Sponsored Upgrade Guidelines and FAQ

***Sponsored Upgrade Guidelines***

The Sponsored Upgrade process provides a path for an entity to pursue new transmission facilities to be constructed. The requesting entity assumes the cost of the new facilities. Southwest Power Pool (SPP) performs a study to evaluate the impacts of the proposed Sponsored Upgrade on the reliability of the transmission system, and determine if the proposed upgrade requires any mitigation.

The Sponsored Upgrade process is as follows:

1. The Project Sponsor sends a Sponsored Upgrade Study Agreement to SPP at [TS@spp.org](mailto:TS@spp.org).
2. SPP will reach out to the Project Sponsor and Transmission Owner to discuss the proposed Sponsored Upgrade, and any other information that SPP needs in order to study the upgrade and its impacts on the transmission system. This could include project specific details such as the targeted benefit of the project, any needs driving this request, and engineering related files necessary for completing analysis for the proposal.
3. The Project Sponsor and SPP execute the Sponsored Upgrade Study Agreement. In the agreement, the Project Sponsor agrees to study terms and study costs.
4. SPP performs the Sponsored Upgrade Study by analyzing the Sponsored Upgrade and its impacts on the SPP Tariff facilities and first tier transmission facilities. The study will analyze any transmission upgrades that may be needed as mitigation for issues caused by the Sponsored Upgrade (mitigation upgrades). If the Project Sponsor elects to receive Incremental Long Term Congestion Rights (ILTCRs) for the Sponsored Upgrade or any mitigation upgrades, the ILTCR calculation is performed as part of the study.
5. SPP emails the Sponsored Upgrade Study report to the customer.
6. The study analysis and report will be vetted with and endorsed by the Transmission Working Group (TWG), Markets and Operations Policy Committee (MOPC), and the Board of Directors (Board).
7. SPP enters the Sponsored Upgrade and any mitigation upgrades into Transmission Reporting and Communication (TRAC) and TAGIT Standardized Cost Estimation and Reporting Template (SCERT). The Transmission Owner responsible for the Sponsored Upgrade completes the SCERT form(s) to provide cost estimates for the Sponsored Upgrade and any mitigation upgrades.
8. If the Project Sponsor wishes to proceed with funding the project, within one year of the final version of the study report, the Project Sponsor executes Schedule 1 of Attachment J for the Sponsored Upgrade and any mitigation upgrades.
   1. At this point, the Project Sponsor is committing to bear the costs of the Sponsored Upgrade and any mitigation upgrades
9. SPP will issue a Notification to Construct (NTC) for the Sponsored Upgrade and, if applicable, any mitigation upgrades. The NTC will be issued to the Transmission Owner responsible for the Sponsored Upgrade as detailed in Attachment O, Section VI.4.
10. The Sponsored Upgrade and any mitigation upgrades are constructed by the Designated Transmission Owner (DTO).
11. If an agreement was executed *after* July 1st, 2020, the Project Sponsor of a Network Upgrade is eligible for cost recovery through ILTCR only. Per Attachment Z2 of the OATT, such Sponsored Upgrades shall not be Creditable Upgrades.

***Sponsored Upgrade FAQ***

**Q: What is the purpose of the Sponsored Upgrade process?**

A: The Sponsored Upgrade process provides a path for an entity to pursue new transmission facilities not previously identified in any other SPP Tariff planning processes, so long as the transmission facilities do not adversely impact the reliability of the transmission system and the requesting entity assumes the cost of the new facilities.

**Q: What does the Open Access Transmission Tariff (OATT) say about Sponsored Upgrades?**

A: Attachment O, Section IV.1 of the OATT documents Sponsored Upgrade Studies and states that they are intended to "evaluate the impact of any proposed upgrade on Transmission System reliability and identify any necessary mitigation of impacts." Attachment Z2 of the OATT states that if an agreement was executed on or before July 1st, 2020, Sponsored Upgrades may be eligible to receive revenue crediting or candidate ILTCRs, but not both.

