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 **SPP** *Southwest
Power Pool*

Markets & Operations
Policy Committee
Bill Dowling – Chair

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Tariff Changes to Implement
Integrated Transmission Planning



MOPC Presentation
05/13/10

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What is ITP?

- **ITP = Integrated Transmission Planning**
- **Revising the way SPP plans future transmission upgrades**
- **BOD approved ITP whitepaper Oct. 2009**
- **ITP**
 - **Creates a long-term “road map” of how the Network should look in years 10 & 20**
 - Road maps used for Near-term, GI and AS
 - **Near-term assessment done every year to review Reliability**

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Overview of Proposed Changes

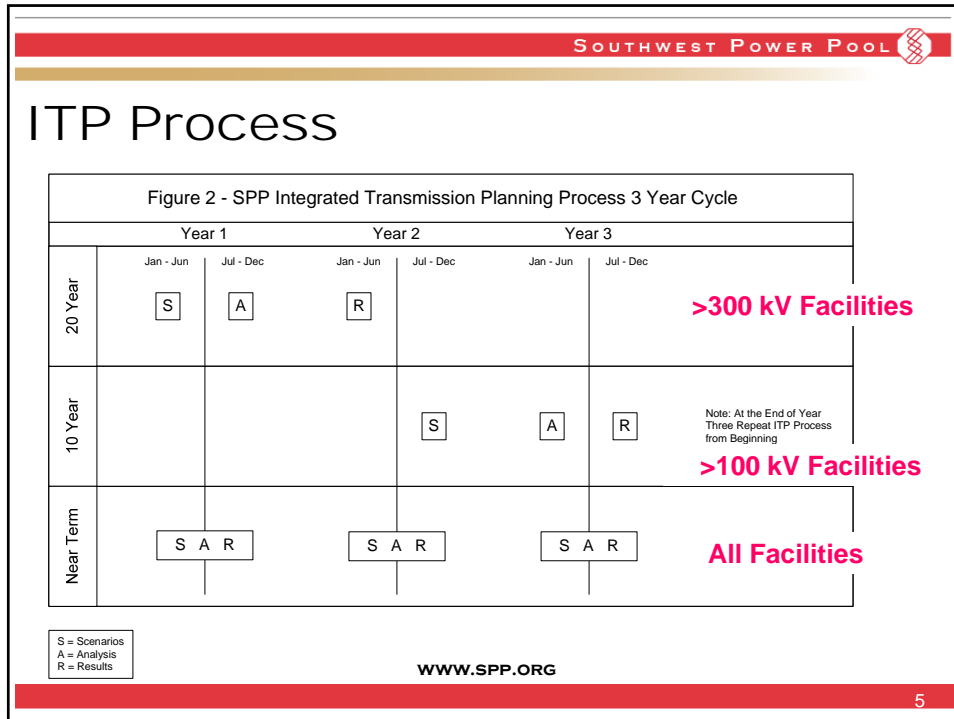
- **To implement the new ITP Process:**
 - **Attachment O: Describe ITP Planning process**
 - **Attachment J: Transformer Cost Classification Waiver & Conforming changes to Cost Allocation Review process**
 - **Tariff Definitions: Add ITP projects to Base Plan Funding**
 - **Attachment V: Clean up references to Attachment O**


(In order of most changes to least)

NOTE: Italicized type in the Tariff language is language currently pending at FERC

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Challenges in Revising Tariff

- **Need to re-organize a significant portion of Attachment O**
- **Keep all Order 890 planning requirements**
- **Keep as much of the Attachment O intact as possible**

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Attachment O

- **Section I: Overview of the planning process, includes process flow diagrams**
- **Section II: Roles and Responsibilities**
 - **Defines the roles and responsibilities of all the participants in the Planning Process**
 - Transmission Provider, Stakeholders, Working Groups and Regulators
 - **Basic rules: NERC/Regional Planning Criteria & Local Planning Criteria**

