



Southwest Power Pool, Inc.
STRATEGIC PLANNING COMMITTEE TASK FORCE on ORDER 1000 MEETING
Friday, February 10, 2012
9 AM – 3 PM
AEP Office, Dallas, Texas

• A G E N D A •

1. Call to Order Mel Perkins
2. Review of Past Action Items.....Michael Desselle
3. Order 1000 Decision Points..... Paul Suskie
 - a. Builder Selection Criteria
 - b. Project Selection Criteria
4. Supporting Rationale for Byway ROFR Retention Mel Perkins
5. Compliance Options Flowcharts..... Mel Perkins
6. Next Steps Mel Perkins



**FERC Order No. 1000
SPC Task Force on Order 1000**

“Decision Points”

**White Paper Published by:
Legal/Regulatory**

For the SPP Strategic Planning Committee Task Force on Order 1000

Draft 2/3/2012

INTRODUCTION:

Public utility transmission providers must either amend their open access transmission tariffs (“OATT”) to comply with the requirements of Order No. 1000 or demonstrate how their existing OATT provisions already comply.¹

** Therefore, the SPCTF on Order 1000 needs to examine SPP’s existing OATT to determine whether SPP’s current transmission planning and cost allocation provisions comply with the requirements and whether additional revisions will be necessary.*

REGIONAL AND INTERREGIONAL REQUIREMENTS OF ORDER 1000

Regional Compliance Filing: Compliance filings addressing the Order No. 1000 regional transmission planning and cost allocation requirements must be submitted to FERC by October 11, 2012.²

** The SPP BOD has designated the SPC to lead SPP’s policy decisions related to Order 1000.*

Interregional Compliance Filing: Compliance filings addressing the interregional coordination and cost allocation requirements of Order No. 1000 are due by April 11, 2013.³

** Currently, the SPP RSC is working on the Interregional Cost Allocation aspect of Order 1000. The SPP’s Seams Steering Committee is working on the Interregional Planning aspect of Order 1000.*

** Therefore, if SPP is to maintain its regular planning cycle of quarterly meetings to meet FERC’s Order 1000 filing deadlines, SPP must approve the regional compliance filing at the SPP BODs July 2012 meeting and interregional compliance filing at the SPP BODs January 2012 meeting.*

¹ Order No. 1000 at P 795.

² *Id.* at P 792. This filing is hereinafter referred to as the “regional compliance filing.”

³ *Id.* This filing is hereinafter referred to as the “interregional compliance filing.”

POLICY DECISION POINTS FOR THE SPCTF ON ORDER 1000

DECISION POINTS

- I. For What Type of Transmission Upgrades Should SPP Seek to Keep the ROFR?**
- II. What Model Should SPP Use To Select Transmission Developers for Projects Without a ROFR?**
- III. What Transmission Developer Qualification Criteria Should SPP have for both Incumbent/Non-Incumbent Transmission Developers? What Process Should SPP have for Incumbent/Nonincumbent Transmission Developers to Submit the Information Necessary for SPP to Evaluate Whether they Satisfy the Qualification Criteria?**
- IV. What Project Submission Requirements, Evaluation Process, and Transmission Plan Re-Evaluation Process Should SPP Propose to FERC?**

[NOTE DECISION POINT IV. ASSUMES THAT SPP ADOPTS THE PROJECT SPONSOR MODEL.]

- V. What Developer Selection Process Should SPP Propose to FERC For Evaluating Proposals from Qualified Transmission Developers Competing to be Selected by SPP to Build a Transmission Upgrade? What Re-Evaluation Criteria Should SPP Propose to FERC to Re-Evaluate Projects?**

[NOTE DECISION POINT V. ASSUMES THAT SPP ADOPTS A COMPETITIVE SOLICITATION MODEL.]

- VI. Miscellaneous Order 1000 Matters.**
 - A. What Changes are Needed to SPP's Membership Agreement Related to Removing the Federal ROFR?**
 - B. What Changes are Needed to SPP's OATT related to Removing the Federal ROFR?**
 - C. What Transmission Facilities Currently in SPP's Planning Process Should SPP Assert are Not Applicable to Order 1000 (i.e., at what point are projects no longer subject to re-evaluation in the planning process)?**

- D. How should SPP Handle “Public Policy” Under Order 1000? Should Goals be on Par with Requirements?**
- E. What type of information and data should merchant transmission developers that do not participate in SPP planning and cost allocation be required to provide to SPP?**

DECISION POINT I:

What Type of Transmission Upgrades Should SPP Seek to Keep the ROFR?

Voltage/Type of Facility	Should SPP Seek to Keep ROFR?	Justification of Maintaining ROFR?
Zonal Upgrades: 100 kV & below	Yes	<p style="text-align: center;">Funded by the Zone:</p> <p>Under SPP’s Highway/Byway Cost Allocation Methodology ITP projects are funded by the zone for upgrades that are 100 kV and below. In this manner, they are akin to “local transmission facilities” as defined in Order 1000 and therefore are not subject to the requirement to eliminate ROFR.</p>
Byway Upgrades: 100 kV – 300 kV	Yes	<p style="text-align: center;">Multiple Reasons:</p> <p>(1) 2/3 of these upgrades are funded by zone; (2) SPP is the only RTO in which all LSEs are vertically integrated, thus there is a close nexus between load and a duty to serve: (3) ?????</p>
Highway Upgrades: 300 kV & above	No	N/A
Generation Interconnection Upgrades	Yes	<p style="text-align: center;">Order 1000 expressly excludes Generation interconnection upgrades:</p> <p>Order No. 1000 indicates that “issues related to the generator interconnection process and to interconnection cost recovery are outside the scope of this rulemaking. . . . This Final Rule does not set forth any new requirements with respect to such procedures for interconnecting large, small, or wind or other generation facilities.” <i>See Order 1000 at P 760.</i></p>
Sponsored Upgrades	Yes	<p style="text-align: center;">Order 1000 appears to exclude SPP’s Sponsored Upgrades:</p> <p>Sponsored Upgrades do not fall within the definition of “transmission facilities selected in a regional transmission plan for purposes of cost allocation” and therefore the requirement to eliminate ROFR does not apply. First, Sponsored Upgrades are not in the STEP for cost allocation, because the costs associated with Sponsored Upgrades are paid by the Project Sponsor. Thus, at the time that a Sponsored Project is included in the STEP, it is not included for purposes of cost allocation. Additionally, Sponsored Upgrades are built at the request of a Project Sponsor; they are not “selected pursuant to a transmission planning region’s Commission-approved regional transmission process for inclusion in a regional transmission plan for purposes of cost allocation because they are more efficient or cost-effective solutions to regional transmission needs.” The Order 1000 federal ROFR mandate, therefore, should not apply. <i>See Order 1000 at P 63.</i></p>
Transmission Service	Yes	<p style="text-align: center;">Order 1000 appears to exclude Transmission Service Upgrades:</p> <p>Service Upgrades identified through the SPP Aggregate</p>

