

Incremental Long-Term Congestion Rights (ILTCR) Guidelines and FAQ

ILTCR Guidelines

- 1) Per FERC Order ER20-1687-000, which eliminated Z2 revenue credits as compensation for Directly Assigned Upgrade Cost (DAUC) for upgrades with an authorizing agreement executed after July 1st, 2020, ILTCR is the default cost recovery mechanism for eligible Network Upgrades with DAUC as a result of a Generation Interconnection Study (GIS), Aggregate Transmission Service Study (ATSS), or a Sponsored Upgrade Study.
- 2) Customers shall specify 3 paths for ILTCR analysis prior to execution of applicable service agreements¹.
 - a. GI Requests: Customers may select paths for ILTCR studies using their new generator that was studied as a source. The generator must be registered in the Marketplace before it is able to participate in the Congestion Hedging process. For timing information related to registration, please refer to Appendix E of the Integrated Marketplace Protocol (IMP)².
- 3) ILTCR analysis takes place *after* Directly Assigned Upgrade Cost (DAUC) is assigned per corresponding studies.
- 4) Candidate ILTCR (cILTCR) are determined per each path specified by the customer from Available Transfer Capability (ATC) of the system, and one path will be chosen to receive them.
- 5) Customers are responsible for notifying SPP 45 days before the upgrade energization date to begin the Congestion Hedging process (Attachment AE, Section 7).
- 6) Only a registered Market Participant (MP) will be able to participate in the Congestion Hedging process. Parties who anticipate eventual participation in the Congestion Hedging process and have not become a SPP Market Participant should review lead time and requirements outlined on the SPP website³ to prepare accordingly.

ILTCR FAQ

Q: What is an ILTCR and the purpose of?

A: ILTCR(s) are Incremental Long-Term Congestion Rights that are made available to Market Participants who receive DAUC as a result of a Network Upgrade for the express purpose of cost recovery.

Q: What does the Open Access Transmission Tariff (OATT) say about ILTCR?

A: SPP OATT Part 1, Section I(1)(I) defines ILTCR as "[a]n instrument that entitles an Upgrade Sponsor to a Transmission Congestion Right that results from the incremental ATC created from the portion of an upgrade for which there is a Directly Assigned Upgrade Cost, which is awarded during the Transmission Provider's annual LTCR allocation process."

SPP OATT Attachment J, Section V(A) – (C) describes eligibility for cost recovery through candidate ILTCRs per upgrade type (Sponsored Upgrades, Service Upgrades, and Generation Interconnection Related Network Upgrades).

SPP OATT Attachment Z2, Section I clarifies that all Network Upgrades with an agreement authorizing construction (i.e., Generator Interconnection Agreement, Agreement for Sponsored Upgrade, or Service

¹ Applicable service agreements include (but is not limited to) Generation Interconnection Agreements, transmission service agreements, and Sponsored Upgrade Agreements.

² IMP Protocols 78 (<https://spp.org/spp-documents-filings/?id=20867>).

³ Join SPP (<https://spp.org/stakeholder-center/join-spp/>).

Agreement for long-term transmission service) that is executed after July 1, 2020, or with an effective date after July 1, 2020 if filed unexecuted, are only eligible for ILTCRs as a cost recovery mechanism.

SPP OATT Attachment AE, Section 7.2 describes the sub processes relevant to ILTCR in the TCR Markets process.

Q: When and how long will an ILTCR Analysis take to complete?

A: For Generation Interconnection Studies, the source/sink elections will take place during Decision Point 2 with the analysis being conducted during the Phase 3 Facility Study.

For Aggregate Transmission Service Studies (ATSS), ILTCR analysis will be performed separately after ATSS is complete and DAUC is assigned.

For Sponsored Upgrades, ILTCR analysis is performed as part of the Sponsored Upgrade study⁴.

Q: How is the quantity of ILTCR determined?

A: Customers shall specify up to 3 source-to-sink paths⁵ for ILTCR analysis prior to execution of applicable service agreements. ILTCR analysis is then performed and one path is chosen for MP to receive cILTCRs.

Q: What is the maximum capacity amount eligible for each path?

A: The ILTCR study process will identify the incremental ATC available for each path as provided by the associated Network Upgrade. The customer will not elect how many MWs they want on each path⁷.

Q: How long is the ILTCR awarded for?

A: Candidate ILTCR(s) are awarded as specified in applicable service agreements, “and shall be at least ten years and not more than twenty years”⁸.

Q: How does an Eligible Entity begin the ILTCR process once awarded?

After the ILTCR study, the customer will choose the path for which they wish to receive ILTCR and this data is included in applicable agreement(s) and executed before filing with FERC. The customer will notify SPP 45 days in advance of energization via an RMS ticket⁹. Once the upgrade is energized, SPP will make available TCR MWs for the candidate ILTCR until the end of that TCR year in the next feasible monthly TCR auction¹⁰.

Q: How is the amount ILTCR determined? Is that amount completely independent of the Generator Interconnection or Transmission Service request and only driven by ATC on a path?

A: The amount of the ILTCR is driven by the incremental ATC amount a Network Upgrade provides the system, as determined using the customer specified source-to-sink paths for the associated Network Upgrade in the ILTCR study. The MW amount is completely independent of the Generator Interconnection or Transmission Service request that is being studied.