**Q: How do I initiate a Sponsored Upgrade Study?**

A: The study is initiated when the Project Sponsor executes the Sponsored Upgrade Study Agreement and sends to [TS@spp.org](mailto:TS@spp.org). SPP will confirm receipt of the signed study agreement. SPP will review project information for completeness and once complete, will return the countersigned study agreement to the Sponsor.

**Q: Is a deposit required for a Sponsored Upgrade Study?**

A: No deposit is required for a Sponsored Upgrade Study. The Sponsor will be billed for study costs at the conclusion of the study.

**Q: What if a proposed Sponsored Upgrade has been identified in a different planning study?**

A: Attachment O, Section IV.1 of the OATT states that the upgrade shall not be approved as a Sponsored Upgrade if it has previously been identified and included in the current SPP Transmission Expansion Plan.

**Q: What is a mitigation upgrade?**

A: Attachment O, Section IV.1 refers to Sponsored Upgrade Studies identifying "any necessary mitigation" of reliability impacts. If such mitigation entails transmission upgrade(s), these upgrades are referred to as "mitigation upgrades" in this document. Mitigation upgrades will be classified as Sponsored Upgrades for project classification and project tracking purposes.

**Q: How are costs allocated for a Sponsored Upgrade or a mitigation upgrade?**

A: Attachment O, Section IV.1 states that the entity requesting the Sponsored Upgrade "must be willing to assume the cost of such Sponsored Upgrade" and "any costs associated with such necessary mitigation." The costs of the Sponsored Upgrade and mitigation upgrade are direct assigned to the Project Sponsor.

**Q: What cost recovery mechanisms are available for Sponsored Upgrades?**

A: Attachment Z2 of the OATT states that if an agreement was executed on or before July 1st, 2020, the Project Sponsor may be eligible to receive Attachment Z2 revenue crediting or candidate ILTCRs for the Sponsored Upgrade. Since mitigation upgrade costs are directly assigned to the Sponsor as well, mitigation upgrades under sponsorship agreements executed on or before July 1st, 2020 also may be eligible for Attachment Z2 revenue crediting or candidate ILTCRs. Before the Project Sponsor of a Sponsored Upgrade is eligible to receive Attachment Z2 revenue crediting, the Sponsored Upgrade must be deemed a Creditable Upgrade. Per Attachment Z2 of the OATT, Sponsored Upgrades under sponsorship agreements executed after July 1st, 2020 are only eligible for ILTCR and such Sponsored Upgrades shall not be Creditable Upgrades. If the agreement is filed unexecuted with FERC, the applicable date for the purpose of this paragraph is the effective date established by FERC rather than an execution date of the agreement.

**Q: When will SPP issue an NTC for a proposed Sponsored Upgrade?**

A: Attachment O Section VI.4 states: “A specific endorsed Sponsored Upgrade in the SPP Transmission Expansion Plan will be deemed approved for construction upon execution of a contract that financially commits a Project Sponsor to such upgrade.” Schedule 1 to Attachment J is the agreement that the Project Sponsor executes in order to financially commit to pay for the Sponsored Upgrade; by this point, the Sponsored Upgrade Study has been completed and endorsed by the appropriate stakeholder working groups.

**Q: If SPP studies a proposed Sponsored Upgrade, is the requesting entity then obligated to bear the costs of the Sponsored Upgrade?**

A: No - the requesting entity will be obligated to pay study costs, but is not obligated to bear the costs of the Sponsored Upgrade until executing Schedule 1 to Attachment J

**Q: Who constructs and owns the Sponsored Upgrade?**

A: After an NTC is issued for a Sponsored Upgrade, the Transmission Owner responsible for the Sponsored Upgrade is required to construct the upgrade. The Transmission Owner responsible for the Sponsored Upgrade is determined based on the following language from Attachment O, Section VI.4:

* If the Sponsored Upgrade is a rebuild of an existing facility or uses rights-of-way where facilities exist, the Sponsored Upgrade will be assigned to the Transmission Owner of the existing facility;
* If the Sponsored Upgrade is a new transmission facility, the entity sponsoring the Sponsored Upgrade may become the Transmission Owner of the facility if it meets the qualifications to become a Transmission Owner set forth in Section III.1(b) of Attachment Y, including executing an SPP Membership Agreement as a Transmission Owner; or
* If the Transmission Owner is not determined by the criteria above, the Transmission Provider will follow the process contained in Section IV of Attachment Y.

