

Draft
FY 2007-08 Work Plan for the
Committee on Regional Electric Power Cooperation
[3-27-07]

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I. Introduction

The Work Plan for the Committee on Regional Electric Power Cooperation (CREPC) identifies proposed activities and funding sources expected over the next fiscal year from July 1, 2007 to June 30, 2008. The shift of the CREPC Work Plan to a fiscal year period aligns CREPC operations with the WIEB fiscal year. This proposed work plan will be reviewed and considered by the WIEB Board at its April 3, 2007 meeting.

The Work Plan for 2007-08 makes a number of important changes from the prior [2006 Work Plan](#). Section II below discusses the background and context for the new work plan and changes to the last work plan. Section III presents CREPC's goals for fiscal year 2007-08. Section IV identifies proposed tasks and funding for the next fiscal year.

II. Background

Work Plan 2006

In September 2005, CREPC adopted and the WIEB Board approved a work plan for CREPC activities in Calendar Year 2006. At that time, the Western Governors envisioned that voluntary contributions from control areas would to finance state and provincial activities to strengthen the Western Interconnection. The 2006 Work Plan identified five specific task areas to be funded through voluntary contributions from control areas:

1. Resource adequacy
2. Reliability
3. Transmission planning and expansion
4. Cost allocation and recovery
5. Transmission permitting

Three other tasks were to be funded from sources other than control areas:

6. Two CREPC meetings
7. Market assessment/monitoring
8. State PUC contracts for other tasks

The 2006 Work Plan assumed a budget with maximum revenues from four sources: (1) control area contributions (\$620,000); (2) Western Interstate Energy Board dues (\$30,000); contribution from Western Conference of Public Service Commissioners \$12,000; (3) contracting by PUCs for special studies (\$50,000) and (4) in-kind contributions from the Department of Energy's Lawrence Berkeley Laboratory (\$200,000). Work plan activities were specified under three alternative levels of revenues: "full budget", "partial budget", and "low budget."

In Calendar Year 2006, CREPC received voluntary contributions from one control area that represented 2.5% of the \$620,000 in requested contributions. The specific sources of revenues received were as follows:

- \$15,190 from Portland General Electric.
- \$54,000 in staff support paid by WIEB dues;
- \$12,000 from the Western Conference of Public Service Commissioners;
- \$134,000 from WIEB dues to jumpstart operation of the new Western Interconnection Regional Advisory Body (WIRAB);
- \$200,000 in in-kind contributions from Lawrence Berkeley National Lab (LBNL) plus \$35,000 from Grid West and \$35,000 from the California ISO in pass through funds to the LBNL contractor for work on market monitoring;
- \$50,000 from DOE (via a WGA contract with DOE) for a contractor on resource adequacy; and
- An undetermined amount of in-kind support from LBNL on resource adequacy and WECC transmission expansion planning.

A key lesson from the past year is that CREPC cannot rely on voluntary contributions from control areas to fund future activities.

Context for the 2007-08 Work Plan

Looking forward to the fiscal year 2007-08, the Western Interconnection faces many challenges, emerging issues, and uncertainties regarding energy policy.

- The demand for electricity is growing across the West.
- Seven WIEB states have adopted renewable portfolio (RPS) standards.
- Carbon dioxide emissions are becoming a major factor in electric power decisions – three states and one province have carbon standards in power plant siting decisions; one state has carbon standards for power procurement contracts; five states have proposed a regional cap and trade program; several states have work groups developing recommendations on limits on carbon emissions; the U.S. Congress is considering numerous proposals to limit

carbon emissions; and the Canadian federal government has signed the Kyoto Protocol.

