



**REPORT OF THE SYNERGISTIC PLANNING PROJECT**

**APRIL 23, 2009**

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## **EXECUTIVE SUMMARY**

Electric transmission has recently taken a prominent place in the federal energy policy debate. The Southwest Power Pool (SPP) is in a unique situation to capitalize on this attention by proposing and implementing transmission plans that are forward looking and proactive to bring benefits to its members and customers. SPP should take this opportunity to press for regional transmission solutions and avoid being purely reactive to national proposals.

It is in this context that the Synergistic Planning Project Team (SPPT) was formed to search for opportunities to improve SPP's transmission planning processes and cost allocation approaches. The SPPT was charged with reviewing all strategic issues concerning transmission service, generator interconnection, Extra High Voltage (EHV) inter-regional transmission, and wind integration. The SPPT was unencumbered by the existing SPP Tariff or any limitation to the issues. Because the SPPT's deliberations spanned only a few months in early 2009, the recommendations herein are, by necessity, at a high policy level.

The first recommendation is for SPP to adopt a new set of planning principles. These principles strive to create a new vision for SPP's planning process by focusing on the construction of a robust transmission system, large enough in both scale and geography to provide flexibility to meet SPP's future needs. The SPPT views transmission as an enabler that must be evaluated for long-term benefits and associated costs. The remaining recommendations provide direction for specific changes in current processes that are required to achieve this vision and include:

Recommendation #1: SPP should adopt new planning principles to establish its new vision for an Integrated Planning Process (IPP).

Recommendation #2: SPP should implement the IPP, as described in this report, to facilitate the creation of a robust, flexible, and cost-effective transmission network in the SPP footprint.

Recommendation #3: The Board of Directors/Members Committee (BOD) should develop a plan to monitor the approved IPP facilities to ensure construction.

Recommendation #4: The Regional State Committee (RSC) should establish a “highway-byway” cost allocation methodology for the SPP region.

Recommendation #5: SPP staff and jurisdictional utilities should work with their respective state commissions to establish the appropriate method for rate recovery of regionally allocated transmission costs.

Recommendation #6: As an interim measure, SPP should evaluate and recommend to the RSC a list of Priority Projects within six months for approval by the BOD. In parallel with this task, the RSC should either select an existing cost allocation methodology or the new “highway-byway” cost allocation methodology for approved Priority Projects.

Recommendation #7: The BOD should set timelines, as set forth in this Report, for implementing these recommendations and assign a group to shepherd this effort through the SPP stakeholder process.

These recommendations are discussed in detail throughout this report.

## 1. INTRODUCTION

Recently, more than any time in history, electric transmission has taken a prominent place in the federal energy policy debate. Companies, national figures, and the President of the United States have promoted transmission expansion on websites, TV commercials, speeches, and legislative and budget proposals. Transmission expansion is promoted for a variety of reasons including meeting increased customer demand for renewable energy, promoting economic growth, reducing our dependence on imported oil, reducing CO<sub>2</sub> emissions, and fostering greater competition in the electric industry. There are bills currently introduced in Congress to empower the federal government on transmission planning, siting, and cost allocation and recovery. There are also bills that put a price on CO<sub>2</sub> emitted from burning fossil fuels to make electricity and that require a national Renewable Electricity Standard (RES) of 25% by 2020. The SPP is in a unique situation to capitalize on these efforts by proposing and implementing transmission plans that are forward looking and proactive to meet these important objectives and bring those benefits to its members and customers. SPP should take this opportunity to proactively press for a new regional solution so as to avoid being solely reactive to these national proposals.

At its December 9, 2008 meeting, the BOD charged the SPP President, Nick Brown to propose, at its January 27, 2009 meeting, a process to address the deficiencies in SPP's transmission planning processes – specifically, how the SPP Transmission Expansion Plan, the Balance Portfolio for Economic Upgrades, the Extra High Voltage (EHV) Overlay studies, the Aggregate Study Process, and SPP's Generation Interconnection Queue interrelate with each other. While each of these processes is unique in its own right, gaps and in some cases unnecessary overlap exist due to the individual nature of each process. It is time to look at all of these processes in a collective fashion such that the combined effect is greater than the sum of these individual efforts.

