

An Incremental
Approach
to Transmission System
Improvements

Briefing of the Washington
Utilities and Transportation Commission
August 5, 2005

Who is TIG?

Avista Corp

City of Seattle

Clark County PUD

Douglas County PUD

PGE

PPC

Tacoma Power

BPA

Chelan County PUD

Cowlitz County PUD

Grant County PUD

PRM

PSE

WPUDA

- Emerald PUD and NRU signed the Participation and Funding Agreement as non-funding parties
- Other State and regional interests active participants

What is TIG Trying to Accomplish?

- Address regional transmission problems incrementally
- Avoid creating new entities or activities that would be FERC-jurisdictional
- Retain regional control over transmission issues
- Rely on contracts and existing institutions
- Be cost-effective; minimize risk

What TIG has Learned

- A lot can be accomplished without expanding FERC jurisdiction
- Similar efforts by responsible entities are working and producing tangible improvements

Comparison Between Proposals

- Both proposals address similar issues
 - TIG does not propose as many functions
- There is a need for side-by-side comparison; one possibility is for TIG and GridWest to work together to prepare comparison

How is the TIG Proposal Different?

- No new entity
- No FERC-jurisdictional entity
- Governance (contracts)
- Cost
- Cost-control
- Incremental
- Local responsibility
- Alignment of responsibility with authority
 - Does not alter decision-making responsibility or fundamental relationships between utilities and their regulators and customers

Philosophical Approach

- Simple, straightforward
- Build as you grow
 - Not try to do everything at once
 - Ability to self-correct
- Focus of initial implementation is on reliability/security and planning/expansion
 - Early enhancements regarding access
 - Path forward to address complex commercial issues in the future
 - High-level proposals
 - Ability to incorporate Grid West technical work, as appropriate

TIG Charter Areas

- Reliability and Security
- Planning and Expansion
- Market Monitoring
- Common Northwest OASIS
- Flow-Based Approach
- Legal Issues and Overall Structure

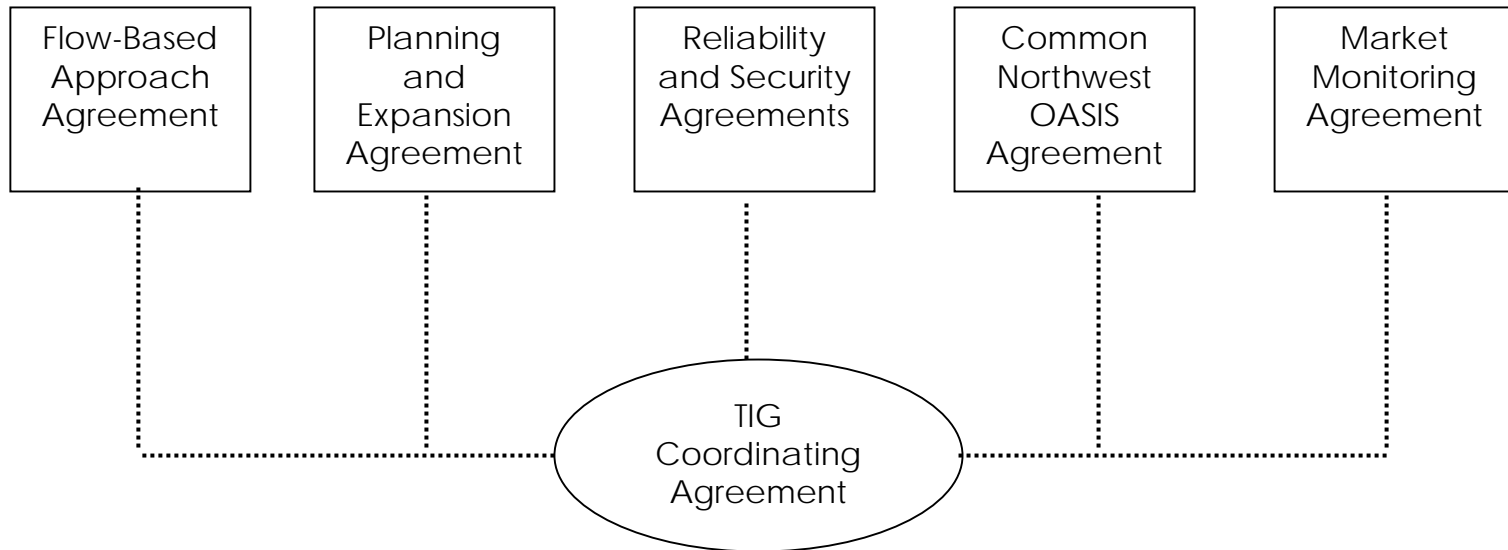
Structure

- Individual functional agreements (Implementation Agreements)
- Implementation Agreements stand alone; could be implemented individually or together
- Signatories are parties with responsibility to implement actions
- Umbrella Coordination Agreement (TIG Coordinating Agreement)

