



**Southwest Power Pool**  
**ECONOMIC STUDIES WORKING GROUP**  
**July 1<sup>st</sup>, 2014**  
**Net Conference**

**• SUMMARY OF ACTIONS TAKEN •**

1. SPP Staff will post the point-to-point TSRs used in the preliminary results for the Wheeling Revenues metric.

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**• MINUTES •**

**Agenda Item 1 – Administrative Items**

**Agenda Item 1a - Call to Order, Introductions**

Chair Alan Myers (ITC Great Plains, LLC) called the meeting of the Economic Studies Working Group (ESWG) to order at 8:02 AM, welcomed those in attendance, and asked for introductions. (Attachment 1 – Attendance List)

There were 33 web conference participants representing 9 of 13 members.

**Agenda Item 2 – Metrics Review – Increased Wheeling Revenue**

Antoine Lucas (SPP Staff) reviewed the Increased Wheeling Through and Out Revenues metric for the ESWG. This was the final metric for the ESWG to determine how to calculate and allocate. There are 2 parts of this metric Staff is proposing to monetize: firm long term service and non-firm short term service. For the firm long term service, Staff's recommendation is to use historical transmission service sold and increased available transfer capability (ATC) to create a ratio to be applied to future years. For non-firm short term service, Staff is proposing to use PROMOD software to monetize wheeling revenues. Preliminary results for the suggested long-term portion of this metric were presented using transmission service sold from 2010 to 2014. (Attachment 3 - Wheeling Revenues Metric)

**Kip Fox (AEP/Transource) made a motion to include the long-term service sold to ATC ratio for the calculation of the Increased Wheeling Through and Out Revenues metric, and the non-firm sales portion of the Staff recommendation be used for information only for the time being so that it can be included in the future. Randy Collier seconded the motion. The motion passed with all but one “Yes” vote. Kurt Stradley (LES) abstained.**

**Bennie Weeks (XCEL Energy) made a motion to allocate the benefits for the metric consistent with the SPP tariff. Bruce Walkup (AECC) seconded the motion. The motion passed with 6 votes for the motion and 3 votes against.**

With a decision on the final metric, the next step is for these metrics to go to the MOPC for final approval:

- Mandated Reliability Projects
- Public Policy Benefits
- Mitigation of Transmission Outage Costs
- Increased Wheeling Through and Out Revenues
- Marginal Energy Losses

Overall, the group agreed that bringing info from The Brattle Group's work on the metrics should be presented at the July MOPC meeting.

**Action Item: SPP Staff will post the point-to-point TSRs used in the preliminary results for the Wheeling Revenues metric.**

**Closing Items**

Chair Alan Myers (ITC Great Plains, LLC) requested if any other items merited discussion.

The meeting was adjourned at 9:59 AM.



Respectfully Submitted,  
Juliano Freitas  
ESWG Secretary

Name	Attendance
Alan Myers	WebEx
Anita Sharma	WebEx
Bary Warren (Empire)	WebEx
Bennie Weeks	WebEx
Bill Leung (NPRB)	WebEx
Bob Burner	WebEx
Bruce Walkup (AECC)	WebEx
David Treichler	WebEx
Gayle Freier (SPP)	WebEx
Geoffrey M Rush	WebEx
Jason Chaplin (OCC)	WebEx
Jason Shook (GDS/ETEC)	WebEx
Jeff Knottek	WebEx
Joe Lang	WebEx
Jon Iverson	WebEx
Keith Tynes (ETEC, NTEC, TEXLA)	WebEx
Kip Fox (AEP - Transource)	WebEx
Kurt Stradley	WebEx
Liz Gephardt (SPP)	WebEx
Meena Thomas (Texas PUC)	WebEx
Michael Watt (OMPA)	WebEx
Michael Wegner (ITC)	WebEx
Mike Knapp	WebEx
Mitchell L Williams WFEC	WebEx
Onur Aydin	WebEx
Pat McCool	WebEx
Randy Collier (CUS)	WebEx
Rick McCord (EDE)	WebEx
Rosemary Mittal	WebEx
Sanjoy (AEP)	WebEx
Steve Gaw	WebEx
Tim Owens (NPPD)	WebEx
Tom DeBaun (KCC)	WebEx



**ECONOMIC STUDIES WORKING GROUP**

**July 1<sup>st</sup>, 2014**

**Conference Call**

**• A G E N D A •**

**8:00 am – 10:00 am**

1. Administrative items
  - a. Call to Order, Introductions..... Alan Myers (5 minutes)
2. Metrics Review – Increased Wheeling Revenue (Approval Item) ..... SPP Staff (2 hours)
3. Closing Items ..... All

# Increased Wheeling Through and Out Revenues

ESWG

July 1, 2014



Helping our members  
work together to  
keep the lights on...  
today and in the future

# Agenda

- **Assessment of benefit metrics and alternative allocation methodologies**
  - A. Benefits of Mandated Reliability Projects
  - B. Benefits from Meeting Public Policy Goals
  - C. Mitigation of Transmission Outage Costs
  - D. Increased Wheeling Through and Out Revenues
  - E. Marginal Energy Losses Benefits