- Most generation alternatives, other than load-based gas-fired power plants, typically require significant transmission investment which takes time and coordinated effort to put in place.
- A plethora of major transmission projects have been proposed. The power needs of load-serving entities (LSEs) will ultimately determine which of these transmission proposals gets built.
- WECC's interconnection-wide transmission planning effort has been launched and sub-regional transmission planning efforts are operating in nearly all parts of the interconnection.
- Implementation of the Energy Policy Act of 2005 has significantly changed the regulatory landscape.
- At the direction of Western Governors, the Western Interconnection Regional Advisory Body has been established under Section 215(j) of the U.S. Federal Power Act. FERC has approved WIRAB and the organization is operating and funded to address reliability issues that fall under Section 215.
- FERC is completing the initial rush of rulemaking and other actions required by EPAct. FERC revised its open transmission access rules in Order 890 (February 2007) and approved new mandatory reliability standards in Order 693 (March 2007). The focus may shift to fine tuning and implementation of FERC policies (e.g., adjustments to FERC's codes of conduct that limit communication between transmission and resource planning functions of utilities).

III. Statement of CREPC Goals for 2007-08

1. Implement policies that can increase the capacity of the western electric power system to meet state RPS requirements, including integration of large amounts of intermittent renewable generation.

- a) Foster the execution of high quality, multi-utility wind diversity and wind integration studies across all parts of the Western Interconnection
- b) Promote the evaluation of virtual consolidation of control areas as a means of enable the integration of more intermittent resources
- c) Promote the development/deployment of generation that can complement intermittent wind and solar generation

2. Improve the quality and participation in regional transmission planning and LSE resource planning

- a) Implement FERC Order 890 in a way that promotes greater participation of states/provinces, and strengthens TEPPC and sub-regional planning organizations (including FERC principle 9 on cost allocation)
- b) Better coordinate LSE resource planning with regional transmission planning and promote complementary schedules

- c) Promote transmission studies that support generation necessary to meet state/provincial policy objectives

3. Identify and act on opportunities for interstate collaboration on climate change-related policies that affect electric power resource decision making (e.g., generation acquisition decisions)

- a) Collaborate with WGA and others in the development of a greenhouse gas emission registry that includes the capability to determine the carbon emissions associated with residual power in the Western Interconnection
- b) Share information on the evaluation of carbon emissions in IRP processes

4. Protect state authority over siting of transmission lines and promote the development of needed transmission

- a) Collaborate with WECC in the evaluation of transmission congestion in support of DOE's responsibilities to study congestion (EPA Act Section 1221)
- b) Respond to any DOE proposed NIETC designations
- c) Pursue improvements to FERC's implementation of its backstop transmission siting authority
- d) Share information on permitting actions related to proposed interstate transmission projects and assist in the implementation of the WGA transmission siting protocol, if triggered by governors.

5. Pursue transparency and information disclosure to enhance transmission planning and power supply evaluation; develop resource adequacy guidelines throughout the interconnection

- a) Promote adoption by WECC of a resource adequacy framework, support its analytic implementation by WECC, and support consideration of its results by states/provinces in their resource planning forums.

IV. Proposed FY 07-08 Funding and Tasks

Overview: The new 2007-08 Work Plan specifies the following activities and corresponding funding sources.

- Information Sharing through two CREPC meetings per year and coordination of state/provincial comments on significant FERC and DOE proposals – Supported by funds from WIEB dues and contributions from the Western Conference of Public Service Commissioners.
- Resource Adequacy – CREPC will rely on voluntary labor and in-kind labor from LBNL;
- Transmission Planning – CREPC will rely primarily on voluntary labor and in-kind labor from LBNL;

- Cost allocation/recovery for new transmission projects – CREPC will rely on voluntary labor from CREPC members
- Transmission Permitting, cost allocation/cost recovery, or market monitoring – No work performed on these activities except voluntary labor of CREPC members.
- Reliability – WIRAB will address reliability issues of concern to states and provinces;
- Climate Change – CREPC will undertake new work to address climate change-activities, in conformance with WIEB’s new priorities, and supported by funds from WIEB dues.

Table 1 provides a crosswalk between the proposed 2007-08 goals and tasks. Table 2 compares the tasks in the last CREPC work plan with proposed tasks in 2007-08.

