

**PLANNING STAGE PROPOSAL – ELIMINATION OF RIGHT OF FIRST REFUSAL**  
**Proposed by AEP, LS Power, and OG&E**

This approach encourages competition in the SPP transmission planning process early on at the planning stage. It seeks creative solutions to SPP's transmission needs identified within the ITP planning processes through sponsor and/or stakeholder proposals. This process has the potential to significantly benefit SPP members through lower production costs and reduced congestion as best value transmission plans are identified and assigned for construction.

**SPP IDENTIFIES NEEDS**

- 1) SPP identifies transmission needs through its existing ITP planning processes. SPP will provide information on reliability violations, economic congestion costs, and public policy requirements.
- 2) On a pre-determined basis under the ITP schedule, SPP will issue a Request for Proposals ("RFP") seeking solutions to its identified needs.
- 3) Sponsors and/or other stakeholders submit Study Estimate quality proposals utilizing the Standardized Cost Estimating Reporting Template ("SCERT"). Qualified new entrants could submit proposals through SCERT.
- 4) Other stakeholders (or SPP) not seeking the right to develop and construct the transmission project may also submit proposals to meet an SPP identified need.
- 5) Sponsors would be required to meet (or be capable of meeting or remedying) the SPP qualification criteria prior to responding to the RFP.
- 6) Proposals would need to be submitted by an SPP established deadline to be considered in a particular cycle review (SPP ITP established deadline).

**SPONSOR AND/OR OTHER STAKEHOLDER IDENTIFIES NEEDS**

- 1) Sponsors and/or other stakeholders identify needs and submit Study Estimate quality proposals utilizing the SCERT.
- 2) On a pre-determined basis under the ITP schedule, there would be a schedule to submit Proposals for the SPP ITP applicable process.
- 3) Proposals submitted by sponsors should include: (a) the need addressed by the proposed project, (b) the proposed solution to address the need, and (c) supporting material and assumptions included in the studies performed by the Sponsors.
- 4) Other stakeholders (or SPP) that would not be seeking the right to develop and construct the project may also submit proposals to meet an SPP identified need.
- 5) Sponsors would be required to meet (or be capable of meeting) the SPP qualification criteria prior to submitting a proposal to meet their identified need.
- 6) Proposals would need to be submitted by an SPP established deadline to be considered in a particular cycle review (SPP ITP established deadline).

**SPP EVALUATIONS**

SPP shall consider decoupling the ITPNT process from the ITP10 and ITP20 processes and make the ITPNT process an annual process. Under such a decoupling, only projects approved out of the ITPNT process would be approved for immediate construction with the ITP10 and ITP20 processes feeding into the SPP identified needs.

SPP shall evaluate all transmission proposals submitted prior to the applicable SPP ITP established deadline. Proposals submitted after the planning cycle submission deadline will be reviewed in the subsequent planning cycle (subject to qualification criteria remedy discussion).

Proposals shall not be made public until SPP starts this evaluation stage. SPP shall use objective metrics (economic and reliability) to select the successful proposals.

**ADDITIONAL ITEMS TO BE ADDRESSED**

- 1) Study timelines will need to be revisited with the goal to not unduly delay the planning process.
- 2) Metrics and evaluation criteria to calculate benefit/cost ratio will need to be identified.
- 3) Metrics and evaluation criteria for a reliability project will need to be identified.
- 4) Metrics and evaluation criteria for qualifying proposers and proposals.
- 5) Sponsor qualification process will need to be identified. The criteria must not be unduly discriminatory or preferential. The qualification criteria should allow for the possibility that an existing public utility transmission owner already satisfies the criteria, and should allow any transmission developer the opportunity to remedy any deficiency (prior to excluding the transmission developer from submitting proposals through the SCERT).
- 6) Project cost estimates. Prepared independently, and the estimates and cost estimate methodology must be consistently applied per the new SPP project cost estimating process.
- 7) A competitive selection process to select the party to build projects proposed by other stakeholders (or SPP) that are not seeking the right to develop and construct a project.
- 8) Process in the event proposals to meet SPP identified needs are not submitted. Possible solution is the same competitive process used when proposals are submitted by stakeholders (or SPP) that are not seeking the right to develop and construct a project.
- 9) ROFR language modifications required in SPP Tariff and Membership Agreement.
- 10) Generation solutions to transmission problems.
- 11) Process needs to be non-discriminatory, open, and transparent.
- 12) Abandonment recovery for projects removed from transmission plan due cost variance exceeded.

