



Southwest Power Pool, Inc.
SPP STAFF
Recommendation to the Board of Directors
Creation of the Holistic Integrated Tariff Team

March 13, 2018

Background

SPPT History

In December 2008, SPP President and CEO Nick Brown was charged by the SPP Board of Directors (Board) to propose a process to address deficiencies in SPP's then-existing planning processes, to address any gaps, unnecessary overlap, and cost allocation issues related to the development of transmission in the SPP footprint.

As a result, SPP created the Synergistic Planning Project Team (SPPT). The team was comprised of members of SPP's Regional State Committee (RSC), SPP's membership, SPP senior staff, an independent non-SPP stakeholder, and an outside facilitator.

The SPPT produced a report that included a number of recommendations for SPP to adopt and implement.¹ Specifically, the SPPT report recommended:

- Adoption and implementation of five new transmission planning principles;
- Adoption and implementation of a new planning process to create a robust, flexible, and cost-effective transmission network for the SPP region;
- SPP RSC development and approval of a simplified "Highway/Byway" cost allocation methodology for new transmission upgrades in the SPP region;
- SPP Board establishment of timelines for implementing the recommendations through the SPP stakeholder process and the Board; and
- Resolution, as recommended, of a number of outstanding issues.

Upon completion of the SPPT's work, its report was adopted by the SPP Board of Directors on April 28, 2009.² Upon the Board's approval, the SPPT's recommendations were facilitated through SPP's stakeholder process, culminating in several regulatory filings that were approved by the Federal Energy Regulatory Commission (FERC).

Implementation of the SPPT's Recommendations

Nearly a decade has passed since the SPPT issued its report. The adoption, approval, and implementation of SPPT's recommendations have been highly successful for the SPP region. This success has included FERC's acceptance and approval of several of the SPPT's

¹ See SPP, *Report of the Synergistic Planning Project* (April 23, 2009), posted at: <https://www.spp.org/documents/9451/sppt%20report%20version%20v6-1.pdf>.

² Board of Directors/Members Committee Meeting Minutes No. 124 at Agenda Item 7 posted at: <https://www.spp.org/documents/9529/bod042809-revisedpdf.pdf>.

recommendations; specifically, FERC's approval to establish SPP's Integrated Transmission Planning (ITP) process and the RSC's Highway/Byway cost allocation methodology.³

The approval of ITP and Highway/Byway has enabled the approval and/or construction of 594 transmission projects totaling \$5.8 billion in transmission facilities in the SPP region. This transmission buildout has greatly reduced customers energy cost by enabling the reliable deliverability of lower-cost electricity through SPP's Integrated Marketplace, launched in March 2014. The reductions enabled by SPP's transmission buildout and the Integrated Marketplace have reduced energy costs in the SPP footprint by an estimated \$1.67 billion as of December 2017.

SPP Region and Electric Industry Changes

Since implementation of the SPPT's recommendations, SPP and the electric industry have experienced significant changes. These changes have been driven and influenced by a number of issues, including state and federal tax policies, environmental and energy market regulations, technological advances in electric generating capabilities, a changing generation mix, and a leveling in electricity demand by consumers.

Specific to the SPP region, significant changes have included SPP's successful launch of the Integrated Marketplace in 2014, which included the consolidation of balancing authorities and the implementation of the day-ahead energy market. Additionally, state and federal policies have influenced a large growth in wind development. At the end of 2009, there were 3,858 MW of wind generating facilities in the SPP region. As of January 1, 2018, SPP had 17,530 MW of wind generating facilities. As a result of this significant wind development, in 2017, 22.1% of SPP's electricity was generated by wind resources, compared to 4.2% in 2009. SPP continues to have the potential for more wind development, with approximately 300 wind farms totaling 60,000 MW in the current planning queue.

HITT

Almost a decade later, these dynamic industry changes have again created a need to establish an initiative comparable to the work of the original SPPT. A new initiative led by the Holistic Integrated Tariff Team (HITT) is recommended to take a holistic look at the many issues challenging the SPP region. Upon gathering all pertinent information and considering various ideas, the HITT will issue a report containing a set of high-level recommendations to provide solutions for the SPP region.

