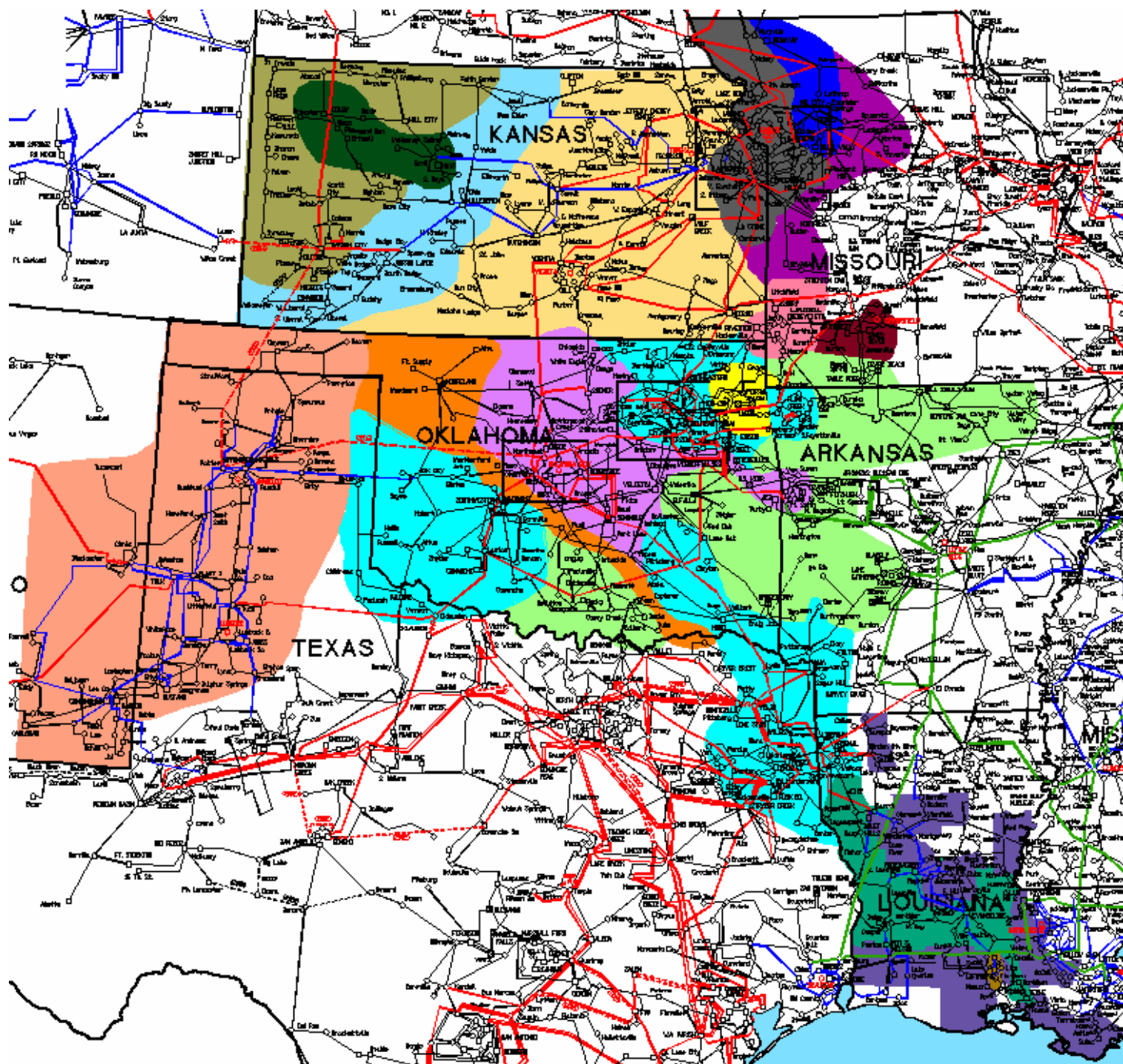


Transmission Expansion Funding and Transmission Access Rates

Larry Holloway, KCC Staff





Funding Transmission Expansion

- Historically
 - Transmission owner looked at its own system
 - Transmission expansion and upgrades
 - Often related to load growth or generation additions
 - Sometimes needed to handle loop flows from other systems
 - Either way the transmission owner made the upgrade and its customers funded the costs



Funding Transmission Expansion (cont)

- Regional Transmission Organizations
 - Regional transmission planning
 - Regional transmission solutions
 - Regional regulatory oversight
 - SPP Regional State Committee (RSC)
 - Kansas, Missouri, Arkansas, Texas, Oklahoma, and New Mexico
 - FERC has indicated it may defer to RSC on transmission expansion funding decision
 - Current approach is to address new transmission first and existing costs second



SPP RSC Transmission Expansion Funding

- Process
 - RSC formed Cost Allocation Working Group (CAWG)
 - Consisted of members of the KS, OK, TX, AR and MO Commission Staff
 - Drafted Proposal Outline
 - July 12, 2004 RSC Approved CAWG Process Changes and Outline Proposal
 - CAWG to include industry representation
 - CAWG proposal
 - Still many decisions to be made!



CAWGW Process Changes

- Goals
 - Participation
 - Include more stakeholders
 - Other SPP processes are inclusive
 - Need to develop broad consensus
 - CAWGW looked at success of Cost Benefit Task Force
 - Deadlines
 - October 27, 2004 SPP BOD Meeting
 - October 26, 2004 SPP RSC Meeting



CAWGW Process Changes (cont)

- Schedule
 - Meet Every Other Tuesday in Dallas
 - August 3, 17, 31, and September 14
 - Fly in and fly out meetings (10 to 4)
 - Telephone conference on other Tuesdays
 - Participant Funding Symposium September 28
 - Final CAWGW recommendation presented for comment
 - Final Plan to RSC by Early October
 - RSC Plan Approved at October 27, 2004 RSC Meeting
 - SPP BOD Approval on October 28, 2004



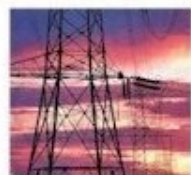
CAWG Process Changes (cont)

- First Meeting, August 3, 2004
 - 10 am to 4 pm
 - Hyatt @ DFW
 - Agenda
 - Administrative
 - Base Plan
 - Allocation Test
 - New Network Upgrades
- Register for Meetings Online!
 - www.spp.org
 - Under Committees then Regional State Committee





Helping Our Members
Work Together To
Keep the Lights On..
Today and in the Future!



