



# Seams Projects Policy Paper

January 4, 2017

Seams Steering Committee



## Revision History

Date or Version Number	Author	Change Description	Comments
5/16/2014	Sam Loudenslager	1 <sup>st</sup> Draft	
5/23/2014	Sam Loudenslager	2 <sup>nd</sup> Draft	
6/13/2014	Sam Loudenslager	3 <sup>rd</sup> Draft	
6/23/2014	Sam Loudenslager	4 <sup>th</sup> Draft	
6/30/2014	Sam Loudenslager	5 <sup>th</sup> Draft	
7/17/14	Sam Loudenslager	6 <sup>th</sup> draft	
8/19/14	Sam Loudenslager	7 <sup>th</sup> Draft	
8/22/14	Sam Loudenslager	8 <sup>th</sup> Draft	
<b>9/3/2014</b>			Approved by SPP Cost Allocation Working Group
9/9/14	Sam Loudenslager	9 <sup>th</sup> Draft	Approved by Seams Steering Committee
<b>10/14/2014</b>			Approved by MOPC
<b>10/27/2014</b>			Approved by RSC
<b>10/28/2014</b>			Approved by Board of Directors

<b>01/04/2017</b>	Clint Savoy	Revision to Cost Allocation portion of Section 7 to document the cost allocation policy decisions approved by the RSC and Board of Directors in December 2014, subsequent to the initial approval of this policy paper.	Approved by SSC; CAWG Review and Recommendation for RSC Approval - 03/07/2017 Approved by MOPC 04/11/2017; Approved by RSC 04/17/2017; Approved by SPP Board 04/25/2017
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# Table of Contents

## Revision

## History

.....

1

## Section 1:

### Introduction

.....

5

Purpose.....5

Definitions.....5

## Section 2: Sources of Seams

### Projects

.....

5

Seams Projects from Tariff Processes.....6

Seams Projects from a Non-Order 1000 Seams Planning Process .....6

Joint Special Study.....6

## Section 3: Joint Study

### Process

.....

7

Scope Development .....7

Benefit Metrics.....8

Timeline .....8

Deliverable.....8

## Section 4: Seams Project

### Criteria

.....  
**8**

**Section 5: SPP Regional Review**

**Process**  
.....

**9**

**Section 6: Allocation of Transmission**

**Capacity**  
.....

**9**

**Section 7: Cost Sharing and Cost**

**Allocation**  
.....

**10**

**Section 8: Builder Selection and**

**Construction**  
.....

**12**

Projects wholly within SPP or Seams Partner .....	12
Tie Lines .....	12
Tie line with Jurisdictional Issues .....	12
Cost Increases .....	12
Project Termination & Regulatory Review .....	13

**Appendix A – Process**

**Flowchart**  
.....

**14**

## Section 1: Introduction

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### **Purpose**

In 2012, the Federal Energy Regulatory Commission (FERC) issued Order No. 1000 (Order 1000). Order 1000 included requirements to evaluate potential interregional projects and to develop interregional cost allocation methodologies. However, Order 1000 only requires coordination with neighboring planning regions, some neighboring planning regions only agreed to cost allocation for a specific class of projects (e.g. 345 kV), and some neighboring planning regions are not subject to FERC jurisdictional authority. Therefore, there is a gap that needs to be addressed in order to evaluate and approve Seams Projects that are identified outside of an Order 1000 process or that do not meet Order 1000 criteria; and for assigning costs to parties engaged in a shared cost seams project. This white paper is intended to address this gap.

### **Definitions**

**Benefits:** Benefits are calculated based on the metrics agreed to by SPP and its Seams Partner. The Benefits as referenced in this policy paper are the benefit values included in the Seams Project report.

**Cost Sharing:** The percentages of a Seams Project cost that will be assessed to SPP and a Seams Partner.

**Regional Review Process:** The regional review process is the analysis performed by SPP as described in Section 5.

**Seams Partner:** One or more non SPP transmission owner or another transmission provider with which SPP is considering a Seams Project.

**Seams Project:** A transmission project meeting the criteria as defined in Section 4 of this paper and that is not an Interregional Project under the Tariff.

**SPP:** Southwest Power Pool, Inc., the planning authority for the SPP region.

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## Section 2: Sources of Seams Projects

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A Seams Project may be identified through any one of the following processes:

1. The Tariff Processes;
2. Seams Projects from a Non-Order 1000 Seams Planning Process; or
3. Joint Special Study.

In any process above, for a transmission project to qualify as a Seams Project there should be an agreement between SPP and the Seams Partner on Cost Sharing. If there is not agreement between SPP and the Seams Partner on Cost Sharing, the project may be approved in any study process above. However, a Cost Sharing agreement specifying the percentages of costs shared between the parties to each Seams Project must be in place prior to any related stakeholder recommendation developed by the Markets and Operations Policy Committee (“MOPC”) or approved by the SPP Board of Directors (“Board”).

