

Recommended Improvements to the Northwest Transmission System
Sponsored by the “Transmission Issues Group”
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For almost ten years, the Northwest has debated the development of a Regional Transmission Organization (RTO), now known as Grid West. It is not clear whether Grid West will actually be formed. In the meantime, real problems face the region that should be addressed. Several concrete but incremental steps can and should be taken to improve access to and the efficiency of the region’s transmission system. Several utilities and agencies in the region that support near-term improvements have come together as the “Transmission Issues Group” (TIG) and have developed a package of practical, cost-effective, and incremental changes that the region can implement in the next two to three years. These changes are based on the premise that an evolutionary and adaptive approach is the best way to solve regional transmission problems. Although each part of the package requires additional work, all can reach full implementation in the near term.

The following entities support this package of near-term improvements:

Grant County Public Utility District (Co-Chair of TIG)	Portland General Electric (Co-Chair of TIG)
Avista Corporation	Clark County Public Utility District
Chelan County Public Utility District	Douglas County Public Utility District
Emerald Public Utility District	Eugene Water and Electric Board
Franklin County Public Utility District	Northwest Public Power Association
Okanogan County Public Utility District	Power Resource Managers, Inc.
Public Power Council	Puget Sound Energy
Snohomish County Public Utility District	Springfield Utility Board
Tacoma Power	Thurston County Public Utility District
Washington Public Utility Districts Association	Washington Utilities and Transportation Commission

For further information on this package, please contact the Co-Chairs of the Transmission Issues Group:

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Matrix of Immediate Improvements to the Regional Transmission System

<u>Problem(s)</u>	<u>Solution</u>	<u>Entity</u>	<u>Funding</u>	<u>Timeline/Schedule</u>
Excess transaction costs for the use of multiple transmission systems	Shift to a single web site (common OASIS: www.wesTTrans.net) for transmission access, using off-the-shelf software from Open Access Technology International (OATi); flow-based calculation of Available Transmission Capacity (ATC); new common price discounting methodology to improve generation dispatch	None needed; transmission providers and customers will sign contracts directly with OATi for services	Fee-based through contracts with OATi	2005
Lack of regional transmission planning and expansion	Northwest Transmission Assessment Committee (NTAC, probably organized as a Committee of the Northwest Power Pool) with stable funding from transmission owners (for common costs) and users (for special studies); complementary WECC-wide body; state regulatory/siting oversight	NTAC has been in existence since 2003	In progress	2005 for NTAC oversight and funding stability; 2006 for WECC-wide commercial planning and oversight
Need for enhanced reliability and security	Evolution of the Pacific Northwest Security Coordinator (PNSC) to address future needs as they arise; e.g., expanded day-ahead security analysis	PNSC has been operating since the late 1990s	Via existing contracts between all control-area operators and the PNSC	PNSC is already in place; PNSC will evolve as needed

<u>Problem(s)</u>	<u>Solution</u>	<u>Entity</u>	<u>Funding</u>	<u>Timeline/Schedule</u>
Lack of market monitoring	New non-profit corporation (Northwest Market Monitoring Unit or NW-MMU) or contract with consulting firm executed by regional transmission providers	New entity (NW-MMU) or joint consulting contract	Through a small increase to the Scheduling/Dispatch charges of transmission providers	2005-06; initial activities will be minimal; additional activities will be specified and funded as needed
Complexity of transmission access when multiple transmission systems are involved	Single regional transmission queues for long-term service, short-term service, and interconnection of new generation	Short-term access through the common OASIS; long-term studies conducted by NTAC, under contract to transmission providers	Transmission providers and users pay for OASIS; stable funding for NTAC in progress	2005-06

Discussion of Immediate Improvements to the Regional Transmission System

Common OASIS

Our goal is that all major transmission owners with significant regional facilities, or holders of assignable rights, join westTTrans.net, a common web site for transmission access operated by Open Access Transmission International. Such web sites are required by FERC for jurisdictional transmission owners and are known as Open Access Same-Time Information Systems (OASIS). This particular common OASIS already has membership reaching from El Paso, Texas to Bellevue, Washington. If the major transmission providers with significant regional facilities joined this common OASIS, the site would provide sufficient information on pricing and Available Transmission Capacity (ATC) such that any transmission customer could easily and quickly determine the availability and full cost of transmission service from the point of generation of power onto the grid to the point where power is deemed delivered on the grid to serve load, no matter how many transmission systems were needed to complete the transaction.