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Attachment O: Section III-ITP

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    graph TD
      A[Start of Process & Stakeholder Forums (III.1 & 2)[S]] --> B[Define 20yr Study (III.3) [S]]
      A --> C[Define 10yr Study (III.4) [S]]
      A --> D[Define Near Term Study (III.5) [S]]
      B --> E[Perform Studies (III.6) [A]]
      C --> E
      D --> E
      E --> F[Ag Study (AS) & Gen Int (GI) Upgrades (III.7)]
      E --> G[Cost Effectiveness Analysis (III.8.e) [A]]
      F --> G
      G --> H[Planning Scenarios w/Stakeholder input (III.8) [A]]
      H --> I[TP drafts results for inclusion in STEP Report (III.8.h) [R]]
    
```

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Other Planning Studies (Section IV)

- **Sponsored Upgrades (no change)**
- **High Priority Studies (no change-except for references)- Required by Order 890**
- **Balanced Portfolios (BP) (basically unchanged)**
 - Kept in Tariff to allow current approved BP to be completed
 - Now relies on stakeholder input to get a list of projects for study
 - Small corrections to references

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SPP Expansion Plan (Section V)

- **Approval Process-ITP**
 - Proposed from SPP Staff based on Stakeholder input (V.1 & V.2)
 - MOPC reviews the report, must report the Staff findings and whether or not it endorses those results (V.3)
 - BOD can approve all, some or none of the recommended list.
 - Differences from the recommended list must be documented and included in the STEP
- **Approval and/or Endorsement of High Priority Studies (HPS), Balanced Portfolios, and Sponsored Upgrades remains the same as today.**
- **AS and GI upgrades are included as they are today, based upon the executed agreements**
- **Updates to approved projects may happen throughout the year (no change)**

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S.T.E.P Report: (Section V)

YES, the annual STEP report will remain!

- **Still includes a comprehensive listing of ALL transmission projects in the SPP**
 - Over next 20 years
 - From all areas: AS, GI, ITP, Sponsored, BP and HPS Upgrades.
- **SPP posts proposed upgrades & supporting information**

The Rest of Attachment O


- **Construction: (was VIII, now VI)**
 - **Modified references and clarified that BOD can issue NTC's for projects that do not require expenditures in the next 12 months**
 - This fits current practice and NTC whitepaper
 - More clearly states the BOD's authority
 - **Otherwise, no change from current Tariff**

Rest of Attachment O

- **Only reference changes for remaining sections, otherwise no changes**
 - Information Exchange (VII)
 - Inter-regional Coordination (VIII)
 - Recovering Costs Associated with the Planning Process (IX)
 - Cost Allocation (X)
 - Dispute Resolution (XI)
 - Addendum 1 to Attachment O

Authorization To Plan (ATP)

- **Concept was in ITP Whitepaper**
- **Majority of RTWG felt there was no need to include this concept in the Tariff**
 - ATP does not obligate any entity to do anything (spend money, agree to build, etc.) therefore no cost recovery or rate impacts
 - “Approved” projects in models are used to sell service (no change from today)
 - Same information that would be included in ATP is already contained in STEP
 - Was voted 6 to 5 (with one abstention) to exclude the concept at the April 29th RTWG meeting
- **Does not keep SPP from implementing the process (pursuant to the Whitepaper) if Stakeholders want it**

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Approval Votes on Attachment O

RTWG Motion: To approve the Attachment O language, as modified, as implementing the ITP planning process.
 Vote: 15 for (OMPA, KEPCo, ETEC, MIDW, SECI, Dogwood, OGE, ITC Great Plains, SPS, KCPL, AEP, WR, AECC, WFEC, Golden Spread), 3 against (LES, NPPD, EDE), 0 abstaining

MOPC Motion: To approve the Attachment O tariff changes, as presented by the RTWG, as implementing the ITP process described in the ITP Whitepaper and other actions, previously approved by the MOPC, RSC and BOD. Passed by 75% approval. There were 29 favorable votes, 10 opposed (Clarksdale, Lafayette, Independence, Springfield, Lincoln, LEPA, Yazoo City, EDE, NPPD, OPPD) and one abstention (Entergy Services)

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Attachment J – Cost Allocation

