



Department of Energy
Bonneville Power Administration
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EXECUTIVE OFFICE

Aug 17, 2018

In reply refer to: A-7

To parties interested in BPA's reliability coordinator services:

After a thorough analysis and consideration of alternatives for reliability coordinator services, the Bonneville Power Administration (BPA) has selected the California Independent System Operator. Our expectation is to begin receiving these services from CAISO on Nov. 1, 2019.

As the owner and operator of more than 15,000 circuit miles of the high-voltage transmission in the Northwest, system reliability is BPA's paramount concern, and that was the core driver of our analysis. We also considered governance and costs.

We began our analysis in January following membership changes at Peak Reliability, which until recently was the sole provider of reliability coordinator services in the Western Interconnection. Peak has since announced that it will stop providing reliability services on Dec. 31, 2019.

BPA weighed CAISO's reliability coordinator services against similar available services. CAISO emerged as the strongest candidate, primarily because of its significant reliability experience in the Western Interconnection as a balancing authority, transmission operator and market operator. It has also been responsive to our initial concerns about governance by developing an oversight committee charter that provides a strong role for balancing authorities and transmission operators in the RC footprint. Additionally, CAISO's reliability coordinator service is priced competitively.

Since all of the Northwest balancing authorities have been actively involved in CAISO's stakeholder process, we believe CAISO is the best option to minimize seams issues in the Northwest. Seams issues can occur if adjacent balancing authorities choose different reliability coordinators, essentially creating holes in the RC footprint and limiting the RC's visibility and authority over the region. We have always felt there is great value in keeping the region's grid as coordinated and integrated as possible. This is why we have announced our decision ahead of the Sept. 4 deadline issued by the Western Electricity Coordinating Council. We hope our announcement will provide certainty to the region and provide a foundation for further collaboration.

BPA has a strong operational relationship with CAISO, having signed a coordinated transmission agreement in 2017 as part of BPA's effort to enhance broader regional coordination. We expect to continue working together on a variety of issues toward even greater coordination and reliability. I want to add, however, that our decision regarding RC services is

not tied to BPA's consideration of joining CAISO's energy imbalance market. It is possible to take RC services from CAISO and not join its EIM, and the same is true of the reverse.

Our decision to take RC services from CAISO depends on a number of factors, including CAISO's ability to secure the necessary regulatory approvals to become a reliability coordinator, and barring any major changes to CAISO's proposal, including cost, staffing and governance structure.

In preparation for this transition, we will work closely with CAISO on technical implementation and integration. We will also continue to coordinate with CAISO, Peak and the balancing authorities and transmission operators in the Western Interconnection to ensure an orderly transfer of reliability coordinator services.

Sincerely,



Elliot E. Mainzer
Administrator and Chief Executive Officer