



Southwest Power Pool, Inc.

STRATEGIC PLANNING COMMITTEE TASK FORCE on ORDER 1000 MEETING

Thursday, March 8, 2012 - 10 AM – 4 PM

Friday, March 9, 2012 - 8 AM – 3 PM

AEP Office, Dallas, Texas

• A G E N D A •

1. Call to Order Mel Perkins
2. Review of Past Action Items Michael Desselle
3. Convergence Group Outcome
 - Builder Selection Model Dennis Reed
 - Project Selection Model Terri Gallup
4. Selection Criteria for Builder and Project Models Antoine Lucas
5. Model Decision Mel Perkins
6. Aggregate Study and SPP Sponsored Projects Clarification Straw-proposal Paul Suskie
7. Other Policy and Parking Lot Issues Paul Suskie
 - Membership Agreement Changes
 - OATT Changes
 - Timing of When Order 1000 is Applicable to Facilities in Current ITP Plans
 - Incorporation of Order 1000 “Public Policy” Requirement
 - Information Requirements for Non-Participating Merchant Transmission Developers
8. Next Steps Mel Perkins



Southwest Power Pool

STRATEGIC PLANNING COMMITTEE TASK FORCE on ORDER 1000 MEETING

Intercontinental-Stephen F. Austin, Austin, Texas

Wednesday, January 18, 2012

Agenda Item 1 – Call to Order

Mel Perkins called the meeting to Order. Guests participated in person or via phone (Attendance – Attachment 1). The minutes of the 11/10/2011 and 12/16/2011 meetings were approved by acclamation.

Agenda Item 2 – Review of Part Action Items

Michael Desselle reviewed past action items. A comparison matrix of the 4 compliance options was presented (Attachment 2 – Order 1000 Compliance Options) and Matt Binette (Wright and Talisman) provided an update defining which (and how) SPP's planning processes (GI, AGG, TS and ITP) are impacted by Order 1000 (Attachment 3 – Memo re SPP Upgrades subject to Order 1000 ROFR) . Matt noted that Order 1000:

- Specifically exempts GI
- Sponsored Upgrades (SPP tariff) are not subject to ROFR elimination requirement
- Aggregate Study Transmission Service Upgrades are not subject to ROFR elimination requirement
- ITP, Balanced Portfolio, High Priority are subject to ROFR elimination requirement (unless otherwise exempted)

Agenda Item 3 – Development of Consensus Compliance Proposal (Selection process Framework and Applicability)

Mel Perkins provided a status report of where the SPCTF stood as of the meeting and noted that consensus for retaining the Byway ROFR. He noted that what remains to be resolved for the meeting today was define the selection process and where it applies and getting to a single planning framework.

The OGE/AEP/LS Power proposal was discussed (Attachment 4 – "AEP Thoughts on Post ROFR Award Process) and a motion to adopt the proposal by Terri Gallup (AEP) and seconded by Bryan Rushing (LS Power) failed to gather a majority.

Additional discussions on the Westar proposal were tabled pending greater detail on the selection criteria and more time to digest the competing proposals.

Jim Eckelberger noted that the proposals essentially differ at the point that competition is introduced into the process.

Agenda Item 4 – Next Steps

The TF agreed that the next issue to discuss was the selection process and that an additional face-to-face meeting be scheduled.

Action Items include:

1. Develop flow charts of decision points.
2. Discuss Selection process Whitepaper at next meeting.

Respectfully Submitted,

Michael Desselle
Secretary

Order 1000 Right of First Refusal Draft MISO Proposals

February 29, 2012

Agenda

- Proposal Overviews
- MISO Proposals
 - Project Applicability
 - Transmission Developer Selection Process
 - Project Submission / Requirements
- Transmission developer criterion examples
- Compliance requirements and status summary
- Next steps

Overview of Proposals

- Reliability and participant funded projects will be excluded from the Order 1000 Right of First Refusal compliance requirements
 - Only Multi Value Projects (MVP) and Market Efficiency Projects (MEP) will be impacted by these requirements
- All MISO stakeholders will be eligible to submit projects for consideration in the regional plan
 - Prospective transmission developers will have additional requirements to submit a bid to build transmission facilities
- For MVPs and MEPs, the transmission developer will be selected through a competitive bidding process

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

Stakeholder Comments

- **General Consensus**

- Right of first refusal should be retained for upgrades to existing equipment and participant funded projects
- Right of first refusal should be removed for Multi Value Projects

- **Other comments**

- Positions varied from eliminating right of first refusal from all projects that have any costs allocated outside the local zone, to eliminating right of first refusal for only Multi Value Projects
- Exclusions also varied
 - Reliability projects were the most frequently excluded project type
 - Projects on existing right of way were also excluded in many proposals
- Several commenters proposed using a set of criterion to narrow the definition of a reliability project that includes cost allocation, voltage thresholds, total cost, and project types

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

Order 1000 Definition

- In general, the Order seeks to enhance the identification and evaluation of more efficient or cost effective alternative solutions to regional transmission needs (P63, P253)
- Project subject to the elimination of the federal right of first refusal include those that:
 - Are solutions to regional transmission needs (P63, P226)
 - Are eligible for cost allocation (P63) / regional cost allocation (P226)
 - Do not alter an incumbent's use or control of its existing rights-of-way (P319)
 - Are not upgrades to existing equipment (P319)
 - Are not granted to incumbent transmission owners through state or local laws or legislation (P287)

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

MISO Proposal

Project Type	Driver(s)	Impact
Participant Funded ("Other")	Project that does not qualify for other cost allocation mechanisms	ROFR retained
Transmission Delivery Service	Transmission Service Request	ROFR retained
Generator Interconnection	Generator Interconnection Request	ROFR retained
Baseline Reliability	NERC reliability criteria	ROFR retained
Market Efficiency	Market congestion benefits	ROFR eliminated
Multi Value	Address energy policy laws and/or provide widespread benefits across the footprint	ROFR eliminated

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

- Projects completely funded by the requestor or local zone are subject to the right of first refusal
 - Such projects are not included in a regional plan for purposes of cost allocation
 - Project types include:
 - Participant Funded (“Other”) Projects
 - Transmission Delivery Service Projects
 - Merchant Transmission

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

- Projects designed for predominantly local reliability needs are subject to the right of first refusal
 - This will allow utilities the ability to ensure the reliability of their existing network
 - Additionally, these projects primarily
 - Are developed through the bottom-up planning process
 - Are driven by local needs
 - Require the construction of identified upgrades needed in the near term planning horizon to meet compliance timelines
 - Are paid for by the project requestor or local zone
 - Right of first refusal will be maintained for:
 - Generator Interconnection Projects
 - Baseline Reliability Projects

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

- Projects developed in a top-down planning process, and therefore driven by regional needs, are subject to the elimination of the right of first refusal
 - These projects are primarily higher voltage regional transmission projects, which serve needs spread across the region
 - Their costs and benefits are more broadly spread to a combination of local and regional zones
 - Projects include
 - Multi Value Projects
 - Market Efficiency Projects

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

- **Caveats**

- State policies or regulations take precedence
 - If states have laws or regulations requiring the construction of transmission facilities by a certain entity, the MISO proposal will not override these laws or regulations
- Incumbents have the right to upgrade their own equipment

Question / Proposal 1:

What facilities are impacted by the ROFR Requirements?

Questions?

Comments?

Concerns?

Question / Proposal 2:

How is the transmission developer selected?

Stakeholder Comments

- Proposals ranged from hybrid sponsorship approach to a competitive bidding methodology
- Other comments or proposals included:
 - The final solution must not delay or hinder the existing planning process
 - The project should be evaluated independently of the transmission developer
 - Intellectual capital or an approach which increase incentives to define new project alternatives is key
 - Cost and cost containment are a primary concerns

Question / Proposal 2:

How is the transmission developer selected?

MISO Principles

- The goal is to preserve the open, transparent and collaborative nature of the MISO transmission planning process
- The selection of the developer will be separate from the project selection process
 - The transmission developer will be selected after Board approval of the transmission projects
- The primary focus on selecting a transmission developer is to minimize the total lifetime cost for comparable quality and increase the cost certainty of the transmission facility
 - This is based upon criterion that ensure that developers will properly maintain and operate the facility
- MISO should not be placed in the role of deciding who should build planned transmission facilities

Question / Proposal 2:

How is the transmission developer selected?

MISO Proposal

- All applicable projects will be granted to transmission developers through a competitive bidding methodology
 - This bidding methodology will include a life-cycle cost analysis incorporating all the cost components that are recovered in annual revenue requirements
 - It should also consider qualitative factors including, but not limited to, transmission design standards, financial risk, etc.
 - Transmission developers must meet a specific set of criteria to be considered as potential project developers
- The authority to decide who will construct applicable transmission facilities will default to the state regulatory bodies, in all cases where the states have such authority and would seek to exercise it

Question / Proposal 2:

How is the transmission developer selected?

- **What information must be submitted as part of a competitive bid for a particular project?**
 - Project cost
 - Design specifications
 - Expected construction timeline
 - Transmission developer criterion
 - What else?
- **What weights are assigned to these criteria?**

Question / Proposal 2:

How is the transmission developer selected?

Example: CAISO Bid Criteria

- Description of project, including in-service date
- Construction capabilities
- Cost containment capabilities or agreements
- Financial and legal resources
- Technical and engineering qualifications and experience

Question / Proposal 2:

How is the transmission developer selected?

Example: SPP Bid Criteria

- Project Expertise-20 points
- Safety program/Current/Past statistics-15 points
- Cost to customer-20 points
- Reliability/Quality/General Design-15 points
- Operations-15 points
- Maintenance-15 points

Question / Proposal 2:

How is the transmission developer selected?

Questions?

Comments?

Concerns?

Question / Proposal 3:

What are appropriate project submittal criteria?

- Currently, regional transmission alternatives are submitted and studied in an iterative manner, during the study process
 - Examples: Top Congested Flowgate Study, Regional Generator Outlet Studies
 - This is separate from the bottom up transmission submittal process
- The current process is:
 - Identify transmission needs in conjunction with the stakeholder process
 - Determine potential transmission solutions
 - Evaluate alternatives against study needs
- MISO proposes retaining this project submittal process
 - All projects will be considered in the context of these regional studies, and tied to regional needs
 - Any stakeholder may submit valid projects for consideration, as per the current MISO study process

Question / Proposal 3:

What are appropriate project submittal criteria?

Questions?

Comments?

Concerns?

What are appropriate developer criteria?

Stakeholder Comments

- **General consensus**
 - Criterion should focus on a developer's legal, technical and financial capability to develop, construct, own, operate and maintain transmission facilities
 - State regulatory approval was also frequently mentioned
 - Criterion must be comparable for incumbent and nonincumbent developers
- **Several stakeholders proposed that a developer be qualified ahead of a particular planning cycle / bidding opportunity**
 - Both qualification criterion and a qualification process are required

What are appropriate developer criteria?

MISO Principles

- Developer criteria will focus on requirements for entities to submit bids to construct transmission facilities chosen in the regional plan
 - These requirements may be state specific
 - Once approved, developers will need to refresh their qualifications on a periodic basis
 - Developer approval will occur prior to any particular developer being able to bid on a project
- These criteria will focus on legal, technical and financial capabilities of a developer to construct, maintain and reliably operate the transmission facilities

What are appropriate developer criteria?

CAISO Example

- A proposed financial plan
- Summary of any history of bankruptcy, dissolution, merger, or acquisition
- Ability to assume liability for major losses resulting from failure of or damage to facilities.
- Description of the process that will be used for siting approval
- Demonstration of a capability to acquire right of way and construct the project
- Cost containment capabilities or agreements
- Demonstration of a capability to operate and maintain the project after it is in-service
 - Includes how Project Sponsor intends to comply with all applicable reliability standards.

What are appropriate developer criteria?

SPP Example

- **Entities must meet certain specified legal, regulatory, technical, financial and managerial qualifications**
 - All state regulatory authority necessary to construct, own and operate transmission facilities within the state(s) where the project is located,
 - Creditworthiness requirements
 - Capability and willingness to sign the SPP Membership Agreement as a Transmission Owner
 - Meet other technical, financial and managerial qualifications as are specified in the Transmission Provider's business practices.

