

The National Wind Coordinating Collaborative / Southwest Power Pool Workshop III

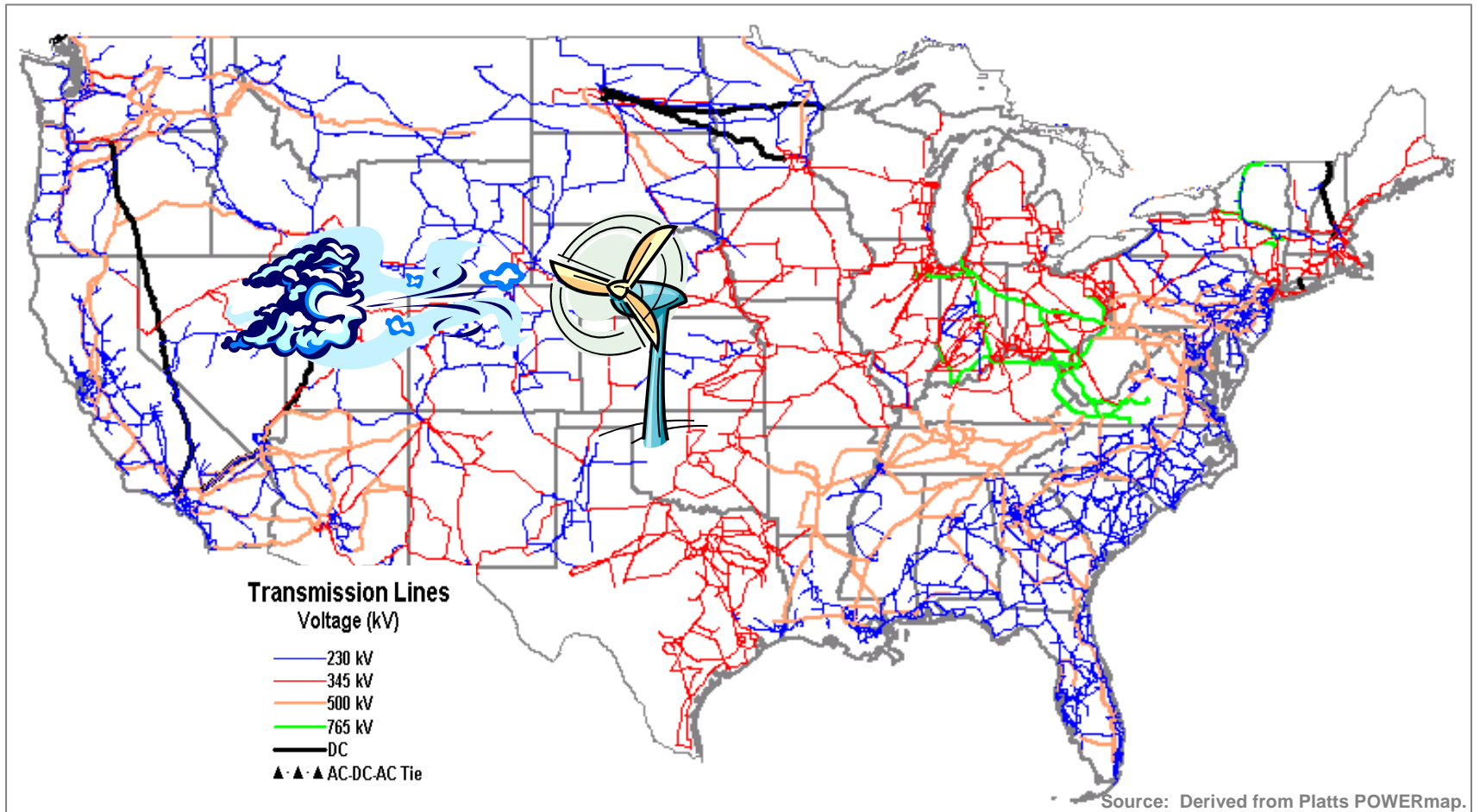
# Economic Transmission Projects and the Difficult Issue of Cost Allocation