About SPP ▶

Calendar of Events ▶

Committees

[Blackout Response](#)

Regional Planning ▶

SPP Operations ▶

 RTO/Market
Operations ▶

 Regulatory/
FERC ▶

NERC Compliance ▶

Regional State Committee

Roster

[Bode, Denise](#) (President)
[Hochstetter, Sandra](#) (Vice-President)
[Parsley, Julie](#) (Secretary)
[King, David](#) (Treasurer)
[Gaw, Steve](#) (Member)
[Moline, Brian](#) (Member)

[Download](#) Member List

Description

The SPP Regional State Committee provides collective state regulatory agency input on matters of regional importance related to the development and operation of bulk electric transmission. The SPP RSC is comprised of retail regulatory commissioners from agencies in Arkansas, Kansas, Louisiana, Missouri, New Mexico, Oklahoma and Texas.

Related Calendar Dates

Cost Allocation Working Group

August 3, 2004 (10a.m.-4p.m.)
DFW Airport Hyatt
972-453-1234

For sleep rooms on August 2, call 972-453-1234 and ask for the Southwest Power Pool volume rate of \$129.00.

Contact: [Lamona Lawrence](#); 501-614-3370

[Online Registration](#)



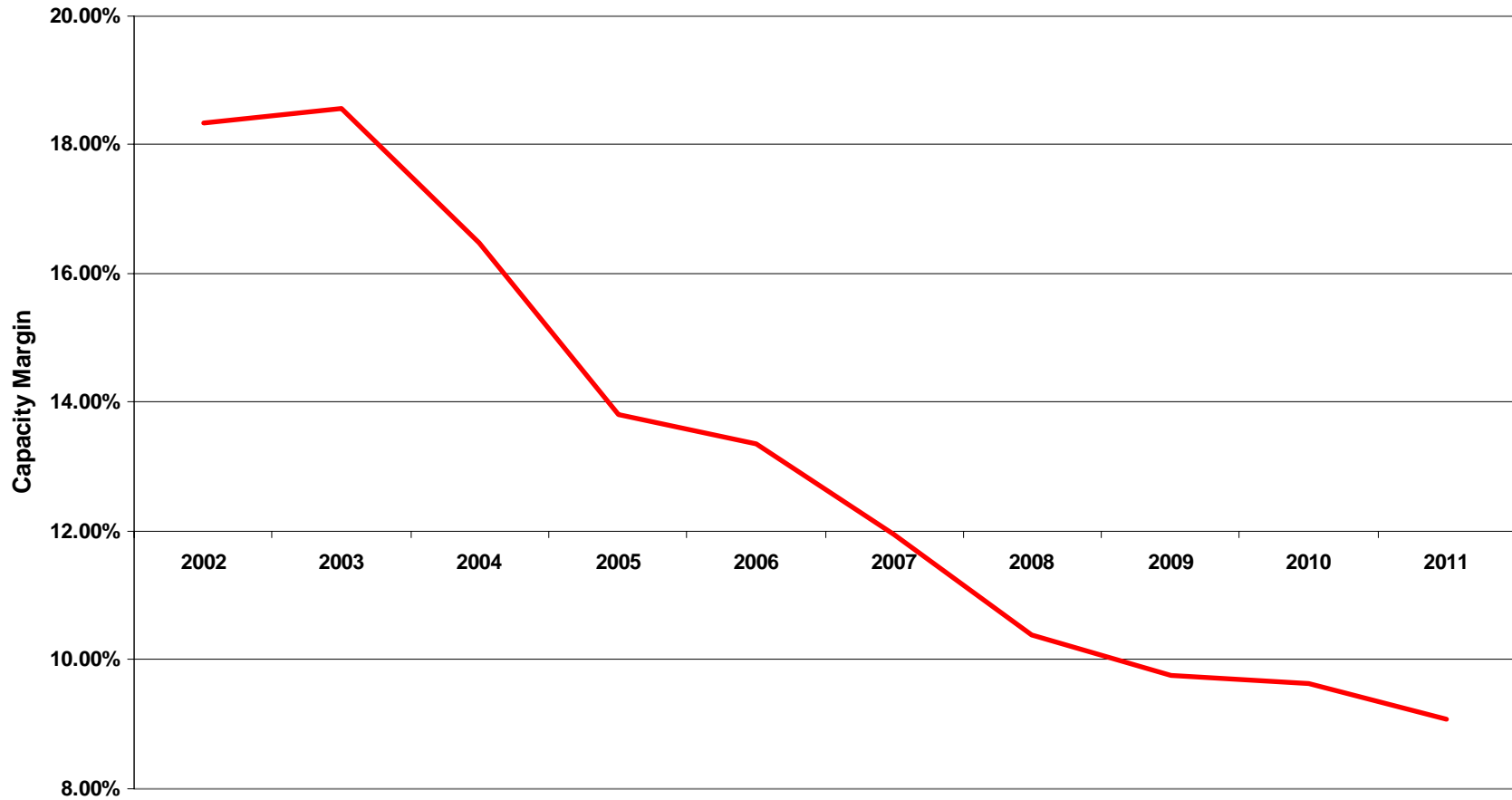
CAWG Proposed Base Plan

- 10 Year Reliability Plan
- Use 10 year load forecasts
 - Use known committed generation
 - Designated Network Resources (DNRs)
 - Uncommitted generation located according to agreed guidelines
 - Assume generic size and type
 - Uncommitted capacity to meet capacity margin requirements
 - Location is optimized for least cost transmission upgrades
 - locations and sizes publicly identified
 - Identified upgrades are part of the base plan
 - Upgrades associated with uncommitted resources are determined but not included in base plan upgrades



Example – 2002 SPP EIA-411

SPP 2002 EIA-411 Report



Current SPP Planning Process

- Utilize 10 year control area load forecasts
- Use known committed generation
 - Designated Network Resources (DNR)
- Model will not solve!
 - Load Serving Entities are not required to commit 10 years out
 - Capacity Margin (12%) enforced for the next year
- SPP inputs generation from system planners
 - Uncommitted
 - Best guess
- Results identify upgrades to reliably serve the forecasted load and firm point to point transmission service
 - Upgrades associated with uncommitted resources are determined but not included in base plan upgrades