Existing processes, as documented below, have been developed and improved independent of each other and have provided improved regional solutions and transmission expansion. However, since each was treated separately, the processes leave some questions unanswered or generate multiple answers for the same question. These processes take substantial member and staff resources to perform, but do not always achieve the efficiencies that were expected. Perhaps most troubling is that the majority of transmission processes are reactive to requests from members and customers and do not consider the long-term nature of, and future benefits from, transmission expansion. A number of SPP customers have complained about the cost for seemingly small incremental expansion of the system. Also, the lack of transmission availability limits choices for competitive resources. Finally, multiple cost allocations have been developed accelerating the burden on SPP staff and member resources to the point that it will, if it has not already, become onerous to keep the allocations correct and auditable. Because today's economic project provides for tomorrow's reliability, and vice versa, having different cost allocation mechanisms for reliability and economic projects within SPP is not consistent with SPP's stated value that "reliability and economics are inseparable."

The SPP senior staff recommended the formation of the SPP SPPT to address comprehensive transmission planning processes and cost allocation. To accomplish the mission, the SPPT was unencumbered by any limitation to the issues or the SPP Tariff. The deliverable from the SPPT should provide sufficient direction so that SPP staff and members can use the traditional stakeholder approval process to develop any processes and procedures necessary to incorporate approved recommendations in a timely manner.

A high level policy team was formed by the BOD consisting of the following persons:

- Paul Suskie; Chairman, Arkansas Public Service Commission
- Barry Smitherman; Chairman, Public Utility Commission of Texas
- Kelly Harrison; Vice President – Transmission Operations and Environmental, Westar Energy
- Ricky Bittle; Vice President - Planning, Rates and Dispatching, Arkansas Electric Cooperative Corp.
- Rob Janssen, President and General Manager, Dogwood Energy

- Ric Abel; Managing Director, Prudential Capital Group
- Carl Monroe; Executive Vice President and COO, Southwest Power Pool
- Mark Rossi, Accenture, facilitation and administration

The SPPT met in sessions in which active participation was limited to the working group members. In each of those meetings, stakeholders were encouraged to listen to the proceedings and, if so moved, to provide written comments<sup>1</sup> to the team to reflect ideas, concerns, thoughts on the progress of the team, and suggestions for improvement. The SPPT considered these comments in its deliberations and worked to document its conclusions and recommendations. The SPPT hosted an open technical conference on March 31, 2009 for presentation of the work in progress to seek stakeholder comment and feedback prior to finalizing the recommendations. In general, the principle comments received at this meeting were that the SPPT include a specific action plan and a workable transition plan. The SPPT concluded its initial effort and updated the Markets and Operations Policy Committee (MOPC) and reported to the BOD and RSC at the April 2009 meetings.

## **2. SYNERGISTIC PLANNING PRINCIPLES**

***Recommendation: SPP should adopt new planning principles to establish its new vision for an IPP.***

The SPPT developed an integrated set of principles that should guide SPP in the development of its comprehensive IPP:

1. SPP's primary function is to "keep the lights on," and one way that is accomplished is to provide transmission service for customers within the SPP region. In order to meet this long-term function, SPP must plan for and construct a robust transmission system. This robust transmission system should be large in both scale and geography so as to provide flexibility to meet SPP's future needs.<sup>2</sup>

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<sup>1</sup> The observer comments are posted on SPP website at:

<http://www.spp.org/publications/ObserverComments-v3.pdf>

<sup>2</sup> The SPPT proposes that a robust transmission system must be both large in scale and in geography. The SPPT suggests that a system that is large in scale include EHV transmission lines that would include 345, 500, or 765-kV voltage lines. Additionally, the SPPT recommends an EHV system that is large in geography that connects

2. SPP's planning process for a robust transmission system must consider transmission as an enabler to meet short-term and long-term needs. Planning of SPP's transmission system must take into consideration the anticipated location of future generation facilities and should incorporate various scenarios regarding load growth, demand response, energy efficiency, fuel prices, environmental and governmental regulations and policies, and other factors.
3. SPP's planning processes should take a long-term view (20 or more years) of the benefits and costs of all projects while also expediting priority system investments.
4. As a priority, through the RSC and the membership, SPP should resolve the uncertainties associated with financing transmission projects by establishing the appropriate regional cost allocation methodologies. This effort should result in a reduction of the number of cost allocation mechanisms that exist today. SPP members, customers, and interested parties must participate in this effort with their regulators to establish the appropriate cost recovery methods.
5. Once SPP has developed and obtained the approval of a robust transmission plan for the region, the BOD and RSC should ensure that construction is commenced and completed according to an established timeline.

