



 **SPP** *Southwest
Power Pool*



Base Plan Proposal

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**Cost Allocation
Working Group
Symposium**

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Dallas, TX**



Base Plan Presentation

- ❖ **Overview of Base Plan Process**
- ❖ **Proposal Specifics**
 - ◆ **Regional Allocation Factor**
 - ◆ **Allocation to Zones**
 - ◆ **Conditions on future DNR's**
 - ◆ **Waivers**
 - ◆ **Review of Regional Allocation Factor**
- ❖ **Approval Process**





What is the Base Plan

- ❖ **Base Plan upgrades are facilities identified during the planning process**
- ❖ **The planning process is an open stakeholder process that will review the transmission needs for SPP to reliably serve its native load customers and existing firm service commitments over the next 10 years**
- ❖ **SPP Criteria and NERC Standards will be used for transmission assessment**





Reliability Upgrades

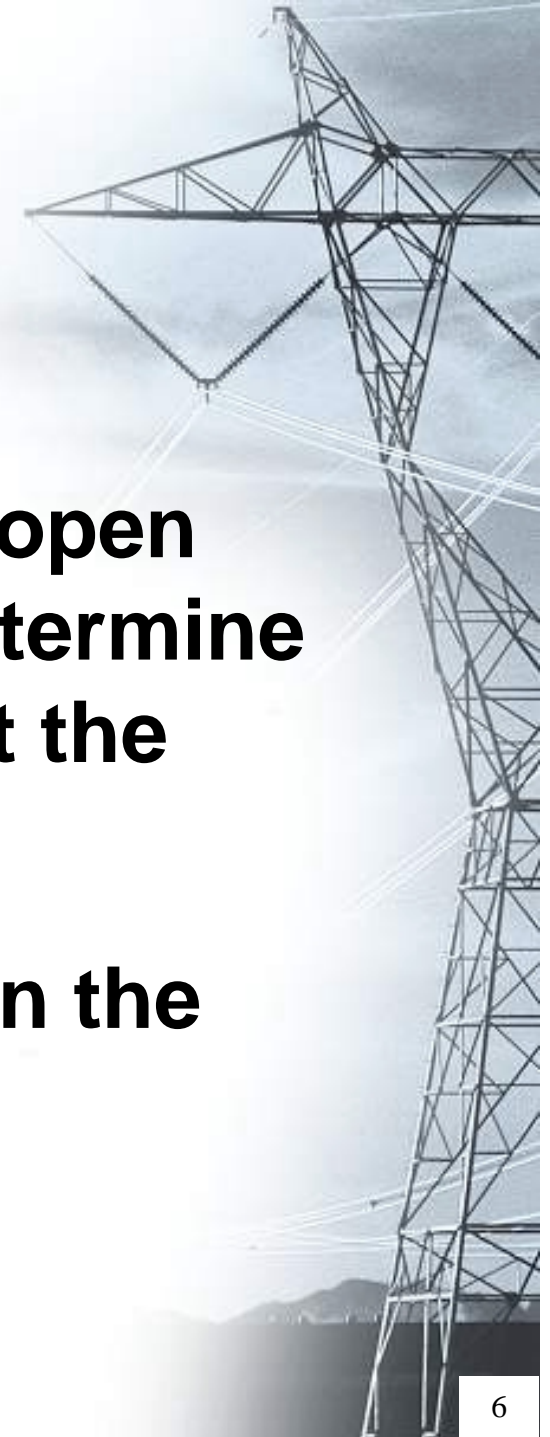
- ❖ **The Base Plan will include upgrades required to serve new designated network resources for load within SPP reliably**
- ❖ **Customers can submit new DNR's for existing or new generation units**
- ❖ **Includes point-to-point and network service commitments**





Transmission Upgrades

- ❖ **SPP RTO will facilitate an open stakeholder process to determine upgrades required to meet the Base Plan needs**
- ❖ **The RSC will be involved in the planning process**





Base Plan Proposal

❖ **Proposal Specifics**

- ◆ **Regional Allocation Factor**
- ◆ **Allocation to Zones**
- ◆ **Conditions on future DNR's**
- ◆ **Waivers**
- ◆ **Review of Regional Allocation Factor**





