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June 28, 2013

MEMORANDUM FOR SECRETARY MONIZ

FROM: MARK A. GABRIEL
ADMINISTRATOR

A handwritten signature in black ink, appearing to read "Mark A. Gabriel".

SUBJECT: Implementation Plan for Joint Outreach Team Recommendations

I am pleased to present the Western Area Power Administration's (Western) Implementation Plan for the Joint Outreach Team (JOT) Recommendations. The plan is in response to the March 1, 2013 request from former Secretary of Energy Steven Chu to prioritize various tasks, establish completion expectations, and identify areas where collaboration between Western and other areas of the Department of Energy (DOE) would be useful to implement the JOT Recommendations. I recognize the importance of further collaboration among Western, its customers, tribes, industry peers, and stakeholders, and this collaboration is addressed within the plan.

The JOT completed their task when they presented their recommendations to Secretary Chu last February; however, I would like to take this opportunity to extend my appreciation for the JOT members' effort, dedication, and hard work. The recommendations they developed are reasonable, consistent with actions already underway, and important for Western to help ensure our Nation has a modern, secure, and reliable electric transmission system.

I would also like to thank the numerous customers, stakeholders, and government officials (tribal, local, state, and federal) who expended considerable time and resources to participate in the JOT "Defining the Future" process. In addition to the JOT members' activities, Western also reviewed the input from these participants and found them valuable not just for implementation of the JOT Recommendations but also in our routine planning activities. In particular, we understand the importance of managing implementation costs and do not intend to request additional budget authority to implement the recommendations. Instead, we plan to incorporate these efforts into routine activities necessary to meet our mission. Again, we appreciate the input from such a diverse and knowledgeable group of participants.

Western plans to present this implementation plan to the public in a webinar and will provide the Deputy Secretary with periodic updates as part of our routine strategic target performance management and monitoring.

I appreciate your continued support for Western's mission.



**Implementation Plan
For the Recommendations of the
Western Area Power
Administration/DOE
Joint Outreach Team**

June 2013

Implementation Plan for the Recommendations of the Western Area Power Administration/DOE Joint Outreach Team

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I. Introduction

The Department of Energy's (DOE) Power Marketing Administrations¹ (PMA) play a vital role in providing energy and an electricity system that bolsters our Nation's economic competitiveness, security, and prosperity. Western Area Power Administration's (Western) fundamental mission is to market and deliver reliable, renewable, cost-based hydroelectric power and related services to its customers. Western's investments and the efforts of previous generations have served customers well. While Western maintains its fundamental mission, Congress has given Western additional obligations over the years in response to changing technological and societal needs. For instance, Congress has created requirements for open access transmission service, reliable operations, and transmission development for renewable energy delivery. Indeed, as our Nation's electricity system evolves, new opportunities have arisen for Western to play a constructive role.

In addition to Congress, other policy makers have established laws or regulations and goals that reflect the changing world and that directly or indirectly impact Western, its mission and its customers. These include renewable portfolio standards, energy efficiency targets, grid modernization objectives and grid operation and coordination improvements that increase efficiency, bolster reliability, and increase system flexibility. While the stated laws, regulations and goals may vary, there is a common element that policy makers seek: a healthy, secure, competitive, and prosperous future for our Nation.

Former Secretary of Energy Steven Chu issued a Memorandum on March 16, 2012 that tasked the PMAs with the responsibility of facilitating the transition to a more resilient and flexible grid while reducing costs to consumers. Embracing this charge, staff from Western and DOE formed the Joint Outreach Team (JOT) and worked with numerous customers, tribes, and stakeholders to obtain valuable feedback related to Western's mission and the wide range of foundational goals described in Secretary Chu's March 16, 2012 Memorandum. Western and DOE published draft recommendations in the *Federal Register* on November 20, 2012. The JOT evaluated comments

¹ Western Area Power Administration, Bonneville Power Administration, Southwestern Power Administration, and Southeastern Power Administration.

and feedback and presented final recommendations to Secretary Chu in January 2013. Secretary Chu met with the JOT and forwarded their recommendations, without change, to Western on March 1, 2013, along with a request that Western prepare an implementation plan. This report is in response to the March 1, 2013 request.