### **Seams Projects from Tariff Processes**

The Integrated Transmission Plan (“ITP”) Near Term (“ITPNT”), ITP10, or other Tariff planning processes may identify a Seams Project. Because these processes are part of SPP’s regional planning process, these Seams Projects will not be required to go through a separate SPP stakeholder approval process.

### **Seams Projects from a Non-Order 1000 Seams Planning Process**

A Seams Project may also be identified through a study performed pursuant to one of SPP’s non-Order 1000 seams planning processes.<sup>1</sup> These studies are not performed under the direction of SPP’s regional working groups. Since the SPP working groups are not involved in the seams planning process study, a Seams Project resulting from the seams planning process study will need to be evaluated by the applicable SPP stakeholder working groups.

After a Seams Project(s) has been identified in a seams planning process, the Seams Project(s) must be evaluated in the Regional Review Process as described in Section 5.

### **Joint Special Study**

Since SPP does not have a preexisting seams planning process with all neighboring utilities, specifically those who are members of a neighboring RTO, it may be necessary to develop a joint study process to evaluate a Seams Project with a Seams Partner where there is no preexisting seams planning process. This joint study will be performed by SPP and the Seams Partner with coordination and input from the affected SPP stakeholders and the Seams Steering Committee (“SSC”). This is consistent with the Interregional Planning Stakeholder Advisory Committee (“IPSAC”) utilized in the existing SPP Joint Operating Agreements (“JOA”).

The assumptions, data inputs, models, analyses, etc. will be negotiated between SPP and the Seams Partner. The guidelines for how this joint study will be performed are discussed in Section 3.

After a Seams Project(s) has been identified in a joint study with a Seams Partner, the Seams Project(s) must be evaluated in the Regional Review Process as outlined in Section 5.

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<sup>1</sup> The SPP-MISO JOA is an Order 1000 compliant process. The SPP-AECI JOA is not.

If a Seams Project is the result of an Order 1000 interregional planning process but is not approved for Cost Sharing by the Seams Partner, the Seams Project may be further evaluated with the applicable Transmission Owner pursuant to this section.

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## Section 3: Joint Study Process

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The purpose of the joint study is to evaluate the effectiveness of a proposed Seams Project and to identify the costs and benefits of the Seams Project. If SPP and a Seams Partner have a predefined joint study process then that process shall be used to evaluate any proposed Seams Projects. If such a joint study process does not exist the following shall be used.

### **Scope Development**

At the beginning of a Seams Project study SPP and the Seams Partner will develop a scope specific for that seams project study. SPP will review the draft scope for the seams project study with the SSC. The scope will include a description of the types of seams project studies that will be performed. The seams project studies will be used to evaluate the proposed issue(s) being analyzed, to test potential solutions, to identify the preferred solution, and to determine the Benefits of the solution(s). The types of issues identified and the metrics used to measure the Benefits of solutions will help guide the types of seams project studies that should be included in the scope.

As different seams project studies require different types of assumptions, the scope will guide what assumptions need to be developed. The following list provides examples of the types of assumptions that will need to be agreed to by SPP and the Seams Partner. This list is not meant to be all-inclusive and additional assumptions not included in the list below may be used depending on the type of analysis being performed.

- Environmental and public policy criteria
- Emissions
- System topology
- Generation parameters
- Fuel prices
- Hurdle rates
- Load forecasts
- Market structure
- System dispatch
- Footprint and voltage levels in study
- Voltage, Thermal, and Stability Thresholds (criteria such as SPP Criteria 3)
- NERC Standards
- Future generation
- Study horizon



Seams Partners must agree to the models used in the joint study. The model(s) will be available for stakeholder review, subject to appropriate confidentiality requirements.

### **Benefit Metrics**

Benefit metrics and the calculation methodologies used for evaluating the Benefits of a Seams Project, for purposes of Cost Sharing, must be agreed upon by SPP and the Seams Partner. The Benefit value used in the analysis will be the Net Present Value of the annual Benefits over a period of time as defined in the scope of the seams project study. SPP may use all or a subset of metrics from the list of current metrics used in SPP's regional planning process. The current list of Benefit metrics are:

- i. adjusted production costs,
- ii. emission rates and values;
- iii. ancillary service needs and production costs;
- iv. avoided or delayed reliability projects,
- v. capacity cost savings due to reduced on-peak transmission losses;
- vi. benefits of mandated reliability projects;
- vii. benefits from meeting public policy goals;
- viii. mitigation of transmission outage costs;
- ix. increased wheeling through and out revenues; and
- x. marginal energy losses benefits.