Right of First Refusal Workshop

Compliance Requirements and Status Summary

Order 1000 Paragraph 253 - Requirement C1

Requirement:

Remove provisions from Commission-jurisdictional tariffs and agreements that grant a federal right of first refusal to construct transmission facilities selected in a regional transmission plan for purposes of cost allocation

MISO Assessment:

Action required

See questions / proposals 1-3

Order 1000 Paragraph 263, 329 - Requirement C2

Requirement:

Require each public utility transmission provider to amend its OATT to describe the circumstances and procedures under which public utility transmission providers in the regional transmission planning process will reevaluate the regional transmission plan to determine **if delays in the development of a transmission facility selected in a regional transmission plan for purposes of cost allocation require evaluation of alternative solutions**, including those the incumbent transmission provider proposes, to ensure the incumbent can meet its reliability needs or service obligations

MISO Assessment:

Action required

Proposal to be developed



Order 1000 Paragraph 323 - Requirement C3

Requirement:

Requires each public utility transmission provider to revise its OATT to demonstrate that the regional transmission planning process in which it participates has established appropriate qualification criteria for determining an entity's eligibility to propose a transmission project for selection in the regional transmission plan for purposes of cost allocation, whether that entity is an incumbent transmission provider or a nonincumbent transmission developer

MISO Assessment:

Limited action required

See question / proposal 3

Order 1000 Paragraph 325,326 - Requirement C4

Requirement:

Requires that each public utility transmission provider revise its OATT to identify: (a) the information that must be submitted by a prospective transmission developer in support of a transmission project it proposes in the regional transmission planning process; and (b) the date by which such information must be submitted to be considered in a given transmission planning cycle

MISO Assessment:

Limited action required

See question / proposal 3

Order 1000 Paragraph 328 - Requirement C5

Requirement:

Requires each public utility transmission provider to amend its OATT to describe a transparent and not unduly discriminatory process for evaluating whether to select a proposed transmission facility in the regional transmission plan for purposes of cost allocation

MISO Assessment:

Believed compliant

Order 1000 Paragraph 332, 335, 336 - Requirement C6

Requirements:

Requires that a nonincumbent transmission developer must have the same eligibility as an incumbent transmission developer to use a regional cost allocation method or methods for any sponsored transmission facility selected in the regional transmission plan for purposes of cost allocation

MISO Assessment:

Action required

See question / proposal 2

Order 1000 Paragraph 342, 343, 344 - Requirement C7

Requirement:

Requires that all entities, incumbent and nonincumbents alike, that are users, owners or operators of the electric bulk power system must register with NERC for performance of applicable reliability functions

MISO Assessment:

Action required

Propose this requirement is included in qualification criterion

Order 1000 Paragraph 336 – Requirement C8

Requirements:

Requires that public utility transmission providers in a region establish procedures to ensure that all projects are eligible to be considered for selection in the regional transmission plan for purposes of cost allocation. The regional transmission planning process would need to have a fair and not unduly discriminatory mechanism to grant an incumbent transmission provider or nonincumbent transmission developer the right to use the regional cost allocation method for transmission facilities selected in the regional plan for purposes of cost allocation

MISO Assessment:

Limited action required

Next Steps

- New MISO Draft Proposals
 - Requirement C2
 - Describe the circumstances and procedures under which public utility transmission providers in the regional transmission planning process will reevaluate the regional transmission plan to determine **if delays in the development of a transmission facility selected in a regional transmission plan for purposes of cost allocation require evaluation of alternative solutions**
 - Transmission developer qualification
 - Criterion and qualification process
- Continue to refine proposals discussed today
 - Contents of competitive bid



SPC Task Force on Order 1000

DRAFT REPORT

Draft 3/2/2012

INTRODUCTION:

On July 21, 2011, the Federal Energy Regulatory Commission (“FERC”) issued Order 1000. Per the Order, Public utility transmission providers must either amend their open access transmission tariffs (“OATT”) to comply with the requirements of Order No. 1000 or demonstrate how their existing OATT provisions already comply.¹

In response to Order 1000, the SPP Board of Directors tasked SPP’s Strategic Planning Committee (“SPC”) to lead SPP’s response to the regional policy requirements contained in Order 1000 for a compliance filing. After initial meetings of the SPC to discuss the requirements of Order 1000, the SPC formed the SPC Task Force (“SPCTF”) on Order 1000. As a result, SPCTF was tasked to examine SPP’s existing OATT to determine whether SPP’s current transmission planning and cost allocation provisions comply with the requirements and whether additional revisions will be necessary. Further the SPCTF on Order 1000, was tasked to propose how SPP should make its compliance filing with FERC.

COMPLIANCE DEADLINES OF ORDER 1000

FERC Order 1000 has different filing deadline for Order 1000’s Regional and Interregional Requirements as stated below:

Regional Compliance Filing: Compliance filings addressing the Order No. 1000 regional transmission planning and cost allocation requirements must be submitted to FERC by October 11, 2012.

Interregional Compliance Filing: Compliance filings addressing the interregional coordination and cost allocation requirements of Order No. 1000 are due by April 11, 2013.

Therefore, if SPP is to maintain its regular planning cycle of quarterly meetings to meet FERC’s Order 1000 filing deadlines, SPP must approve the regional compliance filing at the SPP BODs July 2012 meeting and interregional compliance filing at the SPP BODs January 2013 meeting.

¹ Order No. 1000 at P 795.

EXECUTIVE SUMMARY

To Be Drafted When Report is Complete

RECOMMENDATION OF THE SPCTF ON ORDER 1000

- I. Recommendation as to What Transmission Upgrades SPP Should Seek to Retain the ROFR.
- II. What Model Should SPP Use To Select Transmission Developers for Projects Without a ROFR?
- III. Transmission Developer Qualification:
 - A. Recommended Transmission Developer Qualification Criteria for both Incumbent/Non-Incumbent Transmission Developers.
 - B. Recommended Process for Incumbent/Nonincumbent Transmission Developers to Submit the Information Necessary for SPP to Evaluate Whether they Satisfy the Qualification Criteria.
- IV. What Project Submission Requirements, Evaluation Process, and Transmission Plan Re-Evaluation Process Should SPP Propose to FERC?
[NOTE DECISION POINT IV. ASSUMES THAT SPP ADOPTS THE PROJECT SPONSOR MODEL.]
- V. What Developer Selection Process Should SPP Propose to FERC For Evaluating Proposals from Qualified Transmission Developers Competing to be Selected by SPP to Build a Transmission Upgrade? What Re-Evaluation Criteria Should SPP Propose to FERC to Re-Evaluate Projects?
[NOTE DECISION POINT V. ASSUMES THAT SPP ADOPTS A COMPETITIVE SOLICITATION MODEL.]
- VI. Miscellaneous Order 1000 Matters.
 - A. Recommended Changes to SPP's Membership Agreement to Remove the Federal ROFR.
 - B. Recommended Changes to SPP's OATT to Remove the Federal ROFR.
 - C. Recommended Transmission Facilities Currently in SPP's Planning Process that SPP Assert are Not Applicable to Order 1000 (i.e., at what point are projects no longer subject to re-evaluation in the planning process).

- D. Recommendation as to how SPP should handle “Public Policy” under Order 1000.**
- E. Recommended information and data merchant transmission developers that do not participate in SPP planning and cost allocation should be required to provide to SPP.**

SECTION I: Recommendation as to What Transmission Upgrades SPP Should Seek to Retain the ROFR.

After reviewing the requirements of Order 1000 relating to a Federal Right of First Refusal (“ROFR”) and evaluating SPP’s existing methods of assigning or allocating costs for transmission upgrades under SPP’s Open Access Transmission Tariff (“OATT”), the SPCTF on Order 1000 recommends that SPP seek to retain the Federal ROFR as described below:

Voltage/Type of Facility	Should SPP Seek to Retain ROFR?	Justification of Maintaining ROFR?
Zonal Upgrades: 100 kV & below	Yes	<p>Funded by the Zone:</p> <p>Under SPP’s Highway/Byway Cost Allocation Methodology ITP projects are funded by the zone for upgrades that are 100 kV and below. In this manner, they are akin to “local transmission facilities” as defined in Order 1000 and therefore are not subject to the requirement to eliminate ROFR.</p>
Byway Upgrades: 100 kV – 300 kV	Yes	<p>Multiple Reasons:</p> <p>(1) 2/3 of these upgrades are funded by zone; (2) SPP is the only RTO in which all LSEs are vertically integrated, thus there is a close nexus between load and a duty to serve; (3) the reliability nature of upgrades; (4) ?????</p>
Highway Upgrades: 300 kV & above	No	N/A
Generation Interconnection Upgrades	Yes	<p>Order 1000 expressly excludes Generation interconnection upgrades:</p> <p>Order No. 1000 indicates that “issues related to the generator interconnection process and to interconnection cost recovery are outside the scope of this rulemaking. . . . This Final Rule does not set forth any new requirements with respect to such procedures for interconnecting large, small, or wind or other generation facilities.” <i>See Order 1000 at P 760.</i></p>
Sponsored Upgrades	Recommendation of Subgroup: Yes	<p>Order 1000 appears to exclude SPP’s Sponsored Upgrades:</p> <p>Sponsored Upgrades do not fall within the definition of “transmission facilities selected in a regional transmission plan for purposes of cost allocation” and therefore the requirement to eliminate ROFR does not apply. First, Sponsored Upgrades are not in the STEP for cost allocation, because the costs associated with Sponsored Upgrades are paid by the Project Sponsor. Thus, at the time that a Sponsored Project is included in the STEP, it is not included for purposes of cost allocation. Additionally, Sponsored Upgrades are built at the request of a Project Sponsor; they are not “selected pursuant to a transmission planning region’s Commission-</p>

		approved regional transmission process for inclusion in a regional transmission plan for purposes of cost allocation because they are more efficient or cost-effective solutions to regional transmission needs.” The Order 1000 federal ROFR mandate, therefore, should not apply. <i>See Order 1000 at P 63.</i>
Transmission Service Upgrades	Recommendation of Subgroup: Yes	Order 1000 appears to exclude Transmission Service Upgrades: Service Upgrades identified through the SPP Aggregate Transmission Service Study process do not appear to be subject to the requirement to eliminate the federal ROFR. While Service Upgrades are included in the STEP, and all or a portion of the costs of some Service Upgrades may be eligible for allocation under SPP’s Base Plan funding (i.e., Service Upgrades associated with a Designated Resource that meet the conditions in Section III.B of Attachment J or have obtained a waiver of the requirements), such upgrades do not appear to fall within the description of “transmission facilities selected in a regional transmission plan for purposes of cost allocation” for several reasons. <i>See SPP Tariff at Attachment O § III.7.a. and Attachment J §§ III.B – III.C.</i>
Upgrades to Existing Transmission Facilities (Tower Change outs; Re-conductoring)	Yes	FERC limitation on ROFR Removal Requirement: “This Final Rule does not remove or limit any right an incumbent may have to build, own and recover costs for upgrades to the facilities owned by an incumbent” <i>See Order 1000 at P 319.</i>
Upgrades when state or local laws or regulations limit who can site or be permitted to build transmission facilities	Yes	FERC limitation on ROFR Removal Requirement: “Nothing in this Final Rule is intended to limit, preempt, or otherwise affect state or local laws or regulations with respect to construction of transmission facilities, including but not limited to authority over siting or permitting of transmission facilities.” <i>See Order 1000 at P 227 & Footnote 231.</i>
Upgrades along existing incumbent Transmission Owner Rights-of-Way	Yes	FERC limitation on ROFR Removal Requirement: “Nor does this Final Rule grant or deny transmission developers the ability to use rights-of-way held by other entities, even if transmission facilities associated with such upgrades or uses of existing rights-of-way are selected in the regional transmission plan for purposes of cost allocation.”

SECTION II: DECION POINT II.

What Model Should SPP Use To Select Transmission Developers for Projects Without a ROFR?

SPP has identified several potential options for transmission developer selection, as discussed in more detail below:

- (1) **Project Sponsorship Model**: Projects will be assigned to the entity that proposed or “sponsored” the project in the SPP planning process;
- (2) **Competitive Solicitation**: Each project selected in the SPP planning process will be subject to competitive bidding by qualified entities, with the winner to be selected by SPP on the basis of criteria set forth in the SPP Tariff and business practices; or
- (3) **Other**: SPP and its stakeholders develop a different process for selecting which entity will construct each project selected in the SPP planning process.

(1) Project Sponsorship Model

In the Notice of Proposed Rulemaking that resulted in Order No. 1000, FERC expressly proposed that an entity that proposes or “sponsors” a project in the regional planning process would be granted the right to build the project if it is selected in the regional transmission plan.⁴ In Order No. 1000, FERC decided not to adopt its proposal that would give a project sponsor the federal right to construct and own a transmission facility it sponsored in the regional planning process.⁵ However, while Order No. 1000 did not mandate a sponsorship model, neither did it prohibit such an approach to determining which entity will construct a project in the regional transmission plan for purposes of cost allocation. In fact, throughout Order No. 1000, FERC repeatedly refers to project “sponsors,”⁶ suggesting that a nondiscriminatory sponsorship model may satisfy the requirements of Order No. 1000.

⁴ See, e.g., *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Notice of Proposed Rulemaking, IV FERC Stats. & Regs., Proposed Regs. ¶ 32,660, at P 93 (2010) (“We also propose to require that each public utility transmission provider to amend its OATT to describe how the regional transmission planning process in which it participates provides for the sponsor (whether an incumbent transmission provider or nonincumbent transmission developer) of a facility that is selected through the regional transmission planning process for inclusion in the regional transmission plan to have a right, consistent with state or local laws or regulations, to construct and own that facility.”).

⁵ See, e.g., Order No. 1000 at PP 334, 338.

⁶ See, e.g., *id.* at P 267 (“The Commission recognizes that there may be circumstances when an incumbent transmission provider may be called upon to complete a transmission project that it did not sponsor. . . . There also may be situations in which an incumbent transmission provider has an obligation to build a project that is selected in the regional transmission plan for purposes of cost allocation but has

Under a sponsorship model, an entity seeking to construct transmission projects in the SPP planning process would first need to demonstrate its eligibility to participate in the SPP planning process by satisfying a series of qualification criteria set forth in the SPP Tariff. [See Decision Point III below]. Order No. 1000 requires each regional planning process to develop qualification criteria “for determining an entity’s eligibility to propose a transmission project for selection in the regional transmission plan for purposes of cost allocation, whether that entity is an incumbent transmission provider or a nonincumbent transmission developer.”⁷ SPP can tailor the qualification criteria to ensure that only qualified entities are permitted to propose projects and be designated as the Designated Transmission Owner if the project is selected in the SPP planning process.

If SPP opts for a sponsorship approach, SPP will need to develop a process for what to do if a selected project is modified from its original proposal, two sponsored projects are combined into a single project, or SPP selects a project that does not have a sponsor in the planning process.

