

## **Brief Summary of Grid West RRG Meeting June 24, 2005**

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### **Introduction**

This summary is intended to briefly describe the discussion during the June 24 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 June 24, 2005 Meeting**

- The RRG met at the Portland Airport Sheraton Hotel in Portland, Oregon on Friday, June 24, from 8:10 a.m. to 2:20 p.m. PDT. The RRG meeting followed a seminar on Pricing and Cost Recovery for Grid West held on June 23.
- Approximately sixty people attended the RRG meeting, including twenty-two designated RRG representatives. Two state representatives attended the meeting in person and two state representatives participated by phone.
- First, the RRG heard an update about progress on efforts, facilitated by the Northwest Power Pool (NWPP), to develop Regional Transmission Adequacy Guidelines.
- The Grid West coordinating team gave an overview of upcoming Grid West activities, key meetings, and progress on Grid West work streams. One more seminar is coming up on July 20-21, followed by presentation of a comprehensive integrated package of Grid West proposals to the RRG on July 27. Work is on schedule toward Decision Point 2 at the end of September. The RRG agenda was presented showing when Grid West progress reports would occur and when reports from the Transmission Improvements Group (TIG) would be given.
- Grid West progress reports: questions and answers related to the TSLG white papers are posted; the TSLG is working on a draft Planning and Capacity Expansion white paper; and ideas and estimated costs related to implementing elements of Grid West will be included in a paper about implementation.
- The Transmission Improvements Group (TIG) facilitator and work group leads briefed the RRG on TIG work group activities focused on security and reliability, common OASIS, flow-based ATC, and on TIG's ideas for decision-making and structure.
- Co-leads of the Risk Reward Group presented an update about information being prepared for a seminar on the estimated costs and benefits of Grid West on July 20 from 8:30 a.m. to 5:00 p.m. and July 21 from 8:30 a.m. to 12:00 noon PDT at the Sheraton Portland Airport Hotel.
- The next RRG meeting is Wednesday, July 27, from 8:00 a.m. to 5:00 p.m. PDT at the Sheraton Portland Airport Hotel. The main purpose of the meeting is to present and help the RRG understand a comprehensive integrated package of the Grid West proposals before a public review and comment period during August.

## **Update on Regional Transmission Adequacy Guidelines (RTAG) Effort**

Ravi Aggarwal, RTAG chair, briefed the RRG on the effort to develop Regional Transmission Adequacy Guidelines. Guidelines will be for the NWPP footprint; they will supplement, not replace, minimum reliability criteria established by NERC and WECC.

Ravi reported that the Transmission Adequacy Steering Committee (TASC) is expected to approve, by conference call on June 28, the proposed principles shown on the slides.

Benchmarking has been completed to aid in understanding of current application of N-1 and N-2 criteria and to help differentiate between load service and transfer related problems. Also, some N-2 and N-1-1 benchmarking has been conducted to evaluate deeper contingencies.

The technical work group is starting to develop a straw proposal for Regional Transmission Adequacy Guidelines. This includes proposing a methodology for determining when, what, why, and who plus considering the elements of the guidelines. The technical work group meets again on July 12, and Ravi encouraged people to come and hear about the guidelines straw proposal.

The Regional Transmission Adequacy Guidelines RRG Briefing is posted at [http://www.gridwest.org/Doc/RRG\\_NWPPUpdate.pdf](http://www.gridwest.org/Doc/RRG_NWPPUpdate.pdf) . The slides and other information about RTAG also can be found at [www.nwpp.org](http://www.nwpp.org) click TA -> Publications.

## **Overview of Progress and Direction of Grid West Activities**

Progress Overview: Referring to the Grid West 2005 Work Plan, Steve Walton updated the RRG on progress of Grid West activities. Current activities are on schedule toward Decision Point 2. A seminar on market and operational design and a seminar about pricing and cost recovery for Grid West have been completed with one more seminar in July. The goal is to complete and hand off as much technical work as feasible to the Developmental Board to inform its work on finishing basic features and negotiating and offering transmission agreements.

A Risk Reward seminar will be held on July 20-21 and an RRG meeting on July 27. Following presentation of the proposal package at the July 27 RRG meeting, there is a regional public review period during August. Two determinations are scheduled in late September – RRG assessment of whether to proceed with Grid West development and a decision whether to adopt the Funding Agreement and seat the Developmental Board.

Allen Burns suggested preparing a 3-4 page summary to guide people through the comprehensive proposal package that will be presented to and discussed by the RRG on July 27.