II. Background

The JOT recommendations consist of general observations and specific recommendations. In general, the JOT observed that Western has a number of initiatives already underway that meet the expectations of its firm electric service customers and achieve many of the foundational goals and objectives identified in Secretary Chu's memo. The JOT also observed that Western must continually examine its organizational capabilities to ensure it is properly structured with the appropriate resources to deliver its energy and transmission products and services as effectively as possible. Appropriate strategic planning processes must be in place for Western to make decisions within a strategic context and avoid reactive, duplicative, or piecemeal responses. Additionally, Western must be open to innovation, change, and evolution so the organization is suited to meet and address the future challenges of a dynamic energy industry.

Western recognizes the importance of strategic and organizational planning. To that end, in May 2013 Western initiated a process to create a Strategic Roadmap. This process will engage customers, members of DOE, and Western employees. Among other things, the roadmapping will develop strategic destinations and actions associated with financial and asset management capabilities, organizational capabilities, and operational excellence. While separate and distinct from the implementation of the specific JOT recommendations, this effort will integrate and support the broader strategic observations and will inform implementation of several of the specific recommendations.

Additional background, rationale, and context from the JOT on the specific recommendations are found in the next section.

III. Implementation Plan

The implementation plan addresses JOT tier 1 recommendations that are for immediate implementation or continuation and tier 2 recommendations intended for further evaluation. The plan restates the JOT recommendation and context and rationale for action, and describes the action Western will take for each recommendation. Some of the recommendations are straight-forward tasks, while others are complex and will be implemented using project management principles. Critical Decision milestones are identified for the recommendations that will be implemented using project management principles. A general description of Western's critical decision milestones is in Appendix A.

Some of the recommendations, as suggested by the JOT, will require considerable flexibility, interaction, and leadership with other entities to accomplish. For these, the plan is to implement them based on broad objectives rather than specific Critical Decision milestones. In many cases, these recommendations will be further evaluated as part of Western's strategic roadmapping process.

Western believes the efforts with regard to the implementation of the JOT recommendations are activities we routinely engage in internally and/or with our customers, tribes, industry peers and other stakeholders. As such, the costs associated with these efforts have been largely included within our existing budgets.

Tier 1: Recommended for Immediate Implementation or Continuation

1A: Required Regulation Reserve Capacity

Recommendation

Conduct an analysis to define and develop a consistent methodology for determining the regulation reserve capacity needed by each Western Balancing Authority/Area (BA) or sub-BA to meet its obligations to preference customers, its obligations under Western's

Open Access Transmission Tariff (OATT), and the requirements of applicable North American Electric Reliability Corporation (NERC) Reliability Standards. Using the methodology developed through this analysis, re-evaluate the regulation reserve capacity in each of Western's BAs/sub-BA and determine a schedule for periodic updates to both the calculation of the reserve requirements and the methodology.

Context/Rationale

As stated in the JOT recommendations, Western operators are analyzing and evaluating existing regulating requirements in each of Western's BAs to determine whether reserve requirements may have changed. Western's Power Operations and Power Marketing managers initiated efforts in December 2012 to develop guidelines on how to best respond to increasing requests by existing firm electric service customers interested in acquiring ancillary services to support their load. This effort will reconcile and align Western's various roles as a marketer of Federal generation under Regional Marketing Plans; a Transmission Service Provider (TSP), under the Western OATT; a BA Operator; and a Transmission Operator (TOP). As a part of this analysis, Western's operators will identify which generating units, both Federal and non-Federal, have traditionally been used to provide this service and what other units in the BA could potentially be considered to provide this service. Once this analysis has been completed, each Western BA will determine how much regulation capacity is required and available, and how it may be used within the footprint of each BA/sub-BA. This will allow BA/sub-BA operators to manage existing resources more reliably and efficiently by identifying the amount of regulation capacity that is required to support BA obligations, increase reliability, reduce risk, and/or increase the flexibility of operations. The results of this analysis will be used by Western's Regions to develop agreements between the Marketing and Operations/Transmission functions in each Western BA/sub-BA. More effective utilization of regulation capacity improves the ability of Western's BA/sub-BA operators to follow their load and respond to contingencies, thus increasing the reliability of the interconnection while potentially reducing the amount of reserves/capacity that

otherwise has to be purchased when Western does not have enough resources available.