Structure

- “Agents” not “independent contractors”
- No new FERC oversight beyond what exists today
- Existing Transmission Providers and market participants retain ultimate responsibilities

Structure



Committee Structure

- Implementation Agreements
 - Implementation Committees
 - Stakeholder Committees
- TIG Coordinating Agreement
 - Coordinating Committee
 - Executive Committee

Reliability and Security

- Visibility
 - Enhanced monitoring, modeling, analysis, and data exchange
- Reserves- and regulation-sharing programs
- Voluntary coordinated redispatch process
 - Additional tool to address real-time congestion
- Voluntary consolidation of control areas
 - Broader awareness and first-hand knowledge of larger area

Market Monitoring

- Independent market monitor
- Market Monitoring Committee
- Retention of vendor for monitoring services
- Vendor independent of market participants
- Incremental implementation: SOM Report in 2006, then additional analyses and investigations
- Regular reporting to States, FERC, and public

Common Northwest OASIS

- Establish Common Northwest OASIS
 - Provides Transmission Users
 - Seamless purchase of transmission across Northwest Transmission Providers
 - Better information on OASIS (offerings, queues, etc.)
 - Provides Transmission Providers better management of OASIS

Common Northwest OASIS

- Improved features for the Northwest
 - Short-term (platform, common regional information)
 - Near-term (common improvements: queue, available transmission capacity, products and services, enhanced information)
- Opportunity to participate in West-wide OASIS (westTrans)

Flow-Based Approach

- Current system model relies on contract-path approach
 - Does not reflect physics of system
- Transition to flow-based approach to determine physical flows will benefit reliability, planning and expansion, operations, and sale of new rights
 - Foundation of proposal is commitment to protect and honor existing transmission rights

Flow-Based Approach

- Implementation
 - Incremental with Clear Decision Points
 - Step One - Get Methodology in Place
 - Step Two - Use output for operational and reliability purposes; perform virtual sales of transmission rights
 - Step Three
 - Phase 1 – Sell short-term system-wide injection and withdrawal rights
 - Phase 2 – Sell full complement of system-wide injection and withdrawal rights
 - Joint tariff for sale of ATC (existing but unused capacity; new capacity resulting from upgrades or new facilities)

Regional Transmission Planning and Approval

- Transmission plan development
 - Northwest Transmission Planning (“NTP”) staff and process
- Transmission plan approval
 - Transmission Expansion Review Council (“TERC”) Panel

Principles

- Maintain roles of regulators and decision makers
- Provide open, transparent, and public processes
- Plan from a least-cost single-utility perspective
- Evaluate non-transmission alternatives
- Facilitate stakeholder participation
- Contract commitment and backstop authority via FERC, State, and local regulators
- Make ADR available for certain decisions

Key Elements of Planning Process

- Independent Planning Staff
- Continued utility staff participation
- Open process for stakeholder involvement
- NTP Staff backstop for plan development
- Development of project sponsorship, participation, and support

Planning Process Outputs

- NTP Staff leads development of a regional transmission plan including:
 - System assessment
 - Problem need statements
 - Plans of service
 - Reliability and firm obligations
 - Congestion relief
 - New load and generation requests for service
 - Local load service – information only (planning by local utilities)

TERC – Plan Approval

- Approve biennial transmission expansion plan
 - 2-step approval process
 - Portions of the plan that are not approved are sent back to the NTP for further work
- Open process
- Provide opportunities for project sponsorship agreement
- Provide review and policy guidance to planning process
- Resolve disputes in planning process

TERC Membership

- Membership organization
 - Transmission Owners
 - Transmission Users
- Decisions:
 - Elect TERC Panel members
 - Make revisions to voting procedures
 - Remand TERC Panel decisions
- State involvement (needed; TBD)

TERC Panel

- Member representatives and independent panelists
 - 3 Transmission Owners
 - 3 Transmission Users
 - 3 Independents
- Approve or reject:
 - System assessment and problem need statements
 - Plans of service
 - Transmission Adequacy Standards
 - NTP budget
- Hire and evaluate NTP Staff manager

