

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

<b>Competitive Transmission Development Technical Conference</b>	) ) ) )	<b>Docket No. AD16-18-000</b>
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**POST-TECHNICAL CONFERENCE COMMENTS  
OF SOUTHWEST POWER POOL, INC.**

**I. INTRODUCTION**

Southwest Power Pool, Inc. (“SPP”) hereby submits the following post-technical conference comments for the Commission’s consideration in its review of issues related to transmission development in the above captioned docket. Similar to its pre-technical conference comments and participation at the technical conference, SPP’s comments focus on the post-technical conference questions posed by the Commission related to panel 4 and 5 issues.

**II. COMMENTS**

**Panel 4: Interregional Transmission Coordination Issues**

SPP offers the following comments on the Commission’s post-technical conference questions 2 and 5 related to Panel 4.

**2. What would be the advantages and disadvantages to the use of common models and assumptions by public utility transmission providers in regions in their interregional coordination processes? Are there problems that such an approach would solve or create? If such common models and assumptions could be developed, how should they be developed and by which entity or entities?**

Order No. 1000 does not currently require neighboring Planning Regions to use common models and assumptions in their interregional coordination processes, however they are required to “harmonize” assumptions in the evaluation of proposed projects for interregional cost allocation. Pairs of neighboring Planning Regions have met this requirement to harmonize assumptions in various ways. In the SPP-Midcontinent Independent System Operator, Inc. (“MISO”) interregional coordination process, this requirement is met through the development of “joint and common

model(s) that shall be used for the Coordinated System Plan study”.<sup>1</sup> When conducting a Coordinated System Plan study, the joint and common models are developed consistent with the requirements, study parameters, and analyses agreed upon in the applicable study scope. Proposed projects for interregional cost allocation are then evaluated using the joint and common model(s) and the applicable economic, reliability, or public policy benefit metrics to determine whether the project satisfies the criteria to be eligible for approval as an Interregional Project. If the analysis demonstrates that the project does satisfy the criteria for approval as an Interregional Project, the proposed cost allocation between SPP and MISO is determined by each Planning Region’s proportion of the total benefits.

The analysis of proposed Interregional Projects does not conclude with the Coordinated System Plan analyses using the joint and common model(s). According to the SPP-MISO interregional coordination process, each Planning Region must review all Interregional Projects recommended by the SPP-MISO Joint Planning Committee through its “respective regional processes”.<sup>2</sup> This affords each region the opportunity to review proposed Interregional Projects in light of its own regional assumptions, criteria, and benefit metrics which may be different than those used in the evaluation of the projects in the Coordinated System Plan using the joint and common model(s). However, this also introduces the opportunity for significant deviations in those assumptions, criteria, and benefit metrics that were used to determine whether a proposed Interregional Project had satisfied all of the criteria to be eligible for interregional cost allocation. The use of different assumptions, criteria, and benefit metrics in each Planning Region’s respective regional processes effectively creates additional hurdles in which a proposed Interregional Project must pass before being approved by each Party’s Board of Directors. Some stakeholders have referred to this issue as the “triple hurdle” that proposed Interregional Projects have so far been unable to clear: the interregional criteria and each respective Planning Region’s regional criteria.

The use of common models and assumptions in evaluating proposed Interregional Projects has the advantage of ensuring that both neighboring Planning Regions have had the opportunity to provide input into how projects are evaluated. The disadvantage to the use of common models and assumptions is that neighboring Planning Regions almost always have different ways in which they analyze and place value on proposed transmission expansion, so compromises have to be made in order to agree upon the common models and assumptions. This often leads to the neighboring Planning Regions gravitating towards the “least common denominator” for assumptions and benefit

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<sup>1</sup> Joint Operating Agreement Between the Midcontinent Independent System Operator, Inc. And Southwest Power Pool, Inc. (“SPP-MISO JOA”) at Section 9.3.3.2. The SPP-MISO JOA is available on SPP’s website at: <https://www.spp.org/spp-documents-filings/?id=18418>.

<sup>2</sup> SPP-MISO JOA at Section 9.3.3.6.

metrics which can lead to a lower number of projects and also inequitable interregional cost allocation outcomes.

These advantages and disadvantages serve as opposing forces when discussing potential solutions with stakeholders. There are some stakeholders who are staunch advocates of preserving “regional differences” and the right of each Planning Region to make its own determination as to the benefits of a proposed Interregional Project by applying its own regional assumptions, criteria, and benefit metrics. On the other side, there are some stakeholders who advocate that neighboring Planning Regions should be able to agree on common models and assumptions and use the results of those negotiated models and assumptions in deciding whether a proposed Interregional Project satisfies the criteria for interregional cost allocation. To do otherwise sets up divergent thresholds and criteria upon which proposed Interregional Projects must satisfy.

