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April 25, 2006

MEMORANDUM

TO: Power Committee

FROM: Wally Gibson

SUBJECT: Transmission Developments Update

Grid West has voted to dissolve after a failure to agree on a plan for going forward. There have been no announcements about what the individual members intend to do in the future, with the exception of Avista, which has joined ColumbiaGrid.

ColumbiaGrid has adopted bylaws, with Bonneville, Grant, Chelan (subject to Board approval at the end of May), Seattle, Puget and Avista as initial members. The corporation will act through functional agreements among the members (and potentially with non-members) that define services to be provided and actions to be taken. The functional agreements have not yet been drafted. Work groups are meeting to flesh out the substance to be in the agreements and the first, on planning and expansion is targeted to be finished and signed this fall.

The bylaws provide for a three-person Board of Directors, which will be independent within the scope of activities provided for in the individual functional agreements, but will not have any ability to act outside of or expand that scope.

New members can be added by amending the bylaws, which requires a two-thirds weighted vote of the then-members. Currently Bonneville has 49.7 percent of the voting power; its share is capped at 49.9 percent for all majority votes and 33.3 percent for any votes requiring a two-thirds majority.

The bylaws include a list of near-term activities in the potential scope of the corporation including but not limited to the following: (A short explanation, as necessary, is included in *brackets*):

- Periodic regional transmission plan, including potential projects and recommended cost and capacity allocations;

- Joint system analysis and planning in response to interconnection and service requests. *[Currently, requests to interconnect to the grid and to get service over the grid, which may require upgrades somewhere on the grid, are made to individual providers under their FERC tariffs. The individual providers do some coordination of the studies but the processes are run individually, under the provisions of the tariffs.];*
- A mechanism to encourage construction of transmission projects needed for reliability;
- A flow-based approach to planning and expansion, reliability and operations, and new transmission rights. *[A flow-based approach would eliminate the conflict between commercial actions and the physical power flows on the grid. Grid West elaborated one such approach in detail. The TIG effort aimed in this direction, agreed that the Grid West approach was promising, but did not have time to flesh it out further.];*
- Mechanisms to promote increased transmission reliability through, for example, increased visibility of system conditions, enhanced modeling, monitoring and analysis of the system. *[“Visibility” is shorthand for understanding what the power flows on the network will be in advance of the real-time operating hour, so that if it looks like reliability problems will exist, they can be addressed before they occur.];*
- Area Control Error diversity sharing programs and enhancement of existing reserve-sharing programs *[Area Control Error is diagnostic control areas use in maintaining system balance and frequency. Generation is held out from the market to maintain it and a diversity-sharing program would reduce the cost of provision.];*
- Enhancement of existing regional transmission outage management programs *[This refers to an existing program that aims to coordinate scheduled maintenance outages among the region’s transmission providers.];*
- Enhancement of the Pacific Northwest Security Coordinator’s capabilities, including voltage and transient stability analysis capability. *[The PNSC is one of the three western reliability coordinators, with ultimate responsibility for coordination of control areas’ responses to reliability problems. The two capabilities are examples of real-time analytic tools that would improve the PNSC’s ability to do that job.];*
- A single Northwest OASIS interface for interconnection and service requests. *[An OASIS is the commercial interface between transmission providers and users. Each provider is required to have one. A single OASIS for the Northwest would make it much easier for customers to do business across the systems of multiple providers. WesTTrans is the current candidate and only Bonneville and PacifiCorp do not participate at this time. The concept for ColumbiaGrid is an enhanced version of WesTTrans.];*
- Commonly defined transmission service products and business practices;
- Independent market monitoring; and

- Generation redispatch as needed to maintain system reliability by relieving pre-operating hour and real-time congestion. *[Currently, transmission providers can usually redispatch the generation of their affiliated merchants. Since this is often neither sufficient nor the most economic, the aim is to broaden the availability of regional generation for this purpose.]*

The bylaws also include a list of potential long-term services (again, including but not limited to):

- Provision of regional transmission service, including centralized scheduling using physical rights, operation of a voluntary flow-based transmission market, issuance or facilitation of issuance of new flow-based rights, and reconfiguration services for the sale of existing rights. *[Currently the individual utilities are the transmission providers. This contemplates ColumbiaGrid taking over some or all of that function and having its own tariff for service provision. The flow-based framework is the same as described in the short-term services above.];*
- Further enhancements to the Northwest OASIS, including consolidated queues for interconnection and service requests *[A common Northwest OASIS would allow requests to go to all affected providers with one request. They would still be in individual study queues for each provider. A consolidated queue would provide a single queue for all providers, eliminating the timing conflicts that could occur if a request is high in one queue and toward the bottom of another, for example.];* and
- Consolidation of the performance of NERC-defined functions *[This is shorthand for control area functions. The provision contemplates consolidation of some or all of these functions. Bonneville is still a proponent of a single consolidated control area].*

If there are questions on this material I will be prepared to discuss it further.

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