### 3. INTEGRATED PLANNING PROCESS

***Recommendation: SPP should implement an IPP to facilitate the creation of a robust, flexible, and cost-effective transmission network for the SPP footprint.***

One of the reasons for creating the SPPT was the need to improve SPP's transmission planning processes. Members and SPP staff alike have become frustrated in managing the complexity of the many different planning processes that have evolved over the past several years. To provide better context, it is helpful to explain the current processes in place at SPP today, with a short explanation of the issues associated with each process.

- *Reliability Assessment* – The reliability assessment is an annual review of transmission expansion needs over a 10-year horizon for reliable delivery of currently committed transmission service. Cost allocation is through Base Plan Funding (33% regional, 67% zonal). The process focuses on least-cost solutions with the lowest

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the eastern and western areas of SPP's footprint, provides flexibility for future generation interconnections, and anticipates expansion of RTO membership.

common denominator reliability standards. The assessment requires a tremendous staff effort. Staff is also required to follow the detailed operating guides for transmission expansion, which leaves little room for proactive and innovative solutions.

- *Generation Interconnection* – The generation interconnection process determines the transmission expansion necessary to interconnect a new resource. Generation Interconnection does not provide any transmission service or “delivery.” Cost allocation is through direct assignment with the customer eligible for credits for incremental use. Because the cost to a requestor to make an application is low, SPP staff receives a large volume of requests. Also, the availability of long suspension times encourages the submission of speculative projects. These timelines and staff efforts are compounded by sequential studies, and generators who also have the option to participate only in the EIS market without the necessity of serving a specific load. Even when transmission solutions are concluded they focus on least cost solutions not highest value ones.
- *Aggregate Study Process* – The Aggregate Study Process determines the transmission expansion necessary to meet a customer’s requests for transmission service. Cost allocation is through either Base Plan Funding or direct assignment with the customer eligible to receive credits when incremental transmission service is sold. Due to the low entry fee and fact that there are no costs associated with withdrawing from the study, as is the case with Generation Interconnection, SPP staff must process a huge volume of initial requests with multiple iterations and mutually exclusive options studied with a high dropout rate. In addition, the evaluation of third-party impacts complicates the process. All of these factors lead to an inefficient process with a lengthy period for a response to the customer.
- *Balanced Portfolio* – The Balanced Portfolio process is an assessment of economic transmission expansion alternatives designed to provide more benefits than costs in each zone. Cost allocation is through a postage-stamp regional rate. This process has

required an extensive time commitment from stakeholders and SPP staff to analyze multiple scenarios. There has also been debate and disagreement regarding modeling assumptions. The projects are constrained by the fact that the overall portfolio must balance benefits among all the zones and there are issues related to the cost transfers between zones required to achieve balance.

- *EHV Overlay* – The EHV Overlay is an assessment of the EHV transmission needed within the next 20 years or more. Cost allocation discussions are underway in the Cost Allocation Working Group (CAWG) and RSC. Although SPP has produced three EHV Overlay studies, to date, stakeholder agreement has not been reached on critical assumptions such as the appropriate level of wind generation to plan for meeting demand within the SPP region and for export outside the SPP system. An additional issue that has not been analyzed adequately to date is the integration of a potential EHV Overlay system with the existing lower-voltage transmission system within the SPP region.

Each of these processes was developed to provide a particular type of transmission service and each process has a corresponding cost allocation methodology. With each new study and change in the process, there have been challenges in implementation that have led to some level of unintended consequences.

For instance, the Aggregate Study Process was implemented in 2005 to replace a queue process that had customers dependent on the previous customer's request. A customer with the final MW that necessitated an upgrade would be responsible for the cost of that upgrade, but then the upgrade could be used by and provide benefits to subsequent customers without compensation to the initial customer who funded the upgrade. SPP implemented the Aggregate Study Process to address this problem by combining a set of customer requests to more quickly provide answers and enable the sharing of transmission expansion costs. However, the Aggregate Study Process has now developed other issues because it has been used by customers to screen several power supply options, which creates a delay for those actually needing a quick solution for transmission service.