Action

This item is in progress. Work was initiated in December 2012. Rather than develop its own methodology, Western has initially decided to use the Bonneville Power Administration (BPA) Balancing Reserve Capacity Quantity Forecast method. Western executed a Memorandum of Agreement with BPA to evaluate regulation reserve capacity in each of Western's BAs/sub-BA using the BPA model. Results for two of Western's BAs have been forwarded by BPA and the results for the other BAs are expected in October 2013. Western will then evaluate the results, the appropriateness of the BPA forecast method, and develop a schedule for periodic updates.

1B: Common OASIS

Recommendation

Consolidate Western's four Open Access Same Time Information System (OASIS) sites within the Western Interconnection into a single OASIS site.

Context/Rationale

As stated in the JOT recommendations, currently all Western Regions post their transmission offerings and business practices on separate OASIS nodes - four in the Western Interconnection and one in the Eastern Interconnection. Consolidating posting and administration of Western's four OASIS nodes in the Western Interconnection into one single OASIS site will help to ensure one common interpretation and implementation of Western's OATT and a uniform and integrated approach to posting Western's transmission information, products, and services in the Western Interconnection.

Potential outcomes include reduction in:

- Difficulty experienced by transmission customers seeking transmission service across multiple regions;
- Registration requirements for transmission customers;
- Regional differences and implementation and maintenance of business practices;
- Technical barriers to other Western-wide transmission products and services, such as inter-regional non-firm redirects, should they be developed;
- Western's overhead expenses (e.g. maintenance/tracking, OASIS annual fees, NERC registries, etc), NERC reliability compliance exposure and risks;
 - Simplify Available Transfer Capacity (ATC) postings with posted paths located in common location(s); and/or
 - Simplify and consolidate business practices.

Action

This effort was originally initiated in 2011, but was put on hold pending an internal review of Western's operations and continued to remain on hold due to review by the JOT in 2012. Western re-initiated this effort in May 2013. Western is refreshing the original business plan and currently developing a project charter and milestones for completing this task. The effort is expected to take up to two years from initiation to completion, as stated in the original JOT recommendations. This length of time is necessary to align disparate business practices, reach out to transmission customers, and work with Western's OASIS vendors. Project management Critical Decision (CD) milestones are:

Initiation:	May 2013
CD-0:	July 2013
CD-1:	July 2013
CD-2/3:	TBD
CD-4:	By June 2015

1C: Large Generator Interconnection Procedures

Recommendation

Revise Western's Large Generator Interconnection Procedures (LGIP) to conform to changes recommended by WestConnect's LGIP Work Group and successfully implemented by several WestConnect participants. The proposed LGIP revisions, consistent with the recommendations of the WestConnect LGIP Work Group, would:

- Eliminate the feasibility study from the interconnection study process;
- Establish a six-month study cluster standard for all interconnection system impact studies;
- Allow only for good-faith facilities study cost estimates to be provided within 90 days;
- Replace the initial deposit and study deposit requirements with a single, two-level initial deposit requirement, and increase the deposit applicable to optional interconnection studies;
- Make the revised initial deposit amount increasingly non-refundable as the interconnection process advances; and
- Increase the deposit required in lieu of demonstrating site control.

Context/Rationale

As stated in the JOT recommendations, from a Western perspective, LGIP reform is anticipated to reduce the time required to process large generator interconnection requests and discourage speculative requests, thereby conserving Western's resources. From a customer perspective, LGIP reform is expected to provide increased certainty for applicants, faster timelines, and reduced duplication of studies and subsequent restudies.