Participants should work with each other and OATi to develop a standard methodology for calculating and releasing ATC on a short-term basis, as well as achieve such other standardization of terms and conditions as is practicable. Participants should also develop a common methodology to support the discounting of transmission prices and the sharing of incremental revenues via the common OASIS to make better use of the grid both at pre-schedule (day-ahead) and in real-time. Eventually, the site should be expanded to support bidding for short-term ATC, to send price signals regarding congestion.

Major regional transmission owners should modify their Open Access Transmission Tariffs (OATTs) to provide, and offer through the OASIS, new standard transmission products and practices, such as partial year service and firm redirected service. Eventually, all transmission access (short-term and long-term) over major regional facilities should occur through the common OASIS, but transmission service would continue to be provided under OATTs (suitably modified). This transmission improvement requires no new entity or multilateral agreement because each participant will sign a separate contract with, and make payment directly to, OATi.

Regional Transmission Planning and Expansion

Northwest transmission owners have already established the Northwest Transmission Assessment Committee (NTAC), a subcommittee of the Transmission Planning Committee of the Northwest Power Pool (NWPP). NTAC will perform commercial transmission planning for the Northwest, complementing the NWPP's responsibilities for reliability planning. NTAC membership is open to all interested entities. The Seams Steering Group-Western Interconnection (SSG-WI) is engaged in similar commercial planning efforts for the entire Western Electricity Coordinating Council (WECC), complementing WECC's reliability planning responsibilities.

Our goal is to develop and implement long-term funding for both NTAC and SSG-WI planning work, including funding for an oversight committee comprised (at least) of state regulators, Governor's offices, and other state agencies involved in transmission siting or approval. In addition, all application queues for new transmission service should be merged into a single regional queue, accessed through the common OASIS and administered by NTAC. Ultimately, NTAC should evaluate all individual requests for long-term transmission service and develop a regional transmission expansion plan, including non-wires alternatives. NTAC should also develop and implement an open-season process for commercial transmission expansion. Relying on NTAC and other regional commercial planning organizations, SSG-WI should coordinate a WECC-wide plan, focusing on seams between the regions and cross-regional projects. NTAC and SSG-WI should provide widely-accepted and understood information on the technical and economic effects of projects, while decision-making and capital commitments should remain with the transmission owner(s) and state(s) involved in particular projects.

Reliability and Security

The Pacific Northwest Security Coordinator (PNSC) has been operating since the late 1990s. The Director of the PNSC constantly assesses future needs and works with existing control areas in the region to add personnel as necessary. Our goal is to ensure that the existing PNSC can continue to evolve over time to ensure reliable transmission system operations under changing conditions. For example, the PNSC should be provided tools and resources to conduct expanded day-ahead security analysis.

One recurring issue regarding reliability is the potential benefit of consolidation of control areas. Our expectation is that existing control areas are evaluating, and will continue to evaluate, the potential costs and benefits of consolidation of these functions on a voluntary basis. One of the major proposed benefits of consolidation of control areas is the reduction in reserves that an individual control area must carry to meet possible contingencies. Currently, the region's utilities benefit greatly from reserve sharing through the Northwest Reserve Sharing Agreement. Control area operators are currently exploring the expansion of the existing Northwest Reserve Sharing Agreement to include load regulation services.

Market Monitoring

We support the establishment of a market monitoring structure in the Northwest, complementing the west-wide market monitoring efforts underway at SSG-WI. Transmission owners should fund market monitoring activities through a small surcharge

on transmission rates. Specific authorities of the Northwest Market Monitor are under development, in concert with other efforts throughout the WECC. The Northwest Market Monitor should work with existing state and federal authorities to look for and remedy any abuses of market power or manipulation of markets.

Single regional transmission service and interconnection queues

See the discussion above under Regional Transmission Planning and Expansion.