

Combined CRSP-DSW Transmission Rate

Meeting Notes

9/24/2020

Please submit questions, comments, or corrections about the notes to onerate@wapa.gov

Discussion

WAPA reviewed the meeting presentation located on its [website](#). The [presentation](#) included resources for the initiative, convergence based on the fiscal year (FY) 2021 rates, an overview of the transmission systems involved, pancaking, preliminary (starting point) rate design and revenue allocation, and logistics for the additional work group meetings.

WAPA has posted to its website [questions](#) received to date about the combined rate and answers for many of them. The website also has a [one-page briefing](#) about the combined rate and a [fact sheet](#) about the transmission systems involved.

The rates have further converged with the calculation of the FY 2021 rates. At the kickoff meeting in April, the difference between the highest and lowest rate was \$0.20/kW-Month, now the difference has decreased to \$0.14/kW-Month. The rates are:

CAP	\$1.75/kW-Month
CRSP	\$1.69/kW-Month
ED5-PVH	\$1.71/kW-Month
Intertie	\$1.61/kW-Month
P-DP	\$1.72/kW-Month

WAPA prepared a matrix of commonalities and differences of the transmission systems. Each has a different, but complimentary, rate setting methodology including static, fixed charge, pinch-point, and CIA Modified. Most use formula rates which are calculated annually; however, Intertie uses a stated rate which is set for a defined period, like power rates.

There is currently limited pancaking between the transmission systems. The existing pancakes are generally older pre-OATT transmission agreements and include a CRSP-Intertie agreement to facilitate deliveries to Public Service Company of New Mexico and CRSP-PDP agreements for delivery of CRSP firm electric service. The cost of pancaking is inhibiting transmission sales and WAPA expects additional sales in a combined rate for exports to California, access to the Palo Verde Hub, and wind resources from north to south.



WAPA has a preliminary rate methodology and revenue allocation for the combined rate. It is a starting point for the work group to use, rather than a finished product and is available as an [Excel file](#) on the website. The systems will continue to use their individual rate setting methodologies to determine the annual costs that will be recovered from the combined rate. CRSP and P-DP firm electric service will pay their pro rata share of transmission costs, as they do today. Offsetting revenues, such as short-term sales, will be pooled along with firm revenues and distributed to the systems based on individual system cost contribution to the combined rate (percentage). Any over/under-collection of costs will be handled according to each system's individual rate setting methodology.

WAPA recapped the tentative timeline provided at the kickoff meeting in April. Work group meetings will continue through the end of calendar year 2020. Initially there will be one work group meeting per month, dependent on progress and participant feedback. If there is sufficient interest, additional meetings can be held for a deeper dive on topics.

Questions / Comments

How many MW would you need to sell to bring the combined rate down to the lowest individual rate (\$1.61/kW-month)?

WAPA can calculate that tipping point, keeping in mind that there will be other benefits that are not reflected in the rate (access to additional resources, unpancaking, improved marketability of transmission paths, etc.).

How certain are offsetting revenues? Is it risky to decrement your costs by that amount?

Offsetting revenues are the most variable piece of rate calculations. The numbers shown are from WAPA's FY 2021 calculations and have not been modified for the combined rate process, so they do not create any additional risk.

Can we finish evaluating the combined rate in four months as shown on the tentative schedule?

It is an aggressive schedule, but achievable. WAPA will adjust if that is not sufficient time to fully explore and evaluate the rate.

When would the combined rate be effective?

October 1, 2021, which is FY 2022.

Have you considered network service?

WAPA wants to combine the network service rates as well as point-to-point rates. Determining the revenue requirement is straight forward, but WAPA needs to work

with participants on how to best apply network service and determine the impacts to customers.

Will CRSP exchange agreements be affected?

No, WAPA does not believe a combined rate will impact exchanges.

What is the downside of a combined rate?

A combined rate is in effect an average rate of the participating transmission systems. For users of the lowest cost system, it will be a rate increase. Additionally, there may be some risk if systems are incongruent in terms of life-cycle or customer diversity; however, at this point WAPA believes they are congruent and will complement each other.

Will you analyze customer costs under single-system rates compared to a combined rate?

Yes.

Has WAPA identified any limitations to the combined rate? Are there any items WAPA will not consider?

No, WAPA is open to any ideas regarding the combined rate.

Will the combined rate eliminate pancaked transmission costs for independent power producers?

Yes.

Is WAPA available to hold one-on-one discussions with customers?

Yes, WAPA encourages stakeholders to use the contact information listed at the end of the presentation or your regular regional contacts.

How will the combined rate affect EIM or WEIS?

The combined rate is agnostic to an energy imbalance market and as such can accommodate either EIM or WEIS. WAPA is curious whether a combined rate could be beneficial in both markets given the footprint of the transmission systems.

Is WAPA involved in TransWest Express (TWE) and will that be affected by the combined rate?

The combined rate will not be affected by TWE and WAPA will check on its status.



How will customers that use a newer transmission system be impacted by an older system that is in the process of rebuilding?

The cost of rebuilding the older system will be included in the revenue requirement of the combined rate, according to its current rate setting methodology. WAPA believes the life cycles of the systems involved are complimentary in that they are a mix of ages.

Will the combined rate provide access to new resources for customers by eliminating pancaked transmission costs?

Yes, and WAPA will need your help in understanding how beneficial that will be for customers.

Will WAPA provide information about the availability of transmission capacity under the combined rate?

Yes, WAPA is determining the amount of capacity that will be more marketable under a combined rate as well as how much capacity may result from more efficient use of the transmission systems. WAPA will need customers help in determining how much of the additional transmission may be sold.

What changes are needed in OASIS to reserve transmission service?

WAPA is still considering options and will cover them at a subsequent meeting, but at this point it is likely minimal changes will be necessary.

Are you considering one loss rate?

Yes, we need to explore how to do that.

Action Items

1. Determine the increase in additional sales necessary to make-up for lost pancaked sales
2. Show rates in both monthly and annual denominations

Next Meeting

In approximately 30 days – exact date to be determined.

Website / Resources

<https://www.wapa.gov/regions/DSW/Rates/Pages/CombinedTransRate.aspx>