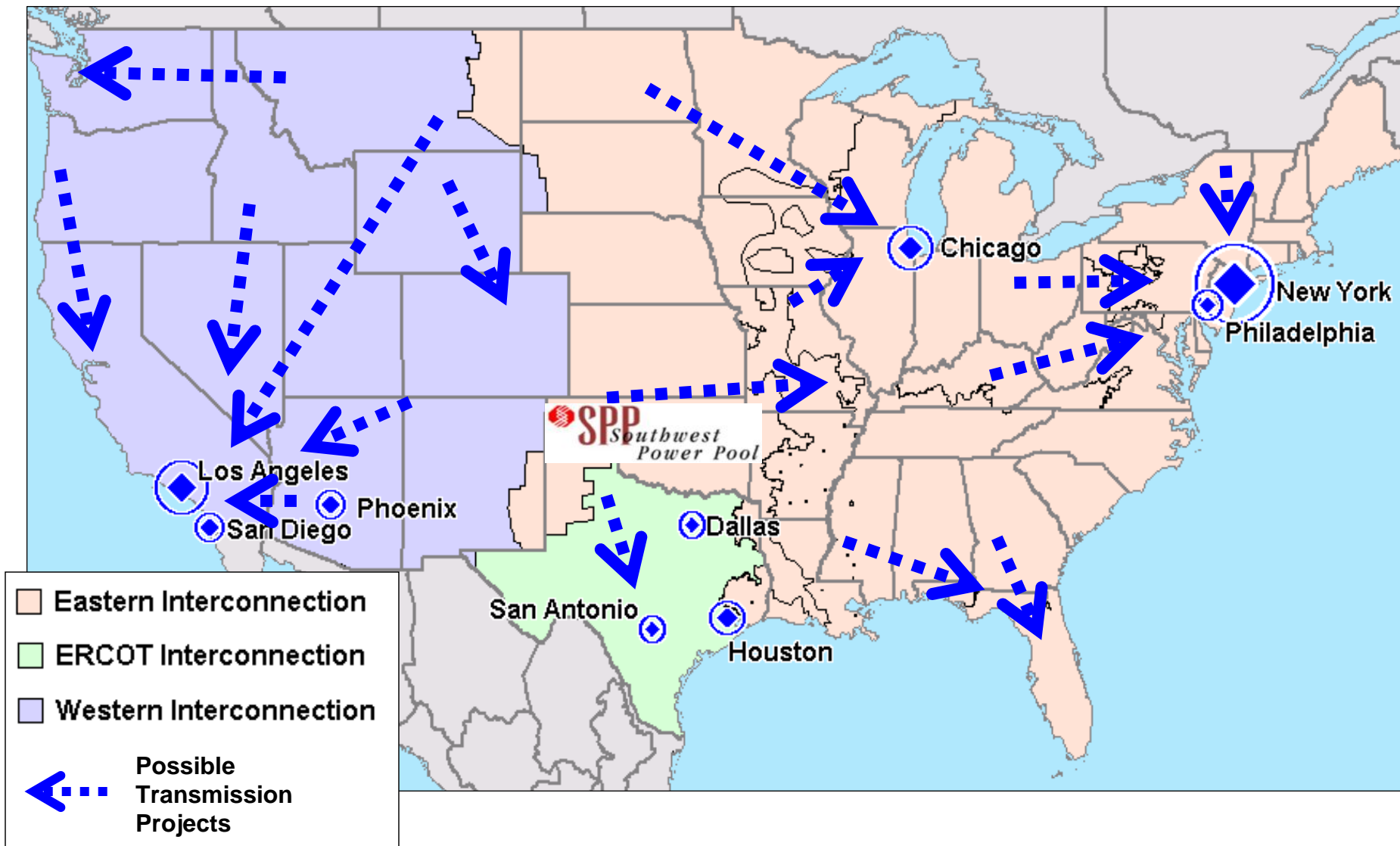
Philip D. Moeller, Commissioner  
Federal Energy Regulatory Commission

