



**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

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:

32 Responses Received

19 MISO (12 TO, 2 Regulatory, 5 TDU)

13 PJM (13 TO)



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

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.

- | | |
|-------------|--|
| 1430 | 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. |
| 935 | 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. |
| 735 | A cross border project must pass a common metric that applies to both RTO's jointly. |
| 3100 | Total Points |

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

<div>455</div>	100% Adjusted Production Cost
<div>580</div>	70% Production Cost + 30% Net Load Payment
<div>1015</div>	70% Adjusted Production Cost + 30% Gross Load Payment
<div>668</div>	70% Adjusted Production Cost + 30% Net Load Payment
<div>282</div>	50% Adjusted Production Cost + 50% Net Load Payment
<div>3000</div>	Total Points

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

[100% Other – Other value metrics should be added, especially loss reduction, capacity credit reliability enhancements and the enabling of RPS goals.]

[100% Net Load Payment]

[Adjusted Production Cost would be acceptable if it were accepted by the MISO stakeholders.]

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

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,

2275 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.

825 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).

3100 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:

0 Gross Load Payment

410 Net Load Payment

50 DFAX of some type times load

100 Postage Stamp

340 Other **[hybrid of postage stamp and DFAX]**

900 Total Points

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

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.

2042 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.

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

2800 Total Points

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

[We suggest that you ignore the netting as it is too much effort to nail down the difference caused by FTRs in the modeling process. If the concern exists that the lack of netting is causing an overestimate of value, it would be a better idea to just use the gross LMP and reduce the percentage by which it is multiplied instead.]

[FTR credits calculated based on actual FTRs currently taken. The same FTRs should be used in the analysis cases both before and after the upgrade.]

[FTR credits based on actual FTRs taken today.]

[If FTR's credits can be less than congestions costs, wouldn't it make sense to estimate FTR values instead of assuming congestion is fully credited back to internal loads?]

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

- | | |
|------|---|
| 200 | 100% of the project cost should be allocated to the combined markets on a postage stamp basis. |
| 550 | 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. |
| 2150 | 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. |
| 2900 | 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:

- | | |
|------|------------------|
| 400 | 765 kV and above |
| 100 | 500 kV and above |
| 1400 | 345 kV and above |
| 100 | 100 kV and above |

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

- | | |
|---|---|
| 1283 | The Midwest ISO linear sliding scale from 1.1:1 for project in-service year 1 up to 3:1 for year 10 |
| 1107 | The PJM constant 1.25:1 regardless of project in-service year |
| 710 | Other options |
| <div style="border: 1px solid black; padding: 2px; text-align: center; width: 100px;">3100</div> Total Points | |

[1:1 is appropriate here as in normal B/C analysis. This is a conservative approach given that there are numerous uncounted benefits.]

[A ratio LESS than 1.25 closer to 1.0.]

[1:1 to account for benefits not captured in the analysis]

[general comments - received numerous comments stating that Issue 6 response closely tied to Issue 2 response]

Stakeholder Survey I
Cross Border Cost Allocation for Economic Transmission Projects
For Discussion September 24, 2008
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="text" value="300"/>	\$ 5 Million
<input type="text" value="625"/>	\$ 10 Million
<input type="text" value="1775"/>	\$ 20 Million
<input type="text" value="400"/>	Other:
<input type="text" value="3100"/>	Total Points

[no need for a cost threshold so long as there is a voltage threshold established at 345kV.]

[Higher than \$20 M]

[Vary by voltage class e.g. \$10 M for 345 kV, \$30 M for 765 kV]

Project Voltage Level:

<input type="text" value="1860"/>	345 kV and above
<input type="text" value="1040"/>	100 kV and above
<input type="text" value="200"/>	Other: <input type="text"/>
<input type="text" value="3100"/>	Total Points

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

800	“For” this voting mechanism
2200	“Against” this voting mechanism
3000	Total Points

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:

50/30%	Alternate voting threshold percentage
--------	---------------------------------------

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

850	Support a Balanced Portfolio approach that allocates on a blend of a postage stamp and an allocation based on a calculated benefit metric
2250	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
3100	Total Points