# **D. INCREASED WHEELING THROUGH AND OUT REVENUES**



# Increased Wheeling Through and Out Revenues

- **Increased ATC with neighbors can lead to increased through and out transactions which would increase SPP wheeling revenues and offset a portion of total project costs**
  - Schedules 7, 8, 11
  - MW volume of transmission reservations for long-term service will exceed the MWh of energy scheduled, leaving room for additional non-firm exports
- **SPP recommends two complementary approaches to estimate how increased export ATCs affect wheeling service sold**
  - Impact on long-term reservations based on review of long-term firm TSRs enabled by projects
  - Hourly, non-firm transactions based on Promod simulations
  - Allocation based on current revenue sharing method in tariff

## Wheeling Revenues Metric Status – 6/24 Recap

- One motion to table the discussion on the Wheeling Through and Out Revenues metric until the SPP/MISO JOA issue is resolved was made to the ESWG. The motion failed.
  - 4 voted in favor of the motion.
  - 7 voted against the motion.

# Increased Wheeling – Proposed LT Calculation

- **Run First Contingency Incremental Transfer Capacity (FCITC) model to determine change in export ATCs**
  - Sinks defined in zones typical for transmission service requests (TSRs)
  - Base case: 2014 model (without upgrades)
  - Change case: 2014 model (with upgrades)

- **Determine long-term wheeling service (TSRs) that SPP was able to sell due to upgrades and calculate ratio**

*Incremental LT Wheeling Service Sold*

$$\frac{\text{Incremental LT Wheeling Service Sold}}{ATC_{\text{Change Case}} - ATC_{\text{Base Case}}}$$

- **Historical ratio to be utilized to determine wheeling MW and revenues for export-ATC changes from new projects in future**
- **Consider reduced ratios (e.g., scaling factors) based on additional analyses for very large future ATC increases**

## Increased Wheeling – Proposed Non-Firm Calculation

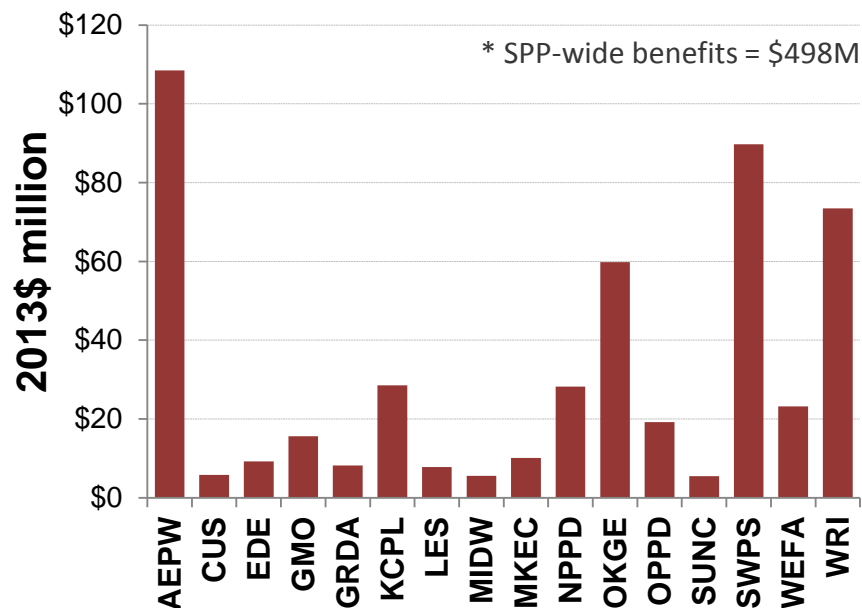
- **Volume of long-term wheeling service sold will not capture sale of non-firm hourly wheeling service based on short-term market conditions**
- **Propose to modify Promod simulations to capture this type of “economy-energy” export transactions**
  - Promod simulations apply “hurdle rates” (e.g., non-firm hourly wheeling service rate plus market friction) to all market-based export transactions; export contracts with LT wheeling service do not face such hurdles
  - Non-firm hourly exports generate wheeling revenue in addition to the sale of incremental long-term wheeling service
  - Can be estimated in Promod, but need to (1) add definition of export interfaces and non-firm export-ATC values for base and change cases; (2) more carefully model neighboring regions
  - Value additional export MWH at average SPP rate for non-firm hourly wheeling service

# Preliminary Results

## Estimated Wheeling-Out Revenues from Incremental Long-Term TSRs Sold (2010-2014)

Export Delivery Area	Number of Firm PtP Service Requests	Capacity Granted (MW)	Annual Wheeling-Out Revenues (\$m/yr)
AECI	6	716	\$18
Ameren	3	126	\$3
Entergy	3	284	\$11
<b>TOTAL</b>	<b>12</b>	<b>1,126</b>	<b>\$31</b>

## 40-yr PV of Wheeling-Out Revenue Offsets (Assumes Annual Revenues Grow at Inflation)



### Notes:

- [1] These results are based on preliminary analysis and subject to revision.
- [2] Estimated benefits reflect the increase in firm wheeling-out revenues. Additional benefits related to non-firm energy exports are not included in this example.