

issue alert

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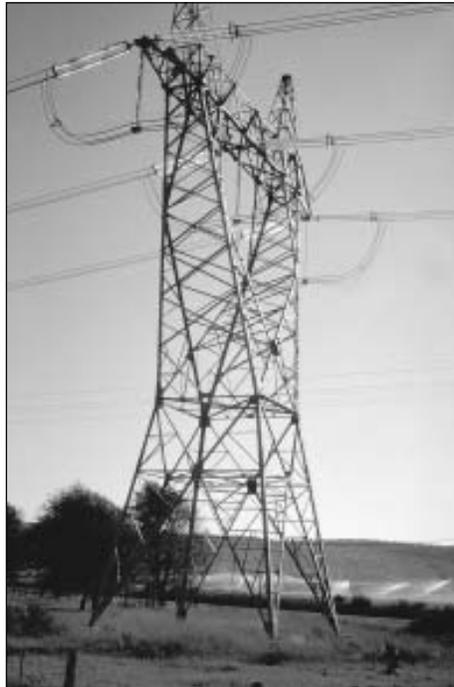
Future of the Northwest grid

After a decade of ideas, proposals and reconsiderations, BPA and many Northwest utilities are deciding this September which of three choices to pursue to improve the region's transmission operation and planning.

The choices are:

- Further develop a new entity called **Grid West** to manage and plan the Northwest transmission grid.
- Develop a set of contracts among utilities to provide many, but not all, of the same functions. This is the **Transmission Improvements Group** proposal.
- Continue to operate each utility's transmission separately, the **Continue Separate Operations alternative**.

While this is still a preliminary decision point, BPA believes it's an important one for the region's economic well-being. The grid is increasingly stressed in ways that regional cooperation can help alleviate. Two of the three choices now before the region – Grid West or TIG – offer the potential for real solutions by operating and planning the region's transmission system as though owned by a single utility, the "one utility" vision. Northwest



utilities have coordinated generation operations under this vision for more than 40 years.

United we stand

To be fully effective, both the Grid West and TIG proposals require a critical mass of support. Each entity must make its own decision whether to support one of these proposals, but if the region doesn't come together toward a unified goal, it may be indirectly choosing the alternative to continue separate operations.

BPA firmly believes the "continue separate operations" option is not a good idea. It will not provide the tools the region needs to maintain reliability in the increasingly fragile Western power grid. BPA believes a new, unified approach to transmission is needed to:

- Assure high reliability in the future,
- Increase efficiency, and
- Assure timely construction of needed infrastructure.

The region relies on a single grid

The Northwest has a significant stake in making the most rational, efficient use of its transmission infrastructure. Unlike other regions, the Northwest relies heavily on power generated at many dams on one Columbia River system. Most plants are located far from large cities. Timing and volume of water releases from headwaters dams affect how much power can be generated downstream at various projects. These water releases also must be timed to protect fish, facilitate recreation, keep irrigation pumps submerged and allow river navigation. The transmission grid as



a whole must carry power to distant cities from wherever it is most efficiently generated within these constraints.

In recent years, use of Northwest transmission has increased dramatically, and the system has become increasingly stressed. Load growth over the next decade is expected to significantly outpace planned transmission additions. BPA believes it's time to come together to change the way transmission is managed to maintain the adequacy and reliability of the grid in light of these changes.

Cooperation produces real choices

Both the TIG and Grid West proposals have been developed cooperatively by Northwest publicly owned utilities, investor-owned utilities, state regulators and public interest groups. Both proposals address the same transmission problems. Many of the same organizations and even the same people have worked on both proposals. Recently, they've used the same public forum to hear from stakeholders – the Regional Representatives Group.

As a result, Grid West and TIG have much in common. They also reflect differences in the interests and perspectives of various institutions in the region today. BPA believes either Grid West or TIG could prove a viable choice and that both hold the potential to capture the benefits of "one utility" operation and planning of the region's transmission system. The key is unity and commitment to make one of these alternatives work.

