

TRANSMISSION UPGRADE & PRICING MATRIX

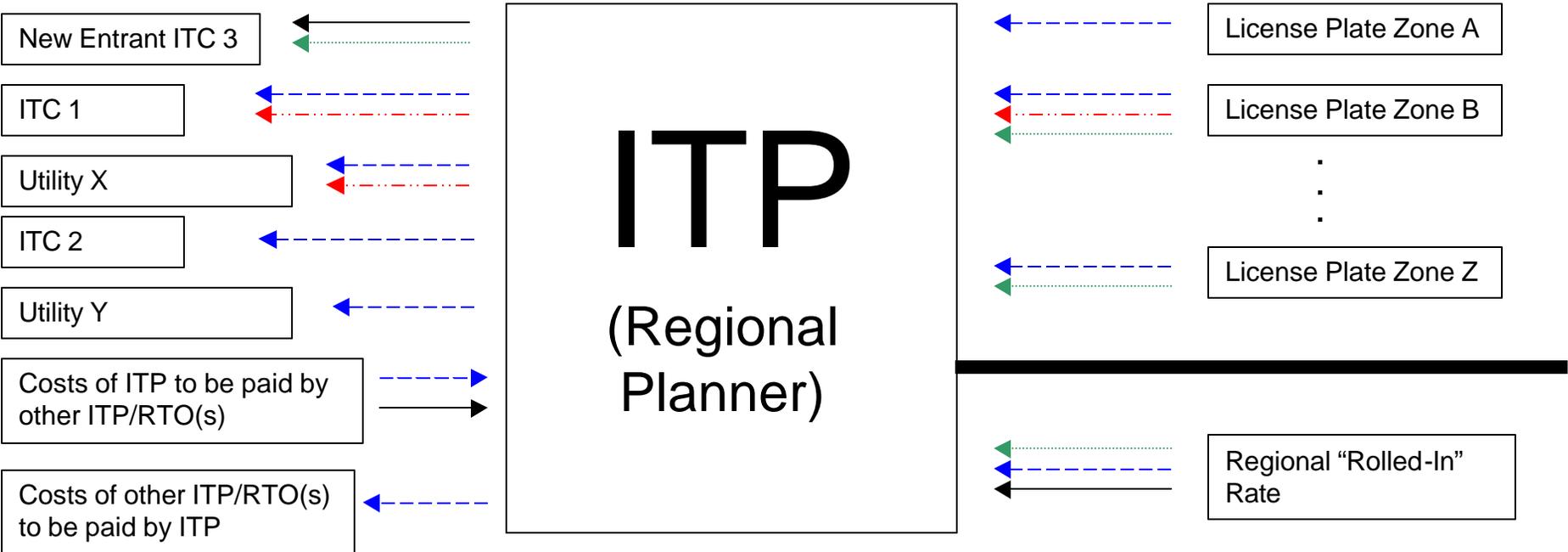
		ITP-PLANNED PROJECTS			MARKET-PLANNED PROJECTS
		LOCAL RELIABILITY	REGIONAL RELIABILITY	CONGESTION RELIEF	VOLUNTARY PURPOSES <ul style="list-style-type: none"> • Premium reliability • Desire for CRRs • Gen. Interconnection • Generator Integration
ITP PRICING	MARKET-BASED PARTICIPANT FUNDING (a.k.a. Merchant Transmission)	N/A	N/A	N/A	Negotiated (must meet criteria for negotiated rates)
	BENEFICIARIES PAY	N/A	N/A	N/A (but see assumptions)	N/A
	LOCAL LICENSE PLATE PRICING	•••	N/A	•••	N/A
	ROLLED-IN, ITP WIDE REGIONAL PRICING	•	•••	•	N/A

- = Fewer costs recovered through this mechanism
- = More costs recovered through this mechanism

Key points / assumptions:

- Standard Market Design (congestion and CRRs)
- As appropriate, cost allocation should change over time:
 - Today's Congestion Relief upgrade (allocated to License Plate Zones) may be tomorrow's Regional Reliability upgrade
 - License Plate Zone configuration could change over time
 - Cost allocated to one ITP region from another would flow the Regional Zone cost buckets
- Each load pays exactly one (1) License Plate Zone rate and one (1) Regional Zone rate:
 - License Plate Zone rate reflects transmission supporting local market needs
 - Regional Zone rate reflects transmission support regional market needs
 - No charges for Through or Out service for individual transactions between ITP Regions
 - Hence, no pancaking of access charges for **any** load
- Only LSEs pay for ITP-Planned Upgrades;
- 'License Plate Zones' are small enough that allocation among different License Plate Zones is approximately equivalent to a 'Beneficiaries Pay' approach:
 - We suggest License Plate Zones (and ITP boundaries) based on topology (transmission, generation and demand) – not based on political or historic franchise boundaries
 - Each License Plate Zone may contain multiple transmission asset owners
 - Each transmission asset owner may have assets in multiple License Plate Zones
- One-time exercise to allocate the cost (and benefits) of **existing** transmission assets to each License Plate Zone cost 'bucket' vs. Regional Zone cost bucket.
- See Figure 1 for "flow of funds" from load to transmission asset owners via ITP

Figure 1
 Flow of Funds for ITP Transmission Costs



- ← - - - - Blue = Recovery of existing assets (Embedded Costs)
- ← · - - - - Red = New project #1 (local reliability in License Plate Zone B)
- ← ····· Green = New Project #2 (congestion relief – no cost allocated to License Plate Zone A)
- ← - - - - Black = New Inter-regional ITP/RTO upgrade for region-wide reliability