



# Bonneville Power Administration Northwest Regional Transmission Organization Principles

## National Objectives

- 1) Establish, maintain and enhance reliability, adequacy and safety –  
Sufficient authority to maintain short-term and long-term reliability, availability and efficiency.
- 2) Facilitate market competition
  - a) Nondiscriminatory open access
  - b) Transmission independence from power merchant function
  - c) Eliminate rate pancaking
- 3) Improve Efficiency
  - a) Tariffs that support efficient operation of generation and effective siting of new generation and DSM
  - b) Encourage consolidation where greater system benefits would result.
  - c) Lowest total cost to consumers
- 4) Equity
  - a) Minimize cost shifts, and phase-in cost shifts where unavoidable.
  - b) Any transfer of assets into the RTO should fairly protect/compensate creditors and equity holders while protecting the interest of ratepayers.
- 5) Provide for the minimum characteristics and functions in the final FERC order.  
These are:

### Minimum Characteristics

- a) *Independence from market participants;*
- b) *Appropriate Scope and Geographical Configuration;*
- c) *Possesses Operational Authority for All Transmission Facilities under the RTO's Control;*
- d) *Exclusive Authority to Maintain Short-Term Reliability*

### Minimum Functions

- \*a) *Administer its own tariff and employ a transmission pricing system that will promote efficient use and expansion of transmission and generation facilities.*
- b) *Create market mechanisms to manage congestion*
- c) *Develop and implement procedures to address parallel path flow issues.*
- \*d) *Serve as the supplier of last resort for all ancillary services required in Orders No. 888 and subsequent orders.*
- \*e) *Operate a single OASIS site for all transmission facilities under its control with responsibility for independently calculating TTC and ATC.*
- \*f) *Monitor markets to identify design flaws and market power.*
- g) *Plan and coordinate necessary transmission additions and upgrades.*
- h) *Interregional Coordination. An RTO must develop mechanisms to coordinate its activities with other regions, whether or not an RTO yet exists in those regions.*

*\*Proposed RTO must perform these functions at start-up. Other functions may be transitioned in over time.*

*\*\* Conditional on a company rate extension.*

## **Northwest Issues**

- 6) Transitions to an RTO.
  - a) Provide transition mechanisms that:
    - 1) Maximize RTO job opportunities for employees of existing transmitting utilities and preserve employee benefits;
    - 2) Develop approaches that ensure a smooth transition from pre- to post-RTO operations with employees who remain with parent companies; and
    - 3) Seek to mitigate the impacts on employees who leave parent organizations through outplacement, retraining, severance packages, and other mechanisms.
  - b) Develop approaches to transfer control over assets into an RTO in a manner that meet needs of existing owners.
  - c) Provide comparable treatment for providers of generation service products needed by the RTO (e.g. ancillary services).
- 7) Financial impacts
  - a) No increase in risk to Treasury or third party bondholders.
  - b) Avoid costly financial restructuring of low-cost BPA debt.
  - c) Demonstrable end-use consumer benefits in each affected state.
  - d) No unmitigated state and local tax shifts.
- 8) Secure sustainable financial structure including adequate access to capital at acceptable rates.
- 9) Preserve obligations of the U.S. to
  - a) The Tribes associated with the FCRTS.
  - b) Canada under the Columbia River Treaty.
- 10) Address the transmission needs of remote utilities. Seek to mitigate adverse impacts resulting from RTO formation.
- 11) Provide priority transmission access for fish operations to mitigate nitrogen supersaturation with compensation to affected parties.
- 12) Construction and maintenance practices reflect a superior environmental ethic.
- 13) Provide adequate public involvement.
- 14) The RTO will not operate a Power Exchange (PX). Use market mechanisms run by third parties wherever possible to facilitate competition for the provision, purchase or sale of power products and services.
- 15) Create a governance structure that adequately and fairly represents all stakeholders, and reflects the consumer and commercial market needs.