### **Timeline**

The scope will include a timeline for the seams project study, including the due date for all deliverables and when the results will be published. The timeline will be developed to be commensurate with the scope, however the timeline for the Seams Project evaluation shall not exceed 18 months from the date of scope approval by both SPP and the Seams Partner.

### **Deliverable**

The deliverable for the seams planning process will be a seams project study report. The report will include the recommended solution(s) and supporting detail. The SPP stakeholders will be presented with the results of the seams project study report and provided the opportunity to offer feedback on the report. The seams project study report should contain sufficient information that stakeholders are able to make an informed decision regarding the merits of the seams project study and the results. After review by the stakeholders, a recommendation for project approval will be submitted to the Board.

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## **Section 4: Seams Project Criteria**

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To be considered a Seams Project, projects will meet the following criteria:

- 100 KV and above solutions that are beneficial to SPP and one or more Seams Partners. Solutions may include tie-line/interconnections between SPP and the Seams Partners or transmission projects wholly contained within the service area of SPP or a Seams Partner;
- Minimum total project cost of \$5 million;
- Need date within 10 years;
- SPP regional B/C ratio of 1.0, however the RCAR process may continue to consider a Seams Project which does not meet this criteria;
- Based on the agreed upon metrics, a Seams Project should provide a minimum of 5% Benefits to SPP and each Seams Partner; and
- SPP and the Seams Partners must agree to the Cost Sharing.

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## **Section 5: SPP Regional Review Process**

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The Regional Review Methodology as reviewed by the ESWG and TWG and approved by the MOPC will also apply to Seams Projects. The Regional Review Methodology is found on the SPP website.<sup>2</sup>

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## **Section 6: Allocation of Transmission Capacity**

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SPP and a Seams Partner will be allocated the additional transmission capacity based on the allocation of the cost assumed by each entity for the entire Seams Project. Capacity of a Seams Project includes both the capacity of the project and also the change in capacity of any existing flowgates affected by the Seams Project. SPP or a Seams Partner's capacity is its allocated usage share of the project and any additional capacity on existing flow gates affected by the project. Unused capacity will be allocated based on the CMP process.

Either SPP or the Seams Partner will have the right to interconnect to the Seams Project. The parties requesting such interconnection will negotiate the terms and conditions with SPP and the Seams Partner.

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<sup>2</sup> <https://www.spp.org/engineering/interregional-relations/>

## **Section 7: Cost Sharing and Cost Allocation**

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SPP has adopted a set of principles to be used to negotiate Cost Sharing of Interregional Projects with neighboring Planning Regions. Similar principles should be used for sharing the costs of Seams Projects between SPP and Seams Partners.

### **Cost Sharing of Proposed Seams Projects**

The principles to be used in arriving at an equitable cost sharing methodology for Seams Projects between SPP and Seams Partners include:

- Shared costs should be at least roughly commensurate with total Benefits to SPP and each Seams Partner;
- Neither SPP nor a Seams Partner shall share costs without receiving Benefits;
- Cost sharing methodologies used and the identification of Benefits must be transparent ;
- Different cost sharing methodologies may be applied to different types or different portions of transmission facilities. This principal recognizes that transmission may be needed for different reasons;
- SPP and its Seams Partners will quantify and, if possible, monetize Benefits. However, non-monetized and non-quantified Benefits may also be recognized in assessing overall reasonableness of proposed Seams Project cost sharing; and
- The share of Benefits to SPP and its Seams Partners should be sufficient to support the Seams Projects' approval through each party's internal planning process

SPP and a Seams Partner could negotiate any advancement of the in-service date for a Seams Project. SPP and the Seams Partner would determine how the cost of advancing the in-service date would be allocated.

### **Cost Allocation**

#### **Seams Projects within the Seams Partner Area or Portion of Tie Line within Seams Partner Area:**

All Seams Projects within a Seams Partner area shall require a FERC filing to ~~cost~~ allocate costs assigned to SPP in accordance with sections 1 or 2 below.

1. For an approved Seams Project with a nominal operating voltage of 100 kV or higher, a filing shall be made with FERC to request cost allocation as described in accordance with Section III.A.2.i.b of Attachment J of the Tariff, or
2. Based on the results of the Seams Project Study Report, as described in Section 3, the MOPC and/or the Regional State Committee ("RSC") may make a recommendation

to the Board to approve cost allocation for the Seams Project under the principles of the SPP's highway/byway cost allocation methodology as set forth in Section III.A.2 of Attachment J of the Tariff, assigning the byway costs to the Zone referenced in (b), below. The Board may approve such cost allocation as part of its approval of the proposed Seams Project if all of the following criteria are met:

- a. The proposed Seams Project has a nominal operating voltage rating of between 100 kV and 300 kV;
- b. A single Zone is expected to receive 60% or more of the proposed Seams Project's calculated benefits to the SPP's Region; and
- c. A benefit to cost ratio greater than or equal to 1.0 for the Zone referenced in (b) above, with the costs calculated in accordance with Section III.A.2 of Attachment J of the Tariff with X equaling 33%.