Because each of the above processes has its own cost allocation method, the job of calculating what cost each customer bears is complicated. For instance, to calculate credits for a directly assigned facility, SPP has to determine the portion of each upgrade that has been directly assigned, and then determine how much of the directly assigned costs that each new customer should bear. With only a few facilities, this is not a large task; however, SPP is fast approaching a level when these directly assigned facilities could tax the SPP staff and members to the point that administrative costs rise significantly to manage this task.

In order to alleviate the issues mentioned above, the SPPT recommends that the BOD direct the SPP staff to implement an IPP by a specified date that follows the guidelines described below to facilitate the creation of a robust, flexible, and cost effective transmission network in the SPP footprint. This IPP proposal would replace the Reliability Assessment Process, the Balanced Portfolio, and the EHV Overlay. Because the IPP is more proactive and forward looking the Generation Interconnection and Aggregate Study Process studies should become less burdensome and quicker to process as a result. The IPP would also provide a platform for further work to reduce and simplify the existing cost allocation methods.

### **IPP Scope and Starting Points**

The SPPT's vision for the scope of the IPP and the key study parameters are summarized in this section. The SPPT recommends that an initial transition study and cost-benefit analysis be completed within one year of the BOD's approval of this process (see Near Term Transition Priorities). Similarly, the full-scale process should be developed as described below.

#### Study Scope

The IPP should focus on regional needs, not local needs. A major objective of planning should be the design and construction of a transmission backbone to connect known load centers to known or expected large generation resources. The modeling and analysis time frame for the study should be a 20-year time horizon, which is longer than SPP's current 10-year analysis for its reliability assessment and Balanced Portfolio. The financial assessment should be based on 40 years, with a terminal value for the last 20 years. The proposed transmission backbone should

connect transmission in SPP between the west and the east, strengthen existing ties to the Eastern Interconnection, and be strong enough to provide the option of connecting to the Western grid at some point in the future. The IPP positions SPP to proactively prepare and quickly respond to national priorities that may require additional consideration in the process.

The results from the IPP should be a list of transmission expansion projects, with a completion date for each, representing the long-range plan for transmission expansion in the SPP. Finally, this long-range plan is to be updated every three years, at which time in-service dates and projects can be reviewed and modified. In addition, there could be a review every year for reliability purposes.

### Cost-Benefit Analysis

The last component of the IPP is the cost-benefit analysis. The SPPT recommends that SPP, in collaboration with the RSC, engage a consultant to perform a detailed cost-benefit analysis of the proposed long-range transmission plans. The analysis should be structured as follows:

1. The cost-benefit analysis should be guided by the CAWG and the Economic Modeling and Methods Task Force (proposed to be called the Economic Study Working Group (ESWG)) with respect to assumptions and review of results
2. The financial modeling time frame should be 40 years (with the last 20 years provided by a terminal value)
3. The analysis should include quantifying the benefits resulting from dispatch savings, loss reductions, avoided projects, reduction in carbon emissions, reduction in required operating reserves, interconnection improvements, congestion reduction, and other benefit metrics developed by the ESWG
4. Special care must be taken to identify and possibly quantify the benefits from reliability improvements of the transmission system

5. Scenarios should include sensitivities to load, wind generation levels, fuel prices, carbon prices, and other relevant factors. The CAWG and ESWG should guide the development of scenarios
6. Although it is expected that the plan will consider regional costs and benefits for the SPP footprint, the net cost-benefit of each scenario should be identified by zone and by state
7. The analysis should assess the net impact of the long-range transmission plan on a typical residential customer within the SPP footprint and on a \$/kwh basis

The cost-benefit analysis for the first IPP would replace the cost-benefit analysis that is currently planned for the EHV Overlay. This analysis will be done for each cycle of the IPP.

### **Acting on the Results**

***Recommendation: The BOD should develop a plan to monitor the approved IPP facilities to ensure construction.***

The IPP must not end with the results of identified transmission and the cost-benefit analysis. The SPP staff, after input from stakeholders and the RSC, should submit the preferred long-range transmission plan (set of transmission projects and expected start and completion dates), and the associated cost-benefit results determined through the IPP, to the RSC for review and BOD for approval. Once approved by the BOD, the SPPT recommends that the BOD develop the appropriate monitoring plans to ensure the long-term commitment to these approved plans. These projects would be subject to the cost allocation methodology developed in accordance with the recommendations discussed in this Report.