WestConnect is a voluntary, western regional market-enhancement association in which three of Western's four regions are members (Desert Southwest region (DSW), Rocky Mountain region (RMR), and

Sierra Nevada region (SNR)).² Following issuance of Federal Energy Regulatory Commission's (FERC) Queue Technical Conference Order in 2008, WestConnect convened a LGIP Work Group to address potential LGIP revisions. Western, many other WestConnect members, and a wide variety of stakeholders (e.g., investor-owned utilities, renewable generators, industry consultants, etc.) participated in the Work Group. The Work Group produced a position paper in 2010 with specific recommendations to address queue reforms. Although some WestConnect members implemented the reforms, to date, Western has not taken steps toward implementation.

Action

Work on this effort has been underway informally within Western and was formally initiated in May 2013. The specific revisions recommended by the JOT and possible additional reforms have been identified and the approach accepted by Western's Senior Executive Team. Western will share and coordinate its LGIP reform language with BPA; BPA is not a member of WestConnect so the LGIP reform language will likely differ. Public involvement and FERC approval will occur as part of this revision process, which extends the schedule. Project management Critical Decision milestones are:

Initiation:	May 2013
CD-0:	July 2013
CD-1:	July 2013
CD-2/3:	TBD
CD-4:	Tentative December 2014

1D: Rate-Setting Methodologies

Recommendation

Evaluate the potential to standardize transmission and ancillary service rate methodologies.

² In addition to Western's other region - the Upper Great Plains region (UGP) - Western also has the Colorado River Storage Project (CRSP) Management Center.

Context/Rationale

As stated in the JOT recommendations, each of Western's projects has unique operating characteristics that must be considered when establishing transmission and ancillary services rates. Western's transmission rate-setting policies, practices, and procedures are generally consistent across the organization, but the intent of this recommendation is to look at transmission and ancillary services methodologies across Western, and where possible, seek consistency in those methodologies. Customers, tribes, and stakeholders may benefit from the use of a more uniform and consistent approach to transmission and ancillary service rate methodologies across regions to the extent practicable, while ensuring that the costs of providing the service go to the beneficiary using the service.

Action

This effort was initiated in May 2013. The effort will consist of two phases: Phase 1 is a survey of existing Western transmission and ancillary service rate-setting methods, and Phase 2 will be an evaluation of Phase 1 results to determine potential for standardization. Phase 2 will include outreach with customers because a change in rate-setting methods could result in changes to services or cost allocations. The potential for standardization of services and rate-setting methods will be evaluated as part of the outreach. The effort is expected to take 12 to 18 months from initiation to completion, as stated in the original JOT recommendations, but could take longer due to the outreach process and mitigation of possible impacts.

Initiation:	May 2013
CD-0:	June 2013
CD-1:	July 2013
CD-2/3:	TBD
CD-4:	Tentative December 2014

1E: Combined Transmission System Opportunities

Recommendation

Initiate separate, but concurrent processes in Western's DSW, RMR, and Colorado River Storage Project (CRSP) service areas to identify opportunities for increased integration of transmission systems within each region. Western should identify and request customer, stakeholder, and tribal participation in discussions regarding Combined Transmission System (CTS) opportunities. Any participation in this process would be voluntary on the part of customers and stakeholders. A CTS would only be established in close collaboration with, and expressed support from, customers and industry peers interested in such a system. Indeed, each Western region is unique, and if Western concludes there is not sufficient interest in a region, Western should not proceed with further engagement in that region – Western should not pursue a CTS in areas where other entities are not interested in further integration.