(2) Competitive Solicitation

Throughout Order No. 1000, FERC indicated that transmission planning regions may adopt a competitive solicitation process to identify transmission projects and developers to build those projects.⁸ While Order No. 1000 provided very little guidance on the design of a competitive solicitation process for selecting transmission projects and developers, SPP could use as a basis for this approach its current process set forth in Section VI.6 of Attachment O of the SPP Tariff and SPP Business Practice 7150 for selecting an alternate entity to build a transmission facility if the Designated Transmission Owner is unable or unwilling to construct an assigned transmission facility. Any entity seeking to bid on a project in the SPP planning process would be required to satisfy the qualification criteria required by Order No. 1000.

not been sponsored by another transmission developer.”); *id.* at P 332 (“The Commission also requires that a nonincumbent transmission developer must have the same eligibility as an incumbent transmission developer to use a regional cost allocation method or methods for any sponsored transmission facility selected in the regional transmission plan for purposes of cost allocation.”) (emphasis added).

⁷ *Id.* at PP 323.

⁸ *Id.* at P 321 (“For example, this Final Rule permits a region to use or retain an existing mechanism that relies on competitive solicitation to identify preferred solutions to regional transmission needs.”) (emphasis added); *see also id.* at P 336 (“This mechanism could be, for example, a non-discriminatory competitive bidding process.”) (emphasis added).

(3) Other

SPP Staff does not believe that the two options identified above are the only options to address the issue of transmission construction and ownership assignment in the SPP planning process. It is possible that SPP and its stakeholders could establish a process that combines elements of the sponsorship and competitive solicitation models or some different process altogether. In any event, whichever option SPP selects will need to provide comparable and nondiscriminatory treatment to incumbent transmission owners and nonincumbent transmission developers.

SECTION III: Transmission Developer Qualification:

A. Recommended Transmission Developer Qualification Criteria for both Incumbent/Non-Incumbent Transmission Developers.

Still being developed by the SPCTF

Below is a list of qualification criteria that can start as a straw proposal for the SPCTF on Order 1000 to begin its discussion to what qualification criteria to recommend to SPP Stakeholders. These criteria have been previously presented to the SPC by SPP Staff.

This list provides the general qualification criteria that entities seeking to propose and construct transmission facilities (or in the alternative to compete to be selected to build a project that was selected in the regional plan for cost allocation purposes) in the SPP planning process would be required to satisfy.

Once the SPCTF on Order 1000 agrees upon the proposed criteria, SPP Staff will further define the specific qualification criteria. The possible qualification criteria are:

(1) Threshold eligibility criteria

- The developer must have obtained all state regulatory authority necessary to construct, own, and operate transmission facilities within the state(s) where the project will be located.
- The developer must sign or be capable and willing to sign the SPP Membership Agreement as a Transmission Owner upon selection of its proposal to construct and own the project.

(2) Financial criteria

- The developer must meet SPP's creditworthiness requirements set forth in Attachment X of the SPP OATT.
- The developer must demonstrate the ability to finance new transmission construction in SPP.

(3) Managerial criteria

- The developer must demonstrate the ability to site the project. This requires:
 - Expertise in permitting, environmental compliance, and right-of-way; and
 - Description of applicable right-of-way and real estate acquisition processes, routing process, permitting processes, eminent domain status, process for obtaining easements; and surveying responsibility.

- The developer must demonstrate the ability to construct the project. This requires:

- Demonstration of applicable qualifications and certifications to construct in the state(s) in which construction is required;

- Expertise in engineering, procurement and equipment acquisition process, project management, construction; and

- If the developer plans to engage a contractor to construct the project, the developer must demonstrate how the contractor satisfies the above criteria.

- The developer must demonstrate the ability to operate and maintain the project. This requires:

- Demonstration of the ability to manage the operation and maintenance of electric transmission facilities including, if applicable, experience in managing the operation and maintenance of existing transmission facilities.

- Demonstration of the ability to operate and maintain the project safely, including a description of the developer's internal safety program, contractor safety program, and safety performance record and program execution.

- Expertise in operations, which includes demonstration of control center operations, a description of control center staffing, and facilities, communications and SCADA expertise, demonstration of NERC compliance process and description of NERC compliance history, demonstration of registration or ability to register for compliance with applicable NERC Reliability Standards, demonstration of a storm/outage response plan, description of past reliability performance, a statement specifying which entity will be operating and maintaining completed transmission facilities, equipment, including plans for maintaining spare parts, and crew training.

B. Recommended Process for Incumbent/Nonincumbent Transmission Developers to Submit the Information Necessary for SPP to Evaluate Whether they Satisfy the Qualification Criteria.

Still being developed by the SPCTF

Process for Transmission Developers to Submit the Information Necessary for SPP to Evaluate Whether they Satisfy the Qualification Criteria

SPP also must develop a process for incumbent/nonincumbent transmission developers to submit the information necessary for SPP to evaluate whether they satisfy the

qualification criteria. SPP offers the following process for the SPCTF on Order 1000 to consider:

Prior to being eligible to propose transmission projects (or in the alternative to compete to be selected to build a project that was selected in the regional plan for cost allocation purposes) in the SPP regional planning process, transmission developers (including incumbent transmission owners and nonincumbent transmission developers) are required submit an application demonstrating their satisfaction of the qualification criteria to SPP;

The application can be submitted at any time, but must be submitted at least 120 days before the developer plans to submit a project (or in the alternative to compete to be selected to build a project that was selected in the regional plan for cost allocation purposes) for consideration in the SPP planning process;

SPP will review the transmission developer's application to determine whether it satisfies the qualification criteria and inform the applicant of its determination within 90 days of receipt of the application; and

If SPP determines that the transmission developer fails to meet one or more of the qualification criteria, SPP will inform the transmission developers of such deficiency(ies) and the transmission developer will have 30 days to cure the deficiency(ies).

Once SPP has determined that a transmission developer satisfies the qualification criteria, the transmission developer will be deemed qualified to propose projects in the SPP planning process (or in the alternative to compete to be selected to build a project that was selected in the regional plan for cost allocation purposes) and will not be required to demonstrate its qualifications in any subsequent planning process cycle or with respect to any subsequent transmission project proposal. However, all transmission developers that have been deemed qualified will be required to inform SPP if, at any time, there is any change to the information provided in their application, so that SPP may determine whether to satisfy the qualification criteria. If any change occurs, SPP will have the option to:

- (1) Determine that the change does not affect the transmission developer's qualification to propose and construct projects;
- (2) Determine that the transmission developer no longer qualifies to propose and construct projects;
- (3) Suspend the transmission developer's eligibility to propose and construct projects until the transmission developer has cured any deficiency in its qualifications to SPP's satisfaction; or

- (4) Allow the transmission developer to continue to participate in the proposal and construction process for a limited time period while it cures the deficiency to SPP's satisfaction.

SECTION IV: What Project Submission Requirements, Evaluation Process, and Re-Evaluation Process Should SPP Propose to FERC?

[NOTE THIS DECISION POINT ASSUMES THAT SPP ADOPTS THE PROJECT SPONSOR MODEL.]

Assuming SPP adopts a Projects Sponsor Model to comply with Order 1000, SPP staff offers the following for the SPCTF on Order 1000 to consider.

1. Project Proposal Submission Requirements

A qualified transmission developer entity submitting proposals for transmission projects to SPP during the ITP process must provide sufficient information to facilitate SPP's evaluation of such proposed transmission projects. This information should confirm that the proposed transmission project(s), at a minimum, mitigates an issue that was observed in the ITP Near-Term or ITP 10 reliability assessment and was reported to SPP stakeholders as part of the ITP process. SPP will provide models used in these reliability assessments to support this information submission requirement. Proposal submission information requirements differ for the ITP20 planning horizon which does not require a reliability assessment. For the ITP20 planning horizon, SPP will provide a generic set of models and economics data. Proposal submission information guidelines for the ITP planning horizons are listed below.

ITPNT and ITP10

Information required:

- Description of the issue(s) identified in the ITP Process to be addressed by the proposed project
- Notification of any changes in modeling assumptions from those used in the current ITP Process
- Transmission project analysis Power System Simulator for Engineering (PSSE) cases
- Results of any transmission project economic analysis
- Summary of economic modeling assumptions (if different from those used by SPP in the current ITP process)
- Full description of project
 - Required current ampacity (capacity) of project
 - Estimated mileage of project
 - Any known environmental impacts caused by the addition of the project

Additional information not required, but preferred, if available include the following:

- Summary of any stability analysis conducted (steady-state and dynamic)

ITP20

Information required:

- Description of issue identified in the ITP Process to be addressed by the proposed project
- Notification of any changes in modeling assumptions from those used in the current ITP Process
- Results of all transmission project economic analysis
- Summary of economic modeling assumptions (if different from those used by SPP in the current ITP process)
- Full description of project
 - Required current ampacity (capacity) of project
 - Estimated mileage of project
 - Any known environmental impacts caused by the addition of the project

Additional information not required, but preferred, if available include the following:

- Transmission project analysis PSSE cases
- Summary of any stability analysis conducted (steady-state and dynamic)

All transmission project proposals and required information supporting such proposals must be submitted to SPP within 60 days following the appropriate Transmission Planning Summit.

2. Project Evaluation

All proposed transmission projects identified by SPP staff or submitted by qualified developers and stakeholders that meet the established proposal submission information requirements will be evaluated in the ITP process. The evaluation will include a preliminary screening process to determine the most viable transmission projects. This screening process will include, but not be limited to a reliability assessment relative to the SPP planning criteria for the ITPNT and ITP10 planning horizons. This screening process may also include, but not be limited to Adjusted Production Cost (APC) economic analysis for ITP10 and ITP20 planning horizons.

Transmission projects remaining after the screening process will undergo a detailed cost analysis. Also, an evaluation of a number of benefit metrics developed and outlined by the Economic Studies Working Group (ESWG) will be performed. The final transmission solution set selected in each ITP

horizon will be based on the benefit metrics most relevant to each ITP horizon as well as feedback from SPP stakeholders. For further detail on the ITP transmission project evaluation process, please refer to the ITP manual: [ITP Manual](#).

Upon conclusion of the ITP process SPP will provide a final report that discusses the final set of transmission projects selected and the rationale supporting the project selections.

Costs of transmission projects submitted by qualified developers and stakeholders that are selected in the ITP process will be allocated using SPP's Highway Bi-way cost allocation methodology.

3. Transmission Plan Re-evaluation

In the event a transmission project selected in the ITP process is delayed, SPP will review the project to determine whether its delay, if not mitigated, adversely impacts transmission system reliability or existing service obligations. SPP will notify stakeholders when SPP determines a need to re-evaluate the ITP transmission plan. SPP's review of the need to re-evaluate the ITP transmission plan will be based on the following:

Reliability Impact

If SPP determines that the transmission project delay would result in the violation of SPP's planning criteria, a mitigation plan must be developed to resolve the violation for the duration of the project delay. SPP staff and the affected Transmission Owner(s) will meet to determine a mitigation plan for the violation. The mitigation plan may be transmission or non-transmission based and will affect the decision to re-evaluate the ITP transmission plan as follows:

Non-transmission based mitigations

Mitigation plans that do not require upgrades to the transmission system (i.e. generation redispatch or operating guides) shall not require re-evaluation of the ITP transmission plan prior to being implemented.

Transmission based mitigations

Mitigation plans that require upgrades to the transmission system will require a re-evaluation of the ITP transmission plan prior to being implemented. Under this re-evaluation, qualified developers and stakeholders will be allowed 30 days from the date SPP issues a notification of the re-evaluation determination to submit proposals and supporting information for transmission projects to resolve the identified issue(s) resulting from the project delay. All projects submitted by qualified developers and stakeholders meeting the information submittal requirements will be evaluated consistent with the ITP project evaluation process.

Service Obligation Impact

If SPP determines that the transmission project delay would result in the inability to honor a transmission service obligation, a mitigation plan must be developed to resolve the violation for the

duration of the project delay. SPP staff, along with the affected customer(s) and Transmission Owner(s) will meet to determine a mitigation plan for the issue. The mitigation plan may be transmission or non-transmission based and will affect the decision to re-evaluate the ITP transmission plan as follows:

Non-transmission based mitigations

Mitigation plans that do not require upgrades to the transmission system (i.e. generation redispatch or operating guides) shall not require re-evaluation of the ITP transmission plan prior to being implemented.

Transmission based mitigations

Mitigation plans that require upgrades to the transmission system will require a re-evaluation of the ITP transmission plan prior to being implemented. Under this re-evaluation, qualified developers and stakeholders will be allowed 30 days from the date SPP issues a notification of the re-evaluation determination to submit proposals and supporting information for transmission projects to resolve the identified issue(s) resulting from the project delay. All projects submitted by qualified developers and stakeholders meeting the information submittal requirements will be evaluated consistent with the ITP project evaluation process.

SECTION V: **DECISION POINT V.**

What Evaluation Criteria Should SPP Propose to FERC when Evaluating Proposals from Qualified Transmission Developers Competing to be Selected by SPP to Build a Transmission Upgrade? What Re-Evaluation Criteria Should SPP Propose to FERC to Re-Evaluate Projects?

[NOTE DECISION POINT V. ASSUMES THAT SPP ADOPTS A COMPETITIVE SOLICITATION MODEL.]

1. Project Submission, Evaluation, and Identification

If SPP opts for a competitive solicitation process, SPP could retain its existing process for identifying transmission system needs, allowing stakeholders to propose solutions, and selecting transmission facilities to be included in the regional plan. Once projects are identified, SPP would then issue requests for proposals for transmission facilities listed in the STEP.

