Mountain West Transmission Group Panel Discussion

Brad Warren – SVP and Rocky Mountain Regional Manager

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Evolving Markets in the West
Future Options

Future Options include:

1. Continue status quo while RTO/Markets likely form
2. Join a RTO/Market

Risks with continuing status-quo:

• Loss of bilateral market
• May not prefer RTO environment that develops without us
• Joining RTO later decreases opportunities to optimize
• Less efficient transmission planning/integration with region
• Difficulty operating the grid with increased renewables
Context for WAPA role in MWTG

- LAP is 1 of 10 operating entities (LAP, CRSP, TriState, PSCO, Black Hills Colorado, Cheyenne LF&P, Common Use System, Basin, PRPA, CSU)
- Limited generation-side benefits, fixed resource
- Transmission cost shifts are a key issue
MWTG Joint Tariff

MWTG Joint Tariff:

• Tariff Administrator/RTO would be single transmission service provider
• 8 zones, but may be modified
• RTOR for all P2P and generally for load outside footprint
• In general, all OATT transmission service converts to Tariff service, Pre-OATT transmission service contracts generally grandfathered
• Results in cost shifts
• Mitigation method identified
MWTG Regional Cost Allocation

Regional Cost Allocation for Transmission Expansion

• New transmission expansion that benefits region allocated to entire region (natural result of single TSP across region and FERC Order 1000)
• SPP for example regionally allocates 100% of new 300kV+ facilities and 33% of new 100kV-300kV facilities of approved base plan upgrades
• MWTG reached tentative agreement on regional cost allocation

WAPA Exemption from Regional Cost Allocation

• Since WAPA has no load growth, should not be subject to certain transmission expansion costs
• LAP system adequate to make full deliveries, won’t need new additions
• SPP Federal Service Exemption (FSE) exempts WAPA-UGP from the regional cost allocation
• MWTG agreement to grant WAPA exemption from regional cost allocation
Financial Costs for LAP in an RTO

Cost Areas:

• RTO Administrative Charges
  o Covers costs to administer tariff, provide transmission service, run energy market, ancillary market, congestion market

• Some exposure to congestion and marginal losses
  o A Federal Service Exemption (FSE) similar to what SPP has for WAPA-UGP would mostly hedge LAP from congestion and marginal losses for hydro power that serves LAP statutory service obligations, however, firming purchases would be exposed to these costs

• IT and Internal Implementation Cost
Financial Benefits for LAP in an RTO

Benefit Areas:

• Resource Side Benefits
  o Energy market, ancillary market, reserve market - all more efficient

• Exemption from Certain Transmission Expansion Costs (part of FSE)

• Potential Staff Savings
  o LAP would no longer run a BA, manage paths, or sell transmission service
  o Some areas would need more staff

• Joint Tariff Cost Shift (hopefully a benefit...not sure yet)
  o Eliminate pancaked rate payments
  o Zonal Rates (loss of pancakes increases zonal rate)
  o RTOR Revenue (decreases zonal rate)
Financial Impact to LAP Customer

WAPA Impact:
• LAP FES Rate – takes a lot to move a little
  o For East side only LAP customers, this is the only impact
  o For those with load in the West, they will have to do their own analysis
    that includes at least the four areas below

Customer’s Supplemental Supply:
• Transmission Service
  o Different rates, but extensive reach with no pancakes
  o TO’s would still collect the same revenue requirement

• Elimination of Pancaked Rates
  o Unless held to a pre-OATT grandfathered contract until expiration, no need
    for pancakes

• Resource Side Benefits
  o Energy
  o Planning reserve
  o Ancillaries
  o Reserves

• RTO Administrative Charge
What’s Next for WAPA? (Estimated)

MWTG Agreement around one direction/RTO................. December 2016
FRN Recommendation to Pursue RTO Membership............. Early 2017
WAPA Customer Meeting(s) / Comment Period............... Spring 2017
WAPA Decision Regarding Pursuing RTO Membership......... Mid 2017
RTO Membership Go-Live...................................................... April 2019?