## EXAMPLES

### Example 1

#### ITP Identified Problem:

- Stability concerns in western Oklahoma (Woodward terminal) are limiting the loading on the lines in the region.

#### Timeline/Process:

- September 1, 2012 - SPP begins current year ITP.
- February 1, 2013 - SPP presents transmission needs list and issues RFP.
  - Responses to RFP due April 15, 2013.
- April 15, 2013 – Sponsors and other stakeholders submit proposals in response to RFP and/or their own identified need.
- April 15, 2013 through August 1, 2013 – SPP performs ITPNT study and considers proposals.
- August 1, 2013 – SPP presents findings to Stakeholders.
- September 15, 2013 – SPP presents recommendations to BOD.

#### Proposals Submitted for Evaluation:

- (1) Incumbent Transmission Owner Proposal
    - New 345 kV line from Woodward to Wichita.
    - Cost of project is estimated to be \$300 million.
    - Initial ATRR is \$60 million.
    - Additional line capacity is 1200 MW (1800 MW thermal limit).
    - Expected life of transmission line is 40 years.
    - In service date – June 1, 2017
    - B/C Ratio = 2.4
  - (2) Non-incumbent Transmission Owner Proposal
    - Two new capacitor stations on the Woodward – Enid and Woodward – OKC lines.
    - Estimated cost of project is \$60 million.
    - Initial ATRR is \$15 Million.
    - Additional line capacity is 300 MW.
    - Expected life of 30 years.
    - In service date – June 1, 2016
    - B/C Ratio = 1.8
  - (3) Other stakeholder Proposal
    - 250 MW CCGT at Woodward.
    - Cost of project is estimated to be \$250 Million.
    - Initial ATRR assigned to transmission is \$25 million.
    - Additional line capacity is 200 MW.
    - Expected life of 25 years.
    - In service date – June 1, 2016
    - B/C Ratio = 2.1
- September 15, 2013 SPP BOD approves Proposal 1.

## Example 2

### ITP Identified Problem:

- Need for a new 345 kV substation (including 345 kV to 138 kV transformer) on the OGE 345 kV system between Woodward and Enid.

### Timeline/Process:

- September 1, 2012 - SPP begins current year ITP.
- February 1, 2013 - SPP presents transmission needs list and issues RFP.
  - Responses to RFP due April 15, 2013.
- April 15, 2013 – Sponsors and other stakeholders submit proposals in response to RFP and/or their own identified need.
- April 15, 2013 through August 1, 2013 – SPP performs ITPNT study and considers proposals.
- August 1, 2013 – SPP presents findings to Stakeholders.
- September 15, 2013 – SPP presents recommendations to BOD.

### Proposals Submitted for Evaluation:

- (1) Incumbent Transmission Owner Proposal
    - New 345 kV substation and transformer.
    - Cost of project is estimated to be \$15 million.
    - Initial ATRR is \$3 million.
    - Additional capacity is 400 MVA.
    - Expected life is 40 years.
    - In service date – June 1, 2016
    - B/C Ratio = 2.1
  - (2) Non-incumbent Transmission Owner Proposal
    - New 345 kV substation and transformer.
    - Cost of project is estimated to be \$15 million.
    - Initial ATRR is \$3.2 million.
    - Additional capacity is 400 MVA.
    - Expected life is 40 years.
    - In service date – June 1, 2016
    - B/C Ratio = 2.2
  - (3) Non-incumbent Transmission Owner Proposal
    - New 345 kV substation and transformer.
    - Cost of project is estimated to be \$15 million.
    - Initial ATRR is \$2.9 million.
    - Additional capacity is 400 MVA.
    - Expected life is 40 years.
    - In service date – June 1, 2016
    - B/C Ratio = 2.0
- September 15, 2013 SPP BOD approves Proposal 2.