CAWGW Proposed Economic Plan

- Economic upgrades
 - SPP runs a generation dispatch model
 - Identifies clear economic projects
 - Includes analysis for participant requested economic reviews
 - May change location of uncommitted generation

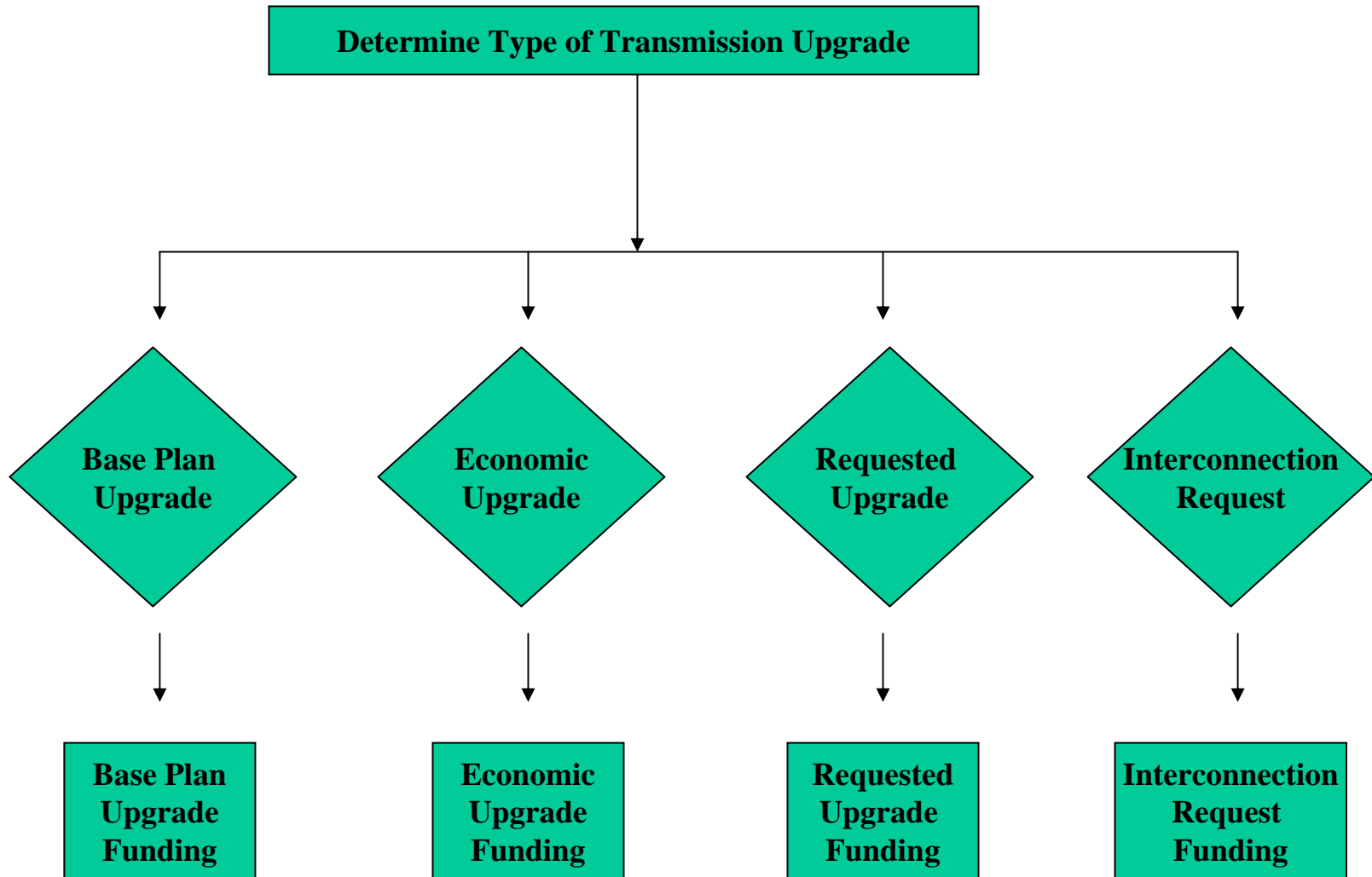


Other Types of Transmission Upgrades

- Requested Upgrades
- Interconnection Requests



Transmission Upgrades



Base Plan Upgrade Funding

- Regional/Zonal Allocation
- Allocation test determines amount to region and amount to zones
 - Different Tests
 - Flow Based
 - Voltage based
 - Impact based
 - Functional test