If the Board approves such cost allocation, a filing will be made with the FERC to request it on a project by project basis.

### **Seams Projects within SPP Area or Portion of Tie Line within SPP Area:**

For an approved Seams Project with a nominal operating voltage of 100 kV or higher, the costs assigned to SPP will be allocated as described in accordance with Section III.A.2.i.b of Attachment J of the Tariff. If the Tariff does not already allow such cost allocation, a filing will be made with the FERC to request it on a project by project basis.

Based on the results of the Seams Project Study Report, as described in Section 3, the MOPC and/or the Regional State Committee ("RSC") may make a recommendation to the Board to approve cost allocation for the Seams Project under the principles of the SPP's highway/byway cost allocation methodology as set forth in Section III.A.2 of Attachment J of the Tariff. The Board may approve such cost allocation as part of its approval of the proposed Seams Project if all of the following criteria are met:

- d. The proposed Seams Project has a nominal operating voltage rating of between 100 kV and 300 kV;
- e. A single Zone is expected to receive 60% or more of the proposed Seams Project's calculated benefits to the SPP's Region; and
- f. A benefit to cost ratio greater than or equal to 1.0 for the Zone where the Seams Project will be constructed, with the costs calculated in accordance with Section III.A.2 of Attachment J of the Tariff with X equaling 33%.

If the Board approves such cost allocation, the conditions of the tariff have been met thus no additional FERC filing shall be required.

### **Seams Project Inclusion in RCAR**

Contingent on approval of cost allocation at FERC, approved Seams Projects will be evaluated as part of the SPP's Regional Cost Allocation Review (a/k/a RCAR) process in accordance with the provisions of the Tariff.

## **Section 8: Builder Selection and Construction**

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Either SPP or a Seams Partner will have the right to interconnect to the seams facility. The non-constructing entity would have to meet the interconnection criteria of the constructing entity.

SPP and a Seams Partner could negotiate any advancement of the in-service date for Seams Projects. SPP and a Seams Partner would determine how the advancement costs would be allocated.

### **Projects wholly within SPP or Seams Partner**

The entity responsible for constructing the Seams Project is the entity in which the Seams Project resides. The other entity will pay the constructing entity on an annual basis for its portion of the annual revenue requirement. SPP and the Seams Partner may agree to an alternative payment method. Physical ownership and maintenance of the Seams Project will be the constructing entity unless otherwise agreed. The project will be under the open access transmission tariff of the constructing entity.

### **Tie Lines**

SPP and its Seams Partner will be responsible for the construction of the Seams Project in direct relation to the portion of cost for which they are responsible. Physical ownership of the line will correlate to the portion to which each entity builds. Each entity's owned portion will be subject to that entity's open access transmission tariff. Each entity will maintain the portion of the facility that corresponds to the portion each entity constructed. SPP and the Seams Partner will negotiate operational authority for the Seams Project.

### **Tie line with Jurisdictional Issues**

This section covers construction if there are state jurisdictional issues that limit one entity's ability to construct a project which would otherwise build a share of the project based on the cost sharing. The entity that is limited by the jurisdictional issue will build and own what it can; the rest will be built by the other entity.

The entity which is building more than it would be allotted based on cost sharing due to jurisdictional issues is called the excess building region. The other entity will pay the constructing entity on an annual basis for its portion of the annual revenue requirement. SPP and the Seams Partner may agree to an alternative payment method.

### **Cost Increases**

For lines wholly within SPP or a Seams Partner, cost increases above the cost estimate at the time of approval will be shared in proportion to the benefits.

For Tie Lines, cost increases above the cost estimate at the time of approval on each entity's portion of the cost are covered by the responsible entity, either SPP or the Seams Partner.

For Tie Lines with jurisdictional issues, cost increases for those portions of the project which are assigned based upon benefits and the ability to construct will be covered by the entity or the Seams Partner. For those portions of the project where the ability to construct is limited by jurisdictional issues cost increases above the cost estimate at the time of approval will be shared in proportion to the benefits.

The portion of a Seams Project for which SPP has construction responsibility will be subject to SPP's project tracking process.

### **Project Termination & Regulatory Review**

Neither SPP nor a Seams Partner may terminate its participation in the Seams Project unless either regulatory denial of a project, or if the total project cost exceeds 20% of the project's agreed upon project cost when the project was approved by both parties. SPP and the Seams Partner will make a good faith effort to secure all necessary regulatory approvals required for the completion of the Seams Project.

# Appendix A – Process Flowchart