Dallas, Texas  
August 22, 2007

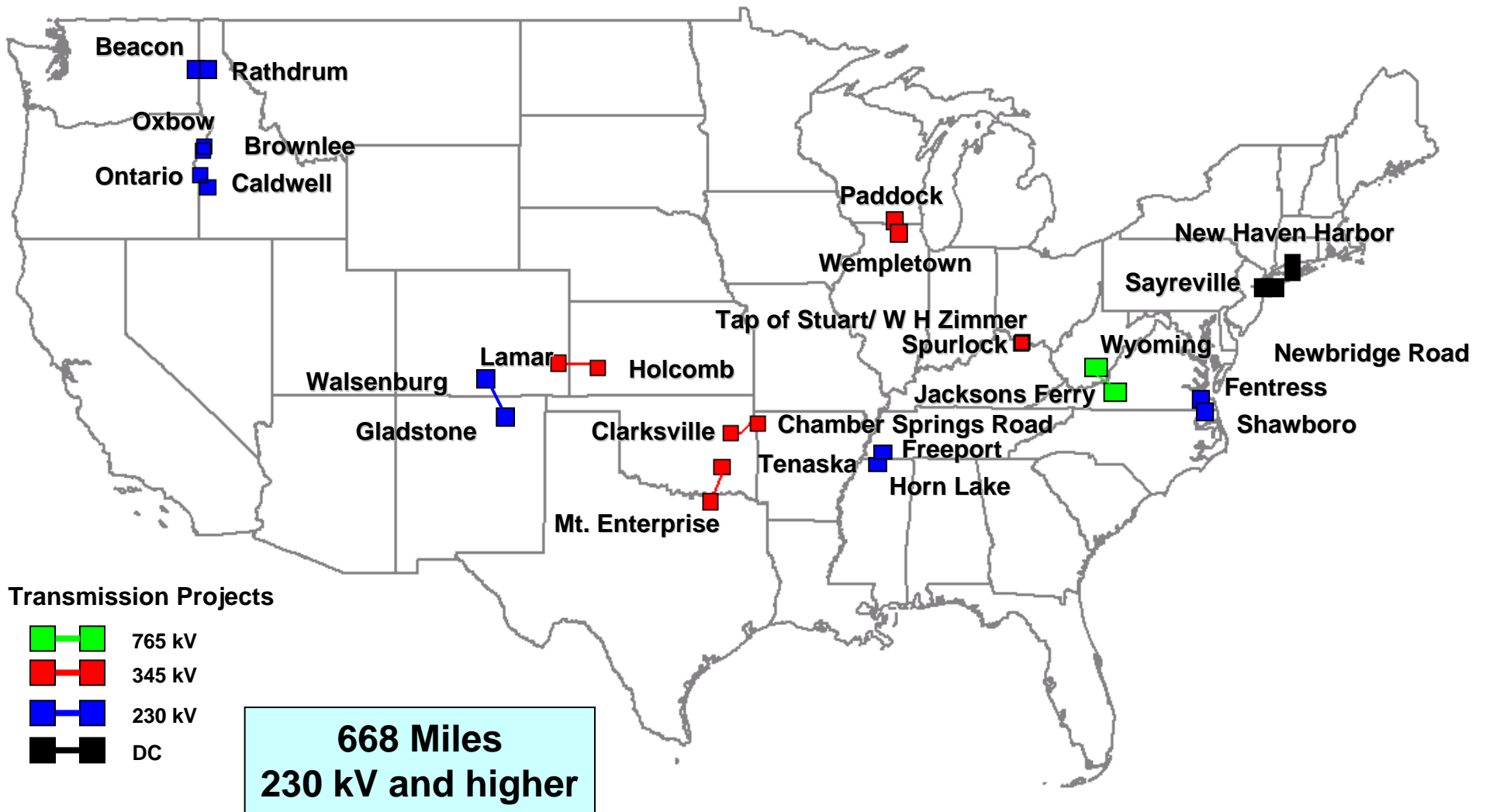
# Existing Bulk Electric Transmission Grid