While the Transmission Owner responsible for the Sponsored Upgrade builds and owns the Sponsored Upgrade, the costs of the upgrade are the responsibility of the Project Sponsor.

NOTE: The language in this answer applies to mitigation upgrades as well, since these are classified as Sponsored Upgrades for project classification and project tracking purposes.

**Q: How is a Sponsored Upgrade determined to be “needed” as part of the transmission system as described in Attachment Z2 Section I.B, in order to be a Creditable Upgrade eligible to receive Attachment Z2 revenue crediting?**

A: Beginning July 1st, 2020, a Sponsored Upgrade request will no longer have the option to elect Attachment Z2 revenue crediting, but rather only ILTCR. These upgrades shall not be Creditable Upgrades per Attachment Z2 of the OATT.

If a Sponsored Upgrade (1) was sponsored under an agreement executed on or before July 1, 2020 (or the sponsorship agreement was filed unexecuted and FERC established an effective date on or before July 1, 2020), (2) the Project Sponsor did not elect to receive ILTCR, and (3) the Sponsored Upgrade has not yet been deemed a Creditable Upgrade, it will be evaluated on an ongoing basis to determine if it is “needed” as part of the transmission system, and thus deemed a Creditable Upgrade. This evaluation will take place in two separate study processes: the Integrated Transmission Planning (ITP) Assessment, and the Aggregate Facilities Study (AFS) process.

ITP Assessment:

All Sponsored Upgrades meeting the criteria described above are evaluated annually within each ITP Assessment to determine if they meet a need. Following the needs assessment within the ITP Assessment, each Sponsored Upgrade is evaluated one at a time. System needs are evaluated with and without the Sponsored Upgrade. If there are needs present in the models without the Sponsored Upgrade, and those needs are NOT present in the models with the Sponsored Upgrade, the Sponsored Upgrade will be deemed a Creditable Upgrade. The year 2 Base Reliability models are used in this evaluation.

AFS Process:

All Sponsored Upgrades meeting the criteria described above are also evaluated within each AFS after the needs evaluation within the AFS cycle. Each Sponsored Upgrade is evaluated one at a time. The AFS includes Base Case (BC) models without study-specific service requests modeled, and includes Transfer Case (TC) models that include all service requests under evaluation in the current study. The TC models are evaluated with and without the Sponsored Upgrade. If there are needs present in the TC models without the Sponsored Upgrade, and those needs are NOT present in the TC models with the Sponsored Upgrade, the BC models are evaluated to determine if it is a BC need. Consistent with the rest of the AFS process, any BC needs are not considered valid needs in the AFS process, and are addressed in the ITP process instead.

In summary, a Sponsored Upgrade is deemed a Creditable Upgrade through the AFS process if there is a system need that:

* Is present in the TC model without the Sponsored Upgrade,
* Is NOT present in the TC model with the Sponsored Upgrade,
* Is NOT present in the BC model without the Sponsored Upgrade.

In addition, a service request in the current AFS must have at least a 3% Transmission Distribution Factor (TDF) on a need in order for it to be considered a valid service need, consistent with the rest of the AFS process. All models in the current AFS are used in the Sponsored Upgrade need evaluation within that AFS. This typically includes Base Reliability models for years 0, 2, 5, and 10.

Within the ITP Assessment or the AFS process, a Sponsored Upgrade needs to mitigate a need in only one season in order to be deemed a Creditable Upgrade.

Once a Sponsored Upgrade has been deemed a Creditable Upgrade, it remains a Creditable Upgrade unless (1) it is permanently removed from service, (2) all Upgrade Sponsors have been fully compensated, or (3) the costs have been fully included in rates in accordance with Section III of Attachment Z2.