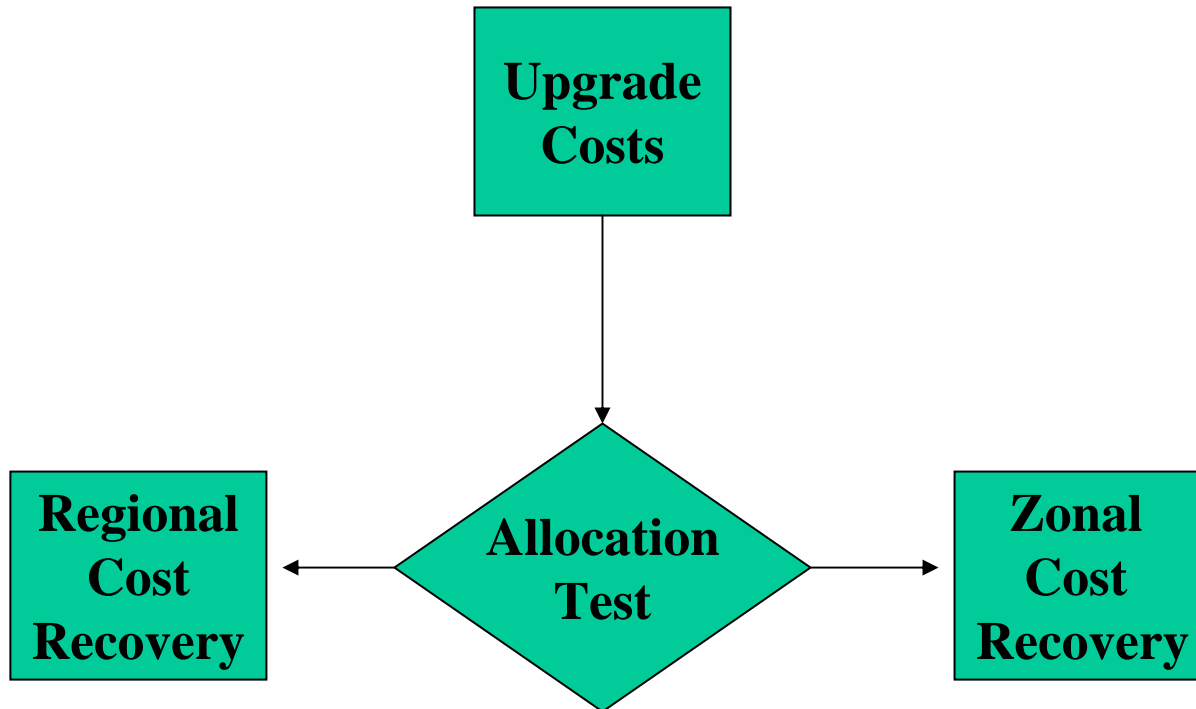
Base Plan Upgrades

- These are upgrades identified by the base plan to meet reliability
 - Difference between base plan and deviations from base plan
 - Requested upgrades
 - Economic upgrades
 - Interconnection Requests
 - Funded by individual funding mechanism
 - Not the base plan
 - 10 Year base plan updated each year
 - Implementation schedule may change annually



Base Plan Funding

As proposed by CAWG

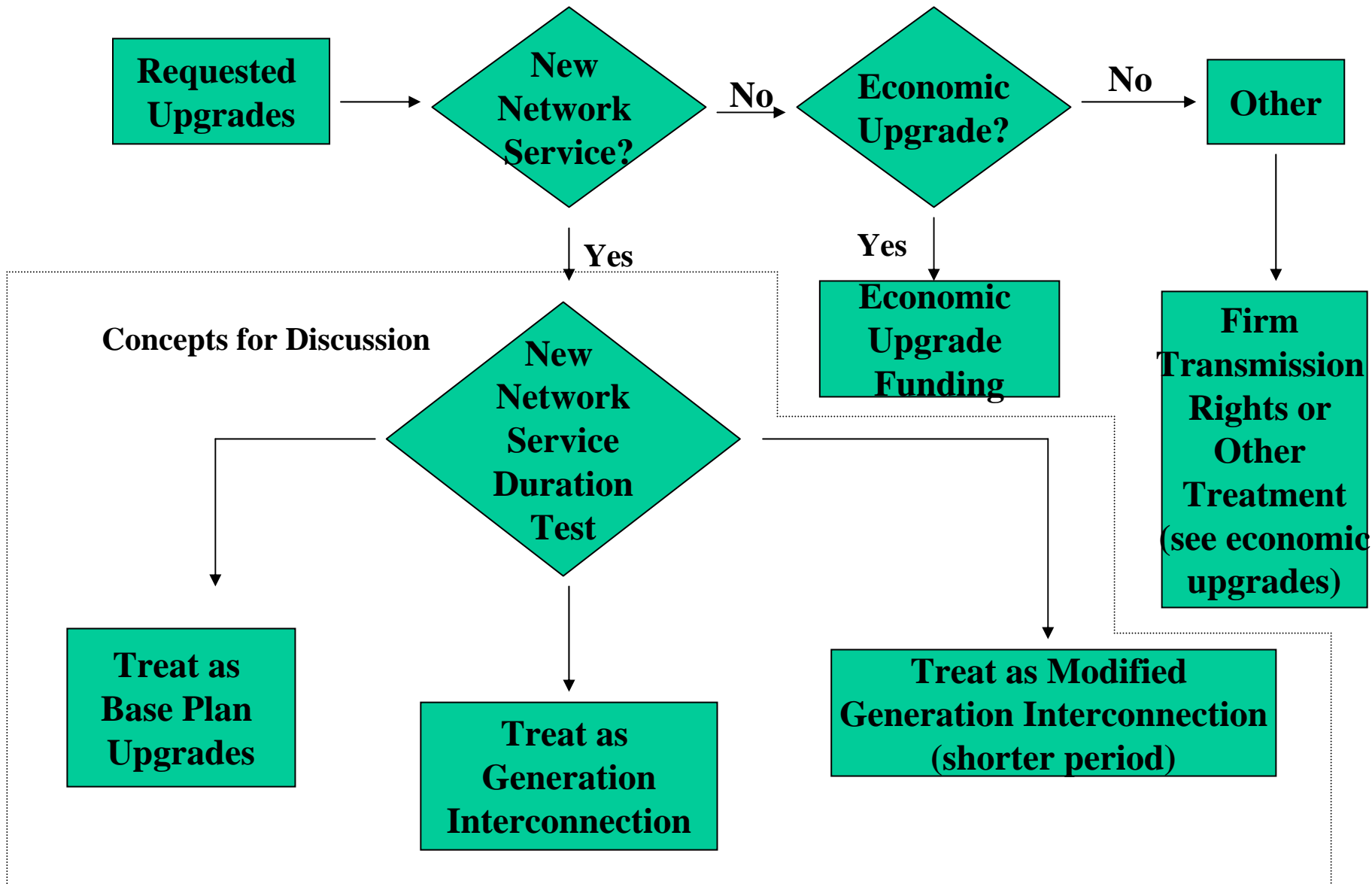


Requested Upgrade Funding

- Requested upgrades either economic or for firm service
 - Requested economic upgrades present the same challenges as upgrades from economic plan
 - Upgrades needed for firm service
 - Designation of new designated network resources
 - New firm point to point service