Context/Rationale

As stated in the JOT recommendations, a CTS fosters joint system planning, operations, and optimization. In multiple regions, Western's industry peers have shown interest in more integrated systems and approaches. While each customer service region is unique and may accrue the benefits of integration and coordination through different approaches, a CTS could allow efficiencies to be captured, lower costs for Western and its preference and transmission customers, enable greater flexibility to Western and its preference customers in delivering energy to native loads, eliminate rate pancakes, increase system reliability, enhance new revenue opportunities, and support more efficient transmission planning, posting, construction, and operations. Given that Western is extensively interconnected and becoming more interconnected with a number of neighboring transmission providers within the CRSP, DSW and RMR footprints as well as the benefits that have accrued to Western and the members of the Integrated System (IS), Western believes that additional

opportunities may exist for these regions. As a result, these regions are not recommended for further CTS study at this time.

In UGP, Western participates in the IS with Heartland Rural Electric Cooperative and Basin Electric Power Cooperative in the Eastern Interconnection. This system is the backbone of high-voltage transmission in the region and evolved out of the Joint Transmission System agreement between the Bureau of Reclamation, Basin Electric Power Cooperative, and many cooperative and municipal preference customers in the region. Participants in the IS have enabled public power entities to build an integrated transmission system and to save money for customers by shared use of dispatching staff and transmission facilities. SNR also has a unique transmission system with the relationship it has to the California Independent System Operator (CAISO). Western would ensure standardized methodology and analysis as well as capture economies of scale when evaluating each unique situation. This would also enable other regions to utilize the model.

Customers and stakeholders have identified the IS as a successful example of coordination, especially with respect to addressing concerns around the potential for cost shifts through the establishment of a long-term “make whole” agreement for Western. All regions of Western are unique and some areas have entities interested in combined transmission while others may not. Where interest does exist, the IS framework in UGP may serve as a potential model for further collaboration.

Action

Preliminary discussions on increasing integration of transmission have begun. In December 2012 Western’s Acting Administrator and Chief Operating Officer met with executives from neighboring utilities. Technical staffs are discussing common tariff opportunities and an additional discussion is anticipated in June 2013 between a Western region and one of its neighboring utilities. This effort will require coordination with common tariff partners and communication with

customers and stakeholders. The effort is expected to take one to three years, from initiation to completion, as stated in the original JOT recommendations. Given the breadth of this recommendation, Western will consider additional action as part of its strategic roadmapping activities.

1F: Intra-Hour Scheduling

Recommendation

Pursuant to FERC Order No. 764 - Integration of Variable Energy Resources (VER) - Western BAs/sub-BA should continue to work with regional reliability organizations to implement intra-hour scheduling, including the implementation of 15-minute scheduling. Western should continue active participation in organized industry initiatives like the Western Electricity Coordinating Council (WECC) Joint Guidance Committee Taskforce to assess the impacts of 15-minute scheduling in the Western Interconnection and how identified impacts affect the reliability and commercial activities of WECC.

Context/Rationale

As stated in the JOT recommendations, in June 2012, FERC issued Order No. 764, which required amendments to the pro forma OATT to better facilitate the integration of VERs. Specifically, FERC required each public utility transmission provider to offer intra-hourly transmission scheduling. Western has previously implemented 30-minute scheduling; however, to date, there has been minimal participation due to a lack of widespread, contiguous implementation by other neighboring utilities. Western is working with regional reliability organizations to improve the reliability of the bulk electric system associated with increasing VER integration.

On December 20, 2012, FERC denied rehearing and affirmed Order No. 764, and extended the compliance deadline to November 12, 2013 to allow transmission providers to implement reforms outside the

summer peak season. It is the intent of Western to work with its industry peers and to meet this implementation deadline.

Action

This effort, which requires close coordination with other scheduling utilities, is underway in each of Western's Regions and is scheduled for completion to meet FERC and industry requirements, currently set for November 2013.

1G: Regional and Sub-Regional Efforts to Integrate Variable Energy Resources

Recommendation

Participate in regional and sub-regional efforts to identify common problems and solutions to resolve geographic-related issues preventing the efficient use of the existing transmission infrastructure and to explore challenges and solutions for reliably and cost-effectively integrating variable energy resources.