2. Selection of Transmission Developer

Under a competitive solicitation model, SPP would issue requests for proposals for all transmission facilities identified in the regional transmission plan for which ROFR has been eliminated. SPP could use as a basis for its process to select a transmission developer for each project its existing Transmission Owner Selection Process outlined in SPP Business Practice 7150, as summarized above. Specifically, SPP could use the process set forth in Appendix 4 of Business Practice 7150:

General

SPP will use “Reasonable Professional” standard in evaluation of proposals from the various respondents. Minimum requirements (regulatory authority, credit worthiness, and TO membership) must be met in order to be included in this process. SPP will score respondents on the items described below. Highest score may not always be selected. Low scores in individual categories may eliminate respondents from consideration

Process

SPP will score respondents’ proposals by category from zero to the allowed number of points for that category. Points are totaled for all respondents and the results are used in guiding the committee to the ultimate selection. There are 100 possible points for each respondent RFP.

Categories

- Project Expertise (20 points): Engineering; Permitting; Environmental; ROW Acquisition; Procurement; Project Management (including scope, schedule management); Construction; Commissioning; and Technology content.

- Safety program/Current/Past statistics (15 points): Internal safety program; Contractor safety program; Safety performance record (program execution); and RFP conformance.'
- Cost to customer- What will the (long term) final impact be on the customer's bill? (20 points): Estimated total cost of Project; Financing costs; FERC Incentives; Revenue Requirements; and Lifetime cost of the project to customers.
- Reliability/Quality/General Design (15 points): Type of Construction (wood, steel, design loading, etc.); Estimated total owning costs; Losses (design efficiency); Estimated life of construction.
- Operations (15 points): Control Center operations (staffing etc.); NERC compliance – process/history; Storm/Outage response plan; and Past reliability performance.
- Maintenance (15 points): Staffing; Maintenance plans; Equipment; Crew training; Maintenance performance/expertise; and NERC compliance-process/history.

3. Transmission Plan Re-Evaluation

SPP could use the same process for transmission plan re-evaluation as set forth in Decision Point IV above.

SECTION IV: Miscellaneous Order 1000 Matters.

A. Recommended Changes to SPP's Membership Agreement to Remove the Federal ROFR?

The SPCTF on Order 1000 recommends that the following sections of SPP's Membership Agreement be amended to remove the Federal ROFR as stated below.

Section 3.3 of the SPP Membership Agreement, which governs construction of transmission facilities in SPP, contains federal ROFR language that will need to be modified to comply with Order No. 1000. Specifically, Section 3.3(b) of the SPP Membership Agreement indicates:

After a new transmission project has received the required approvals and been approved by SPP, SPP will direct the appropriate Transmission Owner(s) to begin implementation of the project. If the project forms a connection between the facilities of a single Transmission Owner, that Transmission Owner will be designated to provide the new facilities. If the project forms a connection between facilities owned by multiple parties, all parties will be designated to provide the respective new facilities. The parties will agree among themselves as to how much of the project will be provided by each entity. If agreement cannot be reached, SPP will facilitate the ownership determination process.

Thus, under the language of Section 3.3(b), SPP is obligated to designate a Transmission Owner to construct new transmission facilities.

Furthermore, Section 3.3(c) of the SPP Membership Agreement states:

A designated provider for a project can elect to arrange for a new entity or another Transmission Owner to build and/or own the project in its place. If the designated provider(s) does not or cannot agree to implement the project in a timely manner, SPP will solicit and evaluate proposals for the project from other entities and select a replacement.

This language provides an option for the designated Transmission Owner to assign the project to another entity or to decline to "implement the project" (i.e., "refuse" to build the project).

When read together, Sections 3.3(b) and 3.3(c) provide incumbent Transmission Owners a federal ROFR over transmission projects approved for construction by SPP. SPP is required to assign the construction obligations for new transmission facilities to incumbent Transmission Owners that own the existing facilities to which a new transmission facility will interconnect. Once a new transmission facility is assigned, the designated Transmission Owner(s) have the option either to construct the project, assign the project to another entity, or decline to construct the project. As a result, the SPCTF on Order 1000 recommends that SPP to modify these sections to comply with Order No. 1000 in a manner that is consistent with the remainder of this Report.

B. Recommended Changes to SPP's OATT to Remove the Federal ROFR.

The SPCTF on Order 1000 recommends that the following sections of SPP's OATT Agreement be amended to remove the Federal ROFR as stated below.

A. Attachment O

SPP's Transmission Expansion Plan ("STEP") and Integrated Transmission Plan ("ITP") processes set forth in Attachment O contain similar provisions to the Membership Agreement related to assignment of construction obligations and ROFR. Specifically, Section VI of Attachment O, which governs the construction of transmission facilities, contains several provisions that address the manner in which SPP assigns the responsibility to construct transmission facilities in the STEP:

Section VI(1): The Transmission Provider, with input from the Transmission Owners and other stakeholders, shall designate in a timely manner within the SPP Transmission Expansion Plan ("STEP") one or more Transmission Owners to construct, own, and/or finance each project in the plan.

Section VI(4): After a new transmission project is (i) approved under the SPP Transmission Expansion Plan or (ii) required pursuant to a Service Agreement or (iii) required by a generation interconnection agreement to be constructed by a Transmission Owner(s) other than the Transmission Owner that is a party to the generation interconnection agreement, the Transmission Provider shall direct the appropriate Transmission Owner(s) to begin implementation of the project for which financial commitment is required prior to the approval of the next update of the SPP Transmission Expansion Plan. . . . If the project forms a connection with facilities of a single Transmission Owner, that Transmission Owner shall be designated to construct the project. If the project forms a connection with facilities owned by multiple Transmission Owners, the applicable Transmission Owners will be designated to provide their respective new facilities. If there is more than one Transmission Owner designated to construct a project, the Designated Transmission Owners will agree among themselves which part of the project will be provided by each entity. If the Designated Transmission Owners cannot come to a mutual agreement regarding the assignment and ownership of the project the Transmission Provider will facilitate their discussion. . .

Like Section 3.3(b) of the SPP Membership Agreement, Section VI of Attachment O requires SPP to assign construction and ownership responsibilities for transmission facilities to the incumbent Transmission Owner(s) to whose existing facilities a new transmission facility will interconnect.

Section VI of Attachment O also contains language permitting the designated Transmission Owner to assign its construction responsibilities to another entity or to decline to construct a transmission facility. Specifically, Section VI(6) indicates:

In order to *maintain its right to construct the project*, the Designated Transmission Owner shall respond within ninety (90) days after the receipt of the Notification to Construct with a written commitment to construct the project as specified in the Notification to Construct or a proposal for a different project schedule and/or alternative specifications in its written commitment to construct (“Designated Transmission Owner’s proposal”). . . . If a Designated Transmission Owner *does not provide an acceptable written commitment to construct within the ninety (90) day period*, the Transmission Provider shall solicit and evaluate proposals for the project from other entities and select a replacement designated provider.

Therefore, by not providing “an acceptable written commitment to construct,” a designated Transmission Owner (i.e., the incumbent Transmission Owner(s) that own(s) facilities to which the new transmission facility will connect) has the option of declining to construct a facility. Read together, these provisions of Section VI of Attachment O create a federal ROFR for incumbent Transmission Owners. As a result, the SPCTF on Order 1000 recommends that SPP to modify these sections to comply with Order No. 1000 in a manner that is consist with the remainder of this Report.

C. Recommended Transmission Facilities Currently in SPP’s Planning Process that SPP Assert are Not Applicable to Order 1000 (i.e., at what point are projects no longer subject to re-evaluation in the planning process).

The requirements of Order 1000 are intended to apply to new transmission facilities, which are facilities that are no longer subject to evaluation or reevaluation in the transmission planning process after the effective date of the public utility transmission provider’s regional compliance filing. [PP 65, 162] Each public utility transmission provider must explain in its regional compliance filing how it will determine which facilities in its local and regional planning processes will be subject to the Order No. 1000 requirements. [P 65, 162]

THE DETAIL ON THIS ISSUE CAN BEST BE DECIDED ONCE THE METHODS CONTAINED ABOVE ARE
DECIDED

D. Recommendation as to how SPP should handle “Public Policy” under Order 1000.

Under Order 1000, Public utility transmission providers are required to amend their OATTs to describe procedures that provide for the consideration of transmission needs driven by Public Policy Requirements in their local¹² and regional transmission planning processes or to demonstrate how existing OATT provisions already comply. [P 203, 222] Public Policy Requirements include, at a minimum, needs driven by state or federal laws or regulations;¹³ however, the public utility transmission providers in a region can agree to consider needs driven by additional public policy objectives **not specifically required by state or federal laws or regulations.**¹⁴ [P 214-216]

FERC’s requirement that public utility transmission providers consider transmission needs driven by Public Policy Requirements means:

- (1) *The identification of transmission needs driven by Public Policy Requirements:* Public utility transmission providers must establish, in consultation with stakeholders, procedures under which public utility transmission providers and stakeholders¹⁵ will identify those transmission needs driven by Public Policy Requirements for which potential transmission solutions will be evaluated. [PP 205-206]; and
- (2) *The evaluation of potential solutions to meet those needs:* Public utility transmission providers are required to amend their OATTs to describe the procedures by which transmission needs driven by Public Policy Requirements will be identified in the local and regional transmission planning processes and how potential solutions to the identified transmission needs will be evaluated in the local and regional transmission planning processes.¹⁶ [PP 205, 211]

¹² To the extent public utility transmission providers within a region do not engage in local transmission planning, such as in some RTO regions, the Public Policy requirements of Order No. 1000 apply only to the regional transmission planning process. [n.185]

¹³ “State or federal laws or regulations” mean enacted statutes (i.e., passed by the legislature and signed by the executive) and regulations promulgated by a relevant jurisdiction, whether within a state or at the federal level. [P 2]

¹⁴ For example, a public utility transmission provider and its stakeholders are not precluded from choosing to plan for state public policy goals that have not yet been codified into state law, which they nonetheless consider to be important long-term planning considerations. [n.193]

¹⁵ All stakeholders must have an opportunity to provide input and offer proposals regarding the transmission needs they believe should be identified. [P 209]

¹⁶ Order No. 1000 leaves it to public utility transmission providers and their stakeholders to determine the procedures for evaluating potential transmission solutions to address identified Public Policy needs. The evaluation must include, at a minimum, proposals by stakeholders for transmission

Public utility transmission providers are required to post on their websites an explanation of which transmission needs driven by Public Policy Requirements will be evaluated for potential solutions in the local or regional transmission planning process, as well as an explanation of why other suggested transmission needs will not be evaluated. [P 209]

Order No. 1000 also clarifies that allocation of costs associated with transmission facilities associated with Public Policy Requirements must be at least roughly commensurate with estimated benefits, meaning that those that receive no benefit, either at present or in a likely future scenario, must not be involuntarily allocated costs of the facility. [P 219] Additionally, Order No. 1000 permits, but does not require, the creation of a separate class of Public Policy transmission facilities and separate cost allocation for such facilities. [P 220]

Review of Attachment O to the SPP OATT

Section III.6.k, n & o to Attachment O to SPP's OATT states:

III. The Integrated Transmission Planning Process

The ITP process is an iterative three-year process that includes 20-Year, 10-Year and Near Term Assessments. The 20-Year Assessment identifies the transmission projects, generally above 300 kV, and provides a grid flexible enough to provide benefits to the region across multiple scenarios. The 10-Year Assessment focuses on facilities 100 kV and above to meet the system needs over a ten-year horizon. The Near Term Assessment is performed annually and assesses the system upgrades, at all applicable voltage levels, required in the near term planning horizon.

* * * * *

6) Policy, Reliability, and Economic Input Requirements to Planning Studies

The Transmission Provider shall incorporate, as appropriate for the assessment being performed, the following into its planning studies:

* * * * *

k) Renewable energy standards;

* * * * *

facilities proposed to satisfy an identified transmission need driven by Public Policy Requirements. [P 211]

- n) Other relevant environmental or government mandates; and
- o) Other input requirements identified during the stakeholder process.

Two issues exist as it relates to Order 1000 and public policy:

(1) What changes should SPP make to Section III (6) to Attachment O to SPP OATT and (2) Should SPP consider goals on par with Mandates? SPCTF NEEDS TO MAKE A RECOMMENDATION ON THIS!

E. Recommended information and data merchant transmission developers that do not participate in SPP planning and cost allocation should be required to provide to SPP.

Order 1000 requires that public utility transmission providers include in their compliance filings the type of information and data that merchant transmission developers must provide to the regional planning process when the merchant developer does not intend to participate in the planning process or seek to recover costs through the regional cost allocation mechanism(s). [P 164] The purpose of this requirement is to provide transmission providers in the regional planning process with adequate information and data to assess the potential reliability and operational impacts of the merchant transmission developer's proposed transmission facilities on other systems in the region.

The SPCTF on Order 1000, needs to make a recommendation as to require such information and, if so, what type of information and data to require.



SPP Draft ROFR Elimination Proposal Options Criteria

March 8, 2012
SPCTF Meeting
Dallas, TX

Table of Contents

Overview3

Competitive Solicitation Model3

Planning and Project Selection4

Business Practice 7150.....4

Options for Criteria4

Competitive Solicitation Model Summary.....5

Sponsorship Model6

Sponsorship Model Planning & Project Selection6

Sponsorship Model Options for Criteria7

Sponsorship Model Summary.....8

Overview

SPP stakeholders have developed two options to comply with the FERC Order 1000 requirement to eliminate the federal right of first refusal (ROFR) from FERC jurisdictional tariffs under certain scenarios. The options will facilitate competition between prospective transmission developers at the front end and/or back end of the SPP planning processes. The back-end approach will be referred to in this document as the Competitive Solicitation Model. The Competitive Solicitation Model facilitates competition to select transmission developers for new transmission projects selected in the regional planning process for purposes of cost allocation via RFP after the projects have been approved. The front-end approach, which will be referred to in this document as the Sponsorship Model, facilitates competition to select transmission developers for new transmission projects selected in the regional planning process for purposes of cost allocation based on the developer that proposed each of the projects that have been approved. If multiple prospective transmission developers recommend the same project, additional criteria is considered.

