Transmission Expansion in the Southwest Power Pool --- Integrating Needs, Policies, Politics and Fairness

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Multiple Interests to Accommodate, Sometimes in Conflict

- National/state interest in meeting increasing energy needs tied to growing economy
- National/state interest in reliability; energy security; increasing energy independence
- National/state concerns for affordable energy
- National/state interest in addressing carbon emission issues
- National/state interest in diversifying electricity supply portfolio, including renewables
- Aesthetic landscape/landowner concerns

Current Transmission Expansion Activities in the SPP RTO

- Regional State Committee recently approved a cost allocation methodology for economic upgrades:
  * endorses postage stamp pricing for “economic portfolio” of projects with quantifiable net benefits for each state in the RTO;
  * will be drafted into tariff language and filed as an RTO Section 205 filing;
  * should make for more robust future transmission expansions

- SPP’s 2007 EHV overlay study will be reassessed and evaluated for cost-effectiveness; will require RSC development of a separate cost allocation methodology as EHV overlay has broader purposes (intra & inter-regional)

- “Wind integration” issues will be the subject of yet a 3rd cost allocation methodology at the RSC level:
  * involves need for cost-benefit analysis and evaluation of off-sytem sales;
  * raises seams agreement issues with respect to inter-regional allocation of costs to those regions purchasing the wind power

Once Cost Allocation Methods in Place, What Then?

- Need sponsors for transmission projects --- baseload, economic, EHV, wind
- Need timely cost recovery --- potential state statutory changes to accommodate regional transmission planning and construction timeframes
- Need process for integrating new generation needs with transmission expansion plans --- regional IRP approach?
- Build transmission in “generation-likely” areas first, rather than get caught up in generation-driven regulatory process and related litigation? (One option)
- For EHV overlay studies and recommendations, how to determine portion that has intra-regional versus inter-regional benefits in order to resolve cost allocation, consumer acceptance, and subsequent siting issues?

Conflicts between Reliability, Philosophical Goals, and Politics

- Not all generation is equal --- baseload is not renewable; not all baseload can be gas; nuclear is 10+ years out; energy efficiency alone won't address new load growth
- Transmission investment needs to accommodate multiple supply options, since we can't preduct future public policy or regulatory approvals --- nuclear, coal, gas, renewables, demand response, smart grid, etc.
- Building transmission in a reality vacuum --- without sanity check on baseload needs, voltage support, adequate reserve margins and cost-effectiveness --- is unwise public policy

Siting Process for Rational Transmission Build-out

- Need to involve all relevant stakeholders early on in the TEP process, particularly EHV overlay planning process
- If regional resource planning approach (G+T) is utilized by state commissions, RTOs and RSCs, the transmission siting process can become an integral part of the generation approval and siting process
- This should streamline the timelines and facilitate increased public understanding and acceptance of needs and benefits of all related facility investments
- Delays, litigation, and need for federal intervention (NIETC designations plus FERC back-stop) should be minimized