

From: [Brad Hans](#)
To: [SPP-Comments](#)
Cc: [Neumayer, David](#)
Subject: [EXTERNAL] Municipal Energy Agency of Nebraska Comments on WAPA-LAP/SLCA (MWTG) Pursuing Final Negotiations Regarding Membership in the Southwest Power Pool (SPP)
Date: Monday, November 27, 2017 5:38:33 PM

Good afternoon,

MEAN is submitting our comments via e-mail. A formal letter will follow.

Mr. Rodney Bailey
Power Marketing Advisor
Western Area Power Administration
150 East Social Hall Avenue, Suite 300
Salt Lake City, UT 84111-1580

Subject: Municipal Energy Agency of Nebraska Comments on WAPA-LAP/SLCA (MWTG) Pursuing Final Negotiations Regarding Membership in the Southwest Power Pool (SPP)

We value our long-standing relationship with the Western Area Power Administration (WAPA) and appreciate the opportunity to comment on the recommendation from WAPA to pursue Regional Transmission Organization (RTO) membership with the Southwest Power Pool (SPP). The Municipal Energy Agency of Nebraska (MEAN) is an organization that was created for the purpose of planning, acquiring, financing and operating facilities to generate and transmit electric power and energy. Our services include power supply and control area support, dispatching, energy load forecasting, wheeling arrangements, load research, community development and energy cost analysis. We currently provide these services to 69 Participants located in Iowa, Nebraska, Wyoming and Colorado; 61 of which are total requirements participants.

MEAN is very interested in WAPA's recommendation to become a member of SPP. In addition to MEAN's firm electric service allocation from WAPA-LAP, 22 of our Total Requirements Participants also receive firm power and energy allocations from WAPA-LAP and 12 of our Total Requirements Participants receive firm power and energy allocations from WAPA- SLCA. For these communities, MEAN provides transmission services for power and energy which they are entitled to receive from WAPA. It is imperative that we have a full understanding of the benefits and the potential negative impacts that RTO membership will have on MEAN and our Participants and how it will affect their allocation and rates. MEAN serves Participants in MISO, SPP, and the West. Our questions and comments will be focused on protecting our Participants interests in all three regions.

MEAN submits the following specific concerns and/or questions (The following comments generally follow the format as presented at the LAP forum on November 9th, 2017 and the topic numbers and statements correspond to the presentation):

Highlights of Proposed SPP Terms

1. Single SPP transmission network inclusive of new SPP transmission pricing zones across MWTG footprint

- LAP zone inclusive of east and west LAPT system facilities and the CLF&P transmission system facilities

Concerns:

Financial impacts to MEAN's Participants across all regions, upon integration and after the 7-year mitigation

- ***Will the methodology/calculation for LAP and CRSP network transmission charges change? (Will it still be billed on kW net of WAPA allocation?)***

2. Drive out charge for load outside MWTG using average zonal rate

- Revenues used for mitigation of harmful cost shifts during first 7 years
- Distribution formula: 60% MW-mile flow and 40% load ratio share

Concerns:

- ***Need to ensure that MEAN will not be harmed for FIRM ELECTRIC SERVICE allocations for towns currently located in SPP on the east side of the DC tie.***
- ***How will to the zonal construct be handled?***

4. Regional Cost Allocation (schedule 11) for certain new transmission costs on West side

- West side projects and cost allocation kept separate from East side projects and cost allocation
 - East LAP zone load subject to East regional cost allocation, West LAP zone load subject to West regional cost allocation
- For >\$15M and 300kV+ 100% regionally allocated
 - 50% by load ratio share and 50% by zonal benefit test
 - LAP/CRSP hydro serving LAP/CRSP load exempt from this charge (FSE cost allocation exemption)
- For >\$15M and 200kV-300kV 100% regionally allocated
 - 30% by load ratio share and 70% by zonal benefit test
 - LAP/CRSP hydro serving LAP/CRSP load exempt from this charge (FSE cost allocation exemption)
- For <\$15M or <200kV 100% zonally allocated (no FSE cost allocation exemption)

Concerns:

- ***This becomes an additional administrative burden for MEAN to track, validate, and calculate pass-throughs to MEAN Participants, particularly due to the fact that SPP has historically had numerous resettlements and adjustments. It will also likely be an administrative burden to SPP staff to maintain/settle/resettle (etc.) separate Sch 11 costs for SPP East and SPP West.***
- ***Will there be a safe harbor limit for West transmission projects to protect network customers?***

5. DC Tie ATRR allocated across all SPP load with DC tie physical rights TCR auction funds offsetting these costs

Concerns:

- *Due to the fact that MEAN has physical rights over one of the DC ties, MEAN is concerned with the costs that will be allocated to our Participants.*
- *Please explain how the DC tie ARR/TCRs will be handled. MEAN encourages a solution for the DC tie that is equitable with cost impacts known prior to the transition.*