### **IPP Transition Plan**

SPP will transition the three current processes—EHV Overlay, Balanced Portfolio, and Reliability Assessment—to the IPP. The Generation Interconnection and Aggregate Study Processes will not be integrated into this IPP process but are expected to be simplified as a result of a more proactive transmission expansion driven by the IPP. The IPP will use

different scenario projections to represent plausible future outcomes. These scenarios should be developed as part of the IPP process, and include projections for a high amount of wind energy, additional resources from other fuel sources, increased load growth, more demand response, increased energy efficiency, increases (and in some cases decreases in fuel prices), additional environmental and governmental regulations and policies, and other relevant factors.

The final IPP will be based on the plan that best accommodates these scenario outcomes. The result will be a robust transmission system plan that anticipates and constructs transmission to meet these future scenarios and easily accommodate changes in future projections with only minor adjustments. The three-year implementation process will consist of: (1) working with stakeholders to implement the approved projects in the IPP plan (in the first IPP these would be the Priority Projects), (2) evaluating various future scenarios that may affect the IPP, and (3) developing the IPP for the next period and performing the cost-benefit analysis. At the end of year's one and two a "reliability check" may be performed to ensure continued compliance with reliability standards and to reflect any substantial changes in either the current system or in the near future. Once approved, the three-year cycle repeats on an ongoing basis.

The first IPP is scheduled to be completed in early 2011. A timeline of this first IPP is:

1. April 2009 – January 2010: Complete IPP final approvals, develop detailed IPP process, file and receive regulatory approval for tariff language modifications required to implement process.
2. October 2009 – April 2010: Develop future scenarios that will be evaluated as part of the planning process. Scenarios will contain different resource planning based on changes in environmental law, financial conditions, fuel supply, and other potential impacts to the transmission system.
3. April 2010 – January 2011: The IPP process will be completed and implemented during the year with a recommendation to the BOD in January 2011.

Following completion of the first IPP process in 2011, the three-year cycle will repeat.

#### **4. REGIONAL COST ALLOCATION**

By all accounts, building a robust regional transmission system can only be achieved if an appropriate cost allocation methodology and a cost recovery plan are in place. Decisions regarding funding of transmission enhancements are assigned to the RSC by FERC, approved by the BOD, and ultimately submitted to FERC for acceptance and inclusion in the SPP Tariff. This process has made progress, as evidenced by the approximately \$880 million in reliability transmission improvements through Base Plan Funding included in the 2008 SPP Transmission Expansion Plan and the ongoing efforts with the Balanced Portfolio and the EHV Overlay.

##### **Simplify Cost Allocation Methodologies**

***Recommendation: The RSC should establish a “highway-byway” cost allocation methodology for the SPP.***

The current process has resulted in numerous cost allocation methodologies. Approved SPP transmission rates consist of the zonal rates; a regional rate and MW-mile rate under the Base Plan Funding mechanism; a postage-stamp rate for the Balanced Portfolio projects; and the possibility of yet another cost allocation method for an EHV Overlay system. SPP members and staff have expressed concern that these cost recovery methods are fragmented, confusing, and difficult to administer as it requires a complex system to track cost by project over the life of the project. While the CAWG plans to review the Base Plan Funding mechanism, as required by the Tariff, the SPPT recommends expanding and including a comprehensive review of all cost allocation methodologies for possible consolidation under a unified system using the recommended “highway-byway” approach.

The primary options for cost allocation are: (1) a license plate or zonal rate; (2) direct assignment or beneficiary pays; (3) a full regional postage-stamp rate; or (4) a “highway-byway” approach. Under a license plate or zonal rate design, a customer pays the embedded cost of transmission facilities that are located in the same zone as the customer, but does not pay for transmission facilities outside of the zone. Under a beneficiary pays approach, the costs of new

facilities are allocated to load (based on a computer modeling methodology), with the goal that those receiving the benefits pay for the upgrades. Under a postage-stamp rate design, all transmission service customers in a region pay a uniform rate per unit-of-service, based on the aggregated costs of all transmission facilities in the region. The current Base Plan Funding mechanism in SPP combines the “postage stamp” and beneficiary pays approaches. The cost allocation proposal for the Balanced Portfolio has shifted the focus to a full postage-stamp design. Under the “highway-byway” approach, everything above a bright-line voltage limit, for example 345-kV or facilities that pass some functional test, is considered part of the “highway” and funded through a postage-stamp method while the “byway” rate for local facilities is a zonal rate. Similarly, the zonal rate could be based on a postage-stamp method, a MW-mile approach, or some other methodology.