<p>Upgrades</p>		<p>Transmission Service Study process do not appear to be subject to the requirement to eliminate the federal ROFR. While Service Upgrades are included in the STEP, and all or a portion of the costs of some Service Upgrades may be eligible for allocation under SPP's Base Plan funding (i.e., Service Upgrades associated with a Designated Resource that meet the conditions in Section III.B of Attachment J or have obtained a waiver of the requirements), such upgrades do not appear to fall within the description of "transmission facilities selected in a regional transmission plan for purposes of cost allocation" for several reasons. <i>See SPP Tariff at Attachment O § III.7.a. and Attachment J §§ III.B – III.C.</i></p>
<p>Upgrades to Existing Transmission Facilities (Tower Change outs; Re-conductoring)</p>	<p>Yes</p>	<p style="text-align: center;">FERC limitation on ROFR Removal Requirement: "This Final Rule does not remove or limit any right an incumbent may have to build, own and recover costs for upgrades to the facilities owned by an incumbent" <i>See Order 1000 at P 319.</i></p>
<p>Upgrades when state or local laws or regulations limit who can site or be permitted to build transmission facilities</p>	<p>Yes</p>	<p style="text-align: center;">FERC limitation on ROFR Removal Requirement: "Nothing in this Final Rule is intended to limit, preempt, or otherwise affect state or local laws or regulations with respect to construction of transmission facilities, including but not limited to authority over siting or permitting of transmission facilities." <i>See Order 1000 at P 227 & Footnote 231.</i></p>
<p>Upgrades along existing incumbent Transmission Owner Rights-of-Way</p>	<p>Yes</p>	<p style="text-align: center;">FERC limitation on ROFR Removal Requirement: "Nor does this Final Rule grant or deny transmission developers the ability to use rights-of-way held by other entities, even if transmission facilities associated with such upgrades or uses of existing rights-of-way are selected in the regional transmission plan for purposes of cost allocation."</p>

DECISION POINT II.

What Model Should SPP Use To Select Transmission Developers for Projects Without a ROFR?

SPP has identified several potential options for transmission developer selection, as discussed in more detail below:

- (1) **Project Sponsorship Model**: Projects will be assigned to the entity that proposed or “sponsored” the project in the SPP planning process;
- (2) **Competitive Solicitation**: Each project selected in the SPP planning process will be subject to competitive bidding by qualified entities, with the winner to be selected by SPP on the basis of criteria set forth in the SPP Tariff and business practices; or
- (3) **Other**: SPP and its stakeholders develop a different process for selecting which entity will construct each project selected in the SPP planning process.

(1) Project Sponsorship Model

In the Notice of Proposed Rulemaking that resulted in Order No. 1000, FERC expressly proposed that an entity that proposes or “sponsors” a project in the regional planning process would be granted the right to build the project if it is selected in the regional transmission plan.⁴ In Order No. 1000, FERC decided not to adopt its proposal that would give a project sponsor the federal right to construct and own a transmission facility it sponsored in the regional planning process.⁵ However, while Order No. 1000 did not mandate a sponsorship model, neither did it prohibit such an approach to determining which entity will construct a project in the regional transmission plan for purposes of cost allocation. In fact, throughout Order No. 1000, FERC repeatedly refers to project “sponsors,”⁶ suggesting that a nondiscriminatory sponsorship model may satisfy the requirements of Order No. 1000.

⁴ See, e.g., *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Notice of Proposed Rulemaking, IV FERC Stats. & Regs., Proposed Regs. ¶ 32,660, at P 93 (2010) (“We also propose to require that each public utility transmission provider to amend its OATT to describe how the regional transmission planning process in which it participates provides for the sponsor (whether an incumbent transmission provider or nonincumbent transmission developer) of a facility that is selected through the regional transmission planning process for inclusion in the regional transmission plan to have a right, consistent with state or local laws or regulations, to construct and own that facility.”).

⁵ See, e.g., Order No. 1000 at PP 334, 338.

⁶ See, e.g., *id.* at P 267 (“The Commission recognizes that there may be circumstances when an incumbent transmission provider may be called upon to complete a transmission project that it did not sponsor. . . . There also may be situations in which an incumbent transmission provider has an obligation to build a project that is selected in the regional transmission plan for purposes of cost allocation but has

Under a sponsorship model, an entity seeking to construct transmission projects in the SPP planning process would first need to demonstrate its eligibility to participate in the SPP planning process by satisfying a series of qualification criteria set forth in the SPP Tariff. [See Decision Point III below]. Order No. 1000 requires each regional planning process to develop qualification criteria “for determining an entity’s eligibility to propose a transmission project for selection in the regional transmission plan for purposes of cost allocation, whether that entity is an incumbent transmission provider or a nonincumbent transmission developer.”⁷ SPP can tailor the qualification criteria to ensure that only qualified entities are permitted to propose projects and be designated as the Designated Transmission Owner if the project is selected in the SPP planning process.