⁴ Sponsored Upgrade Guidelines and FAQ (<https://spp.org/spp-documents-filings/?id=19457>).

⁵ Slides 5, 6, and 7 of [ILTCR in the GI Process Presentation](https://spp.org/spp-documents-filings/?id=208281) (<https://spp.org/spp-documents-filings/?id=208281>).

⁶ Day-Ahead Market Locational Marginal Price by Location History (<https://marketplace.spp.org/pages/da-imp-by-location>).

⁷ SPP OATT, Attachment Z1, Section IV.

⁸ SPP OATT, Attachment J, Section V(A) – (C); SPP OATT, Attachment J, Schedule 1

⁹ Request Management System (<https://www.spp.org/stakeholder-center/customer-relations/request-management-system/>).

¹⁰ SPP OATT, Attachment AE, Section 7.2.5.

Q: How will the study determine incremental capacity amounts for multiple customers that select different paths?

A: Per Attachment Z2, Section IV(B):

When one or more Transmission Customers request to receive candidate ILTCRs for a Service Upgrade which was funded in whole or in part through Directly Assigned Upgrade Costs, the Transmission Provider will allocate the available candidate ILTCRs to each Transmission Customer in the same proportion as each Transmission Customer's pro-rata share of the total cost of the upgrade allocated in accordance with Section IV of Attachment Z1 of this Tariff.

If multiple Transmission Customers fund a Service Upgrade through Directly Assigned Upgrade Costs, each Transmission Customer may choose a different source-to-sink path for the candidate ILTCR and each Transmission Customer's candidate ILTCR allocation will be in proportion to the total cost of the upgrade.

Example:

An upgrade is 50% funded by Based Plan Funding (BPF) and 50% funded by DAUC

Customer A is identified to be responsible for 20% of total cost

Customer B is identified to be responsible for 30% of total cost

Customer A's chosen path opens up 80 MW of additional ATC

Customer A is entitled to $20\% * 80 \text{ MW} = 16 \text{ MW}$ which is then awarded as cILTCR

Customer B's chosen path opens up 60 MW of additional ATC

Customer B is entitled to $30\% * 60 \text{ MW} = 18 \text{ MW}$ which is then awarded as cILTCR

Q: How does the ILTCR information incorporated into applicable service agreements get submitted into the cILTCR market process after filing?

A: SPP will incorporate data from applicable service agreements into the cILTCR market process, however, the customer is obligated to notify SPP via RMS of the upgrade energization 45-days in advance in order to begin the Congestion Hedging process.

Q: Can a customer elect out of the process after being awarded the ILTCR?

A: If the Network Upgrade is energized mid-year, the customer remains bound to awarded ILTCRs for the remainder of the TCR year. The customer may try to sell the TCR MWs in the monthly auction or the secondary market.

If the Network Upgrade is energized at the beginning of the next LTCR allocation process, a customer may nominate candidate ILTCRs. During the LTCR allocation process, MPs that have awarded ILTCRs may surrender any amount of ILTCRs it is awarded for that applicable TCR year¹¹.

Q: Is there a cap on the revenue that a MP could potentially receive for their ILTCRs associated with a given transmission upgrade?

A: There is no value cap on the revenue that a MP could potentially receive for their ILTCRs associated with a given transmission upgrade. However, cILTCR are subject to a 20-year time limit as stated in SPP OATT Attachment J, Sections V(A) – (C) and Attachment J, Schedule 1.

¹¹ SPP OATT, Attachment AE, Section 7.2.1.

Awarded ILTCR MWs from candidate ILTCRs are automatically converted into TCRs. The revenue received from an awarded TCR MW is determined by TCR MW * (Source Day-Ahead Market Marginal Congestion Component minus Sink Day-Ahead Market Marginal Congestion Component).

Q: Once an ILTCR is surrendered for a given LTCR year, is there an option to re-nominate it in coming years? If an ILTCR is not surrendered, under what other conditions does a market participant lose the right to their ILTCR?

A: If an MP surrenders an ILTCR MW in a given year, they may re-nominate it in the next year's LTCR allocation. If an MP does not meet the applicable credit requirements in SPP OATT, Attachment X, they may lose their ILTCRs.

Q: How does an entity estimate when a transmission upgrade is going to be energized?

A: The best way to estimate the energization date for a Service Upgrade or Sponsored Upgrade is by referring to the NTC and the SPP quarterly project tracking data posted on the SPP website¹².

The best way to estimate the energization date for a Generation Interconnection upgrade is by referring to the lead times provided in the Facility Study Summary posted on the SPP website¹³. However, the project timeline for a specific upgrade does not begin until all parties involved (customer, SPP, Transmission Owner) have an executed Generator Interconnection Agreement and a shared network upgrade agreement. Additionally, since there is potential for a customer to delay execution of their service agreement or withdraw completely, estimated energization timelines should be considered tentative.

Q: Is the entity requesting service responsible for the cost associated with ILTCR studies?

A: SPP will capture the billable time used for the ILTCR study as it does with the rest of the applicable studies. SPP will aggregate all of the requests in the study and bill the time against that group. The study deposits provided to enter the applicable study would be used to cover the ILTCR analysis portion.

¹² Project Tracking & NTC (<https://spp.org/engineering/project-tracking-ntcs/>).

¹³ Facility Study Summary (<http://opsportal.spp.org/Studies/Gen>).