

Western. Under the PTO alternative, the intent is to use existing staff to the maximum extent possible.

This table summarizes the relative ratings of each evaluation criteria for the PTO Alternative:

**PTO ALTERNATIVE EVALUATION
SUMMARY**

Evaluation factors	Meets	Almost meets	Does not meet
Flexibility	XX	.....	.....
Certainty .....	.....	.....	XX
Durability .....	.....	XX	.....
Operating Transparency	XX	.....	.....
Cost-Effectiveness .....	.....	XX	.....

The Metered Subsystem Alternative

The ISO defines an MSS as the system of a transmission owner bounded by ISO-certified revenue quality meters at each interface point and generating units internal to that metered system. Upon execution of an MSS agreement or an MSS aggregator agreement with the ISO, the agreement would establish Western's transmission system boundaries and identify which direct and non-direct connected entities would be included within Western's MSS. Western would remain responsible for operating, maintaining, and replacing the CVP transmission facilities. Reclamation would not be required to execute a PGA with the ISO. Reclamation would remain responsible for switching, maintaining, and replacing the CVP's generating facilities.

Under this alternative, Western could operate as a sub-control area within the ISO control area and would be responsible for scheduling the use of the CVP transmission system and Western's Malin-Round Mountain transmission line. Assuming that Western remained as the COTP operating agent, this line would also be under the operational control of Western, with Western continuing to be responsible for maintenance and replacement of these facilities. Western would have the scheduling responsibility for use of the CVP transmission system, the COTP, and the Malin-Round Mountain transmission line. The ISO would remain as the single path operator for the entire COI.

Operating Scenario To Evaluate the MSS Alternative

Under the MSS Alternative, Western would have a physically defined contiguous system that includes those customers wishing to participate. Although the ISO allows off-system

loads to be aggregated together and incorporated into an aggregated MSS, because of possible resource constraints associated with following the loads of individual participants, Western would need to retain operational flexibility over the ultimate size of the MSS and the timing of when new participants would be added. Initially, Western would limit the size of the MSS to First Preference, Project Use loads, and direct-connected Preference Power customers wishing to participate. Other Preference Power customers may be added, as Western gains operational experience. The aggregated MSS would be similar in concept to dynamic scheduling from one control area to another. Western's system would be integrated within the ISO control area, but Western would manage the net power flows through the interconnection points with the ISO. Western would be responsible for scheduling energy deliveries to Project Use load, First Preference customers, and other Preference customers within the MSS. For customers not participating in the MSS, Western would schedule deliveries with the ISO under generation schedules developed by Reclamation and Western.

Western could self-provide imbalance energy and ancillary services to the MSS and could participate fully within the ISO markets if excess generation or reserves were available. Under the MSS Alternative, Western would operate the contiguous Federal system as a sub-control area within the ISO control area. Off-system customers that are participants in Western's MSS would be included, from an accounting standpoint, as if they were inside that sub-control area, in a similar fashion to Western dynamically scheduling to off-system participants. Under the MSS Alternative, the aggregated MSS net scheduled interchange with the ISO would be followed on a 10-minute basis (or possibly 5-minute basis) by Western. The imbalance energy provided by the ISO would be determined as the deviation from net scheduled interchange of the aggregated MSS participants, integrated over a 10-minute period (or 5-minute period). This is different from dynamic scheduling in that Western would follow deviations from net scheduled interchange on a 4-second basis.

Western would pay all the ISO charges associated with the aggregated net flows into the MSS. Off-system Project Use loads and Preference customers participating in the MSS would also be charged for use of the ISO grid. Western's customers directly connected to Western would not be

subject to charges for use of the ISO grid to deliver Federal power. However, off-system Project Use loads and Preference customers would incur all of the ISO transmission and related charges associated with the net energy deliveries to the MSS. Western would market transmission service to its customers in a similar fashion as is done today.

From an operational perspective, Western would have a 24-hour Merchant Desk to purchase energy required for Western's Variable Resource and Full Load Service customers and would be the SC for those customers. The 24-hour staffing of the Merchant Desk is required by the ISO for Western to maintain SC status. Western would also have to maintain a 24-hour Switching Desk to perform switching for outages of system elements (such as transmission lines and breakers) for maintenance, repair, or replacement, or to assist the ISO in restoring the system following a disturbance. Since Western would be scheduling the use of its transmission system and those elements of the COI it owns or is responsible for under contract, Western would maintain a 24-hour Transmission Scheduling Desk. Western would also maintain a 24-hour AGC Desk to self-provide ancillary services and to minimize imbalance energy purchases.

From an organizational perspective, Western would continue to need a power accounting, billing, and settlements function to account for services purchased and sold, reconcile billings from the ISO and others to the accounting records, and issue invoices to Western's customers and the ISO. Western would also perform the accounting and settlements function for the MSS, as aggregated, to reconcile the services purchased and delivered to individual MSS members. This could require the addition of settlements staff above current levels.

Evaluation of the Flexibility Criteria Under the MSS Alternative

Implementing the MSS Alternative, like the PTO Alternative, would subject Western to the terms and conditions of the ISO Tariff. Notwithstanding a contractual agreement, Western would need to conform its business practices every time the ISO Tariff is revised. If a new RTO is established and the ISO chooses to join, any changes that the ISO would need to make to its existing operating and business protocols would also need to be made by Reclamation and Western. Western would either comply with any changes required within the time frame required by the ISO or choose to terminate the MSS