners willing to accept Grid West's offer, the Developmental Board will call a members' vote on whether to adopt a new set of bylaws—the Operational Bylaws—that will enable Grid West to launch its operational stage.

The Grid West proposal documents are detailed. They cover governance, operational design, pricing, voluntary markets, system planning and expansion, market monitoring, and preliminary estimates of costs and benefits. They integrate all of Grid West's functions into a single organization that is both accountable to the region and able to make independent, merit-based decisions about the transmission system. All of the Grid West proposal documents can be found on the Grid West Website at www.gridwest.org/DP2Info.htm.

Highlights of the Grid West proposal include

- A new independent transmission provider that emphasizes technical feasibility, solving operational problems, and improving economic efficiency
- Features that enhance transmission operations and services while allowing those who already have transmission rights to keep them and use them as they have before
- Independent decision-making focused on the region's needs and priorities with clear mechanisms for regional accountability
- A flow-based approach to operations that better matches transmission services with how energy actually flows on the system
- New multisystem transmission rights that users can buy without paying rate "pancakes" (rate pancakes are separate charges added together for using multiple systems)
- A transmission rights reconfiguration service that improves how users obtain new rights and how they trade the rights they already have
- The option for transmission owners to voluntarily consolidate their control area operations under Grid West with voluntary markets to support these operations
- An open, comprehensive planning process designed to address the region's transmission infrastructure needs in the most cost-effective manner while meeting reliability standards

One of the most important milestones since Decision Point 1 is a declaratory order from the Federal Energy Regulatory Commission (FERC), which was issued on July 1, 2005. This FERC order affirmed several key elements of the Grid West proposal, including

- an acknowledgement that it is “not appropriate” to apply Order 2000 requirements to Grid West if Grid West does not file for FERC recognition as a Regional Transmission Organization (RTO)
- the governance structure for Grid West’s meets FERC independence standards
- FERC has no authority to require changes to transmission agreements between the Bonneville Power Administration and its current customers
- choosing to participate in Grid West will not extend FERC’s jurisdiction over the Bonneville Power Administration, municipalities, or other public power entities

What Lies Ahead

The Bonneville Power Administration has asked interested parties across the region to send in written comments about the Grid West proposal and other potential approaches. Bonneville’s comment period will end on September 9, 2005. An attachment to this overview summarizes some of the most important ways in which the Grid West proposal differs from other potential approaches.

At an RRG meeting scheduled for September 29, 2005, regional parties will come together to share their views about whether Grid West development should continue and be guided by a new, independent Board of Trustees. If there is sufficient regional support and enough transmission owners are willing to provide the necessary funding, Grid West will begin its next stage of development—working on transmission agreements and tariff provisions that will enable Grid West to become an operational independent transmission provider.

Additional Information

www.gridwest.org/DP2Info.htm

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Potential Area to Be Served by Grid West

The potential area to be served by Grid West includes territory in the states of Idaho, Oregon, Washington, Montana, Utah, Wyoming, and Nevada (and a small portion of northern California) and the Canadian provinces of British Columbia and potentially Alberta as well, as shown in this map.

- **Over 62,000 circuit miles of transmission lines**
- **Includes most transmission facilities shown in this region owned by the following companies:**
 - Avista Corporation
 - Bonneville Power Administration
 - B.C. Hydro & Power Authority
 - Idaho Power Company
 - Nevada Power Company
 - NorthWestern Energy
 - PacifiCorp
 - Portland General Electric Company
 - Puget Sound Energy, Inc.
 - Sierra Pacific Power Company



Note: The Grid West proposal is designed to accommodate participation by Canadian transmission owners and operators in British Columbia and Alberta.

Summary of Important Ways in Which the Grid West Proposal Differs from Other Approaches

Introductory Note: This document is not a description of the Grid West proposal. Rather, it is an overview of how important elements of the Grid West proposal differ from other potential approaches for addressing the region's transmission problems and opportunities. An executive summary of the Grid West proposal is available on the Grid West Website at www.gridwest.org/Doc/StandAlone_ExecSumm.pdf. Detailed documents are posted at www.gridwest.org/DP2Info.htm.

Scope:

- ▶ All major transmission owners and operators in the region (other than the Alberta system operator) have been active participants and funders in the Grid West development process
 - The potential area to be served by Grid West includes territory in Washington, Oregon, Idaho, Montana, Utah, Wyoming, Nevada, and a small portion of California, as well as the Canadian province of British Columbia. Grid West's area could also include the province of Alberta if the Alberta system operator wishes to join. A map of this potential area is posted at www.gridwest.org/Doc/GridWestScope.pdf.
 - While participation in and funding of the development process does not constitute a commitment to join Grid West if it becomes operational, it does indicate a willingness to consider joining
- ▶ Grid West has been designed from the outset to accommodate Canadian participation
- ▶ The Grid West structure recognizes and addresses the needs and priorities of independent power producers
- ▶ The Grid West process has included many other stakeholders as well, such as renewables, tribes, and representatives of all of the states within the Grid West area

Independence:

- ▶ The Grid West Developmental Bylaws set up an independent counter-party to negotiate and develop key documents (transmission agreements and tariff provisions)
 - This approach was adopted specifically because multilateral negotiations among transmission owners had failed in two previous efforts to develop regional transmission solutions
- ▶ Grid West's Operational and Developmental Bylaws provide clearly defined independent decision-making processes focused on the interests of the region
 - Independence is needed for important functions such as control area consolidation, ancillary service markets, reconfiguration services, and market monitoring
 - Independent decision-making fosters commercial innovation to promote efficiency because professional staff will report to independent trustees, not stakeholder committees

Integration/Comprehensiveness/Level of Detail:

- ▶ Grid West offers an integrated package of operational and service enhancements that offer substantial benefits but also mesh with current physical rights-based scheduling and cost recovery approaches
- ▶ The Grid West proposal relies on a single governance structure and a single set of implementing agreements that integrate all of Grid West's functions into a cohesive structure
- ▶ The Grid West proposal elements (governance, operational design, pricing, voluntary markets, system planning and expansion, market monitoring) are designed to work together and have been developed to a sufficient level of detail to demonstrate feasibility

Accountability:

- ▶ The Grid West governance structure provides clear mechanisms for members and other stakeholders to participate in decision-making processes while continuing to rely on local experience and expertise for core functions
- ▶ Grid West's leaders are accountable to the region because
 - they are selected (and can be removed) by the region's chosen representatives; the region has the power to choose the individuals it believes to be the **best leaders** based on regionally defined qualities and capabilities
 - they have fiduciary obligations to carry out the purposes the region has established for the benefit of the region as a whole
- ▶ Existing institutions such as PNSC and NWPP have no clear mechanisms to facilitate stakeholder participation in board decisions and no formal mechanisms through which board members are accountable to the region
- ▶ Positive corporate culture is a cornerstone of the Grid West Bylaws; it is built into the trustee selection process and into many other provisions in the Grid West Bylaws
- ▶ The Grid West Operational Bylaws contain numerous provisions to make sure that the Grid West Board and staff are constantly mindful of cost control

Planning:¹

- ▶ The Grid West proposal has a clear reliability backstop mechanism
 - Does not depend solely on transmission owners and does not rely on existing regulatory mechanisms to do more than they already do

¹ While the regional parties that support Grid West recognize that the Grid West proposal (as developed to date) does not "bind" Grid West's Developmental Board, the proposal provides a clear, integrated foundation from which the Board can build and it also conveys important regional preferences. Moreover, the Grid West Developmental Board can succeed only if it offers transmission agreements that the transmission owners find acceptable, and so there is no reason to expect that the Developmental Board will disregard elements of the Grid West proposal unless it can offer even better alternatives to the region.

- Grid West can look to third parties to step up if transmission owners do not, and can determine beneficiaries and allocate costs
- ▶ The planning process is part of an integrated structure that meshes with other Grid West activities and relies on the same mechanisms for stakeholder participation and decision-making
- ▶ Grid West's planning process fosters independent, merit-based decisions concerning system needs for the region as a whole
- ▶ Grid West's planning role will provide a single system-wide view informed by system-wide operating responsibilities

Operational Design:²

- ▶ Grid West will be able to offer multisystem, flow-based injection-withdrawal rights (both short-term and long-term rights) from Day 1
- ▶ Grid West injection-withdrawal rights will be offered at non-pancaked rates
- ▶ Grid West's reconfiguration service will facilitate more efficient use of existing capacity, because it
 - uses flow-based analysis to determine the system's ability to support additional rights anywhere on the system
 - enhances the tradability of existing rights because one-to-one matches between sellers and buyers are unnecessary
- ▶ The Grid West's operational design and voluntary markets reflect merit-based solutions
 - Primary drivers are technical feasibility, solving operational problems, and improving economic efficiency
 - Solutions have not been arbitrarily constrained by a mandate to avoid activities that fall within FERC jurisdiction

Assurances Received from FERC:

- ▶ Key elements of the Grid West proposal have been affirmed by FERC in a declaratory order issued July 1, 2005
 - Transmission owners and operators that participate in Grid West will have the right to withdraw; the terms of withdrawal will be negotiated before they agree to participate

² See footnote 1.

- Grid West participation will not extend FERC's jurisdiction over BPA, municipalities, or other public power entities even though Grid West, when operational, will offer services that FERC has authority to regulate
- ▶ Grid West can apply to be recognized by FERC as an independent transmission provider (ITP); ITP status will not require Grid West to meet Order 2000 RTO requirements

Effect of Energy Act of 2005:

- ▶ Congress has expressly authorized BPA to participate in an independent transmission provider or RTO

Perspectives Grid West Shares with Other Approaches:³

- ▶ The regionally identified problems and opportunities to which the Grid West proposal responds
- ▶ The commitment to honor existing rights
- ▶ A structural approach that will not expand FERC's jurisdiction over BPA, municipalities, or other public power entities
- ▶ The use of physical rights-based scheduling (no financial rights)
- ▶ The incorporation of an open, robust planning process
- ▶ Responsive and accountable to the needs and priorities of local stakeholders (customers, transmission owners, regulators, etc.)
- ▶ The incorporation of market monitoring

³ In many cases, the Grid West proposal addresses areas that have also been considered by other approaches. Grid West offers tools and solutions in each of these areas. Regional parties can evaluate how these compare with other approaches.