# Electric Transmission Needed to Meet 2025 Demand

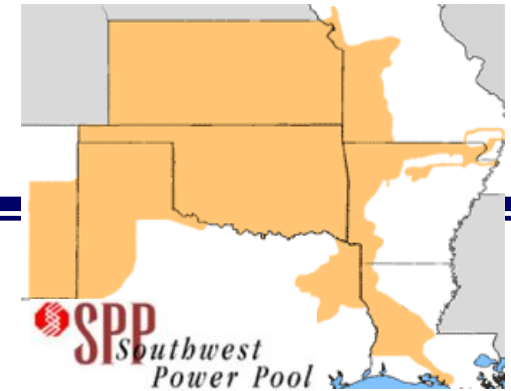


# Since 2000, 14 transmission lines have been built that physically cross state borders



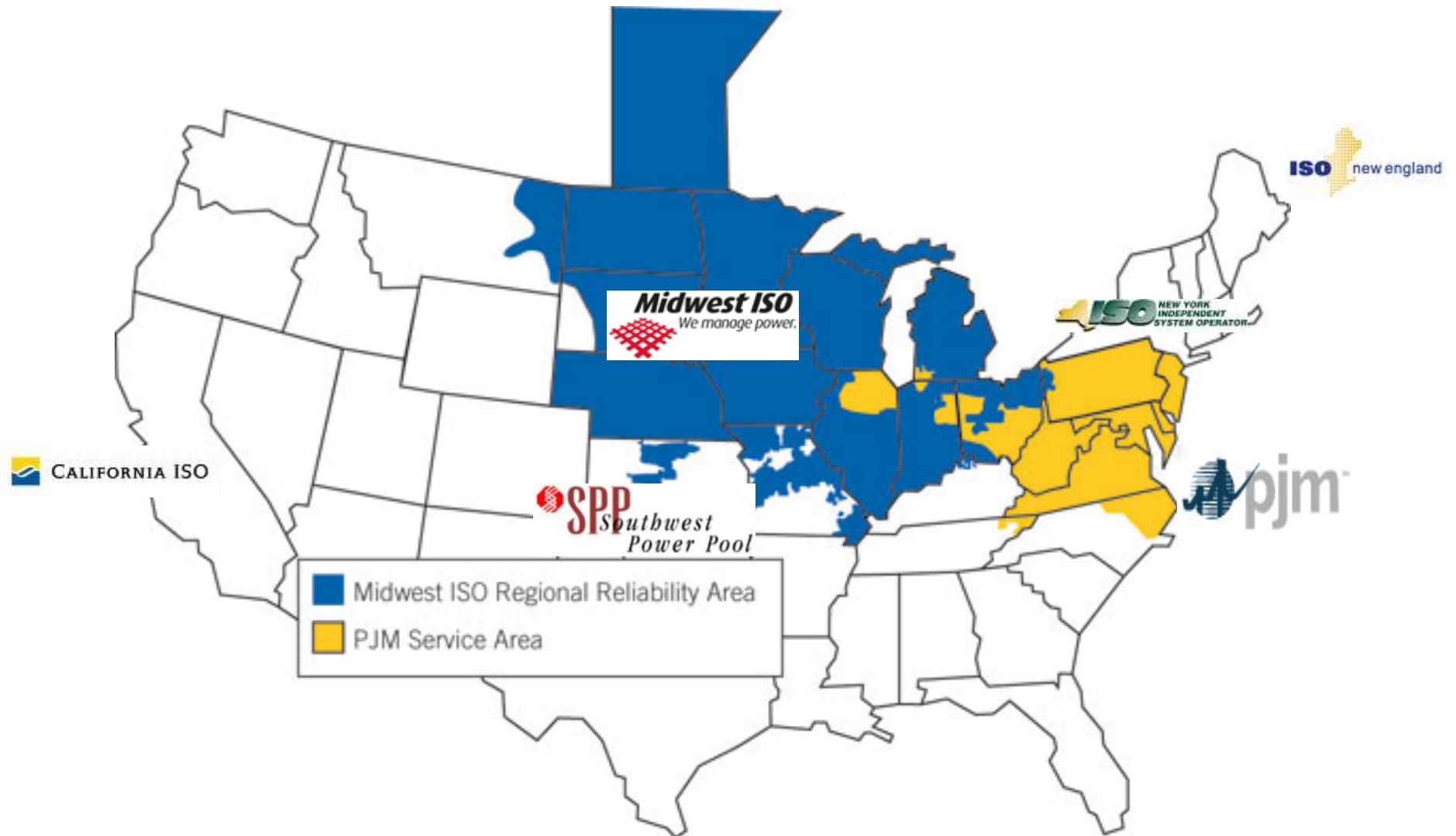
Sources: NERC Summer and Winter Assessments, WECC Existing Generation and Significant Additions and Changes to System Facilities Reports and FERC's Transmission Database

