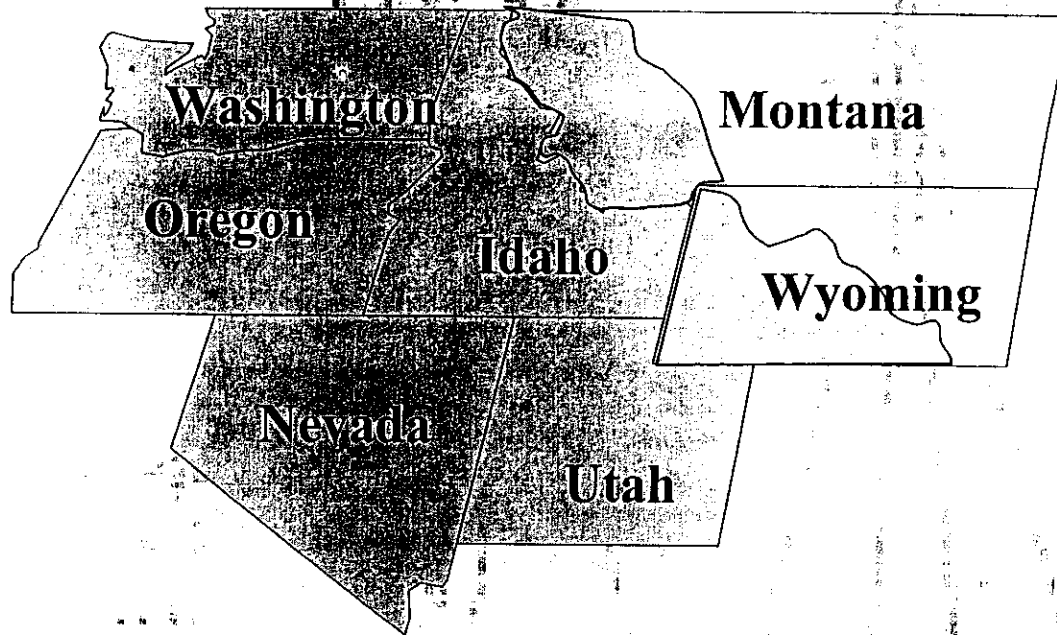

RTO West



Regional Challenges

● Transmission Price Differentials

◆ \$6/kW-mo. To over \$50/kW-mo.

- Long Distances & low loads make some providers very expensive
- Others are more urban, with large loads but little transmission investment

◆ RESULT = Disparate, Unitized Costs

● BPA Domination of Western part of RTO West

- IOU & Publics dependent on BPA
- BPA statutory obligations: fish, preference, etc.