RRG Agenda and Progress Reports: Steve then reviewed the June 24 meeting agenda, illustrating how Grid West reports on TSLG and Risk Reward activities relate to progress and work underway. Steve also showed when updates from the Transmission Improvements Group (TIG) would occur. The Grid West Process Review and the meeting agenda are posted on the RRG page of the Grid West website at [http://www.gridwest.org/Doc/GWRRG\\_June242005\\_Overview.pdf](http://www.gridwest.org/Doc/GWRRG_June242005_Overview.pdf) .

## **Grid West Progress Reports: TSLG, Draft Planning and Capacity Expansion Paper, and Near-Term Services Work**

Transmission Service Liaison Group (TSLG): Steve Walton reported that a few corrections and clarifications have been made to the TSLG white papers based on comments at the seminar and questions submitted. All questions were answered and posted.

Planning and Capacity Expansion White Paper: This white paper was redrafted into a bullet outline format. Work by the TSLG to complete the paper is underway.

Implementation: A model for analyzing the estimated costs of elements of the Grid West design has been built using information obtained from vendors of system components. Assumptions can be changed to estimate costs of various design elements and scenarios. This cost information also will be presented as part of the Risk Reward seminar on estimated costs and benefits of Grid West.

Detailed cost estimates are being developed for 1) turn key implementation of the basic market and operational features over a two-year period, and 2) particular activities that can be brought on sooner before turning the key on operations; the near-term activities being evaluated are in the areas of planning services and regulation within a consolidated control area.

The Structure Group is helping the TSLG develop a white paper on implementation, building on some of the work already done. Ideas in the implementation paper will be included in the integrated package being prepared for the RRG's July 27<sup>th</sup> meeting.

### **Comments on June 23<sup>rd</sup> Pricing and Cost Recovery Seminar**

Materials from the June 23<sup>rd</sup> seminar on Pricing and Cost Recovery are posted on the Grid West website. Ted Williams started the discussion by restating comments he made at the end of the seminar. The aim of the Pricing Work Group was to provide a sufficient level of detail about pricing to judge whether to move on at Decision Point 2. He said, for his company (NorthWestern Energy), the conceptual framework was adequate to conclude that efforts should go forward, while recognizing that many questions need answers before reaching a determination to implement.

Allen Burns asked the RRG if the information was sufficient to make substantive comment. Bob Kahn added that the question, for market design, pricing, and risk reward, is whether "it's good enough" to make a recommendation.

John Carr stated the pricing proposals are consistent with the TSLG approach and feasible. Where the Pricing Work Group proposed options, he was comfortable with leaving these in the proposal rather than making a specific recommendation at this time. With a few exceptions, RRG members voiced discomfort with leaving on the table the option for auctioning long-term service rights (IWR pairs) – most expressed support for cost-based approaches for pricing of IWR pairs.

While some members stated the level of detail provided in the pricing and cost recovery paper was adequate to go forward with the decision making process, several members commented they did not have enough information at this time to determine if the pricing proposals are "good enough."

The RRG was asked to submit questions and comments to the Pricing Work Group by July 1. The Pricing Work Group will develop and post clarifying answers. Posted materials from the Pricing and Cost Recovery seminar also can be found on the Grid West website.

### **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. A calendar of TIG meetings and information is posted on the TIG website ([tig-nw.org](http://tig-nw.org)).

TIG Reliability and Security: Bill Dearing, of Grant County PUD, said this effort has four sub-groups considering reserves, visibility, congestion management (within the consolidated control area in real-time, known as “RABA”), and a contractual relationship alternative to addressing congestion management. Bill noted the approaches are trying to avoid FERC jurisdiction by using existing organizations, such as the NWPP and Pacific Northwest Security Coordinator (PNSC).

The objective of the reserves group is to derive benefits from reserve obligation sharing and regulation reduction. The visibility group is considering real-time and day-ahead improvements in transient and voltage stability models, the coordinated outage system, data flow for reliability analysis, pre-schedule interfaces to state estimators, and coordination of emergency operating plans.

Under the RABA approach, congestion management in the next hour would be handled for combined control area parties through functions of the Reliability Authority and the Balancing Authority. This alternative would use the PNSC as a management platform, to free up ATC and losses. This approach is seen as a bridge to a less constrained future.

Bill’s slides explained the governance approach for each of these elements of improvement. The group is on a path to finalize its proposals by July 21.

