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Grid West pricing seminar June 23

On June 23, Grid West's pricing work group will conduct a seminar on proposed options for pricing long-term service over the Grid West transmission system, including:

- long-term transmission services
- system expansion cost allocation
- grid management charges.

The topics are expected to generate considerable regional interest and discussion. The pricing workgroup is interested in exploring its ideas with the public and perhaps coming away with new thoughts on how to structure pricing in these areas. If you would like to attend the seminar, please notify the Grid West coordinating team by submitting the reply form posted

at: <http://www.rto-west.com/> Seminar attendees are also welcome to stay for a Regional Representatives Group meeting on June 24. *(Joe Rogers)*

Grid West cost-benefit seminar July 20

Grid West's risk/reward group will join with RRG consultant, The Structure Group, July 20-21 in Portland to present an estimate of the regional benefits and costs of implementing Grid West.

The risk/reward group will present the results of its efforts to quantify and qualify the anticipated benefits of adopting Grid West's proposed design. It will share results of a region wide survey of problems, a review of existing benefit estimates and output from the consolidated control area group's modeling exercises in Power World.

The Structure Group will present a bottom-up cost estimate for Grid West. This will include both start-up and annual operating costs, and will be based on the Grid West functional scope, resource, technology and implementation requirements. The Structure Group has started meeting with vendors to get cost estimates for the systems Grid West would need to perform these functions. For details, go to: http://www.gridwest.org/Stage2RRG_Upcoming.htm *(Janelle Schmidt)*

WAG looks at West-wide transmission issues

The West – not just the Northwest – needs a single entity to address key commercial issues for the Western power grid, and the only real options are either the Western Electricity Coordinating Council or a new entity. That was the general consensus of about 150 utility industry representatives at a recent meeting of the Western Assessment Group in Portland. The results will be reported to the Western Governors Association at the governors' annual meeting June 12-14.

The issues that the group identified as needing an interconnection-wide forum include:

- (1) transmission planning and expansion,

- (2) resource adequacy,
- (3) market monitoring, and
- (4) transaction practices.

The group developed a table and a timeline for further discussion to consider how WECC might be remodeled to take on these commercial issues and whether it should be so redesigned. That exploration will begin now and a conclusion will be reached early in 2006. Materials are posted on the WECC website at:

<http://www.wecc.biz/modules.php?op=modload&name=News&file=article&sid=51> (*Syd Berwager*)

Declaratory judgment request piques broad industry interest

Some 22 utilities, utility associations, regulators, and power producers and marketers from across the West submitted their views to the Federal Energy Regulatory Commission on the request by BPA, PacifiCorp and Idaho Power for a declaratory judgment on aspects of Grid West. Generally, commenters showed significant support for the request, but a few questioned whether today's commission can bind its successors, and one argued that a positive FERC response would predetermine some issues. The complete interventions and comments are posted under docket number EL05-106 at <http://elibrary.ferc.gov/idmws/search/fercgensearch.asp>. (*Steve Larson*)

Transmission adequacy effort gets more formal

Later this month, BPA expects to file formal notice in the Federal Register of its participation in the Northwest Power Pool's effort to develop prudent regional transmission adequacy standards. BPA intends to use the results to help determine how much transmission it needs, the solutions to be deployed and the criteria to be applied to guide prudent investment decisions consistent with its obligations. If the process proceeds as planned, the guidelines would be voluntarily adopted by BPA and Northwest utilities by January 2006. (*Brian Silverstein*)

BPA, Council take next step on resource adequacy standard

BPA and the Northwest Power and Conservation Council have received very positive response from regional stakeholders this spring to the idea of creating a regional resource adequacy framework. So, BPA and the Council are launching a technical committee to develop a proposal for regional review.

