

LRTP Tranche 3 Cost Allocation



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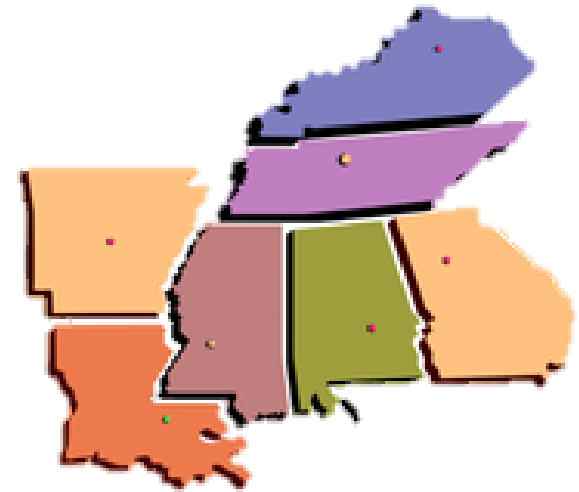
Note changes on *red* on slides 4 & 5



About

The Southern Renewable Energy Association (SREA) is an industry-led initiative that promotes responsible use and development of wind energy, solar energy, energy storage and transmission in the South.

SREA's geographic region covers seven Southeastern states



The Need for LRTP in MISO South

- Need for resilience
 - Not just the need for upgraded infrastructure, but deliverability during winter and summer peaks where Max Gen and risk of load shed occurs
- Load pockets
 - Issues around deliverability that have persisted for more than a decade which result in increased dependency on generation resources as a solution
- Load growth
 - Increases in new load additions increasing demand for power and *on* transmission.
- Generation Shift
 - The Subregion currently generates <1% renewable energy on average, but RFP's and IRP's from utilities suggest that this number will increase dramatically with new resource additions in the coming decades.



MISO South Proposals


	Current MEPs	SREA Strawman	ERSCWG Draft Proposal	Source
B/C Ratio	1.25	1.0	n/a	Section II.B.1.c
kV	230kV	100kV	n/a	Attachment FF - II.B
Futures	Weighted	Equal	Weighted	Attachment FF-7 I.A.1
Minimum Cost	\$5m	\$5m	n/a	Attachment FF-II.B
Horizon	20 Years	40 years	n/a	Attachment FF
a	Adjusted Production Cost (APC)	APC	APC	Attachment FF-7
b	Avoided BRP	Avoided BRP	Avoided BRP	Attachment FF-7
c	MISO/SPP Savings (M2M payments)	MISO/SPP Savings		Attachment FF-7
d		Capacity Loss Savings		Section II.C.5
e		PRM Savings		Section II.C.5
f		Avoided Transmission		Section II.C.5
g		Reliability		
h		Avoided Interconnection		TBD
i		Decarbonization		
j		Avoided Risk of Load Shed		

* Upon reviewing the ERSCWG proposal SREA proposes that avoided interconnection costs be considered are outside the scope of LRTP Tranche 3

Principles vs. Current Project Types

	BRP	MEP	MVP	SREA
No Postage Stamp	X	X		X
Granular/Accurate	X	X		X
Cost Causation/Beneficiaries pay	X	X	X	X
Equitable manner		X		X
Interconnecting resources pay (Gen Pays)				X*
Accurate, quantifiable		X	X	X
Comprehensive benefits			X	X
Non-portfolio	X	X		X

* Interconnecting resources already pay through MISO's GIP, through a DFAX flow based methodology determining IC cost allocation in a granular fashion in relation to regional backbone transmission (LRTP).



Modifying the MEP

- B/C Ratio
 - Current 1.25 B/C ratio has never worked (equiv. B- or C investment grade)
 - SPP's B/C ratio is 1.0
- kV Rating
 - <230kV avoids potential transmission savings (\$721m MTEP23)
 - 100kV *can* be included in MEP (Attachment FF - II.B)
- Planning Horizon
 - SPP already uses a 40-year planning horizon
- Generators Pay
 - MISO's previously approved DFAX amendments makes generators pay, IF there are LRTP lines approved



ERSC Principles (summary)

1. No postage stamp (Principle 1)
- 2a. Granular/accurate costs*
- 2b. Cost causation/beneficiaries pay*
- 2c. Equitable manner to protect customers*
- 2d. Interconnecting resources pay (network upgrades)*
3. Business case must be: accurate, objective, measurable, quantifiable, non-duplicative, forward-looking, replicable*
4. New benefit metrics list
5. Individual projects show net benefits

*Principles similar to the 2021 OMS Cost Allocation Principles



Thoughts on ERSCWG Proposal

- Proposal for projects solely to meet clean energy public policy goals to be paid for by the City of New Orleans, does not equate to a ‘beneficiary pays’ methodology
 - Utilities with corporate clean energy goals would also benefit
- Unclear how the generator pays proposal would work in conjunction with:
 - Current footprint-wide 90%/10% split for projects with upgrades 345kV+, and 100% for projects below this threshold
 - Current DFAX flow-based methodology for ERIS interconnections in BPM 015, 6.1.1.1.8, used to determine constraints



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