If SPP opts for a sponsorship approach, SPP will need to develop a process for what to do if a selected project is modified from its original proposal, two sponsored projects are combined into a single project, or SPP selects a project that does not have a sponsor in the planning process.

(2) Competitive Solicitation

Throughout Order No. 1000, FERC indicated that transmission planning regions may adopt a competitive solicitation process to identify transmission projects and developers to build those projects.⁸ While Order No. 1000 provided very little guidance on the design of a competitive solicitation process for selecting transmission projects and developers, SPP could use as a basis for this approach its current process set forth in Section VI.6 of Attachment O of the SPP Tariff and SPP Business Practice 7150 for selecting an alternate entity to build a transmission facility if the Designated Transmission Owner is unable or unwilling to construct an assigned transmission facility. Any entity seeking to bid on a project in the SPP planning process would be required to satisfy the qualification criteria required by Order No. 1000.

not been sponsored by another transmission developer.”); *id.* at P 332 (“The Commission also requires that a nonincumbent transmission developer must have the same eligibility as an incumbent transmission developer to use a regional cost allocation method or methods for any sponsored transmission facility selected in the regional transmission plan for purposes of cost allocation.”) (emphasis added).

⁷ *Id.* at PP 323.

⁸ *Id.* at P 321 (“For example, this Final Rule permits a region to use or retain an existing mechanism that relies on competitive solicitation to identify preferred solutions to regional transmission needs.”) (emphasis added); *see also id.* at P 336 (“This mechanism could be, for example, a non-discriminatory competitive bidding process.”) (emphasis added).

(3) Other

SPP Staff does not believe that the two options identified above are the only options to address the issue of transmission construction and ownership assignment in the SPP planning process. It is possible that SPP and its stakeholders could establish a process that combines elements of the sponsorship and competitive solicitation models or some different process altogether. In any event, whichever option SPP selects will need to provide comparable and nondiscriminatory treatment to incumbent transmission owners and nonincumbent transmission developers.

DECISION POINT III.

What Transmission Developer Qualification Criteria Should SPP have for both Incumbent/Non-Incumbent Transmission Developers? What Process Should SPP have for Incumbent/Nonincumbent Transmission Developers to Submit the Information Necessary for SPP to Evaluate Whether they Satisfy the Qualification Criteria? What process should SPP adopt to enable a Transmission Developer to Cure Any Deficiency in Its Qualifications?

This question/decision point focuses on the requirement that each public utility transmission provider participate in a regional transmission planning process that has established appropriate qualification criteria for determining an entity's eligibility to propose a transmission project for selection in the regional transmission plan for purposes of cost allocation (or in the alternative to compete to be selected to build a transmission project selected in the regional plan for purposes of cost allocation), whether the entity is an incumbent transmission provider or a nonincumbent transmission developer. The criteria SPP develops must not be unduly discriminatory or preferential, and should be fair and not unreasonably stringent when applied to either the incumbent transmission provider or nonincumbent transmission developers.⁹

The qualification criteria also must provide each potential transmission developer the opportunity to demonstrate that it has the necessary financial resources and technical expertise to develop, construct, own, operate, and maintain transmission facilities.¹⁰ However, beyond these general requirements, Order No. 1000 leaves it to each region to develop qualification criteria that are workable for the region, including procedures for timely notifying transmission developers of whether they satisfy the region's qualification criteria and opportunities to mitigate any deficiencies. Order No. 1000 anticipates that, in some regions, existing procedures allowing for stakeholders to offer potential solutions may provide a foundation for implementing the nonincumbent transmission developer participation requirements, including the qualification criteria.

The qualification criteria are intended to apply only to entities that propose transmission projects and intend to develop the proposed transmission project if selected. Stakeholders that do not intend to develop transmission projects may continue to propose transmission projects for consideration in the regional transmission plan without being required to demonstrate compliance with the qualification criteria.

As part of this nonincumbent transmission developer participation requirement, Order No. 1000 requires public utility transmission providers to develop and include in their OATTs language establishing procedures for timely notifying prospective transmission developers of whether they satisfy the

⁹ Order No. 1000 indicates that the qualification criteria should allow for the possibility that existing public utility transmission providers already satisfy the criteria and should allow any transmission developer the opportunity to remedy any deficiency in its qualifications.

¹⁰ Order No. 1000 states that "nothing in the qualifications requirements of this Final Rule is intended to change any existing RTO procedure or practice regarding the operation of existing transmission facilities." Order No. 1000 at P 324 n.303.

qualification criteria, as well as a time period for the prospective transmission developer to mitigate any deficiencies in its qualifications.

Review of Existing SPP Practices

Order No. 1000 envisions the possibility that existing practices in regional transmission planning processes may serve as a foundation for implementing the nonincumbent transmission developer participation requirements of Order No. 1000. SPP previously has adopted provisions in both its OATT and Business Practices that govern the qualification and selection of alternate entities seeking to build transmission projects that a Designated Transmission Owner is unable or unwilling to build. SPP staff recommends that the SPCTF on Order 1000 consider these existing provisions when developing the qualification criteria that SPP will propose in its Order No. 1000 compliance filing.

Review of SPP OATT

Attachment O of the SPP OATT, which governs SPP's Integrated Transmission Plan ("ITP") process, requires that if a Designated Transmission Owner for a transmission project does not provide an acceptable written commitment to construct a project within 90 days of receipt of a Notification to Construct, SPP must solicit and evaluate proposals for the project from other entities and select a replacement builder for the project. To be considered, a prospective replacement builder must meet several general legal, regulatory, technical, financial, and managerial qualifications specified in Section IV.6 of Attachment O. Specifically, the prospective replacement builder must:

- (i) Have obtained all state regulatory authority necessary to construct, own and operate transmission facilities within the state(s) where the project will be located;
- (ii) Meet SPP's creditworthiness requirements set forth in Attachment X of the SPP OATT;
- (iii) Sign or being capable and willing to sign the SPP Membership Agreement as a Transmission Owner upon selection of its proposal to construct and own the project; and
- (iv) Meet other technical, financial, and managerial qualifications as are specified in the SPP Business Practices.