After initial discussions, the SPPT members converged on the view that a postage-stamp design tends to support robust regional projects, and the “highway-byway” approach appears to be a refined subset of the postage-stamp method that may offer several benefits and gain support from members who are not willing to migrate to a full postage-stamp rate. The “highway-byway” method offers a combination of regional and zonal rates, which broadly spreads the costs of facilities providing regional benefits while local facilities are included in the zonal rate. This method supports some uniformity of customer cost, some easing of the existing administrative burden associated with differing cost allocation methodologies, provides a potential basis for cost allocation across seams, and is more consistent with a national transmission “highway” approach establishing equitable charges for moving power across the SPP footprint.

The SPPT recommends a “highway-byway” approach for the transmission system. The “highway” component should be comprised of 345-kV and higher transmission lines, with preference given to applying a regional postage-stamp funding approach for the “highway” component. The “byway” component should be comprised of the lower-voltage lines, with funding through a more local or zonal method. While the SPPT recognizes that the issue is ultimately the decision of the RSC, the SPPT believes that the “highway-byway” approach is the most likely to strike an appropriate balance. Furthermore, the SPPT recommends that this new “highway-byway” approach should eventually replace the current Base Plan Funding and

Balanced Portfolio cost allocation methodologies. Depending upon the ultimate recommendation, a transitional period may be required, and a waiver process may be necessary. The proposed plan should address how to treat existing facilities, and the SPPT believes that it would be important that a transition plan apply any revenue credits received from others using the system back according to the same method as the original cost allocation method. Questions that should be addressed are whether all transmission upgrades should be funded under one cost allocation method, or whether there should be a distinction between lines that serve the entire region versus those in a distinct local area. Discussions should include an analysis of how to price different services and additional service or use of any excess capacity. In addition, resolution of seams issues including the rates for transmission service out of the SPP would be charged are critical. Other efforts outside of the SPPT will have to deal with additional costs for exports like ancillary services changes costs and charges. The SPPT recognizes that evolution to a comprehensive cost allocation methodology requires members to have faith that, in the long run, costs and benefits will balance throughout the region.

### **Rate Recovery Issues**

***Recommendation: SPP staff and jurisdictional utilities should work with their respective state commissions to establish the appropriate method for rate recovery of regionally allocated transmission costs.***

A regional plan is only beneficial if it is implemented. Recognizing that the RSC is comprised of only one Commissioner from each state, jurisdictional transmission-owning members in SPP have much uncertainty because cost recovery is ultimately an issue to be determined by individual state commissions. Therefore, the SPPT encourages the RSC to discuss the legal framework for cost recovery of a regional transmission system, and to take the issues back to the respective state commissions for formal consideration.<sup>3</sup> In addition, SPP staff and the jurisdictional utilities should use these insights and proactively develop a plan to work

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<sup>3</sup> For example, in Texas, the Commission adopted a substantive rule to allow the utilities, under certain conditions, to recover costs for transmission infrastructure improvements and changes in charges under a federally approved wholesale transmission tariff through the use of a transmission cost recovery factor (TCRF) that can be updated annually.

with the state commissions within SPP regarding cost recovery of regionally allocated transmission costs.

## 5. NEAR-TERM TRANSITION PRIORITIES

The SPPT believes there are near-term opportunities that must not be lost during the transition to the proposed IPP. The transition will take time, and the SPPT identified one area that the BOD should pursue in the interim—Priority Projects that are often characterized as “low hanging fruit”.

