

The slide features a blurred background with a gradient from dark blue on the left to light grey on the right. In the top left corner, the SPP logo is shown in white. The main title is in large, bold, white sans-serif font. To the right of the title, there is a subtitle and a date, both in bold, black sans-serif font.

SPP

**Transmission
Expansion
Cost Allocation
Proposal**

**Summary of
Stakeholder
Comments**

CAWG Meeting

September 28, 2004

2



1.a. Base Funded Upgrades Flexibility in Designating Network Resources

- ❖ All stakeholders agree Base Plan must be developed to meet reliability requirements and projected load growth
- ❖ Clear split over the scope of the Base Plan and treatment of designated network resource change requests. Options include:
 - ◆ Option 1 – Base plan should include transmission customer requests to change designated resources to meet their changing supply requirements
 - ◆ Option 2 – Base Plan should be developed for existing transmission service and projected load growth; changes to designated network resources should not be in Base Plan
 - ◆ Option 3 - Same as Option 1 except that transmission customer must demonstrate that DNR change meets certain guidelines (e.g. level of commitment to resource, long-term nature, etc.)
- ❖ CAWG requires direction from RSC on preferable option

3



1.b. Base Funded Upgrades X% in Region-wide Rate

- ❖ What percent of BPF costs should be assigned as regional?
 - ◆ 10% or less via Transfer Reserve Margin Test
 - ◆ 25% via SPP 3% Transfer Test
 - ◆ 33% via SPP Megawatt-Mile Loop Flow Test
 - ◆ 50% via Sunflower Proposal
 - ◆ 100% via TDU Network System Proposal
 - ◆ % could vary by voltage level via SPP Megawatt-Mile Loop Flow Test

4



1.c. Base Funded Upgrades Allocation of (1-X)% to Zones

❖ Choice between two proposed flow-based tests and current practice

- ◆ **AEP Test:** those zones that benefit from economy transactions as measured by net imports.
- ◆ **SPP Test:** those zones whose megawatt-mile use of the existing system decrease from the addition of a system upgrade.
- ◆ **Status Quo:** Cost assigned to the zone in which the facilities are located.



Summary of Stakeholder Comments on Questions Raised

	TDU Group and Supporters*	Transmission Owners	Entergy	AEP
1a - Level of Flexibility to change DNR	Should include Designated Network Resources, both existing and new. The cost of system upgrades for all new Designated Network Resources serving Designated Network Load in the SPP footprint should be included in the base plan.	Would included changes if requested change met certain limits. Capacity commitment required. Proposed sliding scale for allocating costs to regional rate based on time duration and proposed reasonability limit on dollar per MW cost for upgrade.	Base plan should only preserve existing DNRs. Base plan should not include changes to DNRs.	LSE should be limited to 125% of forecast load. Require contract term of 7 years. If resource is outside LSE territory, direct assignment may be necessary.
Percentage to be assigned to regional rate (What is X?)	Prefer X to be 100%. Would like to see X fixed up front and not vary on case-by-case basis.	Allocation factor should vary by voltage level and should be determined on project basis.	In general, no costs should be assigned to the regional rate. See comment on zonal allocation below.	Determine X on an annual basis using flow-based methodology for projects in base plan. Voltage is not a good determinant for allocator.
Allocation of remaining costs to zone	Costs should be rolled into regional rate not zonal rates.	Use flow-based methodology to determine cost allocation to zones.	Could use load flow methodology proposed by AEP or model similar to PJM approach for identifying beneficiaries in neighboring zones.	Methodology would determine the zones that benefit.



Transmission Expansion Cost Allocation Proposal

**Review of Economic
Upgrade Issues**

CAWG Meeting

September 28, 2004

7



Overview

- ❖ **Majority of discussion has focused on base plan upgrades**
- ❖ **Purpose of this presentation is to summarize current status on issues and proposals related to economic upgrade projects**



8



2.a. SPP Approved Economic Upgrades Y% Voluntarily Funded

- ❖ **Whether economic upgrades should be mandatory or voluntary.**
 - ◆ **Projects with clear and significant benefits should be mandatory. Mandatory would require a determination of who benefits in order to allocate the costs of the upgrade among multiple entities per Principle 7.**
 - ◆ **Projects should require a certain level of voluntary funding (Y%) before the remaining portion is funded by the region.**
 - * **Should Y% be determined as a policy matter and represent strong support from market participants for the project – say 2/3rds or 3/4ths voluntarily funded; or**
 - * **Should Y% change with the strength of the economic benefits that are expected to result from the upgrade?**

9



2.b. SPP Approved Economic Upgrades Participant Rights

- ❖ **Should a crediting policy analogous to Order 2003-A be adopted for economic projects; or**
- ❖ **Should economic upgrade projects be treated as directly assigned costs with no credits back to participant?**

10



Overview of Straw Proposal for Economic Upgrades

- ❖ SPP identifies projects that provide net benefits and projects must be approved by SPP Board
- ❖ Projects are voluntarily funded
- ❖ Cost allocation of approved Economic Upgrades
 - ◆ (100-Y)% through a single region-wide SPP rate and Y% directly from the party or parties that volunteer to pay for such upgrades
- ❖ Parties funding economic upgrades receive:
 - ◆ Firm transmission service
 - ◆ Eligible for credits from PTP service revenues sold
 - ◆ Eligible for credits for charges greater than the base rate if facilities rolled into base rates

11



Stakeholder Comments on Economic Upgrades

- ❖ Comments on both sides of spectrum as expected
 - ◆ Economic upgrades should be identified and significant portion of costs should be allocated to regional rate
 - ◆ Economic upgrades should be paid for by those requesting upgrades
- ❖ Generally, all agreed that entities that fund an economic upgrade should receive some form of transmission right
 - ◆ Some type of credit in current situation
 - ◆ Financial transmission right under market based congestion management

12

Economic Upgrade Funding

- ❖ Should any portion of the costs be put into an SPP region wide rate – the (100%-Y) Factor?
- ❖ Number of comments received:
 - ◆ Parties voluntarily requesting upgrade should fund it
 - ◆ Set Y at a fixed value and review periodically
 - ◆ Set Y based on the potential net benefits of the proposed project
 - ◆ Link this value to the avoided reliability upgrade costs the economic project permits

Determining Beneficiaries for Economic Upgrades

- ❖ Methodologies discussed
 - ◆ Allow parties willing to pay for upgrades to determine cost allocation amongst themselves
 - ◆ Use cost benefit methodology to determine cost allocation to parties willing to pay for project
 - ◆ Use flow-based methodology to allocate costs to parties willing to pay for project



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