Requested Upgrades — for Discussion Only

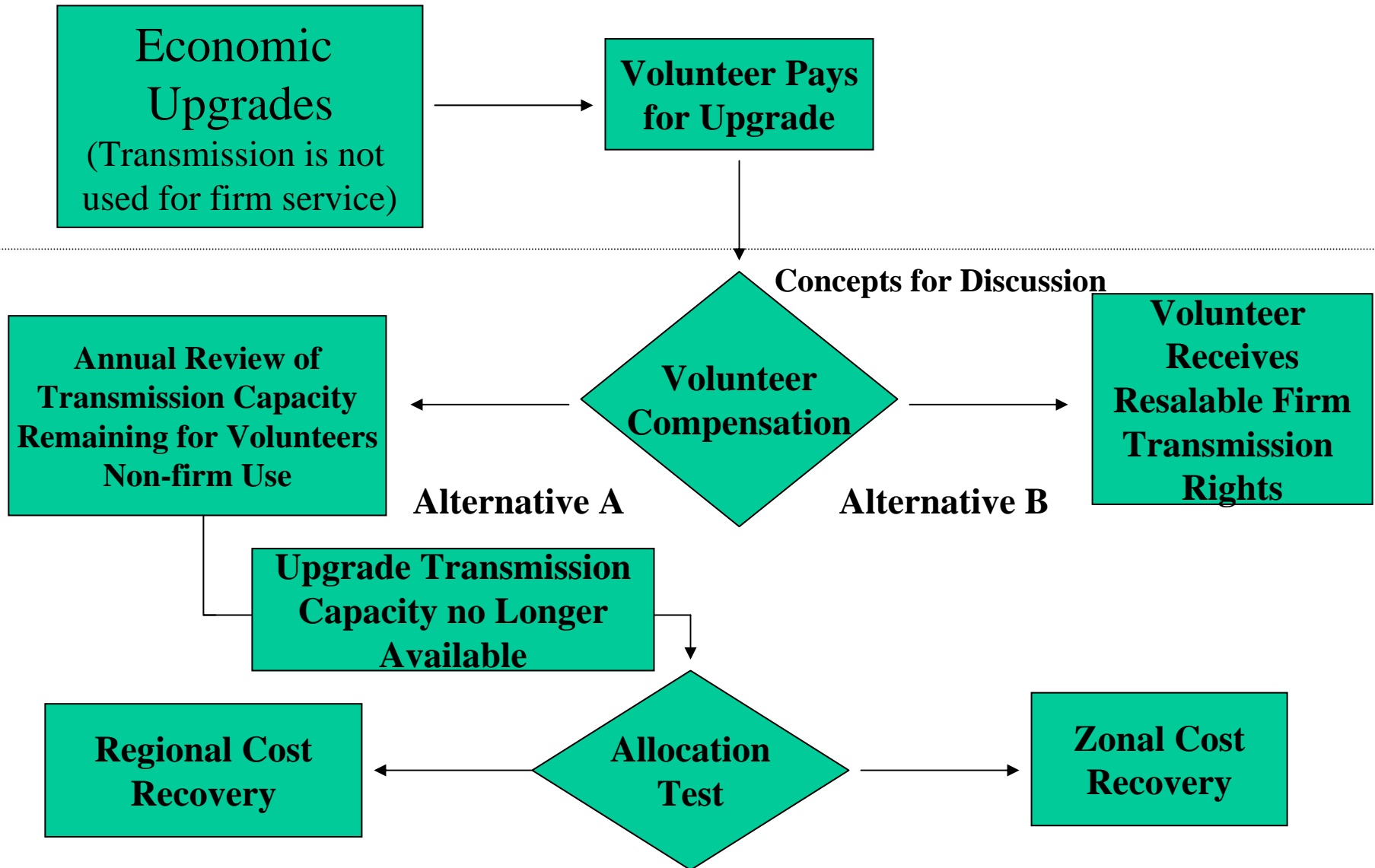


Economic Upgrade Funding

- Voluntary/Mandatory Debate
 - Either one leaves questions of transmission rights
 - Network service customers use nonfirm economic dispatch
 - If they pay for economic upgrades for dispatch reasons they have no priority transmission service
 - Firm transmission service customers may purchase available transmission capacity funded by economic beneficiaries
 - Assigning some transmission rights solves this problem
 - Assigning costs on regional basis solves problem also
 - But raises other concerns!



