

Treatment of New Network Resources

CAWG Meeting

for

August 3, 2004

New Network Resource

- New Network Resource: what is required for any generation source , old or new, to be designated as network resource is that there is firm transmission service from that generation source to the load of the requestor.
- The granting of Network Transmission Service by the SPP is the key concept.

Non-Rate Terms and Conditions

- Entities taking network transmission service under the SPP tariff must submit a request for a generation source not already designated as a network resource to be so designated.
- Under the SPP RTO Order all load-serving entities within the SPP RTO would have to follow this same procedure whether or not they are paying SPP the network service transmission rate; i.e., this falls under the non-rate terms and conditions provision.

Current SPP Practice

- If available, network transmission service is provided.
- If not available, transmission customer must pay for any upgrade costs under the following in SPP
 - Upgrades within zone are rolled into zonal rate
 - Upgrades outside of zone are added costs – customer eligible to receive revenues from incremental sales of transmission

If the SPP Process for New Network Resources Changes, What Limits Need to Be Placed on the Location and or Transmission Costs for These Resources?

- Should the designation of a new network resource be allowed to place costs on other users of the SPP transmission system?
 - If so, are there any limits to what costs can be placed on other users of the SPP transmission system?
 - Does the minimum cost transmission provide a base case against which to measure incremental costs for new network resources?

How Should The Existing SPP Practice for Treating New Network Resources Change?

- Base case includes costs for upgrades associated with generic (minimum transmission cost) system.
 - Customer submits request for network transmission service for new network resource.
 - Transmission upgrades are compared to base case upgrades with respect to costs.
 - Customer pays incremental cost to the extent that upgrades do not provide economic benefits to others.
- Alternative Approaches?

What Should Be the Role of Economic Benefits from Upgrades Related to New Network Resources?

- The minimum cost transmission system represents the least cost associated with achieving reliability.
 - To the extent that a new network resource requires additional upgrades above the minimum cost transmission system, is it important to determine whether or not these additional upgrades provide economic benefits to others?
 - Does it make any difference whether these economic benefits to others are significant enough to cover the incremental costs of these additional upgrades?
- Alternative Approaches?