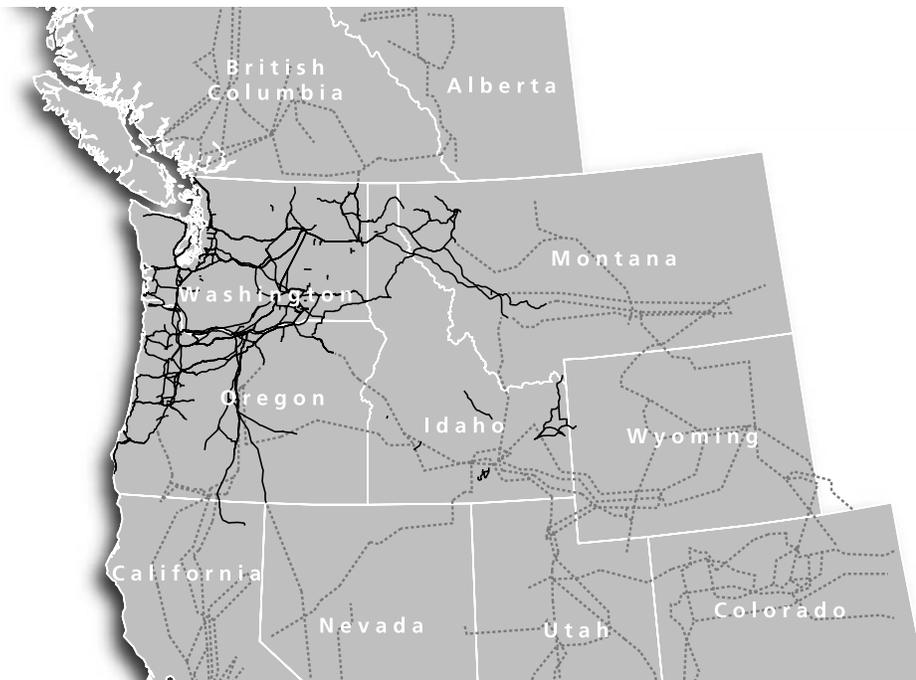
TIG: Coordination agreements for transmission

TIG would create a set of contracts among Northwest utilities that own high-voltage transmission to coordinate their operation. The region's utilities have coordinated their generation under a similar set of contracts since 1964. Under TIG, utilities would write separate contracts to achieve:

- an independent market monitor,
- a regional transmission planning process with backstop authority to get lines built,
- a single OASIS transmission reservation service (OASIS stands for Open Access Same-time Information System),
- a common regional flow-based approach to calculating the grid's available transfer capability, and
- improvements to grid reliability, including voluntary control area consolidation, though this may be more limited in scope than in Grid West.

Tying the pieces together

The transmission grid of the entire Western U.S. and Canada works physically as one immense machine. Either Grid West or TIG would unify transmission operation and planning within the Northwest.



The contracts would be administered under a small staff and coordinating board, itself created by contract. TIG would not create a transmission entity that would be subject to FERC jurisdiction.

The TIG structure is based on the Mid-Continent Area Power Pool (MAPP) experience. MAPP has 35 years of evolving joint operation of public and investor-owned utility transmission through contracts.

TIG has evolved quickly, producing a detailed proposal in just the last few months. It is still sketchy in its details compared to the Grid West proposal. Also, to achieve what BPA views as the most crucial benefit, maintaining high reliability, TIG would have to realize all elements now proposed, including consolidation of reliability and generation/load balancing authority functions. Its success would depend on broad participation by the region's transmission providers and control area operators.

Grid West: A new Northwest entity

Grid West would create a new entity to plan and operate Northwest transmission for participating utilities. It would do everything TIG would do, and more, through a single entity rather than a network of contracts.

It would offer a voluntary transmission reconfiguration market to expand the use and availability of

transmission. Grid West would have backstop authority to build transmission via a third party if necessary to assure projects needed for reliability get built. BPA, Idaho Power Co. and PacifiCorp would expect to consolidate their control areas. This would give them a better view of potential problems in the grid and more efficient ways to share resources that keep the grid running. Grid West would operate an ancillary services market for utilities that consolidate their control areas to improve generation dispatch efficiency.