In addition to these two models, SPP is also developing qualifications that prospective transmission developers must meet in order to either submit a project to the SPP planning process or apply to own and develop a project (depending on which option is chosen). These guidelines will set minimum criteria which will be used to verify that the developer is qualified.

Competitive Solicitation Model

The Competitive Solicitation Model should enable SPP to incorporate FERC's Order 1000 requirements regarding the removal of the Federal ROFR with minimal impact to SPP's current planning processes. The Competitive Solicitation Model would facilitate selection of a transmission developer in a manner that is fairly consistent with the stakeholder approved SPP Business Practice 7150 which prescribes how a project builder is selected in the event an incumbent chooses not to build a project.

Once a project has been approved in the SPP regional planning process, SPP staff will notify qualified transmission developers (as determined by the pending transmission developer qualification criteria mentioned in the introduction) that a project has been approved for construction by the SPP Board. SPP will allow developers 30 days to present their request to build proposals to SPP. The request to build a proposal will be a formalized document that will include pre-approved sections that outline the requirements. After the window for developers to present their requests to build has closed, SPP will take up to 60 days to evaluate the submissions and select transmission developers for each project in the plan. This selection will be presented to the SPP Board for their review and approval to issue NTCs will be requested. Upon approval to issue NTCs by the Board, SPP will issue NTCs to the selected developers within 15 days.

Competitive Solicitation Planning and Project Selection

The Competitive Solicitation model does not change SPP's transmission planning processes, but may extend the timeframe to issue NTCs following SPP Board approval of a SPP transmission expansion plan. Currently, SPP members and other stakeholders are allowed to propose transmission projects to SPP during the planning cycle. These projects, projects identified by SPP staff, or projects identified through an interregional coordinated planning effort are evaluated using multiple criteria. The criteria used to select projects will be consistent with what currently exists and is listed in the ITP Manual. Throughout this process stakeholders have multiple opportunities to provide input. After the projects are evaluated they will proceed through the normal stakeholder approval process. Following the current process the MOPC will review and vote on the recommendation which will be followed by the review of the SPP Board. After the SPP Board approves a project or set of projects, the Competitive Solicitation process begins.

Business Practice 7150

SPP Business Practice 7150 establishes weighted categories of evaluation criteria that culminate in a point system used to facilitate developer selection. Below are the categories included in BP 7150 along with their associated weightings.

Project Expertise: Weighted 20 points
Safety program/Current/Past statistics: Weighted 15 points
Cost to customer: Weighted 20 points
Reliability/Quality/General Design: Weighted 15 points
Operations: Weighted 15 points
Maintenance: Weighted 15 points

Options for Criteria

Options for criteria suggested by SPP staff are listed below. Staff has grouped the criteria into the six categories already defined in SPP Business Practice 7150.

Project Expertise

Experience/Track Record

Safety program/Current/Past statistics

Record of Compliance with safety standards
Safety metrics

Cost to Customer

Cost, ROI, all in
Material On Hand, ROW approval, Assets on hand

Southwest Power Pool, Inc.

Credit Worthiness

Earnest Money

Time frame to construct

Reliability/Quality/General Design

Record of Compliance

Reliability metrics

Experience/Track Record

Construction technology, willingness and ability to meet standards

Operations

Record of Compliance

Reliability metrics

Experience/Track Record

Construction technology, willingness and ability to meet standards

Maintenance

N/A

Competitive Solicitation Model Summary

The Competitive Solicitation model is consistent with existing stakeholder approved SPP procedures. Also, this model yields smaller impact to SPP's current planning processes than does the sponsorship model. The selection of a project will be based completely on the merits of the project without concerns of perceived developer influence or preference.

Sponsorship Model

The Sponsorship Model will require changes to SPP's planning process. This model may increase the creativity and cost effectiveness of projects submitted to the planning process due to the incentive offered to transmission developers that submit projects that are selected. It may also incent the offering of many more projects for SPP to evaluate, some of which provide little added benefit, that could prolong and complicate SPP's planning process.

Sponsorship Model Planning & Project Selection

At the beginning of a planning cycle SPP staff will analyze the transmission system and identify the issues that are proposed to be addressed. These issues would then be presented to stakeholders at a summit at which point a 30 day window for project submission will be opened. During this window any qualified builder (as determined by the pending transmission developer qualification criteria mentioned in the introduction) will be able to submit projects that address one or more issues identified by SPP staff. After the 30 day window for project submission has closed, SPP staff will begin evaluating projects in accordance with the planning process currently in place today. SPP staff may evaluate project submissions until such time a transmission expansion plan must be submitted for endorsement by the MOPC and acceptance by the SPP Board. Projects selected by the SPP Board will be awarded to transmission developers as follows. In the event only one transmission developer submits a project that is selected by the SPP Board, that developer will be selected as the transmission developer for that project. In the event multiple developers submit the same project and that project is selected by the SPP Board, the first developer to submit the project will be selected. All projects approved by the SPP Board that are proposed and selected by SPP staff or a non-transmission developer will default to the Competitive Solicitation process at the end of the planning cycle.

Projects will be evaluated based on criteria currently used by SPP staff, as well as additional criteria which are described below. This process will be focused not only on the selection of a project but will also incorporate information provided by the builder.

The sponsorship model may adversely impact SPP's planning processes and pose a significant risk for delay in the planning cycle. This is due to at least three factors. First, pending the determination of information submittal requirements for proposing projects, additional time may need to be given to prospective transmission developers to develop project proposals. Second, considering the number and complexity of transmission project proposals submitted by prospective developers, SPP staff's project evaluation time frame may increase significantly without resource additions. Third, the sponsorship model will still require a RFP process at the end of the planning cycle to select developers for selected projects proposed by SPP staff or stakeholders that did not have the intent to construct.

Sponsorship Model Options for Criteria

Options for criteria suggested by SPP staff are listed below. SPP staff has grouped the criteria below into three categories. These are suggestions for discussion purposes and the final approved process is not limited to or by the items below.

Cost

Cost, ROI, all in
Synergy
Cost Effectiveness
Sponsor willing to sponsor cost allocation
ROW acquisition standing
Economics of Scale

Benefit/Metrics

Benefit
Synergy
Cost Effectiveness
Ability to solve multiple problems
Effectiveness across multiple futures & planning processes
Projects that meet interregional needs
Inline w/previous planning study solution/toolbox
Best portfolio performance
Minimize Environmental Impacts
Usefulness of life
Cleaner technology
Proximity to wind

Synergy/Preference

Schedule (ability to meet lead time)
Synergy (system wide performance)
Ability to solve multiple problems
Previously submitted project
Effectiveness across multiple futures & planning processes
Projects that meet interregional needs
Inline w/previous planning study solution/toolbox
Best portfolio performance
Economies of scale
Consideration of other planning processes (ESRPP)

Sponsorship Model Summary

The Sponsorship Model is a new approach not previously used by SPP to select projects and developers. This model may adversely impact SPP's planning processes and pose a significant risk for delay in the planning cycle. In order to alleviate these risks, additional resources may be required to complete the process within current timeframes.

DRAFT

2013 ITPNT	Start Date	Completion Date
Scoping	November 2011	February 2012
Model Development	February 2012	April 2012
Reliability Assessment	May 2012	
Solution Development	June 2012	August 2012
Stability Assessment	September 2012	October 2012
Final Reliability Assessment	October 2012	
Review report	November 2012	November 2012
Final report with recommended plan	November 2012	December 2012
	January 2013	
Note: NTCs must be issued within 15 days of BOD approval per the NTC Business Practice.		

2013 ITP20	Start Date	Completion Date
Futures & Scope	December 2011	March 2012
Economic Input Assumptions	January 2012	May 2012
Policy Survey	February 2012	March 2012
Load Forecast Review	February 2012	March 2013
Resource Plans Development & Review	March 2012	August 2012
Model Development & Review	April 2012	September 2012
Model Finalization	September 2012	
Constraint Review	May 2012	August 2012
Economic Assessment Begins	Early September, 2012	
Project Development Request	November 2012	December 2012
Final Reliability Assessment	February 2013	February 2013
Stability Assessment	January 2013	March 2013
Sensitivities Conducted	January 2013	March 2013
Final Benefit Metrics Calculations	March 2013	March 2013
Review draft report with recommended	March 2013	March 2013

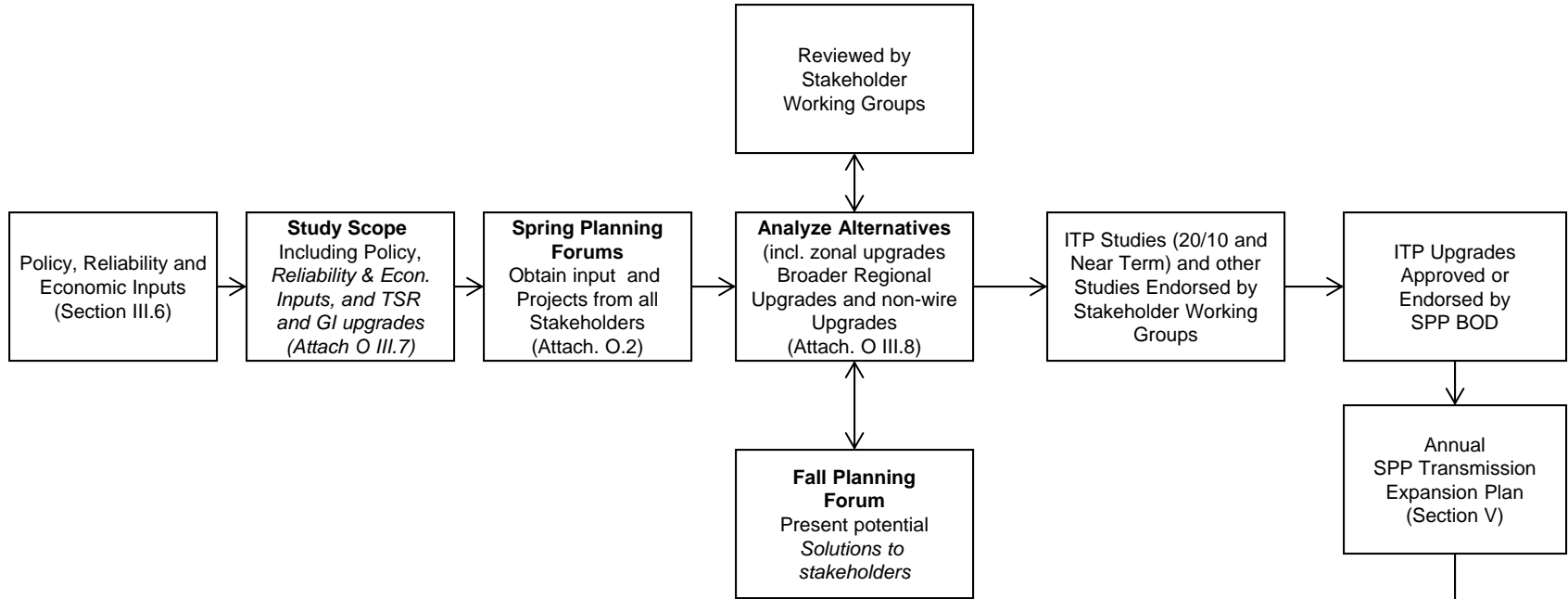
solutions	April 2013	
Final report with recommended solutions	May 2013	June 2013
	July 2013	

2015 ITP10	Start Date	Completion Date
Futures & Scope	June 2013	September 2013
Economic Input Assumptions	July 2013	November 2013
Policy Survey	August 2013	September 2013
Load Forecast Review	August 2013	September 2013
Resource Plans Development & Review	September 2013	February 2014
Model Development & Review	October 2013	March 2014
Model Finalization	March 2014	
Constraint Review	November 2013	February 2014
Economic Assessment Begins	March 2014	
Project Development Request	May 2014	June 2014
Final Reliability Assessment	August 2014	August 2014
Stability Assessment	July 2014	September 2014
Sensitivities Conducted	July 2014	September 2014
Final Benefit Metrics Calculations	September 2014	September2014
Review draft report with recommended solutions	September 2014	September 2014
	October 2014	
Final report with recommended plan	November 2014	December 2014
	January 2015	
Note: NTCs must be issued within 15 days of BOD approval per the NTC Business Practice.		

