

**ADVICE OF THE  
WESTERN INTERCONNECTION REGIONAL ADVISORY BODY  
TO THE  
NORTH AMERICAN RELIABILITY CORPORATION**

The Western Interconnection Regional Advisory Body (WIRAB) submits advice to the Board of Trustees of the North America Reliability Corporation (NERC) regarding a proposal by the Western Electricity Coordinating Council (WECC) to amend its 2008 Business Plan and Budget (Amended Budget).<sup>1</sup>

WIRAB supports WECC's proposed Amended Budget which would accelerate the implementation of the Reliability Center Strategic Initiative (RC Initiative) in a cost-effective and timely manner. WIRAB believes that WECC's planned upgraded and restructured Reliability Centers are critically important to system reliability in the Western Interconnection. This advice builds upon WIRAB's previous three advice filings<sup>2</sup> to the Federal Energy Regulatory Commission (the Commission) in support of funding WECC's Reliability Centers with statutory assessments under Section 215 of the Federal Power Act and advice supporting WECC's 2008 budget proposal.<sup>3</sup>

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<sup>1</sup> Western Electricity Coordinating Council filing to the North American Electric Reliability Corporation dated January 10, 2008, regarding Docket No. RR07-16, Amendment of WECC 2008 Business Plan and Budget.

<sup>2</sup> Advice of the Western Interconnection Regional Advisory Body on Fees and Consolidated Budget Proposal of the North American Electric Reliability Council, FERC Docket No. RR06-3-000, October 6, 2006; Advice of the Western Interconnection Regional Advisory Body on Funding Western Reliability Coordinators, FERC Docket No. RR06-3-000, November 27, 2006; Advice of the Western Interconnection Regional Advisory Body on Funding Western Reliability Centers Following the Technical Conference on March 2, 2007, FERC Docket No. RR06-3-001, March 12, 2007.

<sup>3</sup> Advice of the Western Interconnection Regional Advisory Body on Fees and Consolidated Budget Proposal of the North American Electric Reliability Corporation, FERC Docket No. RR07-16-000, September 27, 2007.

## **WECC's Proposed 2008 Amended Budget**

WECC's proposed Amended Budget sets forth a revised business plan to accelerate the implementation of the RC Initiative and increases WECC's 2008 expenditures by six million dollars over the budget approved by the Commission on October 18, 2007 (Approved Budget).<sup>4</sup> WECC would finance the budget increase through a credit line that will be paid off in 2009 and 2010. The Amended Budget would not increase assessments in 2008 on registered entities in the Western Interconnection. When viewed over the multi-year period 2008-2012, the Amended Budget work plan reduces the total cost of implementing the RC Initiative under the phased implementation of the Approved Budget.

The Amended Budget revises WECC's business plan to implement the RC Initiative in the following manner:

1. Two new Reliability Center facilities will become simultaneously operational by January 1, 2009. The existing plan would implement the new Reliability Centers on a staggered and more gradual schedule with the first facility becoming operational in the first quarter 2009 and the second becoming operational in the fourth quarter 2009.
2. The two new Reliability Centers will be WECC-operated facilities located in Vancouver, Washington and Loveland, Colorado. The existing three Reliability Centers are located at facilities hosted by three balancing authorities: Bonneville Power Administration in Vancouver, Washington;

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<sup>4</sup> North American Reliability Corp. 121 FERC ¶ 61,057 (2007) ("2008 Budget Approval Order") at Appendix A.

California Independent System Operator in Folsom, California; and the Western Area Power Administration in Loveland, Colorado.

3. The West-wide System Model (WSM) will be implemented and become operational with the new Reliability Centers on January 1, 2009. The WSM provides the Reliability Centers a common view of the entire Western Interconnection and allows each Reliability Center to serve as backup for the other Reliability Center. The WSM improves coordination through centralized operations, use of a common set of tools and training for each center.
4. WECC will become the host that operates and manages the two new Reliability Centers. Additionally, WECC will assume full responsibility for employing the personnel operating the Reliability Centers. In the 2008 Approved Budget, WECC did not make a determination about whether the RC facilities would be hosted by balancing authorities, WECC, or another third party. The current proposal implements a complete institutional separation of the Reliability Centers from the three balancing authorities which host the existing Centers and eliminates shared responsibilities over employees at some of the centers.