# Economic Projects in SPP



- ➔ **Economic Projects are Voluntary:** While these elective upgrades/projects are identified in the *SPP Transmission Expansion Plan* for their potential economic benefit to the SPP Region, they are not required for reliability reasons.
- ➔ **Economic Planning Studies:** Annual procedures are now in place to identify economic upgrades to reduce congestion or integrate new resources (e.g. wind power) and new loads.
- ➔ **Cost Allocation:** Due to their elective nature, economic transmission projects are funded by the project sponsors and cost allocation is determined on a case-by-case basis.

# Economic vs. Reliability Projects: Is there a Real Difference?

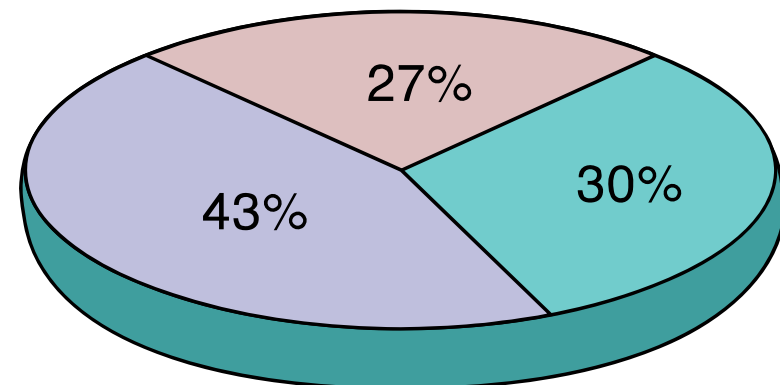




# Carving the Pie: The Difficulties of Cost Allocation



- Every Region is Currently Struggling with the Question of How to Allocate the Costs of Economic Transmission Projects.
- Inequitable Cost Shifts and “Free Riders” are Problematic. Can all the Beneficiaries even be Identified?
- What is the Role of the RTO/ISO (if any) in Developing a Cost Allocation Methodology or a Cost Benefit Methodology?





# FERC's Perspective

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## ⇒ **Principal Factors Relevant to Regional Cost Allocation**

1. Does the cost allocation proposal fairly assign costs among market participants (including those who cause the project to be incurred and those who otherwise benefit from the new project)?
2. Is the allocation proposal generally supported by state authorities and market participants across the region?
3. Will the cost allocation proposal provide adequate incentives to construct new transmission projects?