SPP Planning Process Order 1000

Option Comparison by
ITC, NPPD, Sunflower, Westar and Xcel

Option B: Construction Competition



Integrated Transmission Planning Process

(does not include upgrades related to TSRs, GI, or Sponsored Upgrades)

Note: * ROFR applies to any project that is either
(1) < 300 kV,
(2) is an upgrade to an existing facility
(3) Or an addition or expansion of an existing facility which is on existing right-of-way

Construction Competition

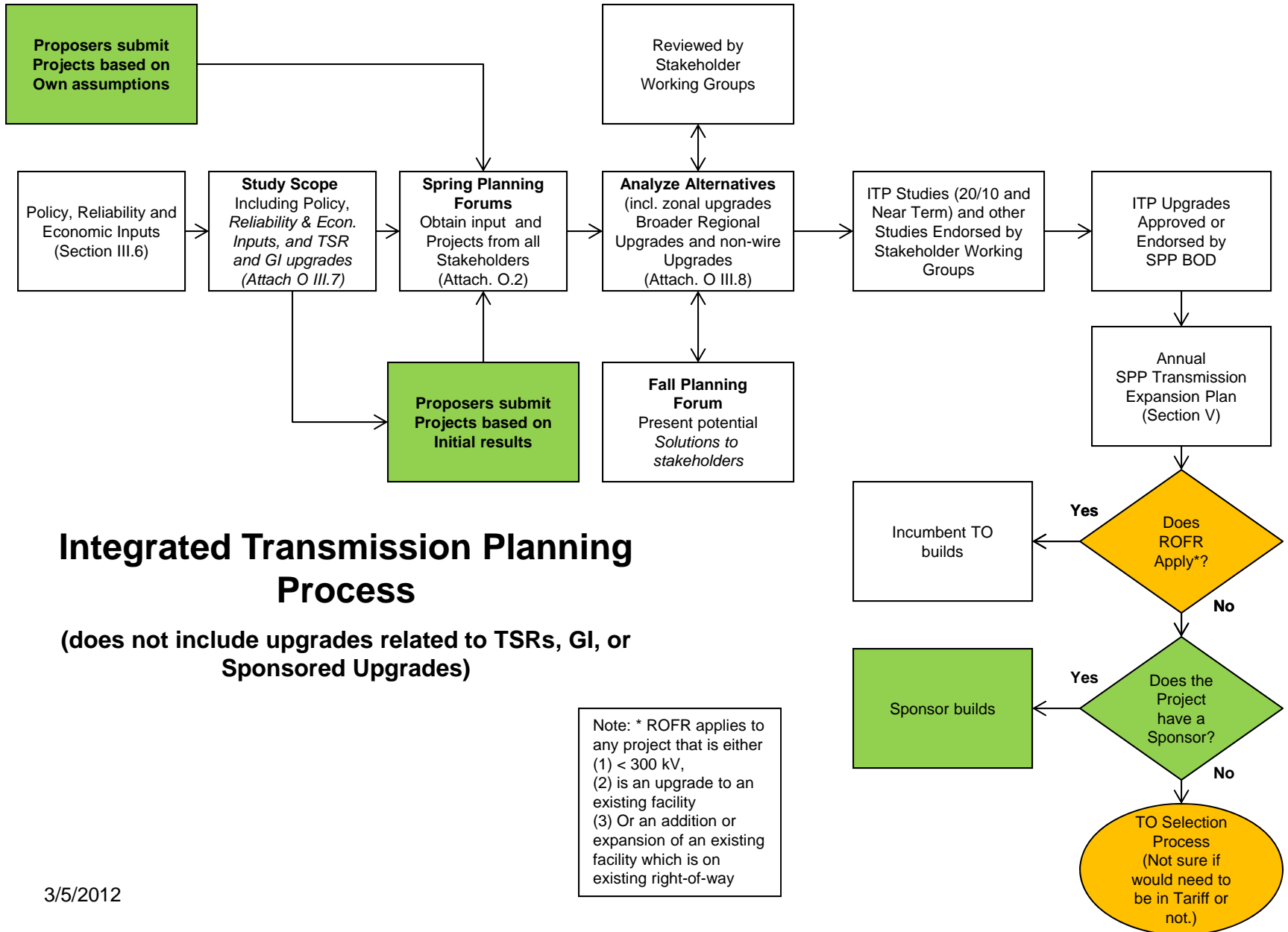
- **Strengths:**

- Preserves the current ITP process as recently approved by FERC. That approval came after the NOPR and Order 1000 was approved with no stipulations or comments related to Order 1000 when approving ITP
- Maintains an open, transparent and collaborative planning process. Keeps the ability of all stakeholders to supply options (including non-wire ones) regardless of who constructs
- Keeps the “need” component separated from the “construction” component so that the most cost effective solutions are built, not necessarily the project proposed by a specific stakeholder which may get financial gain
- Uses processes currently in place and approved by Stakeholders. The basis for the selection process is the current TO selection business practice (was 1.16) which requires a team of members from multiple areas of SPP (Finance, Regulatory, Engineering, etc.) and can call on consultants or outside experts as needed
- Opens process at construction stage for both incumbents and non-incumbents
- Provides for construction competition for projects, consistent with the non-discriminatory competitive bidding process identified in 336 of Order 1000
- Only one competitive process for SPP staff to manage at back-end (Most Recent STEP only had a total of 13 projects which would need to go through the builder selection process. The selection process had to be completed for 4 projects in 2012, 3 projects in 2013 and 6 projects in 2014)
- If time is added to the overall process (based on proposed NTC business practice this is unclear), it is added on the end of the planning process where it is more likely not to affect the construction of the project (e.g. some projects could be issued NTCs, but financial expenditures are not required for up to four years), builder selection can be staged such that those projects with more immediate timelines can be handled first.
- Has the least amount of Tariff work of the three options.

- **Weaknesses:**

- Tariff and business practice changes needed to reflect selection process after ITP.
- Requires the implementation of selecting a builder by comparing cost, operating and other components which are complex and potentially difficult to determine in advance.
- May be a disincentive to non-traditional participants in SPP for submitting solutions to problems since they are not guaranteed to construct the project they proposed if SPP approves it for construction
- The incumbent TO or project proposer (the default TO used by SPP to assist them during the planning stages) may have advantage over non-incumbents as they may have some additional data not generally distributed to all the Stakeholders
- Requires additional SPP Staff time to participate on the selection committee
- Proposal on the table reduces the response time for a construction estimate from 90 days (an NPE as defined in the PCWG whitepaper) to just 60 days (as currently contained in the TO selection BP), however, the TO will have already participated in the Stakeholder planning process and responded to the RFI so the difference of 30 days may not be an issue.

Option C: Planning Competition (Suskie Option)



Planning Competition (Suskie Option)

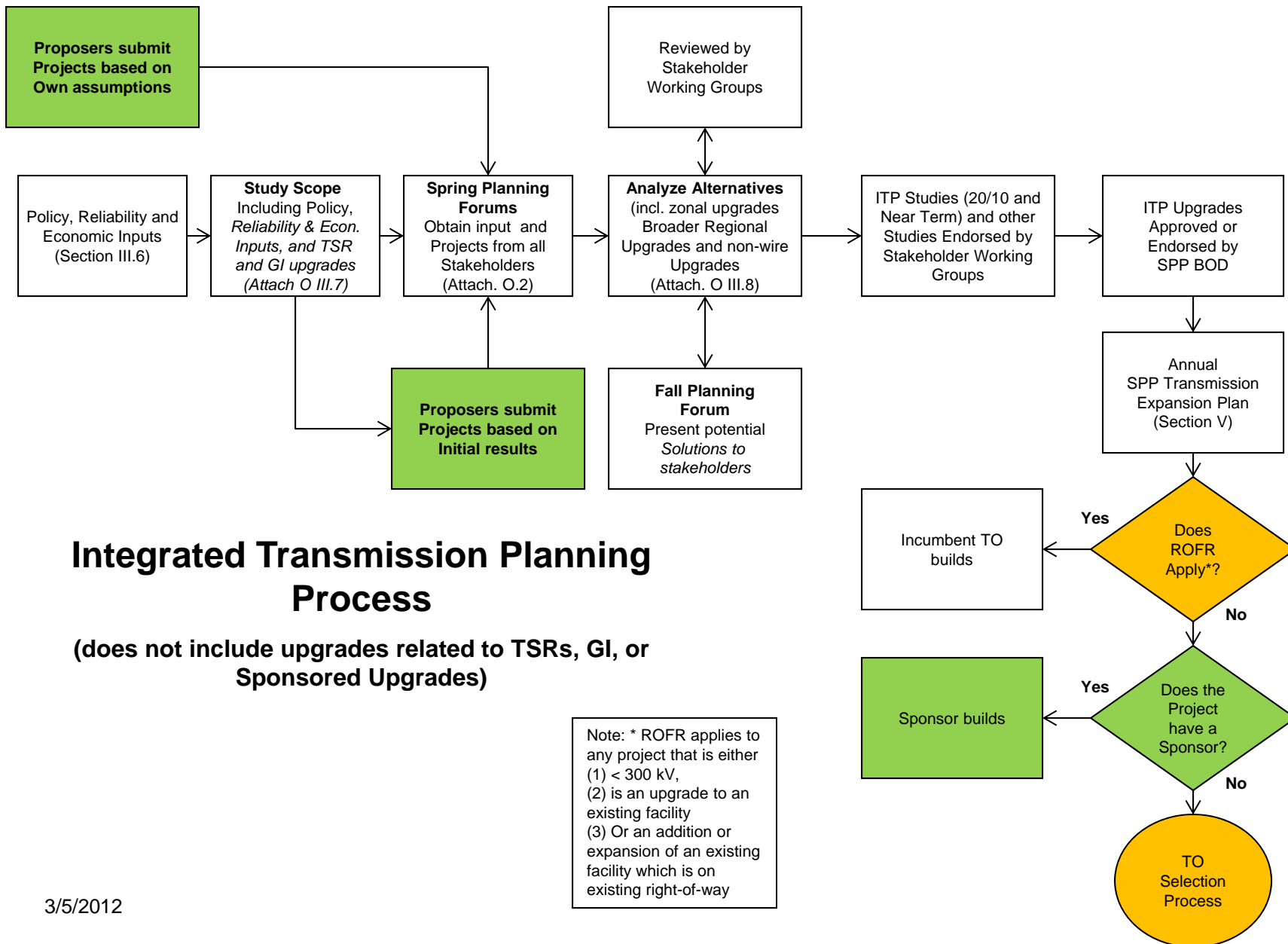
- **Strengths:**

- May promote more participation by outside entities and creative solutions from stakeholders since if the project is approved for construction, the proposer of the project will be able to build and profit from it
- Maintains the ability of SPP and all stakeholders to provide conceptual ideas into ITP process, without obligation to construct
- Planning competition is consistent with the sponsorship example identified in 336 of Order 1000
- Only one competitive process for SPP staff to manage at front-end

- **Weaknesses:**

- Tariff and business practice changes needed to reflect additional planning competition steps to the ITP process and the need to develop the project submission form as required in Order 1000 (par 325)
- While the most cost effective project is selected, it may not always be the least cost life-cycle transmission project
- No construction competition for unsponsored projects, potentially inconsistent with the sponsorship example identified in 336 of Order 1000 (this issue should be subject to legal review by SPP's outside counsel W&T to validate)
- Will potentially overload the planning process for SPP to sort through competing proposals
 - The same, or nearly the same, project is proposed by multiple entities, the current planning process would just allow SPP to note that the same solution was proposed by multiple entities and continue on, with the Planning competition process, SPP will need to determine who is the Project Sponsor, which also drives the costs, and other parameters used in the planning process.
 - If the entity is responding to a set of issues identified in the SPP planning process, how much time will it take for the entity to run its studies and do its required cost estimate? This is a lot of information not currently required at this stage of the planning process which could require more time for evaluation.
- Possible gaming due to the “flooding” of multiple projects by an entity
- Could require SPP to sort through various studies prepared by entities supplying projects if assumptions made by those entities are different from each other and the base assumptions being used by SPP in the ITP
- If the Proposer's project is selected for construction and discovers in its routing hearing at the State Commission (if required) that it is required to utilize existing rights of way to minimize environment impacts or meet state law.
- Will fundamentally change the planning process from a “top down” process to a more “bottom up” process
- Requires the determination of new processes and concepts, for proposing projects and selecting between competing projects, not previously reviewed by SPP Stakeholders