Context/Rationale

As stated in the JOT recommendations, WECC is currently evaluating the feasibility of implementing three initiatives on a WECC-wide basis: 1) Area Control Error Diversity Interchange (ADI), 2) Reliability Based Controls (RBC), and 3) Dynamic Scheduling System (DSS). Within Western, various Regions have already implemented a number of these initiatives. DSW is voluntarily participating in developing ADI-related criteria and business practices. ADI seeks to take advantage of control error diversity among participating BAs in the West by allowing for inadvertent interchange (positive and negative deviations) to be netted out among the participants.

Currently, 24 out of 37 BAs in the Western Interconnection—including those in DSW and RMR—are engaged in field trials for RBC. The results from these initial field trials need further work, and study participants

plan on implementing additional new parameters and to collect additional reliability-related data over the next six months. The RBC standard could provide a more flexible control performance system (CPS) regime tied to system conditions than the current performance measures (CPS1 and CPS2). RBC could help BAs better manage interchange at a lower cost.

Within the WECC footprint, many entities are beginning to work together on a regional and sub-regional basis to determine whether and what geographic-specific problems and solutions exist. For example the Western Area UGP-West (WAUW) BA and the Western SNR sub-BA, which is nested within the Balancing Authority of Northern California (BANC), are both currently exploring and/or monitoring the progress of the Northwest Power Pool (NWPP) Members' Market Assessment and Coordination Initiative. In particular, SNR is coordinating its activities through its host BA operator, BANC, while WAUW has joined the NWPP under an active membership subscription.

The Western Area UGP-East (WAUE) BA, in addition to exploring other regional/subregional-based alternatives, is currently exploring and analyzing the benefits and costs of potentially joining the Midcontinent Independent System Operator (MISO) or the Southwest Power Pool (SPP), two adjacent Regional Transmission Organizations (RTO). The Western Area Lower Colorado (WALC) BA has joined the Southwest Variable Energy Resource Initiative (SVERI), which is a group of southwest utilities affiliated with the Southwest Reserve Sharing Group to determine whether there are benefits to working on regional issues related to the better utilization of the transmission system and improving access to markets. In addition, this effort is expected to focus on operational challenges associated with the integration of variable energy resources, either presently connected to the system, or planned to be interconnected in the near future. The Western Area Colorado-Missouri (WACM) BA has initiated exploratory discussions with its sub-regional partners to identify common issues and concerns to determine if there are opportunities that may lead to improved operations and the resolution of regional transmission access issues.

Action

Regional and sub-regional efforts to integrate VERs, are underway and efforts are being coordinated with other potential participants. The effort is expected to take 18 to 24 months from initiation to completion, as stated in the original JOT recommendations. Given the breadth of this recommendation, Western will consider additional action as part of its strategic roadmapping activities.

Tier 2: Recommended for Further Evaluation and Consideration

2A: New Transmission Products

Recommendation

Conduct an evaluation of the transmission and ancillary services rates charged by each Western-owned transmission project. Determine the feasibility of the development of new, intra-regional, inter-regional, or Western-wide transmission products. Western recognizes that each region has unique operating characteristics that must be taken into consideration when establishing transmission and ancillary services rates.

Context/Rationale

As stated in the JOT recommendations, the intent of this recommendation is not to consolidate and replace existing Western transmission rates, but to explore and analyze transmission products that would allow entities conducting business across Western to eliminate a pancaked charge. Adding new intra-regional, inter-regional, or Western wide products would require Western to conduct a formal public process with all interested parties. Transmission customers conducting business across Western's multiple transmission systems incur pancaked transmission charges. These customers are concerned that pancaked transmission charges result in inefficient use of transmission resources and impact their ability to seek new business

opportunities and markets for their products. Western offers multiple transmission and ancillary service rates across its footprint due to varied authorizing legislation for multiple systems and requirements to ensure repayment consistent with project authorizations.