- **Changes are based on Attachment J as filed in ER10-1069 (Highway/Byway)**
 - Fixed various Tariff references throughout
- **Section III: Added waiver process for a transformer to have its cost recovery be based upon its higher level voltage rather than its lower level voltage**
- **Section III.D: Review of Base Plan Allocation Methodology**
 - Cleaned up some language to make the process clearer, including references to policy groups
 - No change to the process filed in ER10-1069

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Approval Votes on Attachment J

RTWG Motion: To approve the Attachment J language, as modified. Vote: 14 for (OMPA, KEPCo, ETEC, MIDW, SECI, OGE, ITC Great Plains, SPS, KCPL, AEP, WR, AECC, WFEC, Golden Spread), 3 against (LES, NPPD, EDE), 0 abstaining

MOPC Motion: To approve the Attachment J tariff changes, as presented by the RTWG. Passed with 75% approval. There were 26 favorable votes, 9 opposed (Clarksdale, Lafayette, Springfield, Lincoln, LEPA, Yazoo City, EDE, NPPD, OPPD) and five abstentions (Independence, ETEC, Entergy Services, NTEC, Tex-La)

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Miscellaneous Changes

- **Main Body of Tariff: Definitions**
 - Fixed references in definition of Balanced Portfolio (1.3b)
 - Added “approved ITP Upgrades” as being Base Plan Funded (1.3g)
 - Added definition of ITP Upgrades (1.15a)
- **Attachment V**
 - Fixes three references to Attachment O that changed due to renumbering

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Approval Votes on Misc Changes

RTWG Motion: To approve the changes to the Tariff definitions and Attachment V. **Vote: 15 for (OMPA, KEPCo, ETEC, MIDW, SECI, OGE, ITC Great Plains, SPS, KCPL, NPPD, AEP, WR, AECC, WFEC, Golden Spread), 0 against, 2 abstaining (LES, EDE)**

MOPC Motion: To approve the changes to the Tariff definitions and Attachment V as presented by the RTWG. **Passed with no opposing votes and 7 abstentions (LUS, LEPA, Clarksdale, Yazoo City, Empire District, OPPD and Springfield)**

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Minority Opinions

“Although ETEC voted in favor of the language provisions presented today in Attachment J at the RTWG, here at MOPC we continue to have concerns about the unintended consequences language in Section III 4.D.i and ii., and therefore abstained. It was made clear that there would be no changes allowed to this recently filed language; however, changes were made to the filed language during the last set of Attachment J revisions without giving stakeholders the opportunity to provide comments or propose their own language recommendations. Further, we believe that 2014 and not 2015 as highlighted in Attachment J Section III 4 (ii) was the decision made by the Board and Members committee at the March 31, 2010 Board of Directors and Members Committee meeting. The language as it now stands would prevent highly imbalanced member companies from protesting until 2015. We would ask the Board and Members Committee to review the mitigation language in these sections to ensure that it is reflective of their direction, which we feel was to provide stronger language ensuring long-term cost-allocation parity. Overall, ETEC, NTEC and Tex-La are generally supportive of the ITP process concept.”

“AEP is supportive of the language provisions in Attachment J presented to MOPC today by RTWG. We believe that the language enhancements to Attachment J Section III 4 (i & ii) add to clarify ‘imbalanced cost allocation’. For interpretation purposes, under Section III 4 (ii) AEP believes that the Priority Projects (approved in April 2010), the first ITP 20 year plan (tentatively to be approved in 2011) and the second ITP 20 year plan (tentatively to be approved in 2014) would constitute the first 3 year planning cycle in which an imbalanced cost allocation could be protested to SPP at any time thereafter. Therefore, AEP believes 2014 and not 2015 as highlighted in Attachment J Section III 4 (ii) was the intent of the Members Committee and Board as discussed at the March 31, 2010 Board of Directors and Members Committee meeting as outlined in Attachment J Section III 4 (ii). We assume any member that appeared to be highly imbalanced would protest shortly after the 2014 ITP analysis was available and not wait until 2015. This is a minor point but could limit any action by SPP staff on behalf of the imbalanced member. AEP supports mitigation language such as this to address any imbalance to members from the cost allocation associated with ITP projects. We anticipate that business practices to address this imbalance issue and process in detail will be developed with the support of the membership as outlined by the Attachment J language. We would encourage the Board and Members Committee to recommend business practices detailing how imbalanced protests should be addressed as part of their approval of the Attachment J modifications.”