**5. Do interregional cost allocation methods accepted by the Commission, such as the “avoided cost only” method, impede interregional transmission coordination? If so, are there alternative cost allocation methods that could better facilitate interregional transmission development? Would those methods be consistent with interregional transmission coordination processes or would the interregional transmission coordination processes need to change to accommodate such alternative cost allocation methods?**

Transmission expansion has the potential to offer numerous quantifiable and non-quantifiable benefits to consumers. The use of a single benefit metric, whether “avoided cost”, “adjusted production cost”, or any other single benefit metric, has the effect of making it more difficult to justify the business case for proposed transmission projects and results in potentially inequitable cost allocation outcomes.

SPP’s regional transmission planning process has evolved to consider a suite of at least ten benefit metrics that may be used when evaluating potential transmission projects for regional cost allocation. Because each Planning Region values transmission differently, initial Order No. 1000 interregional coordination processes resulted in the “least common denominator” benefit metrics being used to determine whether proposed Interregional Projects were more efficient or cost effective than regional solutions. This places proposed Interregional Projects on an uneven playing field since they are competing with projects in which each respective region may assign additional benefits to projects being considered in the regional planning processes.

One option the Commission might consider is to permit each neighboring Planning Region to determine the benefits of a proposed Interregional Project using its own benefit metrics and allocate the costs to each Planning Region in proportion to the total benefits calculated by each region. However, this creates a disincentive for individual

regions to apply more (or different) benefit metrics than the neighboring Planning Region because quantifying more benefits will result in more costs being allocated.

It is important that the Commission ensure each Planning Region is considering the potential benefits of proposed Interregional projects comparably, however the use of a single benefit metric such as avoided cost simply doesn't account for the multitude of benefits that may be provided to each Planning Region. The Commission should endeavor to encourage each pair of neighboring Planning Regions to utilize all reasonable benefit metrics when determining whether a proposed Interregional Project is more efficient or cost effective than regional projects, and the use of least common denominator benefit metrics should be discouraged.

### **Panel 5: Regional Transmission Planning and Other Transmission Development Issues**

SPP offers the following comments on the Commission's post-technical conference questions 1, 2 and 3 related to Panel 5.

#### **1. To maximize the benefits of competition, should the Commission broaden or narrow the type of transmission facilities that must be selected through competitive transmission development processes? If so, how?**

There is potential value in limiting the scope of competitive transmission solicitations. SPP provided comments on this issue in its pre-tech conference comments. In addition, SPP addressed this issue via its representative on Panel 5 at the technical conference (including the SPP representative prepared statement for that panel). Those comments and statements are incorporated herein those comments by reference.

With respect to this issue, SPP is presently engaged in discussions with its stakeholders regarding potential options for limiting the scope of competitive solicitations to facilitate positive cost – benefit outcomes for consumers.

#### **2. Has the introduction of competition into the regional transmission planning processes led public utility transmission providers to focus more on developing local transmission facilities or other transmission facilities not subject to competitive transmission development processes?**

SPP identifies the transmission needs for the SPP region based on the application of its long-term planning process. Projects identified pursuant to this process are based on objective economic and reliability metrics. If the relevant metrics are compromised, a transmission solution is determined. At that point, the relevant selection procedures, including the competitive solicitation process, are applied to determine the entity that will construct the project. Thus, the process is driven by system needs, not the

entity/construction selection processes. If the process results in the development of local facilities that result would be based solely on system needs.

**3. Are there other competitive approaches compared to the existing competitive transmission development processes that could potentially reduce the time and cost to conduct the process, or the risk of litigation over proposal selection, but still benefit consumers? If so, what are the strengths and weaknesses of such approaches and could they be used in transmission planning regions in specified circumstances, for example, for transmission projects needed in the near-term to address reliability needs, in conjunction with existing competitive transmission development processes?**

As discussed in response to question 1 and in prior SPP filings in this proceeding, applying appropriate thresholds or limits to competitive solicitation procedures may have merit from a cost-benefit perspective, but the determination of such thresholds/limits should be determined by the regions, subject to Commission review and approval.

With respect to other competitive approaches, the relevant regions have developed competitive processes based on their particular circumstances. Over time, those procedures will be reviewed, and, as necessary, revisions and/or alternatives will be considered to enhance the efficiency and effectiveness of the programs. The commission should continue to afford appropriate flexibility and discretion to the regions to develop their competitive procedures and potential alternatives thereto, including whether near term reliability projects should be subject to competitive bid.

### **III. CONCLUSION**

SPP appreciates the opportunity to provide the foregoing post-technical conference comments and looks forward to assisting the Commission in its review of these matters.

Respectfully submitted,

/s/ Matt Morais

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