SPP Joint Operating Agreement Workshop

Congestion Management Process Enhancements Under Consideration

June 30, 2004

- TRM and CBM Margins
- System Expansion
- 50% Point to Point Impacts on ASTFC
- 3rd Party Allocations
- Treatment of Unused Allocation

TRM and CBM Margins

- Currently, deduct TRM and CBM from the total flowgate rating prior to determining the allocation
- Propose to remove the CBM component from allocation calculation
- TP can use whatever CBM they feel appropriate for their share of allocation

System Expansion

- CMP has a specific freeze date on transactions and generation
- Use same freeze date for network topology changes
- Benefits of transmission enhancements accrue to the TP responsible for the enhancement
- Transmission enhancements made after the freeze date excluded from allocation process

Implement 50% Point to Point Impacts

- When request involves another TP to complete the party, allocation required for only 50% impacts

Third Party Participation in Allocation

- Currently hold an expansion margin for third parties beyond 6 months
- Does this provide proper incentive to participate?
- Currently include third party flowgates in allocation
- Does this provide proper incentive to participate?

Treatment of Unused Allocation Between MISO and SPP

- Unused allocation issue is where either MISO or SPP are restricted due to lack of an allocation while other party still has an unused allocation
- MISO and SPP will address two situations where this occurs
- First: To avoid building new facilities for long term firm requests because one party does not have an allocation
- Second: To not have unused allocations in real-time by one party while other party is restricted

Sharing of Unused Allocation During First 14 Days

- Goal is to not have one party have unused allocation in real-time while other party restricted
- There would be no change in the allocation. Would recognize that one party was not going to fully utilize their allocation and it is available to other party
- Both parties would have to get back to their original allocation if congestion occurred
- Since the allocations have not changed, the sharing of unused allocation would be uncompensated - Use It or Lose It

Three Situations When This Can Occur

- Both parties are on the path, one with an allocation and the other with no allocation.
- In order to accommodate the transaction, the party with the allocation must agree to decrement for the other party’s 50% impact.
- If congestion occurs, the party with the allocation is responsible for 100% impacts. Must also have AFCs before approve.

Three Situations When This Can Occur

- The party with no allocation is on the path, but not the other party.
- The party with no allocation reduces its allocation by the impact and then adds its negative allocation to the positive allocation of the other party.
- If net number is positive and have AFCs, can approve.

Three Situations When This Can Occur

- On a day-ahead basis, MISO and SPP will pool their unused allocations to operate a market. If MISO allocation is not fully utilized, it becomes available to SPP market. If SPP allocation is not fully utilized, it becomes available to MISO market. No AFC analysis associated with market flows.

Acquiring an Unused Allocation During Months 1 Through 18

- Goal is to not have one party build new facilities in response to a long-term request because they do not have an allocation
- There would be a exchange of allocation provided there are no other allocation commitments and have AFCs
- Credits will be given for use of allocation that can be applied to other flowgates in the same time period
- Long-term firm request must be confirmed for the allocation exchange to occur. Rolled-over service based on this process will continue to create credits

Use of Credits in Exchange for Allocation

- Only long-term firm requests can initiate an allocation exchange. This may result in creation of credits
- Credits can be applied to unused allocations of the deficient entity during the same time period
- A party with credits can apply these either to long-term firm requests or to obtain unused allocations even when no long-term firm request exists
- To the extent credits have not been used before the time period ends, the credits expire

Example

Consider a flowgate XXYY. Its TFC is 400, its AFC is 200. MISO has an allocation of 100 and has used 90. SPP has an allocation of 300 and has used 200.

MISO gets a request on that flowgate for 50MW. They are short 40MW (100-90=10, 10-50=-40). They would provide this information to SPP, along with the queue date, as a request for a Buy Back.

SPP would use this information to determine the"value" of the capability they need as of the queue date:

40MW x ((400TFC-200AFC)/400TFC) =40MW x .5=20 Credit

Example

SPP would then propose to MISO a flowgate upon which SPP would like an increased allocation in return. For example, SPP might want to trade the XXYY capacity for getting additional ZZAA capacity. ZZAA has a TFC of 1000 and an AFC of 550.

First SPP would calculate the "value"

(1000-550)/1000=.45

Next, SPP would divide the credits needed by MISO on the XXYY flowgate by the "value"

20 credits/.45=44

MISO would need to grant SPP 44MW of additional allocation on the ZZAA flowgate to get 40MW of additional allocation on the XXYY flowgate.