These criteria currently apply only to entities that wish to be selected as an alternate builder when a Designated Transmission Owner is unable or unwilling to accept a Notification to Construct; however, they could form the basis for SPP's adoption of the qualification criteria required by Order No. 1000. To be acceptable, these criteria would need to apply to any entity that wishes to propose transmission projects for consideration in the SPP regional planning process, including both incumbent SPP Transmission Owners and nonincumbent transmission developers. SPP could amend Attachment O to apply these criteria to all entities that seek to build transmission facilities and recover their costs under the SPP OATT.

While these criteria provide a foundation for SPP's compliance with Order No. 1000's qualification criteria requirement, they are not sufficiently detailed to "provide each potential transmission developer

the opportunity to demonstrate that it has the necessary financial resources and technical expertise to develop, construct, own, operate and maintain transmission facilities” as Order No. 1000 requires.¹¹ Specifically, SPP will need to include in its OATT the specific technical, financial, and managerial qualification criteria that entities will need to satisfy before being eligible to build transmission facilities identified in the SPP regional planning process, as well as guidance specifying how SPP will determine whether an entity satisfies the qualification criteria.

Review of SPP Business Practices

As part of the effort to develop a process for selection of alternative builders as required by Attachment O, SPP’s Transmission Owner Selection Task Force published in January 2010 a Transmission Owner Selection Process document (“Process Document”). The Process Document outlined SPP’s procedures for establishing a Transmission Owner Selection Committee to conduct Request for Information (“RFI”) and Request for Proposal (“RFP”) processes to identify an alternate builder when a Designated Transmission Owner is unable or unwilling to commit to construct a transmission project. The Process Document listed several requirements for RFP bids, many of which relate to the bidder’s qualifications to develop, construct, own, operate, and maintain transmission facilities.

The procedures outlined in the Process Document were subsequently incorporated into SPP Business Practice 7150. Specifically, Appendix 3 of Business Practice 7150 lists the requirements for submitting an RFP. Additionally, Appendix 4 of Business Practice 7150 sets forth the factors SPP utilizes in its process to select among entities that respond to an RFP. Several of the RFP requirements and selection factors could form the basis for SPP’s qualification criteria, including:

- Managerial qualifications.
- Financial Qualifications: demonstration of financing and ability to finance new transmission construction in SPP, ability to meet SPP creditworthiness requirements, statement of cost recovery, and demonstration of revenue requirement calculations.
- Transmission Project Construction Expertise: engineering, permitting, environmental, right-of-way acquisition, procurement, project management, construction, commissioning, technology content, demonstration of applicable qualifications and certifications to construct in the state(s) in which construction is required; demonstration of past transmission construction experience; equipment acquisition process; description of applicable right-of-way and real estate acquisition process; description of routing process; description of permitting processes; eminent domain status; process for obtaining easements; surveying responsibility.
- Safety Qualifications: internal safety program, contractor safety program, safety performance record (program execution).

¹¹ Order No. 1000 at P 323.

- Operations Expertise: demonstration of control center operations (staffing, etc.), demonstration of NERC compliance process and compliance history, demonstration of registration or ability to register for compliance with applicable NERC Reliability Standards, storm/outage response plan, past reliability performance, statement of which entity will be operating and maintaining completed transmission facilities, staffing, equipment, and crew training.
- Maintenance Qualifications: staffing, maintenance plans, equipment, crew training, record of maintenance performance, maintenance expertise, NERC compliance process and history.
- Identification of major partners, contractors, and associated contracts.
- Ability to comply with Good Utility Practice, SPP criteria, industry standards, and applicable local, state, and federal requirements.

While these categories may provide a basis for SPP to develop qualification criteria to comply with Order No. 1000, SPP will need to define what it determines to be acceptable to satisfy each of the qualification criteria it adopts and include such information in its OATT.

Review of SPP Due Diligence Review Process for Novations

In reviewing requested novation agreements, SPP has engaged in due diligence reviews of proposed replacement builders on an ad hoc basis. While the SPP OATT does not address the novation process nor the due diligence review, some of the characteristics SPP has reviewed in determining whether to approve a replacement builder and grant a novation include: staffing levels; engineering expertise; expertise in permitting (including environmental and cultural requirements); real estate acquisition and condemnation experience, including right-of-way and easement acquisition; procurement staffing; project management staffing, tools, and process; construction expertise and contracting; commissioning expertise; and operations center, field operations, and maintenance experience. SPP could use its due diligence review process as a basis for developing qualification criteria to adopt in its OATT to comply with Order No. 1000; however, as discussed above, SPP will need to define what it determines to be acceptable to satisfy each of the qualification criteria and include such information in its OATT.

List of Possible Qualification Criteria

Below is a list of qualification criteria that can start as a straw proposal for the SPCTF on Order 1000 to begin its discussion to what qualification criteria to recommend to SPP Stakeholders. These criteria have been previously presented to the SPC by SPP Staff.

This list provides the general qualification criteria that entities seeking to propose and construct transmission facilities (or in the alternative to compete to be selected to build a project that was selected in the regional plan for cost allocation purposes) in the SPP planning process would be required to satisfy.

Once the SPCTF on Order 1000 agrees upon the proposed criteria, SPP Staff will further define the specific qualification criteria. The possible qualification criteria are:

(1) Threshold eligibility criteria

- The developer must have obtained all state regulatory authority necessary to construct, own, and operate transmission facilities within the state(s) where the project will be located.
- The developer must sign or be capable and willing to sign the SPP Membership Agreement as a Transmission Owner upon selection of its proposal to construct and own the project.