Specifically, the HITT will be tasked to explore and assess the following areas:

- SPP's transmission planning and study processes, including, but not limited to, Generation Interconnections (GI); the GI queue; Aggregate Studies; Energy Resource Interconnection Service (ERIS) and Network Resource Interconnection Service (NRIS);

³ See FERC Docket No. ER10-1069 approving the SPP Highway/Byway cost allocation methodology and Docket No. ER10-1269 approving SPP's ITP.

capacity requirements, including more attributes than energy; and related FERC planning requirements;

- Transmission cost allocation issues, including, but not limited to, Highway/Byway, directly assigned costs, Attachment Z2 credits, cost allocation impacts on transmission pricing zones with large wind resources, and state by state supply resource mix requirements and/or goals;
- Integrated Marketplace impacts related to a changing resource mix, access to lower cost generation, potential changes in production tax credits, approach of using market-based compensation for varying attributes of different types of generators, etc.;
- Disconnects or potential synergies between transmission planning and real-time reliability and economic operations; and
- Additional areas and/or issues as appropriate and reasonably related to its scope of work.

As the HITT explores and examines these areas, the HITT shall coordinate its efforts and work to minimize any conflicts with the activities of other SPP groups, such as the Market Working Group, Strategic Planning Committee (SPC), and Transmission Working Group.

Representation

The HITT will be a sixteen-member team comprised of representatives of the SPP Board, RSC, membership, and senior staff. The team members will include:

- *SPP Board - 2 Representatives*
 - Larry Altenbaumer (Director)
 - Graham Edwards (Director)
- *RSC - 2 Representatives*
 - Shari Feist Albrecht (Commissioner Kansas Corporation Commission and RSC)
 - Dennis Grennan (Commissioner Nebraska Power Review Board and RSC)
- *Investor Owned Utilities - 4 Representatives*
 - Richard Ross (AEP)
 - Denise Buffington (KCPL)
 - Greg McCauley (OG&E)
 - Bill Grant (SPS)
- *Cooperatives - 2 Representatives*
 - Mike Wise (Golden Spread)
 - Mike Risan (Basin) - Tentative
- *Independent Power Producers - 2 Representatives*
 - Rob Janssen (Dogwood Energy)
 - Holly Carias (NexEra)
- *Municipals - 1 Representative*
 - Dennis Florom (LES)
- *State Agencies - 1 Representative*
 - Tom Kent (Nebraska Public Power District)
- *Independent Transmission Companies - 1 Representative*
 - Brett Leopold (ITC Great Plains)
- *Senior SPP Staff (to Serve as Staff Secretary) - 1 Representative*
 - Paul Suskie (SPP Staff)



Tom Kent will serve as Chair and Rob Janssen as Vice Chair of the HITT.

Duration

The HITT will be temporary, and it is anticipated that its work will be completed by April 2019. The team may request additional time from the SPP Board to continue its work until completion.

Meetings

SPP stakeholders will be permitted to listen via teleconference to the team's meetings and discussions. Participation will be upon request of the HITT. Advance notice of meetings will be provided via the SPP website and an email exploder. As the team works through its tasks and gathers information, the HITT shall call for stakeholders to provide information and make presentations as to differing perspectives on challenges and possible solutions for the team's consideration.

Reporting

The HITT will report to the SPP Board and Members Committee. The HITT will provide status reports to the RSC, Markets and Operations Policy Committee (MOPC) and SPC, and will make additional status reports as it deems necessary.

The HITT will make final recommendations to the SPP Board via a written report at the conclusion of the team's work.

Recommendation from SPP Staff

Approve establishment of the HITT to take a holistic look at changes in SPP and the electric utility industry, to consider and evaluate options for the SPP region, and to finalize a report with high-level recommendations to the SPP Board and Members Committee for adoption and implementation.

Action Requested: Approve recommendation.

SPP Board Action: Approved as modified.