Regional Challenges

● Retail access

- Oregon retail access scheduled ahead of RTO Startup
- Wyoming & Utah pursuing

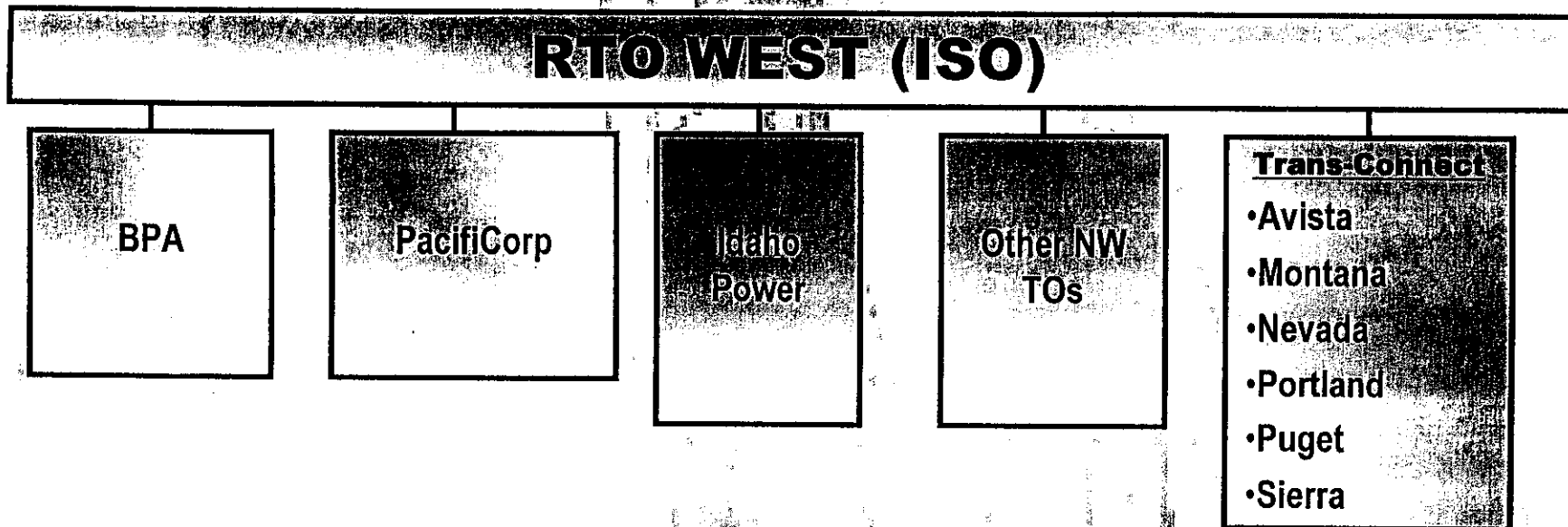
● Previous failed efforts

- Attempt to form ISO in 1996-98
- Failure due to Cost Shifting, lack of compelling order from FERC
- Lack of senior management from many key parties

● Transco vs ISO

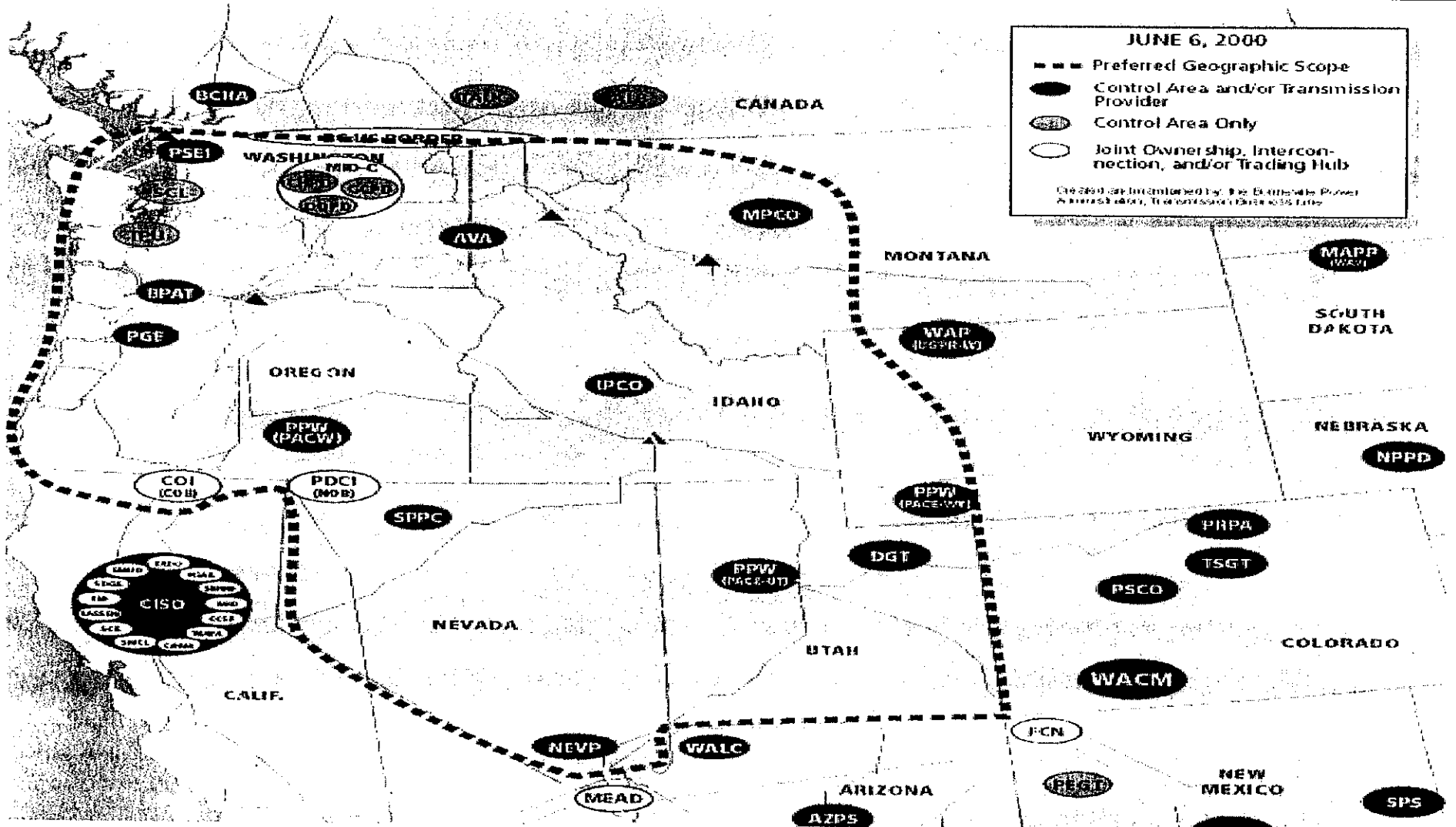
Structure

- State Chartered non-profit corporation
- No ownership of transmission assets
- Governed by an independent board
- Stakeholder Advisory Committee
- No operation of a Power Exchange.



