

Risk Reward Study Group
Meeting #7 – Facilitator’s Notes
January 10, 2005

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 informational purposes and to communicate the general nature of the discussion.

Attendance

Member	On Site	By Phone	Absent
Ray Bliven (DSIs)		X	
Stefan Brown (OPUC)	X		
Dick Byers (WUTC)		X	
Kurt Conger (Grid West Coordinating Team)	X		
Pete Craven (PacifiCorp)	X		
Tom DeBoer (PSE)			X
Chris Elliott (Grid West Coordinating Team)	X		
Tom Foley (Renewable Resources Community)	X		
Jim Hicks (PacifiCorp)	X		
Dave Hoff (PSE)			X
Bob Kahn (NIPPC)		X	
Bud Krogh (Grid West Coordinating Team)			X
Larry Nordell (MT)			X
Mike McMahon (Snohomish PUD)			X
Terry Morlan (NWPPCC)	X		
Kevin O’Meara (PPC)			X
Carol Opatrny (BCTC) - <i>Co-Lead</i>	X		
Lon Peters (PGP)	X		
Ken Petersen (Idaho Power Company)			X
Janelle Schmidt (BPA) - <i>Co-Lead</i>	X		
Marilynn Semro (SCL)			X
Vito Stagliano (Calpine)			X
Lou Ann Westerfield (IPUC)			X
Linc Wolverton (ICNU)	X		

Guests/Replacements:

Roger Grimm (Idaho Power Company – by phone)
Kurt Granat (PacifiCorp)

Handouts:

- Draft “Work Plans for 2005 – Discussion Materials for 1/14/05 RRG Meeting”
- “Risk Reward Analytical Framework – Parts 1 & 2” Draft by Lind Wolverton

Topics of Discussion

1. Grid West Work Plans

Kurt Conger reviewed the proposed plan for completing the development and analytical work necessary to support Decision Point 2. Particular emphasis was put on Risk Reward tasks and associated timelines.

Questions arose as to what was meant by the “Risk Reward Assessment” in these documents. It was suggested that the group should determine what it can get done prior to Decision Point 2, and that the RRG membership should be asked directly what kind of analysis it needs/expects prior to Decision Point 2. The question of timing also came up – shouldn’t there be a lag between the TSLG’s market development decisions and the risk reward analysis? It was pointed out that there should be constant feedback between the RnR and the TSLG, such that the final product will appropriately reflect the market design. Also, it was suggested that the flow charts for Decision Point 2 should specify where the “convergence points” between different workflows are – i.e., at what points should the TSLG connect with the RnR, etc.

Later in the meeting, the group agreed that the output of this group for Decision Point 2 should be a matrix of potential benefits, based on various information sources (the Problems and Opportunities survey, past studies, other information/data)

Result of discussion:

- 1) Ask the RRG what kind of risk reward assessment it needs/expects prior to Decision Point 2.
- 2) Consider adding “convergence points” to flow diagrams in work plan document.
- 3) Revise “Risk Reward Group Activities” (page 9) to reflect work beyond survey processing that will occur prior to Decision Point 2.

2. Problems and Opportunities Survey

Carol Opatrny reviewed the results of the respondent call from earlier in the day, noting that all but a few of the RnR participants had been in on the call:

- About 30 people participated in the call.
- Carol Opatrny provided an overview of how the survey instrument came about, its purpose, the level of response to date and the need to complete this effort.
- Participants noted that in many cases, the survey has not been completed due to the first impression that it would take a good deal of time to complete.
- Some participants voiced concern about confidentiality and the potential commercial sensitivity of information.
- Kurt Conger and Carol Opatrny let the participants know that we are planning to use the survey as a scoping document and so the first set of responses should include brief narrative descriptions about the perceived problems with the region's transmission systems. Depending upon the results of this scoping effort, the workgroup may follow-up with interviews, more questions and further description.
- The group agreed to submit completed responses by January 31st.
- Data that a respondent has that might be sensitive should be noted (and not shared at first) so that the workgroup can have individual conversations as to how confidentiality might be assured.
- The concept of hiring a "neutral party" to review sensitive data was raised, and some suggested that Dean Perry or Kurt Conger could serve in that role.

A discussion of the survey ensued. The following points were raised:

- How will the Grid West work plan accommodate time to do follow-up interviews?
- Will we be able to complete this before May 1st?
- Data associated with a number of problems may not exist – there are seldom records on deals that didn't go through because of existing market constraints.
- Question as to what we mean when we say "Risk Reward Assessment" – don't lead the RRG to think that they will have a quantitative answer.
- How much would it cost to hire a neutral party to collate and disguise sensitive data? Does Grid West have money to do this?
- Suggestion that we look at whether other ISOs have solved the kinds of problems cited in the survey.

Next Steps:

1. Send out notes from the call specifying that the work group is seeking brief narrative descriptions as a “first pass” response due January 31st, 2005.
2. At next RRG meeting, determine what expectations are of RnR output.
3. Prepare a summary of responses and meet again to discuss in February.

3. Output Matrix

Janelle Schmidt said that BPA would like to see the Risk Reward work group’s output be presented in matrix form and that Linc Wolverton’s proposed matrix would be a good starting place for discussing what such a matrix would look like. She also said that BPA would like to see the range of potential benefits associated with resolving each of the RRG identified problems. Furthermore, it would be good to augment the Survey results with data from other surveys (past models, other studies, etc.).

A discussion ensued:

- Some of the biggest benefits may be associated with the “technology push” associated with the more rational prices and liquid markets that come out of restructuring. Can’t measure that in a model, but should not be ignored.
- Certain costs cannot be modeled either – such as the impacts of potential FERC regulation of BPA or Grid West, and the risk of unmanageable/unwarranted Grid West cost escalation.
- Suggestion to add new problems to matrix: short-term queue management, long-term queue management.
- What baseline should be used? The Status Quo vs. Grid West, or should the baseline assume certain changes to the existing market in the absence of Grid West? By way of example, questions were raised regarding how to characterize some efforts already in place or underway and whether those efforts are best characterized as “status quo”, Grid West or an alternative state, e.g., existing reserve sharing arrangements, evolving NERC functionality, WesTrans, PNSC authority, and transmission adequacy standards.

Next Steps:

1. Linc Wolverton to update matrix.
2. Tom Foley will look into whether he can document the unmeasurable benefits and costs.
3. Janelle Schmidt will look into the update of the Warren McReynolds study on regulation.

4. Decide what if any existing model outputs should be presented in the matrix.

Meeting Adjourned at 4:00

4. Next Meetings (all to be held from 10 – 4 pm):

- February 17th
- March 3rd
- March 17th
- March 31st
- April 7th
- April 21st

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