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New Integrated Planning Process Will Focus on Regional, EHV Transmission Expansion

April 29, 2009, LITTLE ROCK, ARKANSAS – The Southwest Power Pool, Inc. (SPP) Board of Directors approved a [new report](#) that recommends restructuring the organization’s regional planning processes. The [Synergistic Planning Project Team](#) (SPPT), which was [created by the Board of Directors](#) in January 2009, recommends SPP adopt a new set of planning principles that focus on the construction of a robust transmission system, large enough in both scale and geography to provide flexibility to meet SPP’s future needs. These planning principles will establish a new Integrated Planning Process (IPP) that improves and integrates SPP’s existing planning processes:

- [Reliability Assessment](#): Annual review of transmission expansion needs over a 10-year horizon for reliable delivery of committed transmission service.
- Aggregate Transmission Service Study process: Determines expansion necessary to meet requests for transmission service.
- Generation Interconnection process: Determines expansion necessary to connect new resources to the grid.
- [Balanced portfolio](#): Assesses economic expansion alternatives that provide more benefits than costs in each zone.
- [Extra High Voltage \(EHV\) Overlay](#): Assesses EHV transmission needed within the next 20 years or more.

SPP will transition the EHV Overlay, Balanced Portfolio, and Reliability Assessment processes to the IPP. The Generation Interconnection and Aggregate Study Process will not be integrated into the IPP, but are expected to be simplified. According to SPP Chief Operating Officer Carl Monroe, “It has been challenging for SPP and our members to manage the complexity of our different processes. It’s time we simplify and focus on the big picture: proactively, not reactively, building a grid that will benefit customers across the region, for the long-term.”

The IPP will focus on regional needs and position SPP to prepare for and quickly respond to national energy priorities. A major objective will be the design and construction of a transmission backbone to connect load centers to known or expected large generation resources. The backbone should more strongly connect SPP’s eastern and western regions, strengthen ties to the Eastern Interconnection, and be strong enough to possibly connect to the Western Interconnection. Transmission analysis should have a 20-year planning horizon, and financial assessments should have a 40-year horizon. The net cost/benefit of each scenario should be identified by zone and state.

The IPP will use projections to represent a range of plausible future scenarios, including high wind, additional resources from other fuel sources, load growth, demand response and energy efficiency, fuel prices, and environmental/governmental regulations and policies. The recommended IPP will be based on the plan that best accommodates these future states, with the initial plan expected to be completed in early 2011.

The SPPT recommends moving to a “highway-byway” approach for funding transmission. The extra high voltage “highway” would be funded with a regional rate, and lower-voltage “byways” would be funded with local rates. This method supports uniformity of customer costs, eases the administrative burden associated with current differing cost allocation methods, provides a basis for cost allocation across seams, and is more consistent with the “national transmission highway” being discussed at the federal level. Because cost recovery is ultimately a state issue, the SPPT recommends that SPP and utilities work with SPP’s [Regional State Committee](#) members and their respective state commissions to implement a formal means of rate recovery.

SPPT and Regional State Committee member Paul Suskie, Chairman of the Arkansas Public Service Commission states, "SPP and its stakeholders' existing processes may develop suitable, solid transmission expansion plans for today, but the extra high voltage grid of the future simply won't be built without an equitable and affordable way to pay for it. The Regional State Committee has successfully developed cost allocation methods for reliability and economic projects. We look forward to working on this new highway-byway approach."

Because it will take time to implement the new IPP and cost recovery recommendations, the SPPT made several near-term recommendations. SPP should identify, evaluate, and construct certain "priority projects" that continue to appear in system reviews as needed to relieve congestion on existing flowgates and connect SPP's eastern and western regions. The organization should also engage a consultant to perform a detailed cost-benefit analysis of the proposed long-range transmission plans.

SPPT members:

Paul Suskie - Chairman, Arkansas Public Service Commission
Barry Smitherman - Chairman, Public Utility Commission of Texas
Kelly Harrison - Vice President of Transmission Operations and Environmental, Westar Energy
Ricky Bittle - Vice President of Planning, Rates and Dispatching, Arkansas Electric Cooperative Corporation
Rob Janssen - Senior Vice President, Kelson Energy
Ric Abel - Managing Director, Prudential Capital Group
Carl Monroe - Executive Vice President and Chief Operating Officer, Southwest Power Pool, Inc.

Mark Rossi of Accenture provided facilitation and administration for the SPPT.

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Southwest Power Pool, Inc. is a group of 54 members serving more than five million customers across nine states of the Eastern Interconnection. 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 26 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.