Development of new transmission products, where appropriate and publicly vetted, may facilitate more efficient use of available transmission capacity and more appropriate path construction and replacements throughout Western's systems. Developing new transmission products has the potential to eliminate pancaking without shifting costs between individual power systems. Additionally, it may also facilitate the use of secondary redirection of transmission rights across separate transmission systems, which is not currently allowed by Western's OATT. Further opportunities that may be realized through the elimination of rate pancaking include encouraging the optimization of existing transmission systems, providing cost-effective opportunities for movement of energy throughout Western's transmission systems, and potentially increasing the viability of Conditional Firm Transmission Service.

Action

Redirecting service between Federal hydroelectric project transmission systems has been identified as a new product, but this was put on hold pending the JOT efforts. Western is reviewing this recommendation and expects to update the original business case for the redirects between projects recommendation in June 2013 to determine priority level.

2B: Transition from Contract Path to Flow Based

Recommendation

As stated in the JOT recommendations, Western should engage customers and stakeholders to evaluate efforts within the WECC footprint to move from a contract-path to a flow-based approach. As part of Western's analysis, it should ensure that outcomes are cost

effective, benefits are clearly identifiable, and costs are neutral, or that any cost-shift is minimized.

Context/Rationale

As stated in the JOT recommendations, in the Western Interconnection, transmission is currently operated in a contract-path environment (CAISO and BPA's eleven network flowgates notwithstanding), allowing entities to buy capacity and schedule using contract paths. The contract-path method is an inefficient means to manage transmission service across a highly integrated network, often times resulting in "paper" shortages of service while transmission lines are operated below their rated capabilities. The NERC Standard MOD-029 (Rated System Path Methodology for the determination of Total Transmission Capacity (TTC)), exposed this flaw. MOD-029 requires setting TTC for a contract path equal to the maximum flow that could be simulated in power flow studies. This would have resulted in TTC reductions of 50-85% in Western's RMR and DSW Regions. Due to the potential reductions, entities within Arizona were investigating a flow-based model governed by the requirements of the MOD-030 Standard (Flowgate Methodology). NERC granted a waiver of the MOD-029 requirement that would have caused significant economic impact to utilities in the West. A single entity such as Western, a Western Region, or a single Balancing Authority may not itself represent a large enough footprint to justify incurring the transition costs and seams issues created in moving to a flow-based environment. Rather, it is typically necessary for all or most members in a regional footprint to implement a flow-based environment together. In addition, if such a change has benefits, moving forward within close time proximity and providing a transition period may help minimize the impacts and encourage a more orderly transition. Initiating efforts to study a transition to a flow-based model would be used to determine whether potential benefits exist; i.e., yield an increase in available transmission capacity, allow efficiencies to be captured, and support more reliable and efficient transmission planning, construction, and operations.

Action

The JOT identified that this effort would require a large effort by the broader transmission community. Western has identified other entities that have made this transition. Western is identifying the appropriate forum for this effort and further action is to be identified. Western will consider additional action as part of its strategic roadmapping activities.

2C: Integrated Resource Planning Program

Recommendation

Western should evaluate its Energy Planning and Management Program (EPAMP) to: 1) Conduct internal quality control to ensure that Western is continuing to meet its obligations under Section 114 of the Energy Policy Act of 1992 (EPAct 1992) and that administration of EPAMP is performed uniformly, efficiently, and effectively Western-Wide; 2) Ensure customer Integrated Resource Planning (IRP) and approved alternative reports and plans are complete; conform to the statute, existing guidelines, and procedures; and accurately reflect the activities that have been accomplished using the planning process.

Context/Rationale

As stated in the JOT Recommendations, Western's EPAMP was implemented to comply with the requirements of EPAct 1992, which revised the Final Amended Guidelines and Acceptance Criteria for Customer Conservation and Renewable Energy (C&RE) Programs published in the *Federal Register* on August 21, 1985 (50 F.R. 33892), pursuant to Title II, section 201(a) of the Hoover Power Plant Act of 1984. The intent of the C&RE program was to create a direct link between each long-term firm power service contract entered into or amended one year from the date of enactment of the Act and development and implementation of a C&RE Programs "that encourage customer consumption efficiency improvements and demand management practices which ensure that the available supply