TIG Common OASIS: Bill Kirby, of Portland General Electric, said the charter of the TIG common OASIS group is to advance and improve the transaction of electric and transmission business for Northwest transmission customers by providing “one stop shopping.” Taking into account the needs of transmission customers and transmission providers, the group is looking at common attributes for products and services, terms and conditions, posting of information, queue management, and flow-based ATC methodology, plus preservation of existing tariffs and rights.

The idea is to phase in implementation – in the next 6 months lay the foundation and in the near term build for the future. Important issues and future work include establishing a NW organizational structure and governance for a common OASIS, developing a common ATC calculation, and establishing common administration and management.

Flow-Based ATC: Kristi Wallis said this effort is borrowing from the good thinking on flow-based ATC from a number of other forums, e.g., Grid West, MAPP, and BPA. However, whatever is proposed will still be within the TIG limitation of not creating additional FERC jurisdiction. Another underlying principle is to leave existing rights in place.

The group is identifying the costs and benefits of increments of improvement. Kristi acknowledged that it's not feasible to accomplish flow-based calculation of ATC without flow-based scheduling. The charter includes looking at offering new rights, and Kristi noted that this is somewhat problematic when considering what can be done without becoming FERC jurisdictional.

Responding to comments, Kristi said one premise is there needs to be "critical mass" to accomplish flow-based calculation of ATC. She added that the group would welcome the participation and perspectives of IPPs and providers and customers in Montana.

Governance: Kristi Wallis reported that work by the TIG steering committee on decision-making and structure is in progress based on the TIG principles of taking incremental steps, not expanding FERC jurisdiction, and relying on existing institutions. The steering committee has come up with three models: 1) leave decision-making authority intact (silos), 2) agree to arrangements similar to NWPP and MAPP where parties commit to participate in a coordination forum, and 3) pursue an independent entity with a stakeholder panel, similar to an agency relationship. The preferred approach, currently under development, is a forum for coordination like the NWPP. A permanent staff is being contemplated. A coordinating committee also is being considered. Its role and who could participate have not been answered yet.

Kristi confirmed that TIG plans to hold two workshops in early August to present and explain its proposals to the region. The steering committee has proposed August 3<sup>rd</sup> in Portland and August 10<sup>th</sup> in Boise or Spokane.

Bud Krogh thanked the TIG participants for presenting updates on their ideas to the RRG and for the opportunity for RRG to give feedback. He noted that the region should continue to work together to track efforts to develop proposals for improvements.

### **Grid West Progress Report: Risk Reward Group**

Kurt Conger and Janelle Schmidt presented an update on the efforts of the Risk Reward Group to identify benefit elements and risk factors. Janelle explained studies performed by BPA to evaluate benefits of reserves and load following in a consolidated control area (CCA). Using the PowerWorld model the effects of removing scheduling constraints and balancing market efficiencies are being analyzed. Kurt Conger explained details of the PowerWorld studies and illustrated output from the simulations. For example, when scheduling constraints are removed, one case resulted in cost savings of about \$10,000 per hour.

The GridView program is being used to evaluate production cost savings resulting from removing rate pancakes. The Risk Reward Group is also looking at past studies to identify any contingency reserve benefits, looking at reliability impacts, and analyzing increased use of existing transmission and savings from transmission construction deferral. Other qualitative elements of the evaluation include planning process improvements and market monitoring.

Kurt reviewed the format of the report the Risk Reward group is preparing. There will be a summary of survey results elaborating on problems and opportunities and perceived costs, a matrix of quantitative output, and combined white papers covering qualitative and

quantitative benefits and risks. The Risk Reward Group is meeting weekly to prepare for the seminar and hopes to post materials by July 18.

The seminar on the estimated costs and benefits of Grid West will be held on July 20 and 21. About a half-day during the seminar will be devoted to cost estimates developed by the TSLG with the Structure Group.

The Risk Reward Group's Update Report is at [http://www.gridwest.org/Doc/GWRRG\\_June242005\\_RiskRewardUpdate.pdf](http://www.gridwest.org/Doc/GWRRG_June242005_RiskRewardUpdate.pdf) .

### **Upcoming Seminar and RRG Meeting**

**Seminar on July 20 and 21** – The seminar on estimated costs and benefits of Grid West is Wednesday, July 20, from 8:30 a.m. to 5:00 p.m. and Thursday, July 21, from 8:30 a.m. to 12:00 noon PDT at the Sheraton Hotel.

**RRG Meeting on June 27** – A final RRG meeting to present the proposed package before the public comment period in August is Wednesday, July 27, from 8:30 a.m. to 5:00 p.m. PDT, also at the Sheraton Hotel.