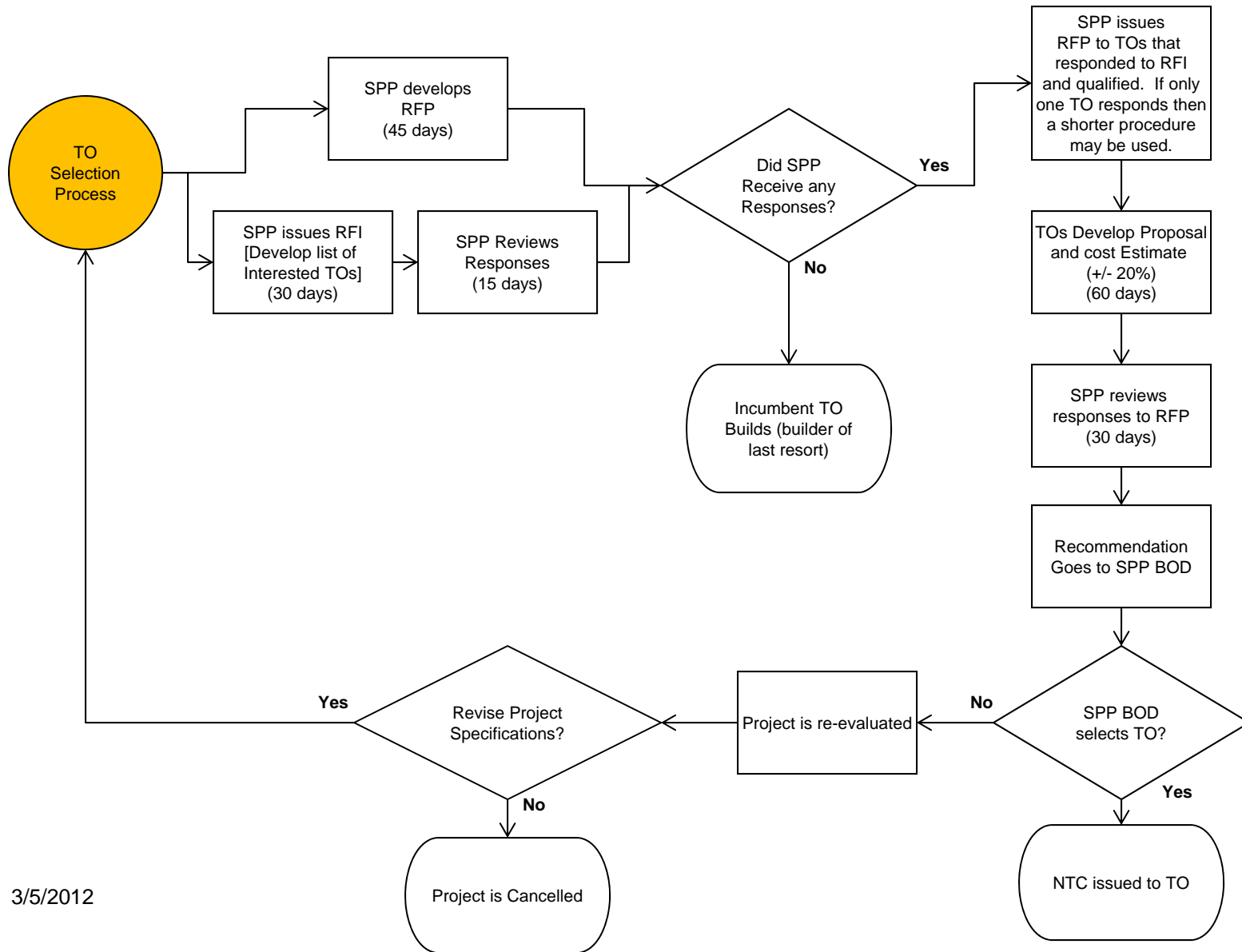
Option A: Planning and Construction Competition



Planning & Construction Competition

- **Strengths:**
 - Same as Option B and C
 - Meets Order 1000, Paragraph 336, requiring a builder selection process for non-sponsored projects.
- **Weaknesses:**
 - Same as Option B and C
 - Takes longer than Option B or C.
 - Requires SPP to have two competitive process.
 - Most extensive Tariff and business practice changes.

Transmission Constructor Selection Process

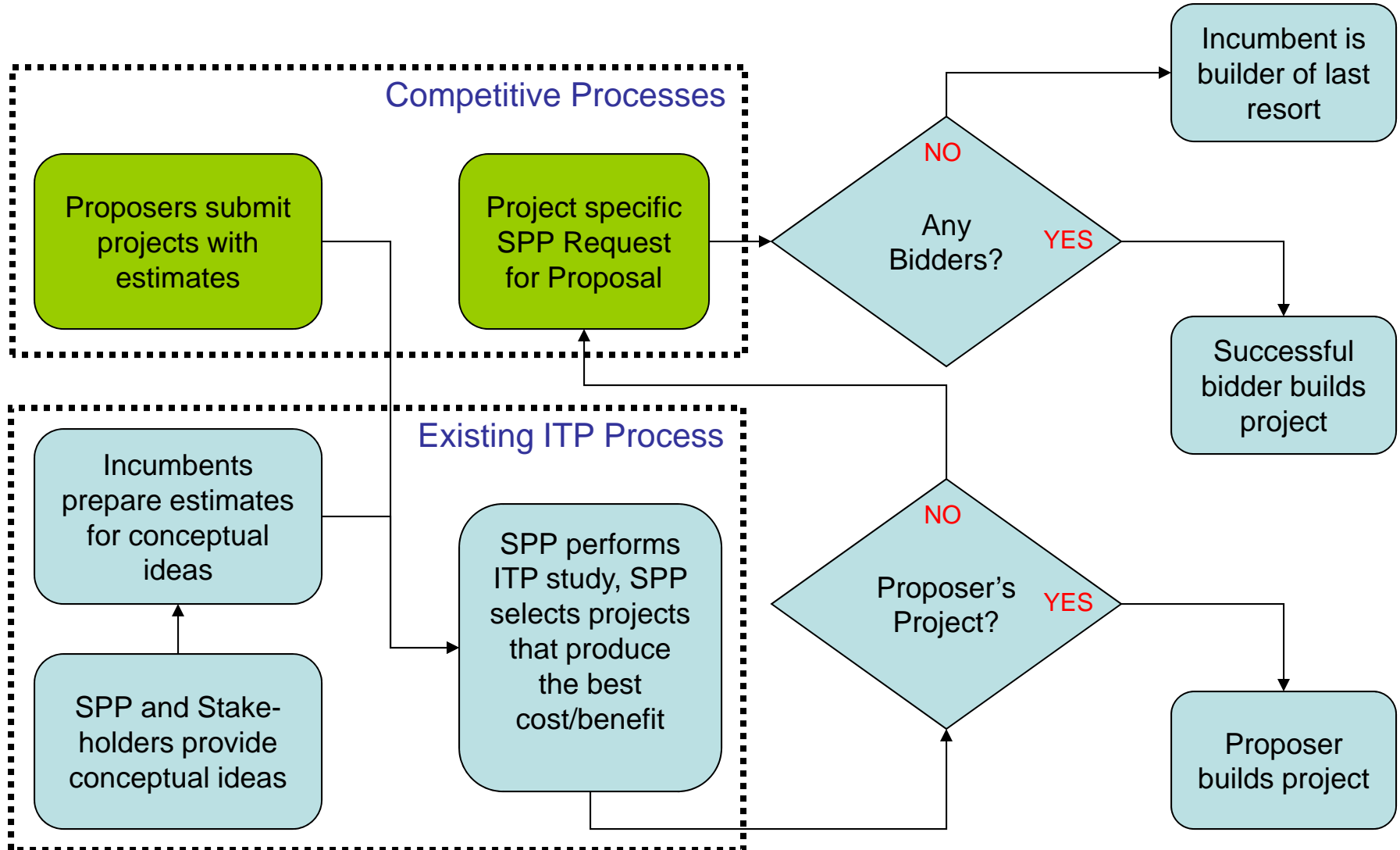


Transmission Owner Selection Process Description

- The “Default Transmission Owner” is the entity that SPP works with to get more detailed cost estimates during the planning process and is either the TO which would build it if a ROFR existed or the entity that proposed the project and has expressed an interest to construct if approved for construction
- Upon BOD approval of the project, SPP would issue a Request for Interest (RFI) to the default Transmission Owner(s), the remaining SPP Transmission Owners, other entities that have expressed interest in building projects in the SPP and post the project on the SPP web site.
 - All parties shall have 30 days to respond to SPP as to its interest in constructing, owning and maintaining the project. (Reasoning – These projects are coming out of a 1 year to 18 month open and transparent planning process which has already been presented to, and approved by, the SPP BOD. Any entity having an interest in becoming the TO for a project should already have the basic information and should have been following and participating in the planning process.)
 - If one or more parties other than the default Transmission Owner do apply to construct the project, then the SPP would go to the Transmission Owner selection process.
 - The default Transmission Owner can either remain in the process or drop out
 - Selection of the constructing Transmission Owner would not require that the participant currently be a Transmission Owner under the Tariff, but would have to be able to join SPP as a Transmission Owning member under the Tariff, be able to meet any State requirements to construct the project in the State(s) where the project is to be built, as well as all other requirements as outlined in the Tariff and the Transmission Owner Selection process.
 - If no entity responds to the RFI, then the project defaults to the Transmission Owner as determined in the current Tariff (i.e. the incumbent TO)
- Transmission Owner Selection Process
 - If no responses are received, the project goes to the incumbent TO.
 - If one or more responses to the RFI is received, a selection committee (SC) is formed by the Oversight Committee (Note: Arguably, if only one response is received, the need for forming a SC may not be needed, but even if formed, it would have a lot less to deal with than comparing two or more proposals.)
 - Voting members of the SC are SPP Staff (as outlined in the current BP)
 - Stakeholder experts and consultants may be utilized by the SC throughout the process at its discretion
 - The responses to the RFI are reviewed and determined which, if any of the responders should be advanced to receiving the RFP (15 days)
 - The SC develops the Request for Proposal (RFP) based upon the RFI and the responses to the RFI (30 days)
 - The RFP is issued to the interested parties (60 days)
 - SC evaluates the responses to the RFP – this includes the cost comparisons between what is received vs. the planning estimates (30 days)
 - SC makes a recommendation to the Oversight Committee
 - The Oversight Committee makes its recommendation to the BOD
 - The BOD selects the TO

Option A

Planning & Construction Competition

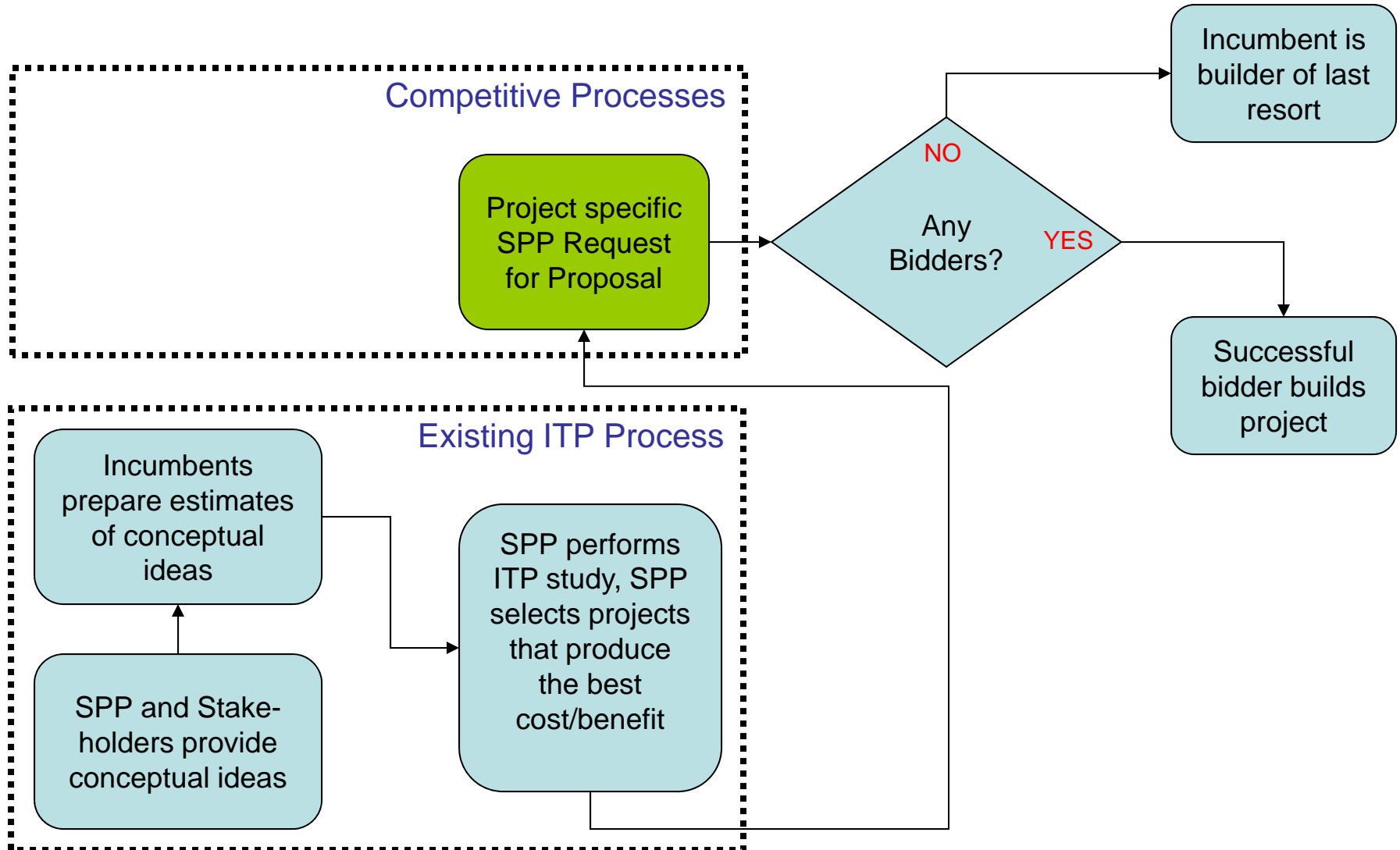


Planning & Construction Competition

- **Strengths:**
 - Opens process at planning stage & construction stage for incumbents & non-incumbents
 - Promotes ideas & creative solutions from stakeholders (instead of depending only on SPP staff and incumbent TOs) and utilizes SPP staff existing planning strengths
 - Allows for efficient technical solutions to advance into transmission planning process
 - Rewards project sponsors with right to construct projects, when their projects are selected
 - Planning competition could be performed in advance of planning cycle to avoid delays
 - Keeps existing SPP transmission planning process largely intact, and allows SPP and all stakeholders to provide conceptual ideas into ITP process, without obligation to construct
 - Provides for competition to achieve the least cost life-cycle solution for unsponsored projects, consistent with the sponsorship example identified in 336 of Order 1000
- **Weaknesses:**
 - Tariff and business practice changes to reflect additional planning and construction competition steps to the ITP process
 - Two competitive processes for SPP to manage at front-end and back-end
 - Constructor selection complex and creates unintended industry drivers resulting from the project constructor selection process. (i.e. narrow set of metric differences for selecting bid winners can result in: higher leveraging of debt/equity beyond traditional investment grade utility levels, reduction of requested (allowed) return on equity at FERC, inability to overcome base carrying charge differences between entities, complexity of bid versus actual construction cost issues)
 - Imposition of construction bidding expertise on SPP staff and processes
 - Construction competition will delay construction, as construction competition occurs at the end of ITP process and project selection process and may adversely affect the Need Date
 - Proposed to rely on TO Selection process that did not anticipate large quantities of projects for SPP to review and may require SPP to either increase staff for needed skills or to use consultants