### Priority Projects

***Recommendation:*** *As an interim measure, SPP should evaluate and recommend to the RSC a list of Priority Projects within six months for approval by the BOD. In parallel with this task, the RSC should either select an existing cost allocation methodology or the new “highway-byway” cost allocation methodology for approved Priority Projects.*

The SPPT believes that the region should quickly identify, review, and construct, with haste, projects that continue to show up in multiple system evaluations as needed to relieve congestion on existing flowgates and to tie the eastern and western sections of the region together. These are referred to as “Priority Projects.” Although this may have been the original intention of the Balanced Portfolio, balancing the portfolio proved to be more difficult than expected, and is producing a smaller or different set of projects. The SPPT recommends that the SPP staff, working through the RSC, create the list of Priority Projects and encourage rapid construction of those projects. Specifically, consideration should be given to the following types of projects:

- Projects identified in the Cluster Studies for Grouped Generation Interconnection Requests (GIQ)
- Projects that routinely show up as needed in the Aggregate Study Process or projects that address known congestion

Projects needed to integrate SPP’s west and east transmission systems With respect to cost recovery of these Priority Projects, the SPPT recommends the RSC use the new “highway-

byway” methodology if it is approved in time to apply to the Priority Projects. However, if this work is not completed in time, the SPPT recommends the RSC use an existing cost allocation methodology with any appropriate waiver provisions for the approved Priority Projects.

## 6. ACTION PLAN

***Recommendation: The BOD should set timelines for implementing the recommendations of this report and assign a group to shepherd this effort through the SPP stakeholder process and the BOD.***

While the following proposes an aggressive schedule for the tasks to implement the recommendation of the SPPT is proposed, the importance of these changes warrants such effort. A suggested timeline is as follows:

1. April 2009 – October 2009 – SPP staff, working with the MOPC, Transmission Working Group (TWG), and ESWG, develop a list of Priority Projects that need to start before the completion of the first IPP for approval by the MOPC, CAWG, RSC, and BOD in October 2009, with a status report to the MOPC, RSC, and BOD in July 2009.
2. April 2009 – October 2009 – RSC and CAWG identify the cost allocation appropriate for the list of Priority Projects for approval by the RSC and BOD in October 2009, with a status report to the MOPC, RSC, and BOD in July 2009.
3. October 2009 – January 2010 – Seek FERC approval on any changes to the tariff or a possible waiver to implement the Priority Projects and cost allocation for the Priority Projects.
4. April 2009 – January 2010 – SPP staff, working with the MOPC, TWG, and ESWG, develops the details of the IPP (including the cost-benefit analysis process) for action by the MOPC and BOD in January 2010, with status reports to the MOPC, RSC, and BOD in July and October 2009. SPP will perform the Reliability Assessment, but no EHV Overlay Study or additional Balanced Portfolio.

5. April 2009 – January 2010 – RSC and CAWG develop "highway-byway" cost allocation for the projects from the IPP.
6. February 2010- July 2010 - Once the "highway-byway" cost allocation design is complete, assess the impacts to phase out existing cost allocation methodologies and consider transitioning to the approved "highway-byway" methodology based upon the assessment. The RSC and BOD will seek any recommended approvals in June 2010 with status reports to the MOPC, RSC, and BOD in April and October 2009.
7. January 2010 – April 2010 – Seek FERC approval on any changes to the Tariff to implement the IPP and its cost allocation.
8. April 2009 – April 2010 – SPP staff supports jurisdictional utilities in discussions with their respective state commission's regarding methods for recovery of costs that are allocated from regional transmission projects. Beginning in October 2009, at each RSC and BOD meeting, SPP staff will provide a status report on the activities.
9. April 2009 – July 2009 – SPP staff will develop an action plan to address outstanding issues from this Report and present to the RSC and the BOD in July 2009.
10. January 2010 – December 2010 – SPP will perform the last Reliability Assessment, but no EHV Overlay study or additional Balanced Portfolio.

## **7. ISSUES OUTSTANDING**

The SPPT also identified other issues that the SPP organization should resolve in order to develop the new IPP and its implementation:

1. SPP staff should aggressively address and engage other neighboring operating authorities on "seams issues" for integrated planning and cost allocation purposes and provide a regular report to the Strategic Planning Committee.

2. SPP staff and the RTWG should work in parallel with the development of the IPP and the cost allocation methodology and be ready to file with FERC as soon as practical after BOD approval.
3. SPP staff should present to the RSC and the BOD at the October 2009 meetings a set of materials and methods to communicate the benefits and preliminary costs, of this robust transmission system, particularly the impact on typical residential customers and on a \$/kwh basis.
4. SPP staff should work with the RSC to discuss the procedures needed to site interstate transmission and develop a whitepaper on issues, concerns, or policies that may need to be addressed.
5. The RSC should assess whether the "highway-byway" cost allocation methodology should be applied to existing facilities within the SPP footprint and not just facilities approved under the IPP process.