Table 1 Crosswalk Between Goals and Tasks

Task	Goal				
	1. RPS compliance	2. Transmission and LSE planning	3. Climate change cooperation	4.State siting authority and transmission permitting	5. Info disclosure
Tasks					
1. CREPC operation (meetings, monitoring developments)	X	X	X	X	X
2. Resource adequacy					X
3. Reliability	Addressed by WIRAB				
4. Transmission planning/ expansion	X	X	X	X	X
5. Cost allocation		X			
6 Transmission permitting				X	
7. LSE resource plans		X	X		
8. Market monitoring					X
9. PUC special projects					

Table 2 Comparison of 2006 CREPC Work Plan and Proposed 2007-08 Work Plan

<i>Topic</i>	<i>Adopted Calendar 2006 "full budget" work plan</i>	<i>Funded Calendar 2006 work plan</i>	<i>Proposed FY 2007-08 work plan</i>
1. CREPC operations ▪ 2 meetings/ year ▪ Comments on selected federal rules	\$42,000	\$73,000 (WIEB \$54,000; WCPSC \$12,000; voluntary control area contribution \$7,000)	\$42,000 (WIEB \$30,000; WCPSC \$12,000)
2. Resource adequacy	\$270,000	<ul style="list-style-type: none"> ▪ \$50,000 MRW contract support ▪ In-kind support from LBNL ▪ Voluntary work by WRATS 	<ul style="list-style-type: none"> ▪ In-kind support from LBNL ▪ Voluntary work by WRATS
3. Reliability	\$41,000	\$134,000 WIEB contribution to operate WIRAB	<ul style="list-style-type: none"> ▪ \$0 ▪ Function being executed by WIRAB (\$477,000 in Calendar Year 2007)
4. Transmission planning and expansion	\$149,000	<ul style="list-style-type: none"> ▪ \$8,190 (voluntary control area contribution) ▪ Limited staff support via WIEB-DOE wind contract ▪ Volunteer work by CREPC members ▪ Undetermined in-kind contribution from LBNL to participate in WECC TEPPC 	<ul style="list-style-type: none"> ▪ Limited staff support via WIEB-DOE wind contract ▪ Volunteer work by CREPC members ▪ Undetermined in-kind contribution from LBNL to participate in WECC TEPPC
5. Transmission cost allocation and recovery	\$83,000	\$0	\$0
6. Transmission permitting	\$87,000	\$0	\$0
7. Market assessment/ monitoring	\$200,000 LBNL in-kind	\$270,000 (\$200,000 LBNL in-kind; \$35,000 CA ISO + \$35,000 GridWest in pass through funds to LBNL contactor)	\$0
8. PUC special projects contracts	\$50,000	\$0	\$0
9. LSE resource plans and climate change	\$0	\$0	\$25,000 from WIEB + undetermined in-kind contribution from LBNL
TOTAL	\$922,000	\$547,000 + undetermined LBNL contribution on resource adequacy and transmission planning	\$67,000 (excluding WIRAB reliability work and undetermined in-kind contribution from LBNL on resource adequacy, transmission planning and LSE resource plans

Descriptions of Proposed Tasks

1. Committee Operations

CREPC would meet twice in FY 07-08 to share information and collectively interact with FERC and the western industry. Between meetings, CREPC would: (1) monitor western electricity developments, (2) offer collective comments to FERC on FERC proposals, and (3) continue interaction with FERC on its monthly market snapshot reports.

