



**Stakeholder Survey I  
Cross Border Cost Allocation for Economic Transmission Projects  
For Discussion September 24, 2008**

PJM and the Midwest ISO are seeking input from stakeholders on various concepts that have been discussed during the PJM/Midwest ISO Cross-Border meetings for dealing with transmission projects constructed for economic reasons that are constructed in one RTO and have benefit to the other RTO. The RTOs are seeking to better understand the stakeholder's preferences regarding these concepts and request completion of this short questionnaire to help in better focusing future discussions. Thank you in advance for participating in this important survey.

Respondent Information:

Stakeholder Company and RTO Sector

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Survey Completed by \_\_\_\_\_

For all questions, please indicate your company's preference for each concept by dividing 100 Points between each alternative. The most preferred alternative should be given a higher value of points. Please allocate all 100 points between the alternatives

**Issues and Questions for this Survey:**



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**Issue 1: Benefit Metrics for Cross Border Vs. Internal Metrics**

The RTOs have proposed several concepts for defining the benefits to be used with costs to determine whether a cross border project passes a threshold criterion to be built. Please answer the following relative to those proposals. It is assumed for the questions below that the benefit calculations of each RTO would be done based on a common Coordinated System Plan (JOA) model.

☐ A cross border project must pass each RTO's benefit calculation based on its own filed internal methodology, including the benefit to cost ratio applied by each RTO internally.

☐ A cross border project must pass each RTO's benefit calculation based on its own filed internal methodology, including the benefit to cost ratio applied by each RTO internally, and must pass a common metric that applies to both RTO's jointly.

☐ A cross border project must pass a common metric that applies to both RTO's jointly.

Total Points



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**Issue 2: Preferred Project Benefit Metric**

The RTOs have proposed several possible metrics for evaluating the economic benefits of a Market Efficiency Project. In the following, Gross Load Payment is LMP times Load, and Net Load Payment is LMP times Load less an adjustment for FTR credits held by Load.

100% Adjusted Production Cost  
70% Production Cost + 30% Net Load Payment  
70% Adjusted Production Cost + 30% Gross Load Payment  
70% Adjusted Production Cost + 30% Net Load Payment

If one of the following metrics is selected, the metric should be:

- ☐ 100% Adjusted Production Cost
- ☐ 70% Production Cost + 30% Net Load Payment
- ☐ 70% Adjusted Production Cost + 30% Gross Load Payment
- ☐ 70% Adjusted Production Cost + 30% Net Load Payment
- ☐ 50% Adjusted Production Cost + 50% Net Load Payment

Total Points

If you have a preferred benefit metric, describe it below:

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**Issue 3: Correlation of Project Benefit Metric and Allocation Method**

The RTOs have proposed several possible metrics for evaluating the economic benefits of a Market Efficiency Project:

100% Adjusted Production Cost  
70% Production Cost + 30% Net Load Payment  
70% Adjusted Production Cost + 30% Gross Load Payment  
70% Adjusted Production Cost + 30% Net Load Payment

If one of these metrics is chosen to measure the benefits of a project,

☐ The cost allocation method must be based on the relative benefit to each RTO of the same metric that is used to calculate the benefit of the project.

☐ The cost allocation method could be based on a different metric or method than that used to calculate the project benefit (E.g. Gross Load Payment, Net Load Payment, DFAX of some type, postage stamp, other).

Total Points

If you indicated that the cost allocation method could be based on a different metric or method, what different metric do you prefer:

☐ Gross Load Payment

☐ Net Load Payment

☐ DFAX of some type times load

☐ Postage Stamp

☐ Other

Total Points



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**Issue 4: Calculation of FTR Credits**

The RTOs have proposed to calculate Net Load Payment by assuming that internal congestion costs are fully credited back to the loads as a benefit to loads.

☐ If Net Load Payment is used as a benefit metric, the RTO approach to calculating an estimated value of FTR credits by assuming internal congestion is fully credited back to internal loads is appropriate.

☐ If Net Load Payment is used as a benefit metric, a different method of determining the estimated value of FTR credits is appropriate.

Total Points

I offer the following suggestion for how to estimate Net Load Payment:



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**Issue 5: Use of a Postage Stamp Rate to Allocate**

Each RTO has some element of a Postage Stamp rate in its internal economic project cost allocation methods.