“OPPD would like the MOPC minutes to reflect that all stakeholders were not given the opportunity to provide their comments on Attachment O changes. Not sure why given the call ended at least 10 minutes early. We have the following comments below that were not allowed to be brought forth. Since the Board has been clear that they intend to ensure long-term equity, I would like to be sure that the calculation of benefits in Section III.8.e.ii applies to all non-reliability metrics used in the ITP. If a metric like reduced congestion is used, it would need to be measured against a case without that metric to determine its benefit. Section V.3.c discusses the Board approving ITP Upgrades other than those recommended by MOPC. Is this meant to allow the Board to remove projects or to add projects that have not been analyzed? I think this needs to be clear. Section V needs to include language that limits cost overruns for economic projects in order to prevent the use of low cost-estimates to get projects approved. Section VI.4 allows the Board to authorize construction of transmission that would not require a financial commitment before the next STEP. Is this necessary and how will the Board decide which project to advance and which projects don't?”


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Recommendation to the BOD:

Approve the Attachment O, J, tariff definitions, and Attachment V tariff changes, as presented by the RTWG, to implement the ITP process described in the ITP Whitepaper and other actions previously approved by the MOPC, RSC and BOD.

Additional Detail – Section III


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Attachment O-Section III: ITP Process

- **III.1: The start of the annual process and notification of where in the ITP process SPP is currently.**
- **III.2: Defines the Planning Forums and how SPP presents results and collects comments from Stakeholders (Unchanged from current Tariff)**
- **III.3: Defines how to start the 20 yr study**
 - First half of 3 yr ITP cycle
 - Study scope is defined by SPP & Stakeholders

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Attach. O-Section III: ITP Process (cont.)

- **III.4: Defines how to start the 10 yr study**
 - Second half of 3 yr ITP cycle
 - Study scope is defined by SPP & Stakeholders
 - Takes into account results of 20 yr study
- **III.5: Defines how to start the Near-Term study**
 - Done annually
 - Focus on Reliability Criteria
 - Study scope is defined by SPP & Stakeholders
 - Takes into account results of 20 & 10 yr studies

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Attach. O-Section III: ITP Process (cont.)

- **III.6: Defines Policy, Reliability and Economic Input for all ITP studies**
 - Full list included in section
 - Includes reliability, load forecasts, State and Federal Policy issues, fuel prices, energy efficiency, etc.
- **III.7: Include upgrades from Aggregate Study and Generation Interconnection processes.**
 - SPP must also include service requirements for all sold Firm transmission service.

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Attach. O-Section III: ITP Process (cont.)

- **III.8: Transmission Studies**
 - Same process for 20 yr, 10 yr and Near-Term
 - Must look at various alternatives proposed by Stakeholders
 - Must look at non-transmission solutions
 - Generation, Demand Response, Smart Grid technologies, Energy Efficiency Programs
 - Calc. Cost Effectiveness of each option
 - SPP must make comprehensive presentation of the preferred potential solutions
 - Must take feedback from Stakeholders (Working Groups and Forums)
 - Prepare a draft list of projects for review and approval

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