



# **TRANSMISSION OWNER ZONAL PLACEMENT PROCESS**

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## SECTION 1: INTRODUCTION, SCOPE & STEPS

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### *SUBSECTION A: INTRODUCTION TO ZONAL PLACEMENT*

As the SPP region has expanded, the number of transmission pricing Zones in the SPP Tariff and the number of Transmission Owners has grown commensurately. When SPP was approved as a Regional Transmission Organization in 2004, the Tariff included 15 pricing Zones and 15 separate Zonal Annual Transmission Revenue Requirement (ATRR) amounts for Transmission Owners receiving revenue under the Tariff. As of January 2017, the Tariff included 18 pricing Zones and 47 separate Zonal ATRR amounts for Transmission Owners. This expansion has been addressed over the years through a variety of proceedings at the FERC. In view of the proceedings at FERC related to these zonal placement issues and concerns expressed by parties affected by the proceedings, the following zonal placement process was developed for application when existing facilities are to be transferred to the functional control of SPP.

### *SUBSECTION B: SCOPE*

The scope of the process for the placement of the costs of existing facilities in SPP zonal rates (“zonal placement process”) is limited to:

1. Integration of a potential SPP Transmission Owner’s existing facilities with resulting impact on Zonal ATRR under Schedule 9, or
2. Purchase by a current SPP Transmission Owner of existing facilities that were not previously included in Zonal ATRR under Schedule 9.

The Tariff already contains rules for ratemaking and cost recovery for newly planned and constructed facilities under Schedule 11 and Attachment J and for designation of ownership of new facilities under Attachments O and Y. Therefore, this process focuses on the ownership of existing facilities and Zonal ATRR only and it does not address Order 1000 issues associated with new facilities. This process also does not address facilities that already are under the Tariff and included in Schedule 9 because such facilities already have been placed in a Zone.

*Capitalized terms in this document that are not used in the SPP Tariff are defined in Appendix A.*

## ***SUBSECTION C: STEPS IN THE ZONAL PLACEMENT PROCESS***

### **Four Steps in the Zonal Placement Process:**

1. **Notification:** An entity (“Applicant Transmission Owner” or “ATO”) notifies SPP of its intent to transfer functional control of existing facilities to SPP and to initiate a filing with FERC to recover the ATRR of such facilities through Schedule 9.
2. **Information Request:** Upon receipt of notification from the ATO, SPP requests that the ATO provide information necessary for evaluating zonal placement of the facilities. *Details are provided in Section 2: Informational Requirements below.*
3. **Integration Analysis:** Upon receipt of the requested information and based on preliminary review of the information, SPP promptly notifies the TO(s) and Network Customers in Zones that may be considered for designation as an Integration Zone(s). SPP then reviews the information provided and conducts a zonal placement analysis to determine whether a new zone should be established, and if not, which existing Zone the facilities are to be placed within. SPP also evaluates the cost shifts resulting from the transfer of facilities and provides the results of the zonal placement and cost shift analysis to the ATO and to the TO(s) and Network Customers in the Integration Zone(s). The affected Network Customers are those paying a load ratio share of SPP Tariff Schedule 9 charges in the Integration Zone(s). SPP staff shall provide the zonal placement and cost shift analysis to the affected parties no later than 45 days after receipt of all necessary information. In addition to the zonal placement and cost shift analyses, SPP will conduct an assessment of whether the Transferring Facilities meet the conditions of Attachment AI for classification as transmission.
4. **Affected Parties’ Negotiation:** The ATO and the TO(s) and affected Network Customers in the Integration Zone(s) are provided an opportunity to discuss the zonal placement decision and any resulting issues, including potential cost shifts. The discussion period will be 45 days unless otherwise agreed by the parties. SPP will be available to facilitate such discussion if requested. This discussion may lead to a mutually agreed arrangement for addressing cost shifts. Such an agreement can be effectuated by a filing at FERC.

## SECTION 2: INFORMATIONAL REQUIREMENTS

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The ATO must provide information to SPP for the purpose of SPP's evaluation of the zonal placement of the facilities for which an ATRR is to be added to Schedule 9 by inclusion in Attachment H, Table 1, Column 3. This data set is to contain information about the following:

1. Data on the integration of facilities, including the number, voltage, and capacity of interconnections with existing SPP Zones and degree to which the facilities are embedded in existing SPP Zones
2. Current integration of planning and operations of the facilities with existing SPP Zones or existing SPP TOs
3. Identification of those facilities the ATO intends to transfer to SPP's functional control and include in its transmission rate base under Attachment AI criteria, including any planned facilities for which the ATO will have made a financial commitment prior to the expected date of facilities transfer
4. Information that addresses the reliability and comparability of the Transferring Facilities relative to the existing facilities in the Integration Zone(s) and under NERC Reliability Standards, SPP Criteria, and local planning criteria
5. Revenue requirement of the Transferring Facilities and the primary components of that revenue requirement calculation, plus:
  - Projected cost and revenue requirement of any planned upgrade for which a financial commitment will have been made prior to the facilities transfer date and which is not included in the ATO's current total revenue requirement
  - Estimated per MW rate effects the facilities transfer would have on the Network Customers served through the Transferring Facilities and on the other Network Customers' load in the Integration Zone(s). These rate impact estimates will not be required initially but will be calculated after the zonal placement analysis has been conducted.
  - Cost effect of termination or modification of any agreement(s) with existing SPP TOs and cost effect of any elimination of rate pancaking as a result of zonal integration
6. Peak load and annual energy usage of the load associated with the Transferring Facilities and identification of any such load and energy in existing SPP Zones
7. Miles of transmission lines at each voltage level and number of substations that the ATO intends to include in its ATRR under Schedule 9
8. Geographical service area of the load associated with the Transferring Facilities

After determination of the Integration Zone(s), SPP also will require information from the existing TO(s) in the Zone(s) regarding the projected cost and revenue requirement of any planned Schedule 9 upgrade for which a financial commitment will have been made prior to the ATO's facilities transfer date and which is not included in the existing TO's current zonal ATRR.

All information submitted will be subject to review and verification by SPP. Based on this review, SPP may correct the data as it deems appropriate, with notification to the submitting entity, prior to using it in evaluation of zonal placement.

The ATO must provide the information with sufficient lead time for SPP staff to perform its review and formulate a zonal determination prior to the next step that includes discussions between the ATO and the existing TO(s) and Network Customer(s) in the Integration Zone(s).

## SECTION 3: NEGOTIATION AND FILING

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After notification of the results of SPP's cost shift analysis, the ATO will have an opportunity to address potential cost shifts in discussions with the other TO(s) and the Network Customers in the Integration Zone(s). If this discussion results in mutual agreement regarding mitigation of cost shifts, the agreed arrangement shall be filed with the FERC. If agreement is not reached, SPP shall submit any other filings that are required under the Membership Agreement.

## APPENDIX A: DEFINITIONS

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### **Applicant Transmission Owner (ATO)**

An entity owning transmission facilities that it proposes to transfer to SPP's functional control and for which the entity intends to seek cost recovery under Schedule 9. This may include either a company that is not currently a Transmission Owner under the Tariff or a current Transmission Owner that is purchasing facilities not previously under the Tariff.

### **Integration Zone**

The pricing Zone in which the Transferring Facilities are to be placed.

### **Transferring Facilities**

The existing facilities not currently under the functional control of SPP and not included in Tariff rates, which an Applicant Transmission Owner proposes to place under SPP's functional control, which meet the criteria of Attachment AI to qualify as transmission facilities under the Tariff, and for which an Applicant Transmission Owner intends to seek cost recovery through Schedule 9.