Option B

Construction Competition



Construction Competition

- **Strengths:**

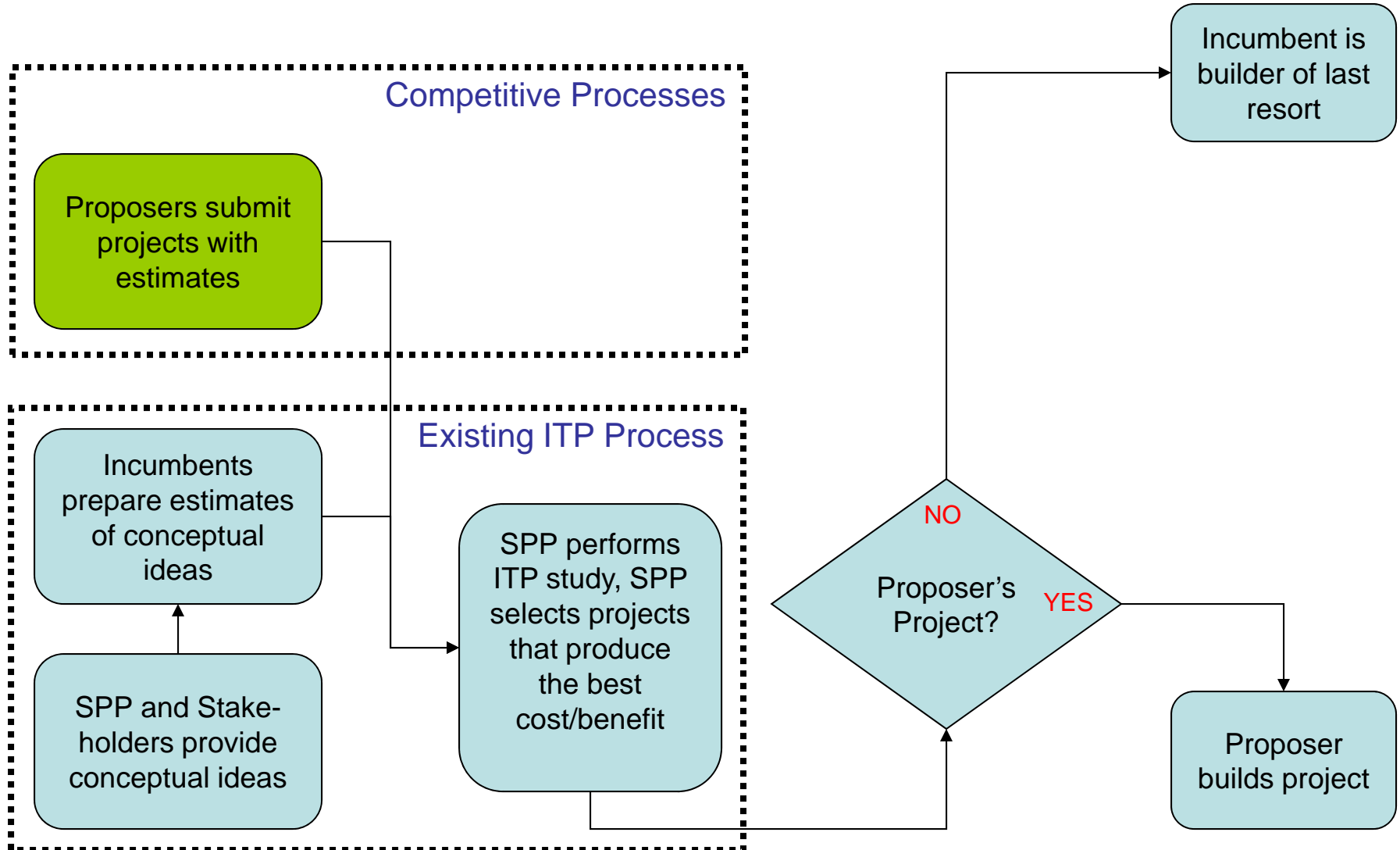
- Opens process at construction stage for both incumbents and non-incumbents
- Keeps existing SPP transmission planning process largely intact, and allows SPP and all stakeholders to provide conceptual ideas into ITP process, without obligation to construct
- Provides for construction competition for projects, consistent with the non-discriminatory competitive bidding process identified in 336 of Order 1000
- Only one competitive process for SPP staff to manage at back-end

- **Weaknesses:**

- Tariff and business practice changes needed to reflect additional construction competition steps to the ITP process
- Does not provide an incentive for any stakeholder, both incumbent and non-incumbent, to propose projects into the ITP process
- Constructor selection complex and creates unintended industry drivers resulting from the project constructor selection process. (i.e. narrow set of metric differences for selecting bid winners can result in: higher leveraging of debt/equity beyond traditional investment grade utility levels, reduction of requested (allowed) return on equity at FERC, inability to overcome base carrying charge differences between entities, complexity of bid versus actual construction cost issues)
- Relies on SPP planning staff and incumbent TO for ideas and solutions to problems
- Incumbents have advantage over non-incumbents as they will have access to projects and provide project cost estimates at early stage
 - Allows for transmission solutions < 300 kV, potentially resulting in artificial ROFR
 - Potential for gaming exists with incumbents setting the “bar” with initial project cost estimates/solutions
 - Does not allow sponsorship of projects when determining the most cost effective solution
- Imposition of construction bidding expertise on SPP staff and processes
- Construction competition will delay construction, as construction competition occurs at the end of ITP process and project selection process and may adversely affect the Need Date
- Proposed to rely on TO Selection process that did not anticipate large quantities of projects for SPP review; may require SPP to either increase staff for needed skills or use consultants
- Proposal on the table reduces the response time for an NPE from 90 days to just 60 days
- Incompatible with NTC-C process

Option C

Planning Competition



Planning Competition

- **Strengths:**

- Opens process at planning stage for incumbents and non-incumbents
- Promotes ideas & creative solutions from stakeholders (instead of depending only on SPP staff and incumbent TOs) and utilizes SPP staff existing planning strengths
- Allows for efficient technical solutions to advance into transmission planning process
- Rewards project sponsors with right to construct projects, when their projects are selected
- Prevents unintended industry drivers resulting from an additional project constructor selection process. (i.e. narrow set of metric differences for selecting bid winners can result in: higher leveraging of debt/equity beyond traditional investment grade utility levels, reduction of requested (allowed) return on equity at FERC, inability to overcome base carrying charge differences between entities, complexity of bid versus actual construction cost issues)
- Keeps existing SPP transmission planning process largely intact, and allows SPP and all stakeholders to provide conceptual ideas into ITP process, without obligation to construct
- Planning competition to achieve the most cost effective solution for projects, consistent with the sponsorship example identified in 336 of Order 1000
- Only one competitive process for SPP staff to manage at front-end
 - Utilizes existing practice in selecting projects and new cost estimate process
 - Does not disrupt current ITP planning process - folds into project identification planning phase – so delays not anticipated in project selection and meeting Need Dates (i.e., planning competition could be performed in advance of planning cycle)

- **Weaknesses:**

- Tariff and business practice changes needed to reflect additional planning competition steps to the ITP process
- While the most cost effective project is selected, it may not always be the least cost life-cycle transmission project
- No construction competition for unsponsored projects, potentially inconsistent with the sponsorship example identified in 336 of Order 1000 (this issue should be subject to legal review by SPP's outside counsel W&T to validate)

Paragraph 336, FERC Order 1000

“...The mechanism a regional planning process implements could also allow the sponsor of a transmission project selected in the regional transmission plan for purposes of cost allocation to use the regional cost allocation method associated with the transmission project. **In that case, however, the regional transmission planning process would also need to have a fair and not unduly discriminatory mechanism to grant to an incumbent transmission provider or nonincumbent transmission developer the right to use the regional cost allocation method for unsponsored transmission facilities selected in the regional plan for purposes of cost allocation.”**

Summary of the Parking Lot Issues Subgroup's

Recommendations to the Full SPCTF on Order 1000

At the February 10, 2012 meeting of the SPCTF on Order 1000, the TF asked for a group of volunteers to analyze FERC Order 1000 Right of First Refusal ("ROFR") issue as it relates to SPP's Sponsored Upgrades and SPP's Transmission Service Upgrades/AG Studies ("Parking Lot Issues"). Additionally, this group was asked to make a recommendation to the full TF on these issues. The following individuals volunteered to work on the "Parking Lot" issues and participated: Jack Langthorn (OGE), Terri Gallop (AEP), Dennis Reed (Westar), and Noman Williams (Sunflower) with Paul Suskie coordinating for SPP Staff. The issues that this group of volunteers were asked to consider were presented to the full TF as follows:

Voltage/Type of Facility	Should SPP Seek to Keep ROFR?	Justification of Maintaining ROFR?
Sponsored Upgrades	Yes - ????	Order 1000 <u>appears to exclude</u> SPP's Sponsored Upgrades: Sponsored Upgrades do not fall within the definition of "transmission facilities selected in a regional transmission plan for purposes of cost allocation" and therefore the requirement to eliminate ROFR does not apply. First, Sponsored Upgrades are not in the STEP for cost allocation, because the costs associated with Sponsored Upgrades are paid by the Project Sponsor. Thus, at the time that a Sponsored Project is included in the STEP, it is not included for purposes of cost allocation. Additionally, Sponsored Upgrades are built at the request of a Project Sponsor; they are not "selected pursuant to a transmission planning region's Commission-approved regional transmission process for inclusion in a regional transmission plan for purposes of cost allocation because they are more efficient or cost-effective solutions to regional transmission needs." The Order 1000 federal ROFR mandate, therefore, should not apply. <i>See Order 1000 at P 63.</i>
Transmission Service Upgrades	Yes - ????	Order 1000 <u>appears to exclude</u> Transmission Service Upgrades: Service Upgrades identified through the SPP Aggregate Transmission Service Study process do not appear to be subject to the requirement to eliminate the federal ROFR. While Service Upgrades are included in the STEP, and all or a portion of the costs of some Service Upgrades may be eligible for allocation under SPP's Base Plan funding (i.e., Service Upgrades associated with a Designated Resource that meet the conditions in Section III.B of Attachment J or have obtained a waiver of the requirements), such upgrades do not appear to fall within the description of "transmission facilities selected in a regional transmission plan for purposes of cost allocation" for several reasons. <i>See SPP Tariff at Attachment O § III.7.a. and Attachment J §§ III.B – III.C.</i>

On January 20, 2012 a conference call was held with all of the volunteers for this subgroup participating.

The following is the report and recommendation of the Parking Lot Issues subgroup to the full SPCTF on Order 1000 on the issue of how the ROFR aspects of Order 1000 should apply to (1) Sponsored Upgrades and (2) Transmission Service Upgrades/AG Study.

Sponsored Upgrades

Clarification 1: *For purpose of clarification, the term “Sponsored Upgrade” in the context herein, is describing SPP’s existing tariff provision that allows a Transmission Owner (“TO”) to build a transmission upgrade that the TO will fund. After the completion of the Upgrade, the TO may be eligible for credits for subsequent usage of the facility. This type of upgrade is not to be confused with the “Sponsorship Model” that FERC has indicated with comply with FERC rules related to the ROFR aspects of Order 1000.*

The Parking Lot Issues subgroup recommends to the full SPCTF on Order 1000 that in its compliance filing, SPP should establish three categories of “Sponsored Upgrades” in which the a stakeholder funds. These categories are: (1) a TO purposes to fund an upgrade on its own system, (2) a TO (or other stakeholder) proposes to fund and build an upgrade on another TO’s system, and (3) a TO (or other stakeholder) proposes to fund an upgrade on another TO’s system but not build the upgrade. The subgroup recommends that these category of upgrades be addressed as follows in SPP’s compliance filing:

Category	Summary	Who Builds
(1) TO (or other stakeholder) purposes to fund an upgrade on its own system	This is the same process that is currently in SPP’s tariff. This process has been used by SPP members.	Proposer TO Builds.
(2) TO (or other stakeholder) proposes to fund and build an upgrade on another TO’s system	This would be a new process in which a TO proposes to fund and build an upgrade on another TO’s system.	Proposer TO Builds.
(3) TO (or other stakeholder) proposes to fund an upgrade on another TO’s system but NOT build the upgrade.	This would be a new process in which a TO proposes to fund but NOT build an upgrade on another TO’s system.	Use existing SPP processes.

Transmission Service Upgrades/AG Study Upgrades:

Service Upgrades identified through the SPP Aggregate Transmission Service Study process do not appear to be subject to the requirement to eliminate the federal ROFR. While Service Upgrades are included in the STEP, and all or a portion of the costs of some Service Upgrades may be eligible for allocation under SPP's Base Plan funding (i.e., Service Upgrades associated with a Designated Resource that meet the conditions in Section III.B of Attachment J or have obtained a waiver of the requirements), such upgrades do not appear to fall within the description of "transmission facilities selected in a regional transmission plan for purposes of cost allocation" for several reasons. *See SPP Tariff at Attachment O § III.7.a. and Attachment J §§ III.B – III.C.* As a result the Parking Lot Issues subgroup recommends that SPCTF on Order 1000 recommend that the SPP make a compliance filing to seek to retain the ROFR for these types of upgrades.