Overview

- CAWG Transmission Expansion Cost Allocation Proposal draft released on August 24
- CAWG review only, not approved by the RSC
- CAWG desires feedback on proposal to prepare document for RSC review
Overview of Straw Proposal on Cost Allocation for Transmission Upgrades

- Base funded upgrades
- Participant funded upgrades
  - Upgrades subject to Y% participant funding
  - Upgrades subject to 100% participant funding
Proposed Cost Allocation for Base Plan Upgrades

- Base Plan Upgrades
  - X% through a single region-wide SPP rate
  - 100-X% recovered through the zonal rate of zone or zones which benefit from the upgrade
Proposed Cost Allocation for Participant Funded Upgrades

- Participant funded
  - (100-Y)% through a single region-wide SPP rate and Y% directly from the party or parties that volunteer to pay for such upgrades
  - 100% directly from the requestor
Proposed rate design terminology

- Residual charge – charge for existing assets prior to new policy being implemented
- Universal rate – SPP wide rate to recover costs the X and Y factor costs
- Zonal rate – zonal charge used to recover upgrade costs assigned to zones
- Participant funding charge – charge assigned directly to those participants that voluntarily agreed to pay or requested upgrade
<table>
<thead>
<tr>
<th>Service Description</th>
<th>Existing Residual Charge</th>
<th>Universal Rate</th>
<th>Zonal Rate</th>
<th>Directly Assigned to Requestor or Volunteers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing Facilities</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Base Funded (reliability upgrades)</td>
<td></td>
<td>X%</td>
<td>(100-X)%</td>
<td></td>
</tr>
<tr>
<td>Network upgrades required for network resources (≥ one year)</td>
<td></td>
<td>X%</td>
<td>(100-X)%</td>
<td></td>
</tr>
<tr>
<td>Network upgrades required for existing and new long-term firm P-to-P service for loads located within the SPP footprint that include Section 2.2 rights</td>
<td></td>
<td>X%</td>
<td>(100-X)%</td>
<td></td>
</tr>
<tr>
<td>Network upgrades required for existing long-term firm P-to-P service through or out of the SPP footprint that include Section 2.2 rights</td>
<td></td>
<td>X%</td>
<td>(100-X)%</td>
<td></td>
</tr>
<tr>
<td>Service for changed or newly designated network resources</td>
<td></td>
<td>X%</td>
<td>(100-X)%</td>
<td></td>
</tr>
<tr>
<td>Service for grandfathered agreements</td>
<td></td>
<td>X%</td>
<td>(100-X)%</td>
<td></td>
</tr>
</tbody>
</table>
## Strawman Proposal Summary Table (cont'd)

<table>
<thead>
<tr>
<th>Funding Type</th>
<th>Existing Residual Charge</th>
<th>Universal Rate</th>
<th>Zonal Rate</th>
<th>Directly Assigned to Requestor or Volunteers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partial Participant Funding</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic expansion facilities in the regional plan approved by the SPP Board</td>
<td>(100-Y)%</td>
<td></td>
<td></td>
<td>Y% to the party or parties that volunteer</td>
</tr>
<tr>
<td>Full Participant Funding</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network upgrades required “but for” the provision of network resource interconnection service or for energy resource interconnection service</td>
<td>(100-Y)%</td>
<td></td>
<td></td>
<td>100% to the requestor</td>
</tr>
<tr>
<td>Network upgrades required “but for” the provision of long-term firm P-to-P service for through and out transactions</td>
<td></td>
<td></td>
<td></td>
<td>100% to the requestor</td>
</tr>
<tr>
<td>Direct Assignment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-network facilities required for the provision of interconnection service</td>
<td></td>
<td></td>
<td></td>
<td>100% to the requestor</td>
</tr>
</tbody>
</table>

**Notes:**
- **Y%** is the percentage assigned to the party or parties that volunteer.
- **Zonal Rate** refers to the rate applicable for zonal areas.
- **Universal Rate** is the rate applicable to all participants.
- **Existing Residual Charge** represents the portion of costs not covered by other funding mechanisms.
Stakeholder Comments on Base Plan Upgrades

- All agree Base Plan must be developed to meet reliability requirements
  - Some potential subtle differences on role of TOs vs RTO
- Clear split over the scope of the Base Plan
  - Camp 1 – Base Plan should be developed to serve all existing transmission service and requested changes to serve all projected load in footprint
  - Camp 2 – Base Plan should be developed only for existing transmission service and projected load growth; changes to DNR should not be in Base Plan
Stakeholder Comments
Base Plan Cost Allocation

- Postage stamp vs. Regional/Zonal split
  - Most commenters supported some form of regional/zonal split

- Concerns expressed over TO cost recovery if region wide allocation was made
  - Some TO’s expressed concern over States permitting recovery of upgrade costs not associated with facilities in their zone.
Stakeholder Comments
Participant Funding

- Comments on both sides of spectrum as expected
  - On one end: PF should be minimized
  - The other side: Anything not in Base Plan should be PF

- For those supporting PF
  - Range of options for determining beneficiaries
  - Generally, all agreed that entities that PF should receive some form of transmission right
    - Some type of credit in current situation
    - Financial transmission right under market based congestion management
Afternoon Topics

- Property rights for upgrades that are participant funded in whole or in part
- Proposed cost allocation for upgrades to resolve pre-existing base case overloads
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