Regional Allocation Factor

- ❖ **33% of all upgrades approved under the Base Plan will be allocated to a region wide rate**
- ❖ **Based on review of regional and zonal impacts of MW-mile usage of the transmission system to serve existing commitments**





Regional Allocation Factor Discussion

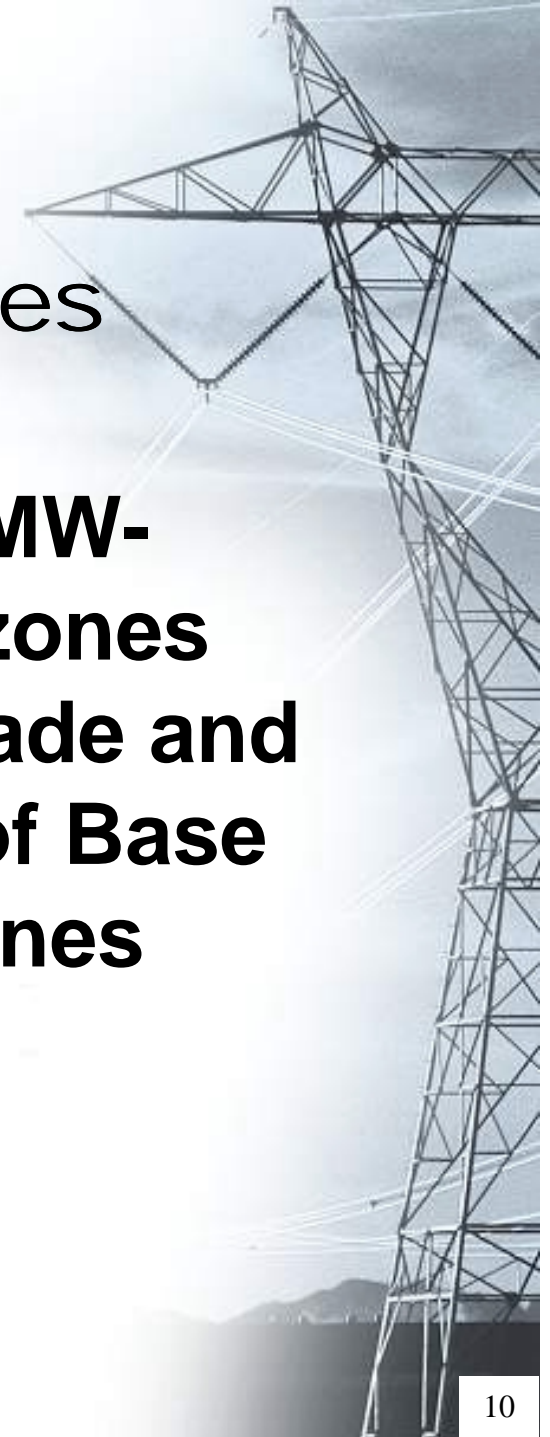
- ❖ **The CAWG reviewed several methodologies on determining what the “X factor” should be**
 - ◆ **MW-mile, reserve margin**
 - ◆ **Transmission mileage or investments**
 - ◆ **Transmission Bright line**
 - ◆ **Draft transmission expansion investment needed in the planning process**
 - ◆ **Stakeholder recommendations**





Allocation of Costs to Zones

- ❖ **Use the SPP incremental MW-Mile approach to identify zones that benefit from the upgrade and allocate remaining costs of Base Plan upgrades to these zones**





Zonal Allocation Discussion

❖ **Reviewed different methods and philosophies on allocation to zones**

- ◆ **AEP Proposal**
- ◆ **MW-Miles**





Conditions on future DNR's

- ❖ **5 year commitment required before upgrades associated with requests to change DNR's are eligible for base funding approach**
- ❖ **125% Maximum reserve margin**
- ❖ **\$180,000/MW Safe harbor provision**