For allocation of a cross border economic project, and for select Voltage Classes:

- ☐ 100% of the project cost should be allocated to the combined markets on a postage stamp basis.
- ☐ 20% of the project cost should be allocated to the combined markets on a postage stamp basis and 80% allocated by some metric to RTOs that individually decide how to allocate within each RTO.
- ☐ 0% of the project cost should be allocated to the combined markets on a postage stamp basis and 100% allocated by some metric to RTOs that individually decide how to allocate within each RTO.
- ☐ 100 Total Points

If some non-zero percentage of a cross border project cost is allocated to the combined markets on a postage stamp basis, this approach should only be applied to projects of the following voltage classes:

- ☐ 765 kV and above
- ☐ 500 kV and above
- ☐ 345 kV and above
- ☐ 100 kV and above



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**Issue 6: Benefit to Cost Ratio**

If a common benefit metric is used for both RTOs, what Benefit/Cost Ratio must a cross border project exceed in order to qualify for Cross-Border cost sharing?

☐

The Midwest ISO linear sliding scale from 1.1:1 for project in-service year 1 up to 3:1 for year 10

☐

The PJM constant 1.25:1 regardless of project in-service year

☐

Other options

Total Points



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**Issue 7: Thresholds for Qualification as a Cross Border Project**

It is understood that in order for a project to be a cross border project, at a minimum it must be evaluated by both RTOs jointly and using a common model, and be vetted with stakeholders via the Coordinated System Plan process under the JOA.

In addition, the RTOs have discussed options for screening or filtering projects before joint evaluation for potential cross border benefits. Please indicate your preferences from amongst the threshold qualifications below:

Project Cost Threshold:

<input type="checkbox"/>	\$ 5 Million	
<input type="checkbox"/>	\$ 10 Million	
<input type="checkbox"/>	\$ 20 Million	
<input type="checkbox"/>	Other:	<input type="text"/>

<input type="text" value="100"/>	Total Points
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Project Voltage Level:

<input type="checkbox"/>	345 kV and above	
<input type="checkbox"/>	100 kV and above	
<input type="checkbox"/>	Other:	<input type="text"/>

<input type="text" value="100"/>	Total Points
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**Issue 8: Voting Mechanism**

Some stakeholders have proposed that parties to whom costs are ultimately allocated by the respective RTO should have a vote on whether the project actually moves forward based on a voting mechanism developed within the RTO.

Those entities (in both RTOs) at risk for payment of the costs of an economic project would cast a vote (thus votes could be cast by transmission owner, load-serving entity or a representative of load depending on which entity is at risk for payment).

Votes weighted pro-rata based on cost allocation percentages.

30/30 rule applied – if 30% or more of entities allocated costs for a project vote in support of the project as proposed, and no more than 30% oppose the project, the project moves forward and is constructed as proposed.

If a project passes the 30/30 test, all beneficiaries pay for the project, including those who voted in opposition to the project.

Indicate below whether you would be either “for” or “against” such a voting mechanism:

<input type="text"/>	“For” this voting mechanism
<input type="text"/>	“Against” this voting mechanism

<input type="text" value="100"/>	Total Points
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If you voted “For” the voting mechanism and would like to offer a suggestion on a different percentage for the voting threshold, do so below:

<input type="text"/>	%	Alternate voting threshold percentage
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**Issue 9: SPP Presentation**

**“Balanced Portfolios” of Projects:**

A presentation was given at the July 10, 2008 meeting discussing a method of allocating costs of economic upgrades by developing portfolios of projects rather than individual projects, such that Balanced Portfolios are developed. A Balanced Portfolio is defined as one in which the benefits for each pricing zone exceed the costs allocated to that zone via a Region Wide (postage stamp) rate.

This approach represents a blended allocation approach that does a first pass allocation via a postage stamp, but then adjusts that allocation based on the allocation determined via a calculated benefit metric.

Please indicate below your support for this type of an allocation of costs for a project or portfolio of projects:

Support a Balanced Portfolio approach that allocates on a blend of a postage stamp and an allocation based on a calculated benefit metric

Do not support a Balanced Portfolio approach that allocates on a blend of a postage stamp and an allocation based on a calculated benefit metric

100

Total Points