WIRAB believes the proposed Amended Budget provides three distinct advantages over the existing Approved Budget for implementing the RC Initiative.

First, the accelerated implementation improves reliability for the Western Interconnection compared to the phased implementation plan. The Amended Budget provides that the two new Reliability Centers begin operating simultaneously with the

WSM by January 1, 2009. This approach dispenses with a transition period through 2009 with one new Reliability Center and the older Reliability Centers operating at the same time, and the simultaneous use of the WSM and the old system for a year. We believe that reliability coordinators will be in a better position to monitor and react to contingencies from the two new Reliability Centers and coordinated use of the WSM system.

Second, the Amended Budget has the economic advantage of lowering total WECC budget costs over the time frame of 2008 to 2012. An analysis by WECC staff and the WECC Reliability Coordination Strategic Task Force examined the expected costs of three different options.<sup>5</sup> Option 1 assumed the Approved Budget with full implementation of the RC Initiative in 2010 and hosting by the existing Balancing Authorities. Option 2 represented the Amended Budget proposal with accelerated implementation of the RC Initiative in 2009 and WECC hosting the Reliability Centers. Option 3 assumed accelerated implementation of the RC Initiative in 2009 and third party vendor hosting the Reliability Centers. The analysis showed that Option 2 (Amended Budget and WECC host) resulted in the lowest costs of \$62,227,602 compared to Option 1 (Approved Budget) at \$64,700,748 and Option 3 (Third Party Host) at \$73,525,242. The Amended Budget has higher costs in the initial year 2008 than the Approved Budget but then has lower projected costs in the subsequent years 2009 to 2012 because of the faster conversion to the two new Reliability Centers from the three Reliability Center operations.

Third, the Amended Budget improves the institutional independence of western Reliability Centers by shifting the control of the facilities and management of personnel

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<sup>5</sup> WECC Filing to NERC (Jan. 10, 2008), Attachment D.

to WECC from the existing balancing authority hosts. WIRAB previously advocated to the Commission that the western Reliability Centers should be funded through statutory assessments under Section 215 of the Federal Power Act to ensure greater independence of reliability coordinators from the owners and operators of the transmission system.<sup>6</sup> The Commission has stated very clearly that reliability coordinator independence from users, owners and operators of the bulk-power system is important for the reliability of the grid.<sup>7</sup> We believe that WECC's current proposal to assume full control of the Reliability Center facilities and personnel advances the goal of greater institutional independence for the western Reliability Centers.

### **WIRAB Recommendation**

**WIRAB recommends that the NERC Board of Trustees approve WECC's proposed Amended Budget that will accelerate the implementation of the RC Initiative, lower long-term costs relative to the existing Approved Budget, and strengthen the institutional independence of the western Reliability Centers.**

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<sup>6</sup> WIRAB Advice, Oct. 6, 2006 at 11. "[B]road-based financing through Section 215 assessments ensures the independence of Reliability Centers from specific owners and operators of the transmission system. Up to now, Reliability Centers have been located and closely linked to the operation of a host transmission owner and operator. Funding western Reliability Centers from Section 215 assessments is essential to eliminate any potential conflict of interests. WIRAB concurs with WECC that this independence is a benefit, and that it is consistent with the Commission's policies favoring independent administration and enforcement of reliability-related functions."

<sup>7</sup> Order on Rehearing, North American Electric Reliability Corp., Docket No. RR06-3-001 (April 19, 2007) at P 33, "[C]orporate independence allows for greater independence of judgment in decisions necessary for the bulk-power system reliability in the Western Interconnection."; and Order on Rehearing and Establishing Technical Conference, North American Electric Reliability Corp., Docket No. RR06-3-001 (February 15, 2007) at P 11, "The reliability coordinators' independence from the users, owners and operators of the Bulk-Power System is an important factor in ensuring the reliability of the grid."

Dated this 4th day of February, 2008.

Respectfully submitted,

A handwritten signature in black ink that reads "John F. Savage". The signature is written in a cursive, flowing style with a large initial 'J' and 'S'.

John Savage, Chairman  
Western Interconnection Regional Advisory Body