Economic Upgrades – for Discussion Only

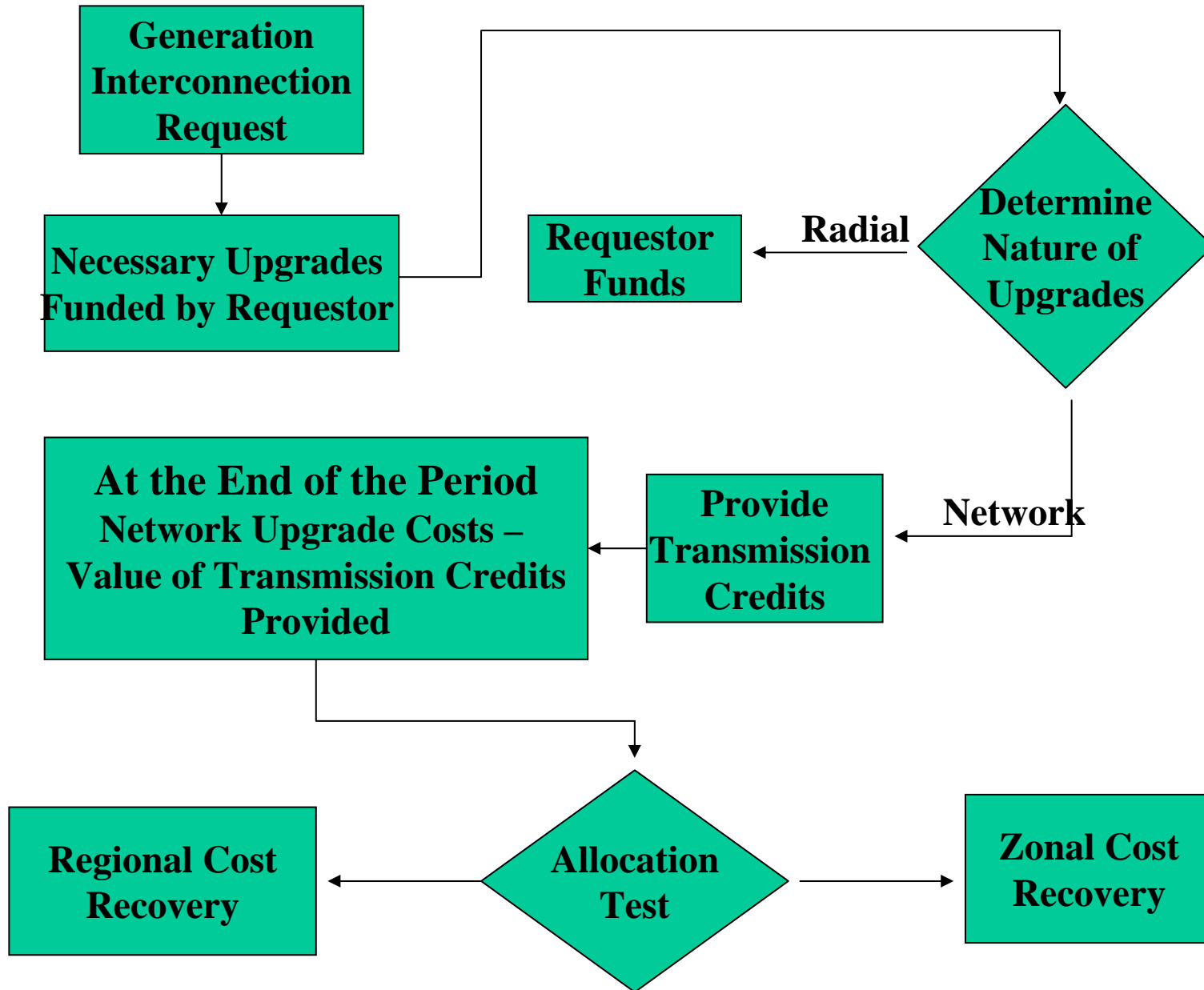


Generation Interconnection Requests

- FERC Order 2003
 - Generators pay for all upgrades
 - Network upgrade costs plus interest are repaid to generator
 - Transmission provider provides transmission credits for five years.
 - At the end of five years
 - Generator reimbursed remainder, or
 - Generator continues to receive transmission credits
 - Does allow RTOs some flexibility



Generation Interconnection



Issues

- Generation Interconnection and New Network Resources
 - One is generated by the load, the other by the generator
 - Should they be treated any differently?
 - Should there be a duration test?
 - Network upgrades for short term generation capacity could be unneeded after contract expires



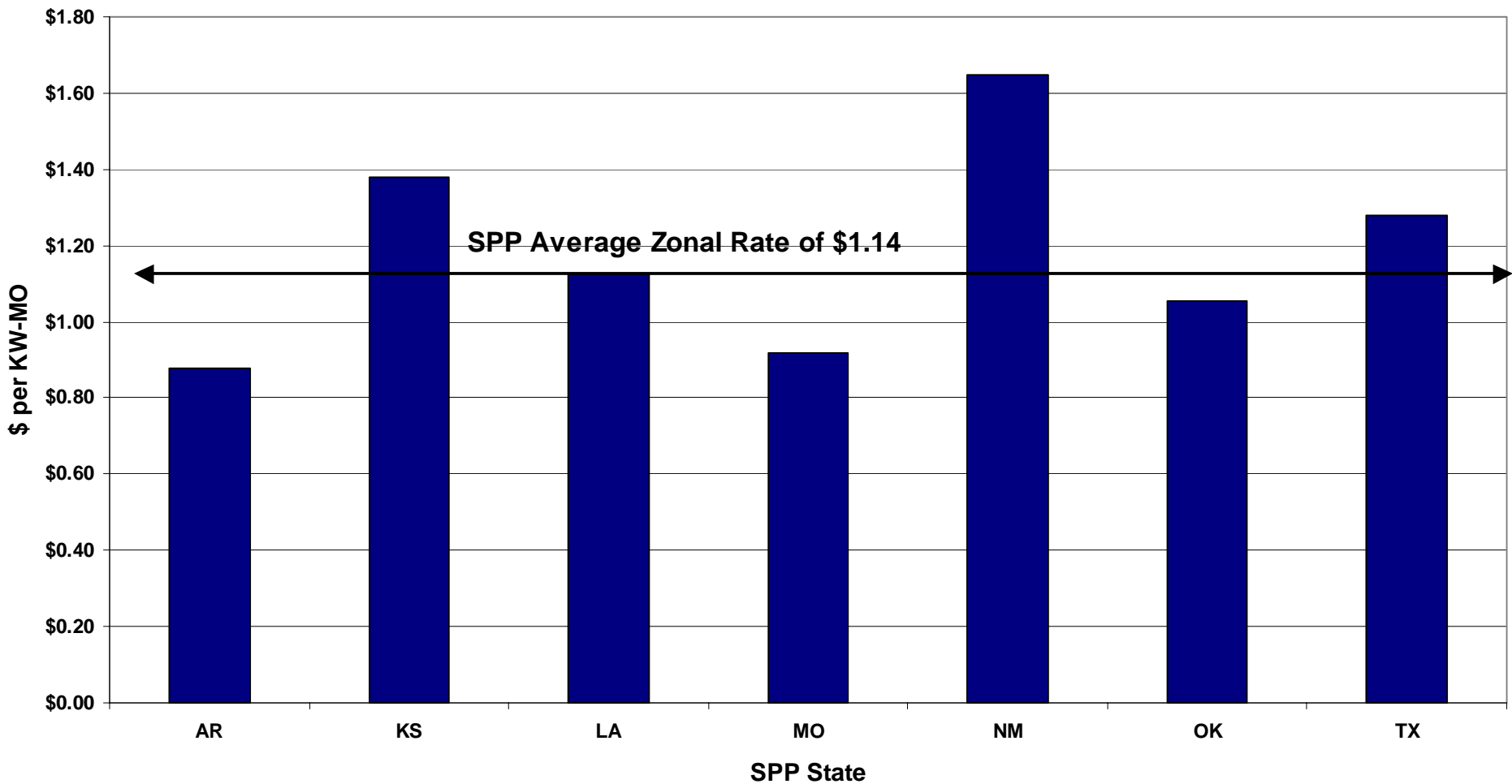
Changes in SPP Transmission Access Charges

- Current Practice
 - Transmission Provider
 - Point to Point Tariffs
 - Grandfathered Agreements
 - Often bundled transmission and generation
 - Network Service
 - Non-Firm
 - Generation Interconnection
- Most Firm Service will Transfer to Network Service
 - Non-firm service between RTOs will no longer have a through and out charge