RTO West

Geographic Scope



RTO West

Facility Inclusion

Class	Access	Pricing	Planning	Operation
A "Main Grid"	RTO	RTO Tariff "Company Rate"	RTO	RTO
B "Optional"	RTO	RTO Tariff "Company Rate" or PTO Tariff	PTO W/RTO Oversight	PTO
C "Distribution"	RTO	PTO "Distribution Tariff"	PTO	PTO

Notes:

A = (Impact transfer capabilities on constrained paths, or carry 10% of flow in unconstrained areas)

A + B = Form 1 Facilities

C = Non-Form 1 Facilities

Transmission Rights

- **Suspension of Transmission service and Ancillary Services contracts between participating transmission owners (PECs)**
- **Firm Transmission Rights (FTR's) issued for:**
 - **Firm Rights of Contracts suspended**
 - **Load Service Obligations not covered by Suspended Agreements (LSO's)**
 - **Obligations under Pre-Order 888 bundled Power Sales, Exchange, Coordination or other obligations not covered by a Transmission Agreement**
 - **Firm Transmission service to satisfy obligations of long-term that third-parties refuse to convert to RTO service**
 - **Load growth during Company rate period will receive FTR's on the company's system**

Ancillary Services

- **RTO is the provider of last resort**
 - RTO may, until a market is formed, acquire IOS in the forward market, for periods of up to 90 days from the date such arrangements are made.
 - ETO's are obligated to make IOS available to RTO West during the first 12mths after Transmission Service Commencement Date.
 - Obligation on ETO's to submit bids(after 12mth period above) for IOS can be invoked only if needed in day-ahead & hour-ahead markets.
- **RTO facilitates development of market for Ancillary Services**
- **Participants can self-provide as for their respective obligations**
- **Bi-lateral deals/external exchanges**

Planning & Expansion

● Reliability (*continued*)

- When requested, the RTO will determine allocation of costs to benefiting loads. (*Transmission & Non-Transmission solutions*)

● Congestion

- Market -driven
- Those who benefit/want - pay
- FTR's in exchange for costs

RTO West

Tariff Administration and Design

- RTO West will control its own tariff.
- It will have the right to unilaterally seek rate adjustments.
- ETO's will have the right to unilaterally seek adjustments from FERC for their individual company rates.
- It will be cost-of-service regulated.

Parallel Path Flow

- Much less of a problem in the West due to phase shifters.
- WSCC unscheduled flow procedures are available.
- Proposal for Flow Distributed Scheduling (“flow gate”) should significantly reduce any remaining problems.

OASIS, TTC and ATC

- **RTO West will be solely responsible for:**

- **determining how much capacity is available, and**
- **assuring functional markets for that capacity.**

Load Integration Agreement

Objective: *Provide RTO with current information about characteristics and operations of load service facilities. Establish minimum technical requirements.*

- **Applies to all parties that have load serving facilities interconnected with RTO West Transmission System**
- **Will not alter or supersede pre-existing agreements concerning interconnection and operation of load service facilities**
- **Encourage Third-Parties to voluntarily transition to new agreement**

RTO West

Interregional Coordination-Seams

- **Significant Canadian involvement in work that led to October filing and expected to continue in Stage 2.**
- **RTO to RTO discussions begun with CAISO and DStar.**
- **WMIC seams task force established.**
 - **Coordination Group, may develop solution proposals for RTO seams issues.**
 - **RTO's will make decisions, not Task Force**
 - **Target work completion - March 31, 2001**
 - **Work groups: Scheduling Practices & Proc., Cong. Mgmt/FTR's, Export fees & Price Reciprocity & Market Rules Alignment.**

Can we move faster?

- **RTO's are not the single solution to the increasing difficulties in supply, demand & the market.**

- Simplification of siting processes could contribute greatly to increasing supply.
- Concentrated efforts on conservation
- Stabilization of California critical for entire West.

- **Getting it right far exceeds getting it fast.**