(2) Financial criteria

- The developer must meet SPP's creditworthiness requirements set forth in Attachment X of the SPP OATT.
- The developer must demonstrate the ability to finance new transmission construction in SPP.

(3) Managerial criteria

- The developer must demonstrate the ability to site the project. This requires:
 - Expertise in permitting, environmental compliance, and right-of-way; and
 - Description of applicable right-of-way and real estate acquisition processes, routing process, permitting processes, eminent domain status, process for obtaining easements; and surveying responsibility.
- The developer must demonstrate the ability to construct the project. This requires:
 - Demonstration of applicable qualifications and certifications to construct in the state(s) in which construction is required;
 - Expertise in engineering, procurement and equipment acquisition process, project management, construction; and
 - If the developer plans to engage a contractor to construct the project, the developer must demonstrate how the contractor satisfies the above criteria.
- The developer must demonstrate the ability to operate and maintain the project. This requires:
 - Demonstration of the ability to manage the operation and maintenance of electric transmission facilities including, if applicable, experience in managing the operation and maintenance of existing transmission facilities.

- Demonstration of the ability to operate and maintain the project safely, including a description of the developer's internal safety program, contractor safety program, and safety performance record and program execution.

- Expertise in operations, which includes demonstration of control center operations, a description of control center staffing, and facilities, communications and SCADA expertise, demonstration of NERC compliance process and description of NERC compliance history, demonstration of registration or ability to register for compliance with applicable NERC Reliability Standards, demonstration of a storm/outage response plan, description of past reliability performance, a statement specifying which entity will be operating and maintaining completed transmission facilities, equipment, including plans for maintaining spare parts, and crew training.

Process for Transmission Developers to Submit the Information Necessary for SPP to Evaluate Whether they Satisfy the Qualification Criteria

SPP also must develop a process for incumbent/nonincumbent transmission developers to submit the information necessary for SPP to evaluate whether they satisfy the qualification criteria. SPP offers the following process for the SPCTF on Order 1000 to consider:

Prior to being eligible to propose transmission projects (or in the alternative to compete to be selected to build a project that was selected in the regional plan for cost allocation purposes) in the SPP regional planning process, transmission developers (including incumbent transmission owners and nonincumbent transmission developers) are required submit an application demonstrating their satisfaction of the qualification criteria to SPP;

The application can be submitted at any time, but must be submitted at least 120 days before the developer plans to submit a project (or in the alternative to compete to be selected to build a project that was selected in the regional plan for cost allocation purposes) for consideration in the SPP planning process;

SPP will review the transmission developer's application to determine whether it satisfies the qualification criteria and inform the applicant of its determination within 90 days of receipt of the application; and

If SPP determines that the transmission developer fails to meet one or more of the qualification criteria, SPP will inform the transmission developers of such deficiency(ies) and the transmission developer will have 30 days to cure the deficiency(ies).

Once SPP has determined that a transmission developer satisfies the qualification criteria, the transmission developer will be deemed qualified to propose projects in the SPP planning process (or in the alternative to compete to be selected to build a project that was selected in the regional plan for cost allocation purposes) and will not be required to demonstrate its qualifications in any subsequent planning process cycle or with respect to any subsequent transmission project proposal. However, all

transmission developers that have been deemed qualified will be required to inform SPP if, at any time, there is any change to the information provided in their application, so that SPP may determine whether to satisfy the qualification criteria. If any change occurs, SPP will have the option to:

- (1) Determine that the change does not affect the transmission developer's qualification to propose and construct projects;
- (2) Determine that the transmission developer no longer qualifies to propose and construct projects;
- (3) Suspend the transmission developer's eligibility to propose and construct projects until the transmission developer has cured any deficiency in its qualifications to SPP's satisfaction; or
- (4) Allow the transmission developer to continue to participate in the proposal and construction process for a limited time period while it cures the deficiency to SPP's satisfaction.

DECISION POINT IV.

What Project Submission Requirements, Evaluation Process, and Re-Evaluation Process Should SPP Propose to FERC?

[NOTE THIS DECISION POINT ASSUMES THAT SPP ADOPTS THE PROJECT SPONSOR MODEL.]

Assuming SPP adopts a Projects Sponsor Model to comply with Order 1000, SPP staff offers the following for the SPCTF on Order 1000 to consider.

1. Project Proposal Submission Requirements

A qualified transmission developer entity submitting proposals for transmission projects to SPP during the ITP process must provide sufficient information to facilitate SPP's evaluation of such proposed transmission projects. This information should confirm that the proposed transmission project(s), at a minimum, mitigates an issue that was observed in the ITP Near-Term or ITP 10 reliability assessment and was reported to SPP stakeholders as part of the ITP process. SPP will provide models used in these reliability assessments to support this information submission requirement. Proposal submission information requirements differ for the ITP20 planning horizon which does not require a reliability assessment. For the ITP20 planning horizon, SPP will provide a generic set of models and economics data. Proposal submission information guidelines for the ITP planning horizons are listed below.

ITPNT and ITP10

Information required:

- Description of the issue(s) identified in the ITP Process to be addressed by the proposed project
- Notification of any changes in modeling assumptions from those used in the current ITP Process
- Transmission project analysis Power System Simulator for Engineering (PSSE) cases
- Results of any transmission project economic analysis
- Summary of economic modeling assumptions (if different from those used by SPP in the current ITP process)
- Full description of project
 - Required current ampacity (capacity) of project

- Estimated mileage of project
- Any known environmental impacts caused by the addition of the project

Additional information not required, but preferred, if available include the following:

- Summary of any stability analysis conducted (steady-state and dynamic)

ITP20

Information required:

- Description of issue identified in the ITP Process to be addressed by the proposed project
- Notification of any changes in modeling assumptions from those used in the current ITP Process
- Results of all transmission project economic analysis
- Summary of economic modeling assumptions (if different from those used by SPP in the current ITP process)
- Full description of project
 - Required current ampacity (capacity) of project
 - Estimated mileage of project
 - Any known environmental impacts caused by the addition of the project

Additional information not required, but preferred, if available include the following:

- Transmission project analysis PSSE cases
- Summary of any stability analysis conducted (steady-state and dynamic)

All transmission project proposals and required information supporting such proposals must be submitted to SPP within 60 days following the appropriate Transmission Planning Summit.

