

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

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<b>Competitive Transmission Development</b>	)	<b>Docket No. AD16-18-000</b>
<b>Technical Conference</b>	)	
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**PREPARED STATEMENT OF PAUL SUSKIE, EXECUTIVE VICE PRESIDENT AND GENERAL  
COUNSEL, SOUTHWEST POWER POOL, INC.**

**I. Introduction**

Good Afternoon. My name is Paul Suskie. I am Executive Vice President and General Counsel for the Southwest Power Pool, Inc. (“SPP”). As an initial matter, I would like to thank the Federal Energy Regulatory Commission (“Commission”) for organizing this technical conference on competitive transmission. Ensuring the adequacy of transmission infrastructure is critical to the nation’s security and economy. Accordingly, the establishment of effective rules related to competitive transmission development is similarly critical to ensure that such processes are established and implemented in a manner that meets the reliability and economic needs of the grid.

SPP has worked with its members, stakeholders and this Commission since 2011 to create and implement its competitive transmission process to meet the requirements of Order 1000. In fact, SPP has recently completed its first competitive transmission project, and while the process was generally successful, we are actively engaged in an open stakeholder process to identify potential process improvements.

**II. SPP Panel 5 Statement**

The Commission took significant steps towards the incorporation of competitive options in transmission planning context in Order No. 1000.<sup>1</sup> To facilitate the future success of these efforts, the Commission and industry should continue to review these issues to identify potential obstacles and areas for improvement.

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<sup>1</sup> *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, 2008-2013 FERC Stats. & Regs. Preambles ¶ 31,323 (2011), *order on reh’g and clarification*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh’g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *aff’d sub nom. S.C. Pub. Serv. Auth. v. FERC*, 762 F.3d 41 (D.C. Cir. 2014), *reh’g denied en banc*, 2014 U.S. App. LEXIS 19968 (D.C. Cir. Oct. 17, 2014).

SPP has identified four areas that present potential opportunities to facilitate achievement of the intended benefits of Order 1000 and competitive transmission development. These include: 1) interregional issues; 2) multiple region planning; 3) thresholds for competitive transmission solicitation procedures; and 4) Order 1000 implementation metrics.<sup>2</sup> My comments will focus on issues 3 and 4 – competitive solicitation process thresholds and Order No. 1000 metrics.

The value of competitive transmission solicitations is the potential economic benefits – *i.e.* “more efficient and cost-effective solutions” that meet the system needs. However, the project cost is not the only relevant cost in assessing the benefits of this process. The costs to create a competitive proposal and the costs to administer and evaluate the proposals can potentially outweigh the project benefits, or at least raise the question whether the relative costs and benefits justify the application of a competitive solicitation.

SPP’s recently completed competitive solicitation process, which included 11 competitive proposals, is an example of where thresholds may make sense. Ultimately the project cost resulting from the process was \$8.3 million. The administrative costs for the solicitation and selection process was approximately \$4 - \$5 million dollars. This estimate is based on an SPP processing cost of over \$500,000, and estimated project proposal development costs of \$3.3 - \$4.4 million (11 projects with estimated proposal development costs of approximately \$300,000 - \$400,000). Assuming the competitive solicitation administrative cost estimate approximates the actual costs, when compared to the total project cost, the administrative cost was approximately 46% - 59% of the selected project. In light of this experience, SPP believes that for some projects the benefits intended to be achieved by the competitive solicitation process may not be justified in light of the total costs incurred by all parties to achieve those benefits. Typically, this would be expected to be seen with smaller projects.

Another example in the SPP region involved a new 17 mile 115 kV line in West Texas. This project was identified in the SPP 2016 Integrated Transmission Planning Near-Term Study. The project may be designated a short term reliability window project (“STRW”) by the SPP Board of Directors. If it is designated as a STRW project, it will be exempt from the competitive solicitation process. However, assuming the project is subject to competitive solicitation, it is another example of where the applicability of the competitive solicitation process may not be warranted. The cost of this project was approximately \$10.7 million. Assuming \$10.7 million approximates the project cost under a competitive solicitation, and using the administrative cost estimates described above as a proxy for the processing costs, the administrative costs for this project would have been between 36% and 46% of the project costs. Similar to the above example,

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<sup>2</sup> See Pre-Technical Conference Comments of Southwest Power Pool, Inc., Docket No. AD16-18-000 (May 31, 2016).

SPP questions whether this cost benefit ratio justifies the use of a competitive process for this type of project.

One way to mitigate this concern is to apply a threshold to the competitive solicitation process. For example, the applicability of the competitive solicitation process as required by the Commission per Order No. 1000 requires regional funding. In addition to the regional funding requirement, the applicability of the competitive solicitation process could additionally be subject to a threshold based on the physical characteristics of the project and/or projected costs of the upgrade. In essence, the premise and functionality of such a threshold would be based on an expected favorable cost-benefit outcome that justifies the use of the competitive solicitation process.

It should be noted that different regions of the country implemented Order No. 1000 in different ways, and the concept of competitive solicitation thresholds may not be relevant in all regions depending on their rules. Accordingly, if the Commission elects to review this proposal further, it should engage stakeholders to develop appropriate thresholds generally and/or within specific regions where this approach is consistent with a region's rules.

Finally, I would like to make clear that SPP is not offering a specific threshold proposal at this time. Rather, we are raising it conceptually, because the issue may warrant additional consideration by the Commission as a means to ensure the intended benefits of Order No. 1000 are achieved.

With respect to Order No. 1000 implementation metrics, Order No. 1000 imposed a series of novel and complex rules on the transmission planning processes in organized market regions of the country. The benefits of those rules have yet to be evaluated in any meaningful way. To assist the Commission in its regulation and review of Order No. 1000 related impacts, it may be helpful to consider the development of objective, transparent metrics to assess the benefits achieved under the related programs in the relevant regions of the country.

While there is conceptual value to using a common set of metrics for this purpose, it should be recognized that the Order No. 1000 rules vary between the relevant Independent System Operator ("ISO") and Regional Transmission Organization ("RTO") regions. Accordingly, any metrics developed for this purpose would need to take this into consideration and mitigate the potential for disparate assessments due to some unintended bias resulting from the application of the metrics to any entity's specific rules. In other words, the metrics would need to be relative to objective benchmarks that apply to all ISOs/RTOs regardless of their specific implementation rules.

The Commission has expended significant effort to enhance the transmission planning processes, including the development of rules related to competitive transmission options. This technical conference provides an effective forum to continue

the dialogue on these important issues. SPP appreciates the opportunity to be part of the conversation, and looks forward to assisting the Commission in its review of these matters.