7. Single market solution across entire SPP footprint optimizing DC tie flows

Concerns - as presented at the 11/15/17 SPP MWG:

- *SPP intends to have 2 SCUC's, one for each BA with each BA's SCUC run biased with an initial condition across the DC ties. The market clearing is thus impacted by an SPP 'forecast' which is done via an offline manual process based on what it believes will flow on the tie.*
- *SPP has not worked through how to handle when the DC tie is the marginal unit and eligible for Make Whole Payment.*
- *There will be two Marginal Energy Costs, one for each BA.*
- *Regulation will be separated between SPP East and SPP West and each BA will have independent Market Clearing Price of the regulation products.*
- *SPP will deploy reserves separately in SPP East and SPP West.*
- *The items noted above appear to be contradictory to a 'single market solution across entire footprint.' They also lend to significantly more administrative time as well as hardware/software needs. This manifests itself in additional expenses to the organization to operate in the "same market".*

8. SPP governance structure, with certain limited issues referred to West Side Transmission Owners rather than RSC or SPP Board

Concerns:

- *Board would not have ultimate/unilateral authority.*
- *Administrative burden of having a single RSC but with two divisions – East and West.*

What Would Joining SPP Change?

1. No change to Firm Electric Service Contracts

- Mt. Elbert pumped storage provisions may be an exception

Concern:

- *MEAN relies heavily on pumped storage and could be impacted/harmed if there are changes related to pumped storage. MEAN feels it is imperative that current pumped storage users are involved in the discussions related to*

pumped storage and its treatment in the transition to SPP.

2. LAPT/CRCM would be under SPP tariff and SPP would be Transmission Service Provider (TSP)
 - SPP and its tariff are jurisdictional, but WAPA would remain a nonjurisdictional entity
 - LAP/CRSP rate process similar to today, regarding development, review and approval, but rather than promulgating a standalone rate, will produce a revenue requirement incorporated into SPP tariff and recovered as part of SPP transmission service charges
 - SPP zonal charge for network service across single SPP network
 - SPP drive-out charge for service to load external to SPP network
 - Flow based rather than contract path based transmission management

The following comment refers to #3-9 below:

Concern:

- ***Similar to those noted under “Highlights of Proposed SPP Terms” section above (items #1,2,4,5,7,8)***

3. Transition from WestConnect to SPP Planning Region
 - SPP would be the regional planner
 - New Transmission expansion costs would be allocated regionally across SPP-West
4. WACM and PSCO Balancing Authority Areas consolidated and run by SPP
5. Ancillary Services provided by SPP market
6. Congestion Management provided by SPP
7. RMRG would terminate, SPP would manage reserves
8. Reliability Compliance (RC) services would transition from PEAK RC to SPP RC
9. Formation of Organized Market
 - Energy Market (Day-ahead and Real-time balancing)
 - Ancillaries Market
 - Congestion Market
 - No Capacity Market

Other general concerns:

- ***MEAN has a concern that WAPA Customers with FES allocation will be paying twice for the same transmission to receive their allocation. Based on information provided in the WAPA presentations, Participants with FES allocations will already be experiencing increases of 16.6% (LAP) and 117.8% (CRSP) in network transmission rates. If they are no longer credited for the transmission they are currently paying for in their FES rates, this will bring additional financial impact to these communities’ transmission costs by forcing them pay twice for the same service.***
- ***How will maintenance costs for the DC tie be allocated?***

Administrative fee (Schedule 1A) – historically, has there been a time when entities have joined an ISO/RTO and the administrative fees went down for a sustained period of time? MEAN’s experience has been that the reduction is temporary (one year) and administrative fees will increase. The market will not realize the estimated reduced admin fee (Sch 1A) which is the justification used by MWTG in their proposal/request for a phase-in of reduced admin fees for MWTG entities.

- ***New Member Requests; MEAN wants to ensure that any provisions offered to new members would be offered to all SPP members, not just MWTG.***
- ***Decisions are being made on what information is known at this time at a high level, a lot of details will emerge and the technical aspects of what MWTG is asking for may not match with what the market is currently set up to do.***

Achieving common goals of low cost power supply and mitigating unintended consequences to preference customers should be paramount as more details of WAPA’s transition to SPP are considered and determined. MEAN has experience with SPP, MISO and the West and corresponding FES allocations of WAPA projects in LAP, SLCA and UGP. We carry a unique perspective into this transition with serving Participants in both SPP and in the MWTG area.

MEAN appreciates the attention WAPA has demonstrated to get the perspective of preference customers. Thank you for asking for input and MEAN looks forward to the answers.

Regards,

Brad Hans

Deputy Director of Wholesale Electric Operations



8377 Glynoaks Drive | Lincoln, NE 68516

Direct 402-473-8233 | Office 402-474-4759 | nmppenergy.org

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