2. Project Evaluation

All proposed transmission projects identified by SPP staff or submitted by qualified developers and stakeholders that meet the established proposal submission information requirements will be evaluated in the ITP process. The evaluation will include a preliminary screening process to determine the most viable transmission projects. This screening process will include, but not be limited to a reliability assessment relative to the SPP planning criteria for the ITPNT and ITP10 planning horizons. This screening process may also include, but not be limited to Adjusted Production Cost (APC) economic analysis for ITP10 and ITP20 planning horizons.

Transmission projects remaining after the screening process will undergo a detailed cost analysis. Also, an evaluation of a number of benefit metrics developed and outlined by the Economic Studies Working Group (ESWG) will be performed. The final transmission solution set selected in each ITP horizon will be based on the benefit metrics most relevant to each ITP horizon as well as feedback from SPP stakeholders. For further detail on the ITP transmission project evaluation process, please refer to the ITP manual: [ITP Manual](#).

Upon conclusion of the ITP process SPP will provide a final report that discusses the final set of transmission projects selected and the rationale supporting the project selections.

Costs of transmission projects submitted by qualified developers and stakeholders that are selected in the ITP process will be allocated using SPP's Highway Bi-way cost allocation methodology.

3. Transmission Plan Re-evaluation

In the event a transmission project selected in the ITP process is delayed, SPP will review the project to determine whether its delay, if not mitigated, adversely impacts transmission system reliability or existing service obligations. SPP will notify stakeholders when SPP determines a need to re-evaluate the ITP transmission plan. SPP's review of the need to re-evaluate the ITP transmission plan will be based on the following:

Reliability Impact

If SPP determines that the transmission project delay would result in the violation of SPP's planning criteria, a mitigation plan must be developed to resolve the violation for the duration of the project delay. SPP staff and the affected Transmission Owner(s) will meet to determine a mitigation plan for the violation. The mitigation plan may be transmission or non-transmission based and will affect the decision to re-evaluate the ITP transmission plan as follows:

Non-transmission based mitigations

Mitigation plans that do not require upgrades to the transmission system (i.e. generation redispatch or operating guides) shall not require re-evaluation of the ITP transmission plan prior to being implemented.

Transmission based mitigations

Mitigation plans that require upgrades to the transmission system will require a re-evaluation of the ITP transmission plan prior to being implemented. Under this re-evaluation, qualified developers and stakeholders will be allowed 30 days from the date SPP issues a notification of the re-evaluation determination to submit proposals and supporting information for transmission projects to resolve the identified issue(s) resulting from the project delay. All projects submitted by qualified developers and stakeholders meeting the information submittal requirements will be evaluated consistent with the ITP project evaluation process.

Service Obligation Impact

If SPP determines that the transmission project delay would result in the inability to honor a transmission service obligation, a mitigation plan must be developed to resolve the violation for the duration of the project delay. SPP staff, along with the affected customer(s) and Transmission Owner(s) will meet to determine a mitigation plan for the issue. The mitigation plan may be transmission or non-transmission based and will affect the decision to re-evaluate the ITP transmission plan as follows:

Non-transmission based mitigations

Mitigation plans that do not require upgrades to the transmission system (i.e. generation redispatch or operating guides) shall not require re-evaluation of the ITP transmission plan prior to being implemented.

Transmission based mitigations

Mitigation plans that require upgrades to the transmission system will require a re-evaluation of the ITP transmission plan prior to being implemented. Under this re-evaluation, qualified developers and stakeholders will be allowed 30 days from the date SPP issues a notification of the re-evaluation determination to submit proposals and supporting information for transmission projects to resolve the identified issue(s) resulting from the project delay. All projects submitted by qualified developers and stakeholders meeting the information submittal requirements will be evaluated consistent with the ITP project evaluation process.

DECISION POINT V.

What Evaluation Criteria Should SPP Propose to FERC when Evaluating Proposals from Qualified Transmission Developers Competing to be Selected by SPP to Build a Transmission Upgrade? What Re-Evaluation Criteria Should SPP Propose to FERC to Re-Evaluate Projects?

[NOTE DECISION POINT V. ASSUMES THAT SPP ADOPTS A COMPETITIVE SOLICITATION MODEL.]

1. Project Submission, Evaluation, and Identification

If SPP opts for a competitive solicitation process, SPP could retain its existing process for identifying transmission system needs, allowing stakeholders to propose solutions, and selecting transmission facilities to be included in the regional plan. Once projects are identified, SPP would then issue requests for proposals for transmission facilities listed in the STEP.

2. Selection of Transmission Developer

Under a competitive solicitation model, SPP would issue requests for proposals for all transmission facilities identified in the regional transmission plan for which ROFR has been eliminated. SPP could use as a basis for its process to select a transmission developer for each project its existing Transmission Owner Selection Process outlined in SPP Business Practice 7150, as summarized above. Specifically, SPP could use the process set forth in Appendix 4 of Business Practice 7150:

General

SPP will use “Reasonable Professional” standard in evaluation of proposals from the various respondents. Minimum requirements (regulatory authority, credit worthiness, and TO membership) must be met in order to be included in this process. SPP will score respondents on the items described below. Highest score may not always be selected. Low scores in individual categories may eliminate respondents from consideration

Process

SPP will score respondents’ proposals by category from zero to the allowed number of points for that category. Points are totaled for all respondents and the results are used in guiding the committee to the ultimate selection. There are 100 possible points for each respondent RFP.