Tasks

- 1.1 Hold two CREPC meetings per year
- 1.2 Monitor developments
- 1.3 Offer comments on FERC proposals
- 1.3 Continue interaction with FERC on market snapshot reports

Task 1 Budget

State/provincial travel: \$0
Central staff: \$42,000

2. Resource Assessment and Adequacy Tasks

The assessment of the adequacy of resources to meet demand is of growing interest. Western Governors have asked for an interconnection-wide assessment of the adequacy of electric resources (and related natural gas infrastructure) to meet demand. Some states have set adequacy standards for jurisdictional utilities. Existing WECC interconnection-wide adequacy assessments are improving but are limited in scope and documentation/reporting of results at meaningful levels of geography. NERC may be developing mandatory standards affecting resource adequacy. At present, the assessments are not sufficiently transparent to inform regional decision-makers and stakeholders or enable such entities to rely on the assessments in making decisions related to resource acquisitions.

The following tasks are designed to help develop a sound analytical basis for adequacy assessments/targets and enable regulators to use such assessments/targets. *These tasks will build on and supplement efforts by WECC.¹ These tasks do not duplicate existing WECC work.*

Tasks.

¹ WECC's primary assessment of resource adequacy, the Power Supply Assessment (PSA), relies on work done by states. For example, the analytic tool (SAM model) that WECC uses in its PSA was developed by the California Energy Commission. Thus far, WECC has only used some of the model's capability. The Energy Commission is beginning a process to evaluate the development of more advanced public domain tools that will enable a more robust assessment of adequacy than the SAM model allows. This synergistic relationship between work by states/provinces and WECC would be enhanced with the execution of the Work Plan tasks.

2.1 Promote the adoption of a resource adequacy framework by WECC. Support the implementation of the adequacy framework WECC, and the consideration of its results by states/provinces in their resource planning forums.

2.2 Promote open and transparent data and assumptions used in transmission planning and resource adequacy work consistent with FERC Order 890. Counter efforts to restrict access to such data by unreasonable claims of confidentiality.

Task 2 Budget

State/provincial travel: \$0
Central staff: \$0

Execution of this task will depend on voluntary labor from CREPC members.

3. Reliability

The 2006 CREPC Work Plan acknowledged the importance for western states and provinces to become engaged in the implementation of mandatory reliability standards enacted by EPAct 2005. In February 2006, Western Governors filed a petition with the Federal Energy Regulatory Commission (FERC) to create the Western Interconnection Regional Advisory Body (WIRAB) under Section 215(j) of the U.S. Federal Power Act. In June 2006, FERC issued an order approving the creation of WIRAB and subsequently approved WIRAB's budget. Since July 2006, WIRAB has submitted six advice statements to FERC and one advice statement to the North American Reliability Corporation on important reliability issues. WIEB dues funded WIRAB's work in 2006. In 2007, WIRAB is self-financing as part of mandatory fees to support reliability activities under Section 215 of the Federal Power Act.

Since WIRAB has become an established voice for western state and provincial interests, CREPC will look to WIRAB as the lead entity on reliability issues and collaborate on important reliability topics. CREPC may offer comments on certain high priority topics to emphasize a unique CREPC perspective and reinforce western interests.

Task 3.

No tasks since WIRAB has assumed responsibility for reliability.

Task 3 Budget

\$0

4. Transmission Expansion and Planning

Transmission planning provides the foundation for expanding the transmission system to diversify the generation resources and to meet growing demand. States and provinces have an interest in transmission planning to implement utility resource plans, reach renewable portfolio standard goals, and respond to possible future carbon policies. Over the past year, there have been several important developments influencing western state and provincial interests in transmission planning.

First, new transmission planning groups have formed in the West. The Western Electricity Coordinating Council (WECC) created the Transmission Expansion Planning and Policy Committee (TEPPC) to perform Interconnection-wide transmission planning that had been conducted by the Seams Steering Group-Western Interconnection (SSG-WI). Additionally, two new sub-regional entities, Columbia Grid and the Northern Tier Transmission Group, formed to with the intention to engage in transmission planning in the northwest.

