New Integrated Transmission Expansion Planning Process and Cost Allocation Methodology Approved

October 28, 2009, LITTLE ROCK, ARKANSAS – Yesterday the Southwest Power Pool, Inc. (SPP) Board of Directors approved a new Integrated Transmission Planning (ITP) process that will determine what transmission is needed to maintain electric reliability and provide near- and long-term economic benefits to the SPP region, which includes all or parts of Arkansas, Kansas, Louisiana, Missouri, Nebraska, New Mexico, Oklahoma, and Texas. Successful implementation of the ITP will result in a list of transmission expansion projects and completion dates that facilitate the creation of a reliable, robust, flexible, and cost-effective transmission network that improves access to the SPP region’s diverse resources, including its vast potential for renewable energy.

According to SPP President and CEO Nick Brown, “The ITP brings together several existing planning processes, allowing us to optimize the design of SPP’s future transmission grid for both reliability and economics. This new process will allow us to identify the value transmission brings over a longer period of time, and help us achieve a reasonable balance between long-term transmission investment and congestion costs caused by ‘bottlenecks’ on the grid. As appropriate investments in new transmission are made, the amount of congestion costs to which customers are exposed decreases.”

The ITP is an iterative three-year process that includes 20-Year, 10-Year, and Near-Term Assessments. “The ITP process will begin by evaluating what high voltage transmission is needed 20 years out to meet load growth and other future scenarios and potential developments. The 10-Year Assessment will evaluate lower-voltage solutions for meeting needs over the next decade, and will analyze whether projects identified in the 20-Year Assessment need to be initiated earlier. The annual Near-Term Assessment includes local planning needs and primarily focuses on transmission needed to keep the lights on in the next few years,” said Senior Vice President of Regulatory and Engineering Les Dillahunty.

Study assumptions will be developed to include factors such as fuel and emissions costs, load and generation forecasts, types and locations of new generation, generation retirements, market structures, and wind profiles. Analysis will also encompass a plausible collection of assumptions including varying levels of Renewable Portfolio Standards, demand response, fuel prices, and governmental/environmental regulations.

When ITP plans have been approved by the SPP Board of Directors, staff will issue Notification to Construct (NTC) letters for projects that require financial expenditures within the next four years. Authorization to Plan (ATP) letters will be issued for projects that do not need a financial commitment within the next four years but need to be constructed within the planning horizon. Once an NTC or ATP is issued, the project will be reviewed annually to ensure the continued need for the project and its required in-service date. According to Dillahunty, “With the new ATP process, even though financial commitments are not yet required for the projects, their approval allows us to design an efficient and effective future transmission system. This will help us better plan for connecting new generation to the grid and providing long-term transmission service.”

The SPP Regional State Committee (RSC), which is comprised of state regulatory commissioners, reviewed the ITP and approved a new Highway/Byway cost allocation methodology to pay for new transmission infrastructure identified in the ITP. The “highway” consists of 300+ kV transmission projects; costs will be assigned to Transmission Owners across the region based on their historic use of the region’s energy. The “byway” consists of transmission projects below 300 kV; costs will be assigned by formula more directly to the utility in whose service territory the project is located.

According to Kansas Corporation Commissioner Mike Moffett, “The best way to build a high voltage ‘transmission superhighway’ that benefits everyone is to share project costs across the region.”
Before implementing the ITP and Highway/Byway cost allocation methodology, the SPP Open Access Transmission Tariff must be updated and approved by the SPP Board of Directors and the Federal Energy Regulatory Commission. The scope for the first 20-Year Assessment will be completed in the coming months, and analysis is expected to begin in the first quarter of 2010.

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Southwest Power Pool, Inc. is a group of 54 members in Arkansas, Kansas, Louisiana, Mississippi, Missouri, Nebraska, New Mexico, Oklahoma, and Texas that serve more than five million customers. Membership is comprised of investor-owned utilities, municipal systems, generation and transmission cooperatives, state authorities, wholesale generators, power marketers, and independent transmission companies. SPP's footprint includes 29 balancing authorities, 47,000 miles of transmission lines, and 370,000 square miles of service territory. SPP was a founding member of the North American Electric Reliability Corporation in 1968, and was designated by the Federal Energy Regulatory Commission as a Regional Transmission Organization (RTO) in 2004 and a Regional Entity (RE) in 2007. As an RTO, SPP ensures reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. The SPP RE oversees compliance enforcement and reliability standards development.