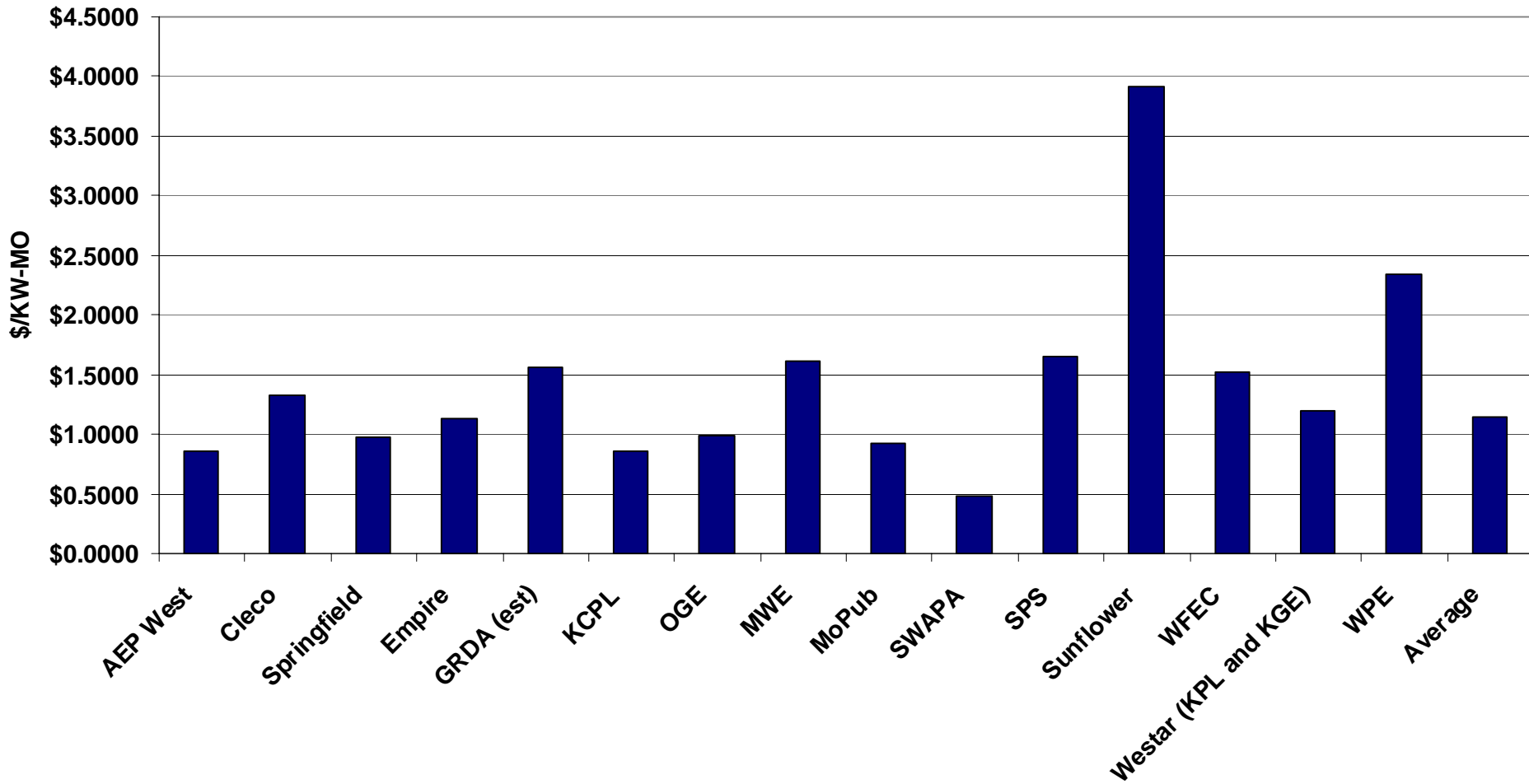
Current SPP Zonal (License Plate) Access Charges by State

State Average SPP Zonal Rate



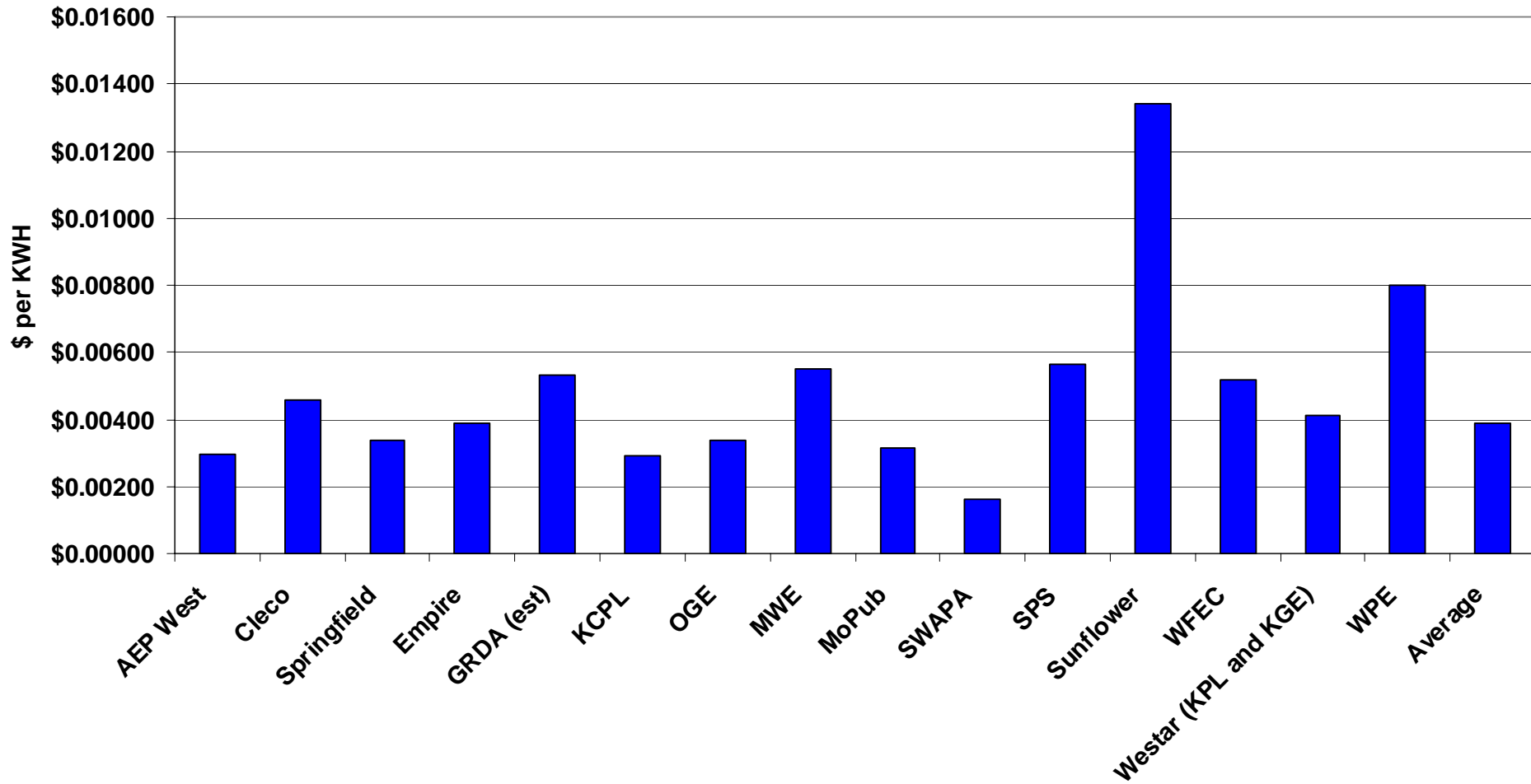
Current SPP Zonal (License Plate) Access Charges by Zone