Transmission Owner Commitments

- A participating Transmission Owner commits to:
 - Participate in the process and abide by the timelines
 - Sponsor or participate in a project, up to its legal ability, when it agrees with a TERC recommendation
 - Funds NTP Staff
 - Forms TERC

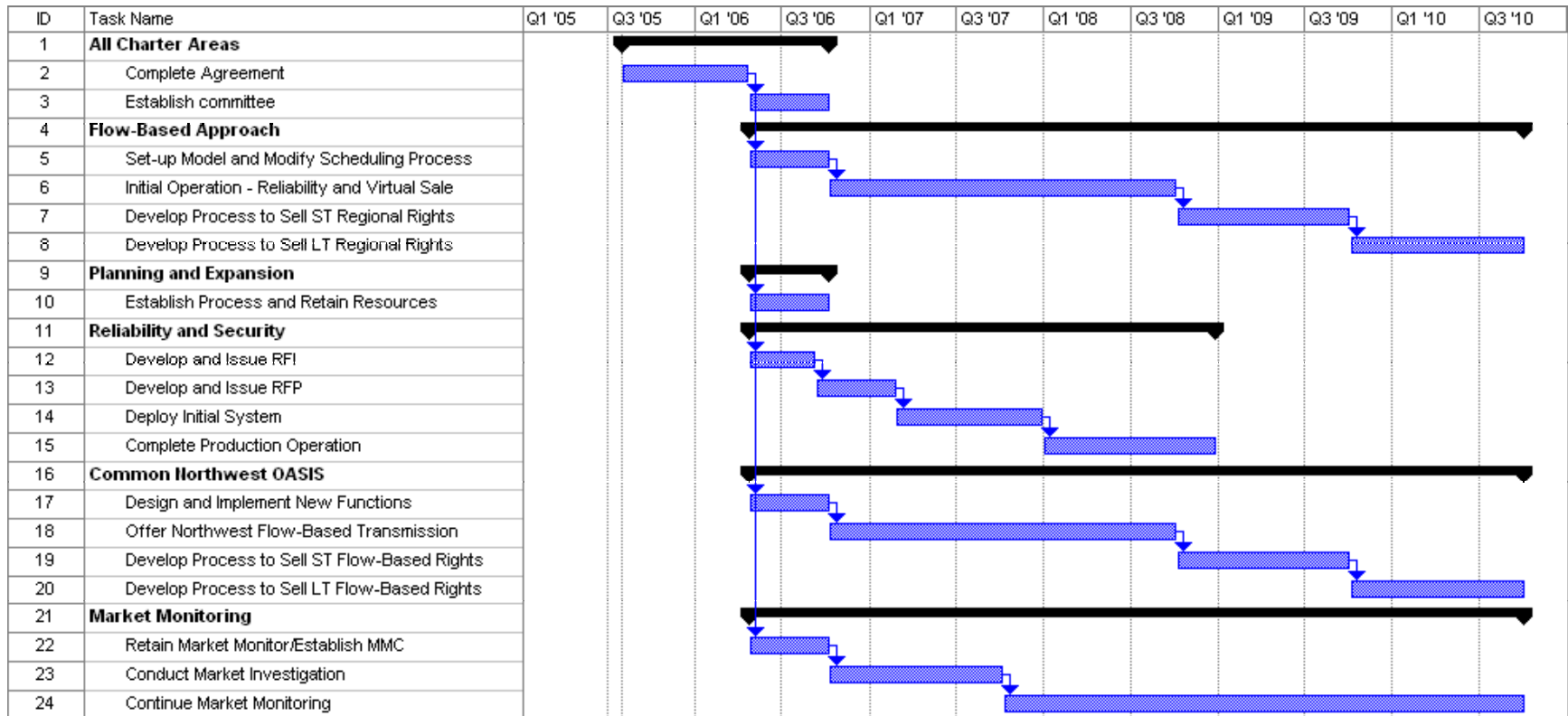
Planning – Costs and Benefits

Preliminary cost estimate – \$1.7M to \$1.9M per year

Benefits:

- Regional transmission plan
- Well-defined planning and implementation process
- Independent transmission planning staff
- Closer tie between assignment of costs and benefits
- Timely decisions
- Improved means of resolving differences
- Open and public process
- Common regional queue for transmission requests
- Contractual commitment of parties
- Decision and regulatory responsibilities maintained

Implementation Timeline



Next Steps

- Educate and inform region about proposal
- September Memorandum of Intent regarding Phase II
- Regional evaluation of proposal and other alternatives
- If agreement reached on some or all proposals, move to contract drafting