



CAWG Review of Staff  
Recommendation and  
Issues Regarding  
OG&E's Waiver Request

## OVERVIEW

### **Review of Tariff Waiver Factors for the OG&E and GSEC Requests**

- Attachment J Section III.C.2 lists five factors; OG&E and GSEC require review of two.
- Waiver based on insufficient competitive resource alternatives for a customer.
- Waiver of the Safe Harbor Cost Limit (“SHCL”) in whole or in part after considering the duration of the customer’s commitment to the designated resource beyond the five-year commitment.

## OVERVIEW

### Review of other Multi-State ISOs/RTOs

- ISOs/RTOs researched were PJM and ISO New England.
- SPP has unique cost allocation methodology.
- Other ISOs/RTOs do not have provisions similar to evaluating waiver requests based on exceeding a five-year commitment period for a DR or insufficient competitive resource alternatives.
- Other ISOs/RTOs cost allocation is based on causation.

## SUMMARY of WAIVER REQUEST

### Review of OG&E Request

- OG&E reservation 1032973 studied by SPP in SPP-2006-AG1-AFS-4.
- OG&E provided SPP with 8 MW as net dependable capacity of wind farm.
- Base plan funding maximum calculated as  $8\text{MW} \times \$ 180,000/\text{MW} = \$ 1,440,000$ .
- May 19, 2006 - OG&E requests waiver.
- Sept. 25, 2006 - OG&E provided additional information in response to SPP's request dated Aug. 29, 2006.
- Submittal to SPP Board of Directors within 120 days per the tariff has passed. (Sept. 16, 2006)

## Two (2) Part analysis

### Service Life

- SPP Staff recommends using a service life of 40 years.
- Based on 40 years; 2.5%/year for every year greater than 5 years.
- The Eligible Customer selects the DR site.
- Based on selection Eligible Customer should assume not less than 50% of incremental cost.
- SPP Staff proposes to use a 1.25%/year to increase the SHCL.

## Two (2) Part Analysis

### Regional/Zonal Benefit

- SPP Staff recommends using a regional/zonal benefit factor.
- The Eligible Customer selects the DR site.
- SPP Staff recommends using the regional/zonal benefit factor to increase the SHCL.
- The more zones benefited the more SHCL would be allowed.
- The following chart to be used.

## Two (2) Part Analysis Regional/Zonal Benefit Chart

| # of Zones Benefited | Percentage |
|----------------------|------------|
| 1                    | 5%         |
| 2                    | 10%        |
| 3                    | 15%        |
| 4                    | 20%        |
| 5                    | 25%        |
| 6                    | 30%        |
| 7                    | 35%        |
| 8                    | 45%        |
| 9                    | 50%        |
| 10                   | 60%        |
| 11                   | 70%        |
| 12                   | 80%        |
| 13                   | 85%        |
| 14                   | 90%        |
| 15                   | 100%       |

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## POTENTIAL BASE PLAN FUNDING IMPACTS TO ACCEPTING THE WAIVER REQUESTS

### Potential Impacts

- Of the 434 eligible customers since starting Aggregate Studies, 320 or 74% have requested greater than five years reservation.
- If the “safe harbor” limit were to increase by \$ 20,000/MW and an average of 1000MW of firm service were granted in each of the three Aggregate Studies each year, this would increase the potential Base Plan funding by \$ 60,000,000/year of E&C or approximately \$ 1,000,000/month in revenue requirements.
- Maximum Base Plan funding per waiver analysis with 40 year request and benefiting all 15 zones, would calculate as  $143.75\% \times 180,000/\text{MW} = \$ 258,750/\text{MW}$ .

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## Waiver Recommendations

### Calculation to Determine new SHCL

$$\text{SHCL}_{\text{new}} = \text{SHCL} \times E$$

- A = Reservation time period – 5 years
- B = A x 1.25%
- C = Regional/Zonal Benefit (from table as a decimal based on MW-MI analysis)
- D = B x C
- E = D + 100% (as decimal)
- SHCL = \$ 180,000/MW

## Waiver Recommendations – OG&E (page 1 of 2)

### OG&E Calculation to Determine new SHCL

$$\text{SHCL}_{\text{new}} = \$ 180,000 \times 1.0125 = \$ 182,250$$

- A = 25 – 5 years = 20
- B = 20 x 1.25% (.0125) = 25%
- C = Regional/Zonal Benefit (from table as a decimal) = MW-MI analysis has one zone as benefiting = 5%
- D = B x C = 1.25%
- E = D + 100% (as decimal) = 1.0125

## Waiver Recommendations – OG&E (page 2 of 2)

### SPP Staff recommendation for OG&E

- SPP Staff recommends \$ 182,250/MW
- Based on \$ 182,250/MW x 12 MW = \$ 2,187,000.
- Base Plan funding is increased by \$ 747,000.
- SPP will use 10% of nameplate capacity for all wind farms as planned maximum net dependable capacity as a reasonable assumption given experience to date, in lieu of specific calculations based on Criteria 12.1.5.3.g.
- Refund would be required if service terminated prior to end of term.

## SPP Criteria 12.1.5.3.g

The net capability established for wind plants shall be determined on a monthly basis, as follows:

- Assemble up to the most recent ten years, with a minimum of the most recent five years, of hourly net power output (MW) data, measured at the system interconnection point. Values may be calculated from wind data, if measured MW values are not yet available. Wind data correlated with a reference tower beyond fifty miles is subject to Generation Working Group approval. For calculated values, at least one year must be based on site specific wind data.
- Select the MW values occurring during the top 10% of load hours for the SPP region for each month (e.g., 72 hours for a typical 30 day month).
- Select the MW value that can be expected from the plant at least 85% of the time.
- A seasonal or annual net capability may be determined by selecting the appropriate monthly MW values corresponding to the host control area's peak load month of the season of interest.
- The net capability calculation shall be updated at least once every three years.

## Staff Recommendation to MOPC

- **SPP Staff does recommend an increase in the Base Plan funding related to the term of the service based upon Staff's analysis since study is complete and service agreement is pending.**
- **SPP Staff proposes to use 10% of nameplate capacity for summer accredited net capability for all wind farms in SPP for cost allocation purposes, in lieu of specific calculations based on SPP Criteria 12.1.5.3.g.**

## MOPC Issues

- **Concerns about “claw back” in Staff report, which had been removed from presentation**
- **Concerns that staff recommendation on wind farm capacity accreditation was not consistent with SPP Criteria 12.1.5.3.g**
- **Need for consistent treatment of wind farms is paramount**
- **Confusion regarding adjustment from 2.5% / year to 1.25% / year for term > 5 years**
- **No guidelines provided for determination of “insufficient competitive resources”**

## MOPC Actions on OG&E Waiver Request

- MOPC directed SPP Staff to present and discuss its recommendation on the OG&E waiver request, in addition to the criteria used to evaluate a waiver, to the CAWG for their direction and recommendation prior to the next MOPC meeting in January 2007.
  1. Approved Unanimously – Board Concurrence
- MOPC recommended to the Board of Directors that “unusual circumstances” exist in the OG&E waiver and that the MOPC is recommending an extension in the 120-day deadline to the end of January 2007.
  - Approved Unanimously – Board Action required



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