Grid West would be a regional transmission provider, modeled somewhat on regional transmission organizations but scaled back to reflect Northwest needs and interests. Grid West itself would operate under Federal Energy Regulatory Commission jurisdiction. However, in response to regional concerns, FERC recently confirmed that its jurisdiction would not extend further over Northwest publicly owned utilities or BPA as a result of Grid West. FERC also confirmed that Grid West would be approved under its 1996 open transmission access Order 888 rather than its RTO Order 2000.

Grid West has been under development for several years and has considerable supporting detail behind it. Its bylaws are in effect. The next steps in development are clearly defined.

The status quo: Every operator for itself

The status quo would leave each transmission owner working separately under applicable state and national regulations.

If the status quo is the outcome of this discussion, BPA will actively seek to revise its own business practices to do what it can within its own grid through new congestion management procedures, tariff revisions and other actions.

Benefits from Grid West or TIG

Either TIG or Grid West would likely be worth the effort.

Grid West is circulating a preliminary cost assessment and separate benefits analysis, which are available for review on its Web site. BPA's own conservative cost-benefit assessment suggests Grid West would produce positive net benefits between \$5 million and \$80 million a year. That does not include significant non-quantified benefits, such as coordinated planning of where and when new lines (or non-wires alternatives) are needed.

BPA has asked TIG to produce its first cost-benefit analysis during the comment period. TIG's very preliminary cost estimate is about two-thirds of Grid West's costs. BPA expects TIG's benefits to exceed TIG's costs. Because many of the

services would be the same as those offered by Grid West, so would costs and benefits, scaled down to reflect the smaller scope of TIG.

What happens next

The choice before the region this summer is whether to commit to further develop and fund either proposal or to continue the status quo. The decision will let the region's utilities focus their time and money on one alternative, rather than dividing their resources between two competing proposals.

To pursue Grid West, the region will commit approximately \$20 million for two years of funding to seat a developmental board and develop transmission agreements to the point where they can be offered to transmission owners. BPA would take its participation in a transmission agreement out for public review before making a final decision.

To pursue TIG, BPA and other utilities would commit funds and staff resources to complete the TIG proposal over the next six to 12 months and then decide whether to execute agreements to implement the TIG approach. BPA has asked TIG parties to develop a memorandum of intent before the September decision to provide TIG funding and management and to determine the level of serious interest in this approach.

Under the status quo, BPA would stop work on both Grid West and TIG and focus on reforming its own business and operating practices.

How to comment

The questions BPA seeks to answer by September's end are outlined in a letter from Administrator Steve Wright dated Aug. 4. BPA asks commenters to carefully review both proposals and consider their comments in the light of their own needs and concerns and those articulated by BPA.

The TIG and Grid West alternatives are similar in many respects. Implementation of either would be most effective with significant support from regional transmission participants and stakeholders. BPA urges supporters of both Grid West and TIG to pursue ideas on how the two proposals might converge.

In addition, BPA has previously articulated a set of principles to guide its participation in any regional transmission organization and key issues that must be addressed by Grid West and TIG. All these remain the issues and principles upon which BPA will evaluate its choice. These principles, issues and other BPA information are posted on the BPA Web site listed below.

Neither Grid West nor TIG is a BPA proposal. They're available from their

respective organizations. Both TIG and Grid West are offering workshops and more information during August.

The materials to use in considering your comments are:

- 1) BPA materials posted at <http://www.bpa.gov/corporate/business/restructuring/>
- 2) Grid West materials posted at <http://www.gridwest.com/DP2Info.htm>
- 3) TIG materials posted at <http://www.tig-nw.kristiwallis.com/>

BPA is taking comments through Sept. 9 and expects to announce its decision by Sept. 30.

The preferred way to submit comments is online at: www.bpa.gov/comment.

Comments may also be mailed to: Bonneville Power Administration, Communications - DM-7, P.O. Box 14428, Portland, OR 97293-4428; or fax comments to (503) 230-3285.

For more information

Should you have any questions about the process, or if you would like to meet with BPA Executive Vice President for Industry Restructuring Allen Burns about these alternatives, please contact your BPA Account Executive or Constituent Account Executive. Or you may contact Project Coordinator Tara Exe at (503) 230-4169.