Categories

- Project Expertise (20 points): Engineering; Permitting; Environmental; ROW Acquisition; Procurement; Project Management (including scope, schedule management); Construction; Commissioning; and Technology content.

- Safety program/Current/Past statistics (15 points): Internal safety program; Contractor safety program; Safety performance record (program execution); and RFP conformance.'
- Cost to customer- What will the (long term) final impact be on the customer's bill? (20 points): Estimated total cost of Project; Financing costs; FERC Incentives; Revenue Requirements; and Lifetime cost of the project to customers.
- Reliability/Quality/General Design (15 points): Type of Construction (wood, steel, design loading, etc.); Estimated total owning costs; Losses (design efficiency); Estimated life of construction.
- Operations (15 points): Control Center operations (staffing etc.); NERC compliance – process/history; Storm/Outage response plan; and Past reliability performance.
- Maintenance (15 points): Staffing; Maintenance plans; Equipment; Crew training; Maintenance performance/expertise; and NERC compliance-process/history.

3. Transmission Plan Re-Evaluation

SPP could use the same process for transmission plan re-evaluation as set forth in Decision Point IV above.

DECISION POINT VI: Miscellaneous Order 1000 Matters.

A. What Changes are Needed to SPP's Membership Agreement Related to removing the Federal ROFR?

Section 3.3 of the SPP Membership Agreement, which governs construction of transmission facilities in SPP, contains federal ROFR language that will need to be modified to comply with Order No. 1000. Specifically, Section 3.3(b) of the SPP Membership Agreement indicates:

After a new transmission project has received the required approvals and been approved by SPP, SPP will direct the appropriate Transmission Owner(s) to begin implementation of the project. If the project forms a connection between the facilities of a single Transmission Owner, that Transmission Owner will be designated to provide the new facilities. If the project forms a connection between facilities owned by multiple parties, all parties will be designated to provide the respective new facilities. The parties will agree among themselves as to how much of the project will be provided by each entity. If agreement cannot be reached, SPP will facilitate the ownership determination process.

Thus, under the language of Section 3.3(b), SPP is obligated to designate a Transmission Owner to construct new transmission facilities.

Furthermore, Section 3.3(c) of the SPP Membership Agreement states:

A designated provider for a project can elect to arrange for a new entity or another Transmission Owner to build and/or own the project in its place. If the designated provider(s) does not or cannot agree to implement the project in a timely manner, SPP will solicit and evaluate proposals for the project from other entities and select a replacement.

This language provides an option for the designated Transmission Owner to assign the project to another entity or to decline to "implement the project" (i.e., "refuse" to build the project).

When read together, Sections 3.3(b) and 3.3(c) provide incumbent Transmission Owners a federal ROFR over transmission projects approved for construction by SPP. SPP is required to assign the construction obligations for new transmission facilities to incumbent Transmission Owners that own the existing facilities to which a new transmission facility will interconnect. Once a new transmission facility is assigned, the designated Transmission Owner(s) have the option either to construct the project, assign the project to another entity, or decline to construct the project. SPP will need to modify this section to comply with Order No. 1000.

B. What Changes are Needed to SPP's OATT related to Removing the Federal ROFR?

A. Attachment O

SPP's Transmission Expansion Plan ("STEP") and Integrated Transmission Plan ("ITP") processes set forth in Attachment O contain similar provisions to the Membership Agreement related to assignment of construction obligations and ROFR. Specifically, Section VI of Attachment O, which governs the construction of transmission facilities, contains several provisions that address the manner in which SPP assigns the responsibility to construct transmission facilities in the STEP:

Section VI(1): The Transmission Provider, with input from the Transmission Owners and other stakeholders, *shall designate* in a timely manner within the SPP Transmission Expansion Plan ("STEP") *one or more Transmission Owners* to construct, own, and/or finance each project in the plan.

Section VI(4): After a new transmission project is (i) approved under the SPP Transmission Expansion Plan or (ii) required pursuant to a Service Agreement or (iii) required by a generation interconnection agreement to be constructed by a Transmission Owner(s) other than the Transmission Owner that is a party to the generation interconnection agreement, the Transmission Provider *shall direct the appropriate Transmission Owner(s) to begin implementation of the project* for which financial commitment is required prior to the approval of the next update of the SPP Transmission Expansion Plan. . . . If the project forms a connection with facilities of a single Transmission Owner, *that Transmission Owner shall be designated to construct* the project. If the project forms a connection with facilities owned by multiple Transmission Owners, *the applicable Transmission Owners will be designated* to provide their respective new facilities. If there is more than one Transmission Owner designated to construct a project, the Designated Transmission Owners will agree among themselves which part of the project will be provided by each entity. If the Designated Transmission Owners cannot come to a mutual agreement regarding the assignment and ownership of the project the Transmission Provider will facilitate their discussion. . .

Like Section 3.3(b) of the SPP Membership Agreement, Section VI of Attachment O requires SPP to assign construction and ownership responsibilities for transmission facilities to the incumbent Transmission Owner(s) to whose existing facilities a new transmission facility will interconnect.

Section VI of Attachment O also contains language permitting the designated Transmission Owner to assign its construction responsibilities to another entity or to decline to construct a transmission facility. Specifically, Section VI(6) indicates:

In order to maintain its right to construct the project, the Designated Transmission Owner shall respond within ninety (90) days after the receipt of the Notification to Construct with a written commitment to construct the project as specified in the Notification to Construct or a proposal for a different project schedule and/or alternative specifications in its written commitment to construct (“Designated Transmission Owner’s proposal”). . . . If a Designated Transmission Owner does not provide an acceptable written commitment to construct within the ninety (90) day period, the Transmission Provider shall solicit and evaluate proposals for the project from other entities and select a replacement designated provider.

Therefore, by not providing “an acceptable written commitment to construct,” a designated Transmission Owner (i.e., the incumbent Transmission Owner(s) that own(s) facilities to which the new transmission facility will connect) has the option of declining to construct a facility. Read together, these provisions of Section VI of Attachment O create a federal ROFR for incumbent Transmission Owners that will need to be modified to comply with Order No. 1000.