Second, the Department of Energy (DOE) and FERC have been implementing Section 1221 of EPAct regarding identification and rules for national interest transmission corridors (NIETCs). In August, 2006, DOE released its study of transmission congestion that identified three categories of congestion in the Western Interconnection. DOE may designate some of these areas as NIETCs in the future. In November, 2006, FERC issued new federal rules for siting transmission in NIETC corridors with the power to preempt state siting authority. Under Section 368 of EPAct, DOE and other U.S. federal departments are moving forward on the designation of energy corridors on federal lands and issuing a draft environmental impact statement.

Third, FERC issued Order 890 on open access transmission tariff that included new requirements for transmission planning. The new rules require transmission operators to pursue transmission planning or participate in a regional transmission planning process that meets nine principles.

Task 4.

- 4.1 Represent state interests in DOE's analysis of transmission congestion, the designation of National Interest Electric Transmission Corridors, and potential preemption of state siting authority in National Interest Transmission Corridors.
- 4.2 Promote state and provincial participation in interconnection-wide and sub-regional transmission planning.
- 4.3 Promote transmission planning that complements state/provincial policy objectives (e.g., RPSs, carbon limitations) and enables the use of planning results in regulatory proceedings by ensuring the planning analyses and data are transparent.

Task 4 Budget

State/provincial travel: \$0

Central staff: \$0

The execution of this task will rely on the voluntary labor of CREPC participants. Any central staff support would be related to wind issues and funded under a WIEB-DOE grant on wind.

5. Cost Allocation/Cost Recovery for New Transmission Projects

In 2004, CREPC formed the Transmission Regulatory Principles (TREG) work group to explore regulatory issues concerning transmission in response to a recommendation of the Rocky Mountain Area Transmission Study (RMATS) report. The TREG work group issued a draft report in April 2005 that examined the existing regulatory cost recovery processes, reviewed case studies of actual historical transmission cost recovery decisions, identified emerging issues related to transmission, and developed common cost allocation principles for a potential future memorandum of understanding among states and possibly with FERC.

FERC's Order 890 will require transmission providers to satisfy nine transmission planning principles. One of the principles is cost allocation. The TREG report may provide a foundation for transmission providers to meet the cost allocation requirement for transmission planning in Order 890. CREPC participants have a timely opportunity to participate in new efforts to apply cost allocation principles to in transmission tariff requirements.

Task 5.

5.1 Represent state and provincial interests in transmission planning forums developing cost allocation principles under FERC Order 890.

Task 5 Budget

State/provincial travel: \$0

Central staff: \$0

Execution of this task will depend on voluntary labor from CREPC members.

6. Transmission Permitting

In 2002, twelve Western Governors, the Premier of Alberta, and four federal agencies signed a protocol for coordinating the reviews of proposed interstate transmission lines. The protocol has yet to be triggered by a new interstate transmission project. If new projects do invoke the protocol, Western states should be prepared to

respond and implement the requirements of the WGA Transmission Permitting Protocol. Additionally, there is a need to collaborate with federal agencies as well as block abuses of the federal “backstop” authority created by EPAct.

Task 6

6.1 Help coordinate the implementation of the WGA Transmission Permitting Protocol once an interstate transmission project has been proposed.

6.2 Represent state interests in the implementation of FERC’s backstop (pre-emption) siting authority for projects in National Interest Electric Transmission Corridors, including opposition to sham applications to bypass states.

6.3 Share information on the status of permitting interstate transmission, including federal agency permitting delays.

Task 6 Budget

State/provincial travel: \$0

Central staff: \$0

7. LSE Resource Plans and Climate Change

A majority of the electric load in the Western Interconnection is supplied by entities that are required to prepare public plans for the acquisition of new generation and demand side resources to meet demand. A variety of analytic approaches are used by LSEs in the development of their plans. In support of CREPC’s work over the past several years, LBNL has reviewed many of the major western LSE resource plans and provided CREPC with briefings and publications on issues such as how the plans treat energy efficiency,² natural gas price risk,³ renewable energy,⁴ and carbon risk.⁵

The Oregon PUC recently announced it will open a proceeding to examine the treatment of carbon dioxide (CO₂) risk in IRPs. This investigation will address the CO₂ value that a utility should use for its base case, what CO₂ costs should be used for sensitivity analysis, and what analysis of “trigger point” values should be required. In addition, the Western Regional Air Partnership (WRAP) is currently working with states to prepare a carbon emission inventory and registry.

