NRU

Northwest Requirements Utilities

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Ravi K. Aggarwal
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Dear Ravi,

We appreciate the opportunity to comment on your September 2004 Draft Discussion Paper entitled "Transmission Adequacy Standards, Planning for the Future." Northwest Requirements Utilities is a trade association representing 49 consumer-owned utility customers of BPA. These utilities rely on BPA for nearly all of their power supply and transmission needs. More than half of our membership receives service over General Transfer Agreements between BPA and other transmission providers. Twelve percent of our member's total payments to BPA relate to the cost of transmission and delivery service. For our membership the questions that you raise in your paper are critical.

In particular, the first question you raise is the fundamental one, specifically; "What are the standards by which (transmission) adequacy should be determined? Is it physical adequacy (keeping the lights on) or economic adequacy (minimizing power cost and reducing price volatility caused by congestion)? Or is it a combination of both?" To our membership the balance between these issues – economic adequacy and transmission adequacy must be maintained over time as we strive to keep the lights on at the lowest cost based rates.

We would like to add the following three issues to your list of Transmission Adequacy Issues that need to be addressed.

1. As noted above, a majority of our members are served over GTAs. The reliable and economic delivery of power to our members must also consider the interface with the other side of the GTA transaction – the transferring utility. Therefore, we would add the following question to your list. What requirements should be considered to ensure the reliable transfer of power over GTAs?

2. What is BPA's obligation to ensure reliability taking into account different transmission futures? That is, is BPA taking on financial obligations for reliability that would be better addressed in a regional investment framework? Will the standards arrived at through this process retain their value under the

3. changing conditions or frameworks of Grid West or other potential futures such as that being developed by the Transmission Issues Group?

4. Geographical reliability is not on your list of issues and needs to be added. Therefore, we would add the following additional issue; how do we ensure that reliability standards are adequate and equitable across the region?

The process for answering the above questions and the questions on the list of Transmission Adequacy Issues should occur in a forum of knowledgeable industry leaders and managers with engineering and financial/economics backgrounds who are dedicated to this process. Too often these issues have been addressed from the viewpoint of one discipline or the other. This task needs both points of view and a solid knowledge base to achieve the proper balance. Since this is a process that will affect BPA's customers, it is important that there be a strong public power representation in this group.

As a caution, NRU will not support reliability solutions that Balkanize the transmission system or rely on costs being inordinately levied on particular geographic areas or voltage levels. The BPA transmission system is a major success story in this region and the West. Reliability solutions that move further away from the "one utility concept" are problematic at best.

We hope that this reply is responsive to your request, given the very broad nature of the Transmission Adequacy Standards paper. It should be easier to offer more definitive comments once a more defined set of draft standards are developed for regional review.

Sincerely,

John Saven

Cc:

Brian Silverstein
Members of the NRU