C. What Transmission Facilities Currently in SPP’s Planning Process Should SPP Assert are Not Applicable to Order 1000 (i.e., at what point are projects no longer “subject to evaluation or re-evaluation” in the planning process)?

The requirements of Order 1000 are intended to apply to new transmission facilities, which are facilities that are no longer subject to evaluation or reevaluation in the transmission planning process after the effective date of the public utility transmission provider’s regional compliance filing. [PP 65, 162] Each public utility transmission provider must explain in its regional compliance filing how it will determine which facilities in its local and regional planning processes will be subject to the Order No. 1000 requirements. [P 65, 162]

The best brightline for determining which projects are not subject to re-evaluation is SPP’s Notification to Construct (“NTC”) process. SPP could, for example, indicate that the Order 1000 mandates do not apply to any transmission facility for which SPP issued an NTC prior to the effective date of the compliance filing.

D. How should SPP Handle “Public Policy Under” Order 1000? Should Goals be on Par with Requirements?

Public utility transmission providers are required to amend their OATTs to describe procedures that provide for the consideration of transmission needs driven by Public Policy Requirements in their local¹² and regional transmission planning processes or to demonstrate how existing OATT provisions already comply. [P 203, 222] Public Policy Requirements include, at a minimum, needs driven by state or federal laws or regulations;¹³ *however, the public utility transmission providers in a region can agree to consider needs driven by additional public policy objectives **not specifically required** by state or federal laws or regulations.*¹⁴ [P 214-216]

FERC’s requirement that public utility transmission providers consider transmission needs driven by Public Policy Requirements means:

- (1) *The identification of transmission needs driven by Public Policy Requirements:* Public utility transmission providers must establish, in consultation with stakeholders, procedures under which public utility transmission providers and stakeholders¹⁵ will identify those transmission needs driven by Public Policy Requirements for which potential transmission solutions will be evaluated. [PP 205-206]; and
- (2) *The evaluation of potential solutions to meet those needs:* Public utility transmission providers are required to amend their OATTs to describe the procedures by which transmission needs driven by Public Policy Requirements will be identified in the local and regional transmission planning processes and how potential solutions to the identified transmission needs will be evaluated in the local and regional transmission planning processes.¹⁶ [PP 205, 211]

¹² To the extent public utility transmission providers within a region do not engage in local transmission planning, such as in some RTO regions, the Public Policy requirements of Order No. 1000 apply only to the regional transmission planning process. [n.185]

¹³ “State or federal laws or regulations” mean enacted statutes (i.e., passed by the legislature and signed by the executive) and regulations promulgated by a relevant jurisdiction, whether within a state or at the federal level. [P 2]

¹⁴ For example, a public utility transmission provider and its stakeholders are not precluded from choosing to plan for state public policy goals that have not yet been codified into state law, which they nonetheless consider to be important long-term planning considerations. [n.193]

¹⁵ All stakeholders must have an opportunity to provide input and offer proposals regarding the transmission needs they believe should be identified. [P 209]

¹⁶ Order No. 1000 leaves it to public utility transmission providers and their stakeholders to determine the procedures for evaluating potential transmission solutions to address identified Public Policy needs. The evaluation must include, at a minimum, proposals by stakeholders for transmission facilities proposed to satisfy an identified transmission need driven by Public Policy Requirements. [P 211]

Public utility transmission providers are required to post on their websites an explanation of which transmission needs driven by Public Policy Requirements will be evaluated for potential solutions in the local or regional transmission planning process, as well as an explanation of why other suggested transmission needs will not be evaluated. [P 209]

Order No. 1000 also clarifies that allocation of costs associated with transmission facilities associated with Public Policy Requirements must be at least roughly commensurate with estimated benefits, meaning that those that receive no benefit, either at present or in a likely future scenario, must not be involuntarily allocated costs of the facility. [P 219] Additionally, Order No. 1000 permits, but does not require, the creation of a separate class of Public Policy transmission facilities and separate cost allocation for such facilities. [P 220]

Review of Attachment O to the SPP OATT

Section III.6.k, n & o to Attachment O to SPP's OATT states:

III. The Integrated Transmission Planning Process

The ITP process is an iterative three-year process that includes 20-Year, 10-Year and Near Term Assessments. The 20-Year Assessment identifies the transmission projects, generally above 300 kV, and provides a grid flexible enough to provide benefits to the region across multiple scenarios. The 10-Year Assessment focuses on facilities 100 kV and above to meet the system needs over a ten-year horizon. The Near Term Assessment is performed annually and assesses the system upgrades, at all applicable voltage levels, required in the near term planning horizon.

* * * * *

6) Policy, Reliability, and Economic Input Requirements to Planning Studies

The Transmission Provider shall incorporate, as appropriate for the assessment being performed, the following into its planning studies:

* * * * *

k) Renewable energy standards;

* * * * *

n) Other relevant environmental or government mandates; and

o) Other input requirements identified during the stakeholder process.

Two issues exist as it relates to Order 1000 and public policy:

(1) What changes should SPP make to Section III (6) to Attachment O to SPP OATT and (2) Should SPP consider goals on par with Mandates?

E. What type of information and data should merchant transmission developers that do not participate in SPP planning and cost allocation be required to provide to SPP?

Order 1000 requires that public utility transmission providers include in their compliance filings the type of information and data that merchant transmission developers must provide to the regional planning process when the merchant developer does not intend to participate in the planning process or seek to recover costs through the regional cost allocation mechanism(s). [P 164] The purpose of this requirement is to provide transmission providers in the regional planning process with adequate information and data to assess the potential reliability and operational impacts of the merchant transmission developer's proposed transmission facilities on other systems in the region.

SPP must decide whether to require such information and, if so, what type of information and data to require.