of hydroelectric power is used in an economically efficient and environmentally sound manner.” The intent of Section 114 of EPAct 1992 was to strengthen some provisions and incorporate a more comprehensive approach than that previously taken by the C&RE Program. Western is responsible for administering EPAMP with 687 preference customers with a limited staff, who often have other duties. This is particularly challenging when considering the significant diversity of preference customers submitting a wide range of IRPs and alternative reports and plans. Customer plans range from a one person-managed irrigation district to plans representing preference power customers with more than ten million retail customers. EPAMP administration activities include assisting customers with plan development, review of annual plans, review of annual updates, program compliance and non-compliance correspondence, periodic training offerings, IRP related information, technology transfer activities, and data compilation for Congressional and other reporting, among other EPAMP responsibilities.

Action

This effort is underway with two parts identified. Part 1 involves development and deployment of automated tools for annual progress report submissions and for five-year plan submissions. The annual report submission tool is completed and the five-year tool is in development.

Customer involvement occurred in development of the annual submission tool and will occur in development of the five-year tool. Additionally, a contractor evaluated the IRP program as part of the JOT effort. Western’s next step is to evaluate the contractor’s findings and recommendations, develop strategic objectives, and establish an action plan. This next step will occur in conjunction with Western’s strategic roadmapping process because it will tie closely to other priorities and strategic initiatives that will be identified as part of that process.

IV. Conclusion

In conclusion, Western is implementing each of the Tier 1 recommendations and has started work to implement the Tier 2 recommendations. While this plan does not address Tier 3 items,³ Western will continue to consider them as part of our routine planning efforts. For instance, Western is making progress on partnering with the U.S. Army Corps of Engineers and the U.S. Bureau of Reclamation to operate its Electric Power Training Center in a cost effective manner.

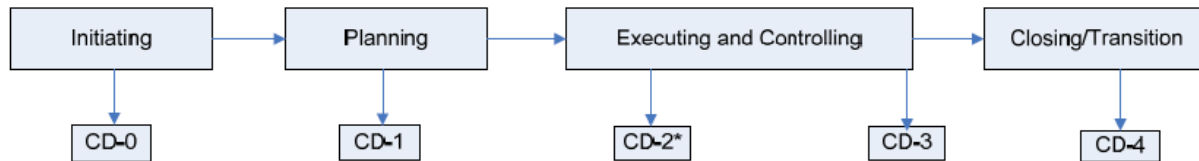
Western intends to share this implementation plan with customers, tribes, and stakeholders online and through a webinar. Going forward, Western will roll the implementation of the JOT recommendations into our routine strategic target performance management and monitoring processes.

Customer, tribal, and stakeholder outreach will occur as discussed above within the Action section of each recommendation. Where recommendations are for studies that may lead to implementation of an item, Western will consider potential costs to itself and to its customers.

³ Tier 3 are Draft Recommendations that were considered but eliminated by the JOT. These include Integration and Aggregation of Renewable Energy Projects, Feasibility of the Electric Power Training Center, and Infrastructure Investment Study.

Appendix A

Project Management Critical Decisions and Authorization



CD-0: Approve the mission needs in a charter or business case proposal completed during the initiating phase. (Western CD-0 provides approval to proceed with the project plan based on mission needs.)

CD-1: Approve the Project Plan. Approve the results of planning and authorizes the start of design or development, completed during the planning phase. (Western CD-1 provides approval to proceed with design or execution of plan.)

CD-2: Approve preliminary design, select alternative options and authorize final design activities, completed during the executing phase. CD-2 may be combined with CD-3 (Western CD-2 provides approval to begin development based on approved project plan.)

CD-3: Authorization to procure/construct and/or implement, completed during the executing phase. (Western CD-3 provides approval to implement project plan following any required regulatory or programmatic approval.)

CD-4: Acceptance, approve start of operations and project closeout, completed during the closing phase. Closing report may be substituted. (Western CD-4 provides approval to transition to operations and maintenance.)

Reference:

WAPA Project Management Manual

WAPA M 413.1B

Date: 03-12-10