² Hopper, N., C. Goldman, and J. Schlegel, Energy Efficiency in Western Utility Resource Plans: Impacts on Regional Resource Assessment and Support of WGA Policies

³ R. Wisner, M. Bolinger, M. St. Clair, Easing the Natural Gas Crisis: Reducing Natural Gas Crisis Through Increased Deployment of Renewable Energy and Energy Efficiency, January 2005;

⁴ Bolinger, M. and R. Wisner, Balancing Cost and Risk: The Treatment of Renewable Energy in Western Utility Resource Plans, August 2005; C. Chen, R. Wisner, and M. Bolinger, Weighing the Costs and Benefits of Renewable Portfolio Standards: A Comparative Analysis of State-Level Policy Impact Projections, January 2007.

⁵ Wisner, R. and M. Bolinger, An Overview of Alternative Fossil Fuel Price and Carbon Regulation Scenarios, October 2004.

A new analysis of the LSE resource plans focusing on carbon assessments will improve the quality of the assessment of the risks and options for addressing climate change impacts in LSE resource plans.

Tasks

7.1 Expand and update reviews of western LSE resource plans to evaluate methods and techniques for assessing climate change issues.

7.1.1 Request that LBNL update its assessment of readily available western LSE resource plans;

7.1.2 Identify promising analytic approaches for LSE resource plans to evaluate climate change topics.

7.1.3 Identify innovative resource options to address climate change.

7.1.4 Develop an aggregate assessment of GHG emissions in western utility resource plans.

7.2 Workshops or webinars for CREPC members to:

7.2.1 Convey information on climate change topics in LSE resource plans.

7.2.2 Explore the climate change impacts of resource procurement decisions.

7.3 Work with Western Interconnection transmission expansion planning processes (e.g., WECC, SWAT, STEP, NTAC, NTTG, CCPG) to include evaluations of low GHG emissions resource addition scenarios.

7.4 Collaborate with other interested parties in holding a conference for western LSEs and state/provincial regulators on innovative approaches to addressing climate change.

Task 7 Budget

State/provincial travel: \$0

Central staff support: \$25,000 from WIEB

Undetermined amount of in-kind support from LBNL

8 Market Assessment/Monitoring

Western states and provinces have a compelling need to ensure that there are early warnings of conditions that can lead to market abuses and that any market abuses are detected and mitigated. Absent surplus generating capacity, transmission capacity and fuel availability, there will be an increased likelihood of market anomalies that permit the exercise of market power to the detriment of consumers. Such opportunities will increase when there are infrastructure failures.

In September 2006, CREPC held a workshop in San Diego on a regional approach to market monitoring in the West. The workshop featured a presentation by LBNL and the Analysis Group on their research on potential market monitoring tools available in the West. Additionally, FERC's Office of Market Oversight and Investigations made a presentation on their tools and methods of monitoring western electric markets.

FERC market monitoring staff holds monthly conference calls with states on market conditions. This effort has been significantly enhanced through FERC's new market monitoring web site. FERC will begin holding regional monthly market monitoring calls that can include the provinces. FERC has also launched a program to enable states to participate at FERC's offices in market monitoring and conduct joint market monitoring research projects.

Task 8.

No tasks are proposed. Participation in FERC's monthly calls and liaison with FERC's market monitoring staff would continue under Task 1.

Task 8 Budget

State/provincial travel: \$0

Central staff: \$0

9. PUC special projects contracts

This category serves as a placeholder for special projects yet to be determined that would be supported by funds from public utility commissions. One possibility is a multi-state research project under FERC's new state-FERC market monitoring research program.