Benefit Metrics and Cost Allocation

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MISO Transmission Drivers

- Several factors are considered to develop transmission
  - Economics (Adjusted Production Cost)
  - Reliability (NERC Standards, other)
  - Generator Interconnection
  - Transmission Service
- The allocation of cost is dependent on the drivers and benefit metrics used
  - Regional vs local allocation

MISO Regional Cost Allocation

- MISO's current cost allocation structure is predominately based on the regions 345kV transmission backbone (pre-MISO South)
- Since 2011, MISO has approved approximately:
  - $6B in Multi-Value Projects
  - $197M in Market Efficiency Projects

Guiding Principles for Regional Cost Allocation Review

- Improve alignment of benefits and costs
- Eliminate cost allocation gaps with neighbors
- Clearly define cost allocation for all projects that are an outcome of the MISO regional transmission planning process
- Ensure cost allocation is not an impediment to beneficial transmission investment

Recently Developed Benefit Metrics for Cost Allocation

- Multi-year stakeholder process on development of new benefit metrics
- Process culminated in the development of two new metrics:

Metric	Description
Avoided Reliability Investment	Provides for the ability of an economically based project to displace a reliability based project if it also resolves the reliability driver
Reduction in MISO-SPP Settlement Agreement Charges	Capture cost benefits due to reductions in annual payments due from MISO to SPP and the Joint Parties pursuant to the Settlement Agreement

- Metrics to be implemented upon approval of next FERC filing and are in addition to our existing Adjusted Production Cost metric
- Process is on-going to develop additional metrics

MISO's Continued Benefit Definition Efforts

Benefit metrics under discussion in the MISO stakeholder process:

Benefit Category	Description
Energy Savings	Capture cost savings related to energy, such as energy losses, reliability must-run generation, others
Capacity Savings	Capture cost savings on deferred capacity expansion due to increased import/export capability and peak load reductions
Reliability Benefit	Grid reliability/stability performance improvement with transmission in the world of declining higher inertia machines
Ancillary Services	Reduction in ancillary services costs
Resiliency and Diversity	Savings related to fuel and load diversity, extreme event mitigation, other
Public Policy	Reduction in costs associated with meeting public policy initiatives


MISO