

# Transmission Cost Allocation



# Cost Allocation: Project Types

- Baseline Reliability Projects
- Market Efficiency Projects
- Transmission Access Projects
  - Generator Interconnection Projects
  - Transmission Delivery Service Projects
- Multi-Value Projects (MVP)

# Baseline Reliability Projects

- Qualification
  - Network Upgrades identified in the base case as required to ensure that the Transmission System is in compliance with applicable national Electric Reliability Organization (“ERO”) reliability standards and reliability standards adopted by Regional Reliability Organizations and applicable within the Transmission Provider Region.
  - Project cost must be greater than \$5M or 5% of the Transmission Owners Net Plant
- Cost Allocation
  - 100% of costs for network upgrades 100 kV or greater and less than 345 kV are assigned to the affected pricing zones based on Line Outage Distribution Factor (LODF)
  - 20% postage stamp allocation for network upgrades 345 kV or greater

# Market Efficiency Projects

- Qualification

- Network upgrades that are shown to have regional economic benefits as demonstrated through multi-metric and multi-year planning guided by the Planning Advisory Committee
- Involve facilities operating at voltages of 345kV or higher
- Project cost must be greater than \$5M
- Show a Benefit/Cost ratio on sliding scale of Weighted Gain No Loss: 1.2:1 in year 1 to 3.0:1 in year 10
  - Weighted Gain No Loss = 70% Adjusted Production Cost + 30% Load LMP

- Cost Allocation

- Eighty percent (80%) of the costs of the Market Efficiency Projects shall be allocated on a sub region-wide basis to the three defined Planning Sub Regions based on the relative benefit determined for each Planning Sub Region
- 20% postage stamp allocation to all load

# Generator Interconnection Projects

- Qualification
  - All network upgrades identified through the Interconnection study are eligible for sharing
- Cost Allocation
  - Generator pays 100% of network upgrades less than 345kV
  - Generator pays 90% of network upgrades greater than or equal to 345kV with the remaining 10% shared via a postage stamp rate
- Prior to Construction Generator funds 100% of Upgrades
  - Upon Commercial Operation TO has one of two options:
    - Repay 100% of the costs to Generator and charge a monthly payment to recover the 90% or 100% generator piece, or
    - Repay 10% of the costs to Generator if Network Upgrades are 345 kV or greater
- Shared Network Upgrades
  - Allows first-movers to recover costs from later generators who benefit from their existing Network Upgrades
  - Eligibility for refund limited to five years after in-service date

# Multi-Value Project Criteria

(must meet one or more)

1. Enable the Transmission System to reliably and economically deliver energy in support of public policy requirements
2. Provide multiple types of economic value across multiple pricing zones with a Total MVP Benefit-to-Cost ratio of 1.0 or higher
3. A Multi Value Project must address at least one Transmission Issue associated with a projected violation of a NERC or Regional Entity standard and at least one economic-based Transmission Issue that provides economic value across multiple pricing zones

# Other MVP Requirements

- Must not be in-service, under construction or approved by the Midwest ISO Board prior to July 16, 2010 or the date a Transmission Owner becomes a signatory member of the ISO Agreement, whichever is later
- Project must be greater than \$20 million or 5% of the TO's net plant
- Must be evaluated through the Midwest ISO planning process and approved by the Midwest ISO Board

# Other MVP Requirements

- Project must include, but not necessarily be limited to, the construction or improvement of transmission facilities operating at voltages above 100 kV
- Projects driven solely by an Interconnection Request or Transmission Service Request do not qualify
- Cannot contain facilities in the Midwest ISO excludes list, Attachment FF-1



# MVP Cost Allocation

- MVP Costs are charged to load and exports proportional to the amount of energy withdrawn from the system
- MVP revenue requirements will be collected through the energy based (MWh) MVP usage rate (MUR)
- MVP usage rate will be applied to all monthly net withdrawals (MWh), drive out and through schedules
- Formulas used to calculate MVP usage rate
  - $MUR = (\text{Total MVP Annual Revenue Requirements} * \text{Monthly Withdrawal Weighting Factor}) / (\text{Monthly Net Actual Energy Withdrawals} + \text{monthly Real-Time Export Schedules} + \text{monthly Real-Time Through Schedules})$
  - $\text{Monthly Withdrawal Weighting Factor} = \text{Applicable Month Prior Year Withdrawals} / \text{Total Prior Year Withdrawals}$

# Future Changes to Cost Allocation

- FERC Order on MVP filed December 2010
  - Future Compliance filings required
- FERC NOPR on Transmission Planning and Cost Allocation
  - Establish a closer link between transmission planning processes and cost allocation, such as to meet public policy requirements
  - Cost allocation methods for interregional facilities (*i.e.*, cross-border cost sharing)
- RECB TF Phase III
  - Will examine the need for potential changes to Baseline Reliability Projects and Market Efficiency Projects qualifying criteria and sharing methodology