SPP Network Service Rate



Current SPP Zonal (License Plate) Transmission Costs by Zone

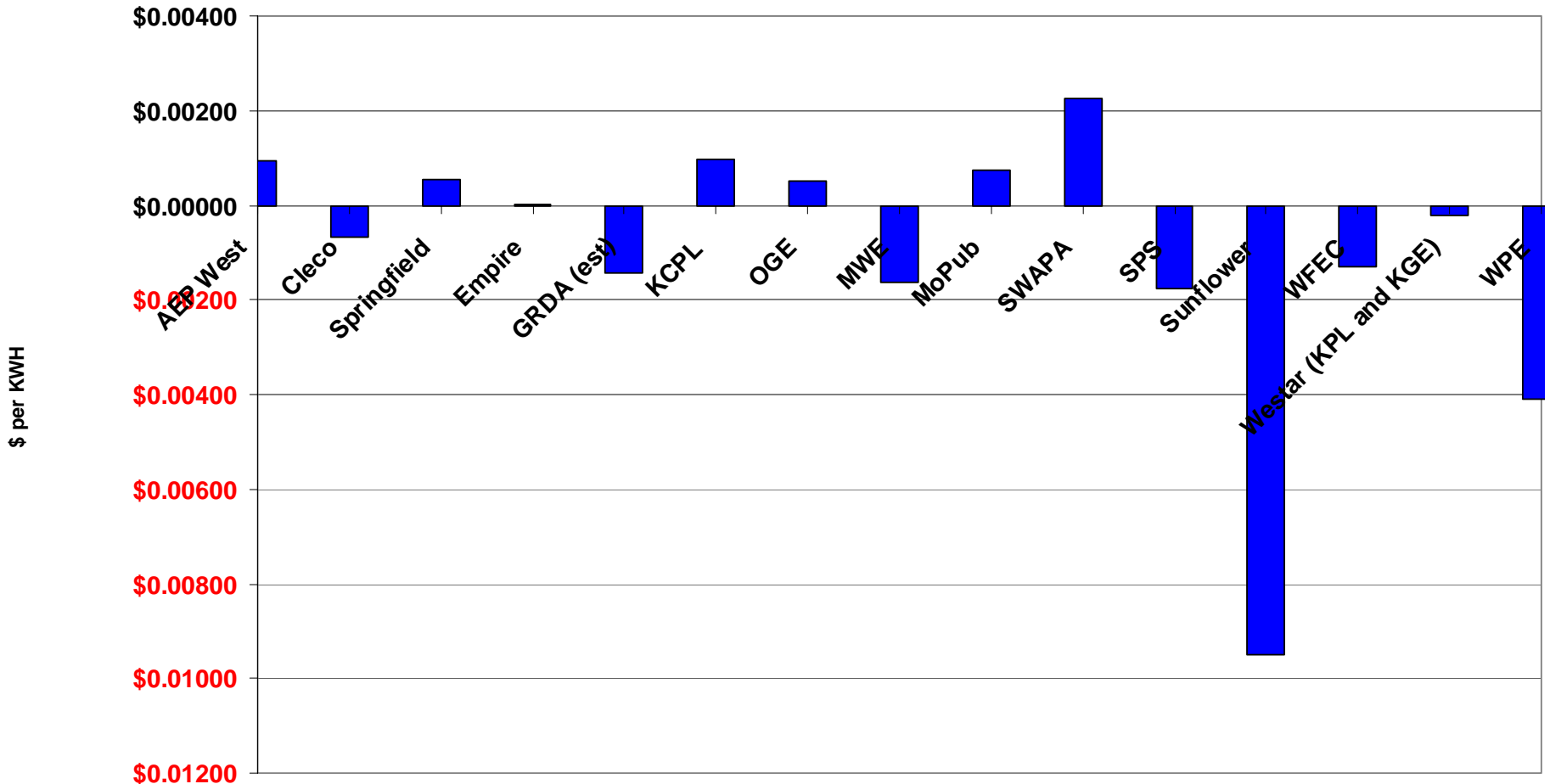
Transmission Costs at 40% Load Factor



Current SPP Zonal (License Plate) Access Charges

Changes if Average Adopted

kwh change from average



SPP Access Charges (cont)

- Next on SPP's Agenda
 - Treatment of the existing transmission system
 - Allocation of existing costs
 - Would the same base plan upgrade allocation test be used?
 - How would this affect Kansas?



Comments

- Questions?
- Opinions
- Topics for the next workshop