Commitment Period

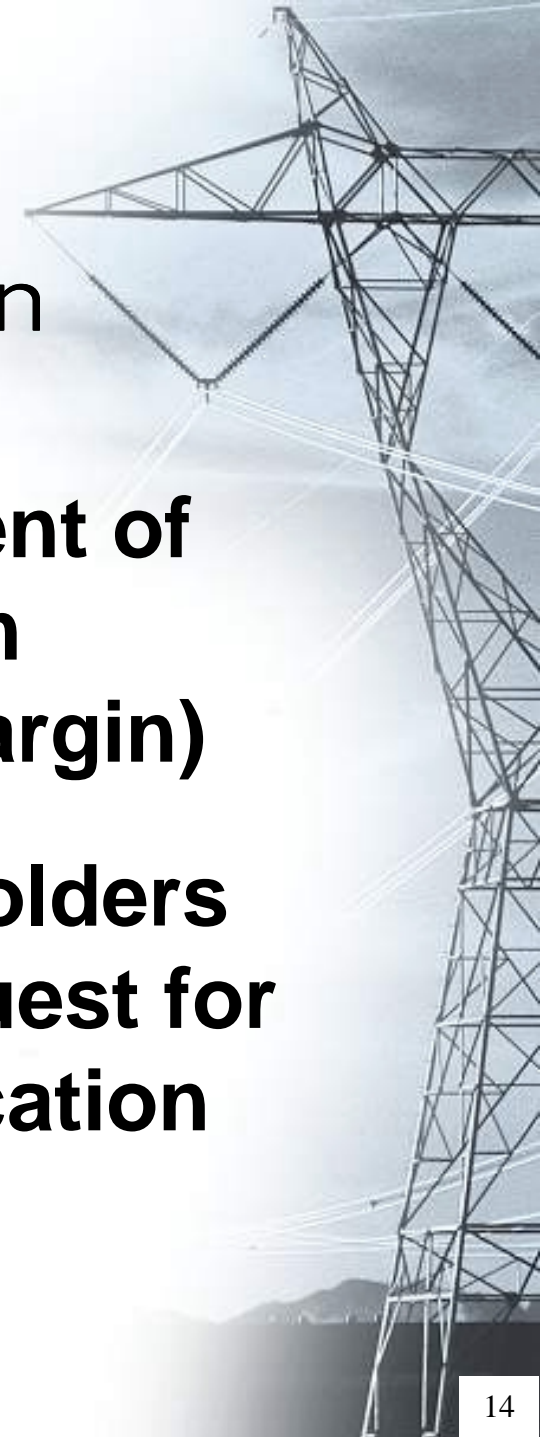
- ❖ **Commitment Period has been a key area of discussion**
- ❖ **CAWG desired commitment to provide for assurance of long-term usage of facility**
- ❖ **Recommendations varied from 1 year to 10 or more**





Maximum Reserve Margin

- ❖ **Provides for a measurement of resources above minimum required (12% capacity margin)**
- ❖ **Sets a margin that stakeholders can work in without a request for waivers or detailed justification**





Safe Harbor provision

- ❖ **TO's recommended a provision that has a financial measurement to ensure upgrades are of a reasonable cost**
- ❖ **CAWG agreed and recommended \$180,000/MW based on average fixed charge rate of transmission in SPP**





Waivers

- ❖ **Open to request from transmission customers with sample provisions provided**
 - ◆ **Lack of Competitive alternatives**
 - ◆ **Dollar Magnitude**
 - ◆ **Fuel Diversity**
 - ◆ **Upgrade Costs in excess of safe harbor limit**
 - ◆ **Commitment Period Waiver**





Process for Approval of Waivers

- ❖ **Transmission Customers will submit 10 year resource and load plans**
- ❖ **Requests for waivers of 5-year or 125% reserve margin are made**
- ❖ **SPP reviews request on a case-by-case basis for approval**
- ❖ **All approved requests studied for the safe harbor provision of \$180,000/MW**





Review of Regional Allocation Factor

- ❖ **Regional Allocation Factor will be reviewed at least once every 5 years**



Outstanding Concerns

- ❖ **Certainty of cost recovery for Transmission Owners constructing facilities**
- ❖ **Allocation of responsibility within a zone may be inappropriate for new network resources**
- ❖ **Physical and FTR rights under the market design**



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