The idea is to develop a common approach to assessing whether we in the Pacific Northwest have sufficient resources that can be delivered to load to keep the lights on. We found almost unanimous agreement on the need to develop regional and perhaps sub-regional resource adequacy metrics and targets – a resource adequacy standard – so that the region has a common approach for evaluating whether it has adequate resources. There was also significant support for establishing a framework to implement a standard with the understanding that utilities will be free to meet their resource needs as they and their regulators see fit. The technical committee will convene June 28 at the Council's office in Portland. For details, see: http://www.nwppc.org/news/2005_05/pw_raframework.pdf (*Mary Johannis*)

TIG, Grid West hone their proposals

Preliminary proposals for the planning, system expansion and market monitoring functions of the Transmission Improvements Group took center stage at the most recent Regional Representatives

Group meeting in Portland. The Grid West pricing and risk-reward workgroups also provided updates. Both the TIG and Grid West work efforts are on track to complete their proposals by Aug. 1. The May 26-27 meeting materials are posted at:

http://www.gridwest.org/Stage2RRG_Upcoming.htm (Tim Smith)

Follow the power flows – key to Grid West construct

More than 150 utility, regulatory and consumer representatives showed up May 25-26 for the two-day Grid West seminar on its operational structure. The basic idea, they were told, is to move from today's contract-path transmission service to flow-based calculations. This is similar to the approach BPA has taken in evaluating its available transmission capability. Because electricity flows on the path of least resistance, it frequently does not flow over the wires assigned in existing contract paths. Under today's operation, paths may be considered contractually "full" when they're really not. Calculating available capacity based on actual power flows would "make more effective use of existing transmission infrastructure," Grid West said in a press release.

http://www.gridwest.org/Doc/NewsRelease_TSLG_May262005.pdf The complete set of papers outlining Grid West operation and services is posted at:

http://www.gridwest.org/TSLG_May2005Papers.htm (Eric King)

Avoiding others' problems in the Grid West design

As the details of Grid West and TIG design emerge and evolve, we're receiving questions from customers and others on whether and how Grid West will avoid market-design problems encountered by the California Independent System Operator and other regional transmission organizations. We believe it can and will. Here's why.

A transmission service provider, not an RTO: Grid West will not seek Federal Energy Regulatory Commission approval as a regional transmission operator under FERC Order 2000. It will provide one-stop-shopping for transmission rights to schedule energy across the lines of participating transmission owners. The only open regionwide market Grid West will offer is for sale of transmission rights

Balanced schedules, physical rights. Users provide their own reserves: Grid West will not have a day-ahead energy market. Load serving entities will be responsible for obtaining and supplying sufficient reserves to meet their own loads, including ancillary services. Parties that schedule transmission with Grid West must have physical transmission rights and must submit balanced schedules.

No FTRs: Grid West will be based on physical rights to transmission capacity. This should reduce the magnitude and frequency of transmission congestion compared to the "accept all schedules" approach typical of RTOs. It also reduces the ability of parties to manipulate markets. Conversion of pre-existing transmission rights to financial transmission rights is not a feature of Grid West. Existing transmission rights would remain unchanged.

Grid West would buy ancillary services for consolidated control area: Some parties within the Grid West footprint are exploring consolidating their control areas and using Grid West as their

control area operator. As a condition, each control area would agree to stand ready to supply its share of interconnected operation services – the generating part of ancillary services – needed to meet load moment to moment within the consolidated control area. Grid West would determine the dispatch of IOS services, including spinning reserves, non-spinning reserves, balancing energy and regulating reserves. To determine dispatch order, Grid West would operate a limited IOS market from which it would purchase these services on a least-cost basis. Grid West would purchase IOS services from generation offered from outside the consolidated control area as well as from consolidated control area members. However, no other parties could purchase IOS services from or through this market.

Northwest One-Utility Grid News Purpose Statement

The Northwest transmission system is becoming increasingly constrained; there is broad regional agreement that the status quo needs to be improved. BPA believes it is important for the region to pick a path - soon - and move from discussion toward action. Two competing approaches are being developed: the Transmission Improvements Group would work within existing institutions, while Grid West would create a new transmission services provider under FERC jurisdiction. BPA is actively participating in both efforts through this summer. This September, BPA will decide to move forward with one of these approaches. Our decision will be driven by what we believe is in the collective best interest of the region and will follow a formal BPA request for public comments. These e-mails, issued biweekly now through September, are intended to keep any and all interested parties apprised of involvement opportunities and BPA's perspective. To receive subsequent editions, go to <http://www.bpa.gov/corporate/business/restructuring/> and sign up for "Allen's bi-weekly e-mail."

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