

Session Two: Transmission Expansion in Restructured Electricity Markets

***Harvard Electricity Policy Group
Thirty-ninth Plenary Session***

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**Boston, MA
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Entergy Background

- Control Area (CA) Peak Load approximately 22,000 MW
- Entergy generation – 22,500 MW
- Merchant generation – 17,000 MW
- 15,500 miles of transmission lines
- Retail electric service to 2.7 million customers

Entergy has continued to invest in the transmission grid

	2000	2001	2002	2003	2004	Total 5 yrs.
Trans O&M Expense (560-573)	87,165,672	91,277,965	87,255,034	91,811,352	97,849,825	455,359,848
Dist Sub O&M Expense (582,591,592)	8,268,149	17,186,552	18,298,146	20,096,831	10,621,450	74,471,128
Total Trans Business O&M Expense	95,433,821	108,464,517	105,553,180	111,908,183	108,471,275	529,830,976
Trans Capital Additions (350-359)	154,659,918	148,620,717	172,960,196	270,681,530	205,314,373	952,236,734
Dist Sub Cap Adds (361, 362)	53,003,294	68,171,965	96,904,016	59,122,978	73,331,160	350,533,413
Total Trans Business Capital	207,663,212	216,792,682	269,864,212	329,804,508	278,645,533	1,302,770,147
IPP (Reimbursement CIAC)	13,045,471	102,616,676	58,559,980	(28,735,924)	(7,571,865)	137,914,338
Total Trans Bus Cap. (incl CIAC)	220,708,683	319,409,358	328,424,192	301,068,584	271,073,668	1,440,684,485
Transmission (O&M + Cap)	254,871,061	342,515,358	318,775,210	333,756,958	295,592,333	1,545,510,920
Dsub (O&M + Cap)	61,271,443	85,358,517	115,202,162	79,219,809	83,952,610	425,004,541
Total Trans Business (O&M + Cap)	316,142,504	427,873,875	433,977,372	412,976,767	379,544,943	1,970,515,461

Almost **\$2 Billion** Spent in last five years !!

Historical Drivers for Transmission Expansion

- Reliability projects
- Load growth
- Load redistribution

The company has continued to invest in the system for reliability and load growth

- **Western Region** - Construction of the China – Porter 230 kV line increased Western Region LSC for the 2005 summer by approximately 200 MW
- **Amite-south** - Upon completion of the Conway – Panama 230 kV line, Amite South Import Capability will increase approx. 350 MW
- **Downstream of Gypsy** - Upon completion of the DSG Phase II projects, DSG load serving capability will increase approximately 450 – 500 MW



Newly evolving drivers for Transmission Expansion

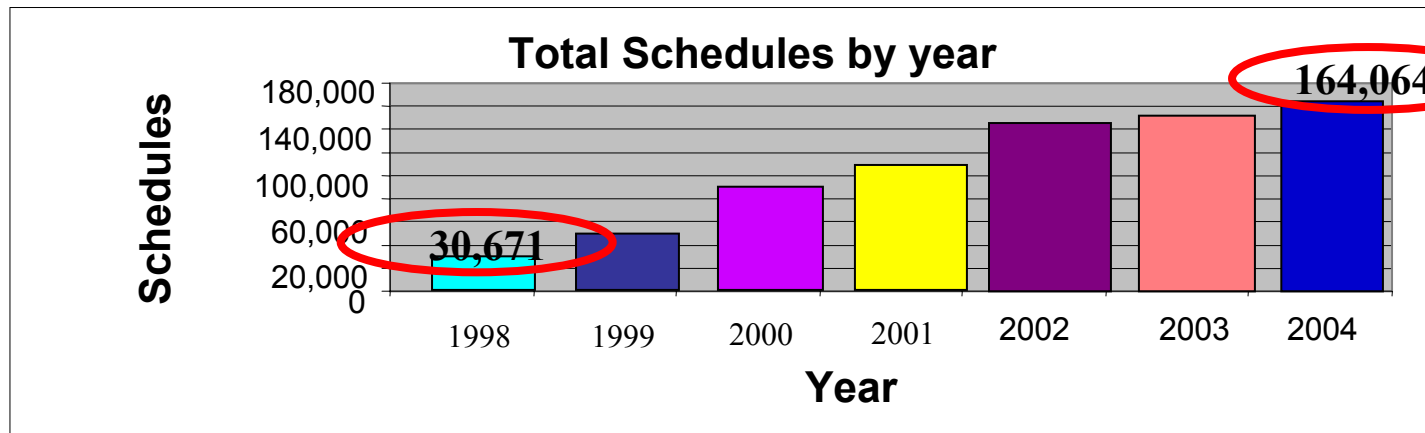
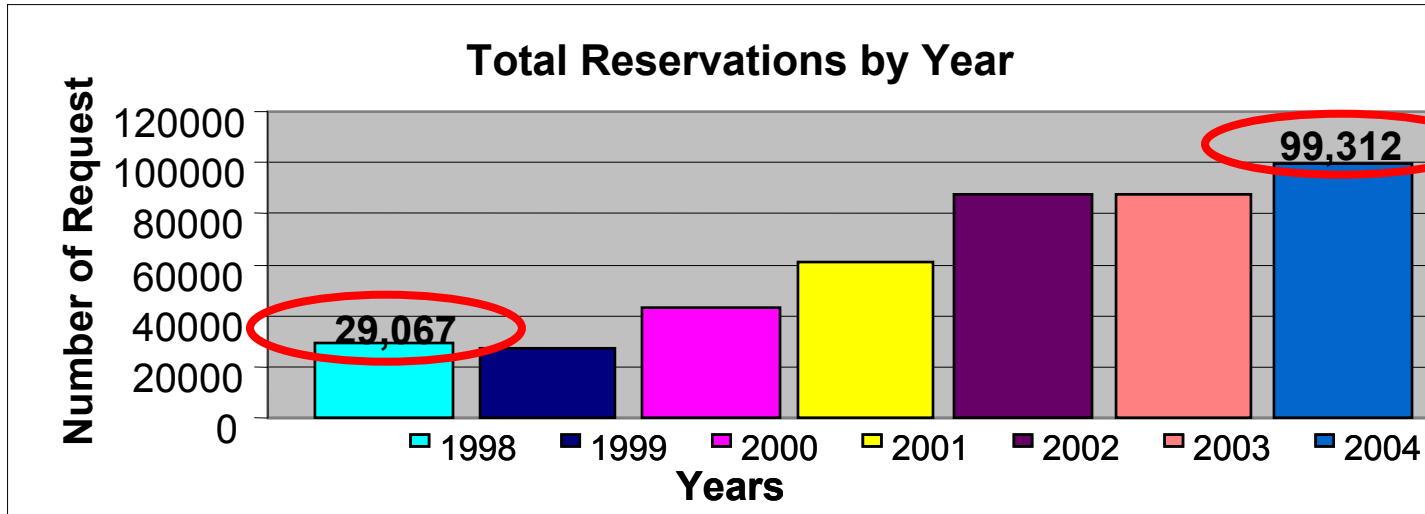
- Generator Interconnection
- Firm PTP and NITS service
- Economic projects

The merchant activity in the Entergy region has resulted in a demand for more transmission capability

- 17,000 MW of merchant plants added since 1998
- Transmission often an afterthought when siting new units
- Very few have asked for Firm Transmission Service



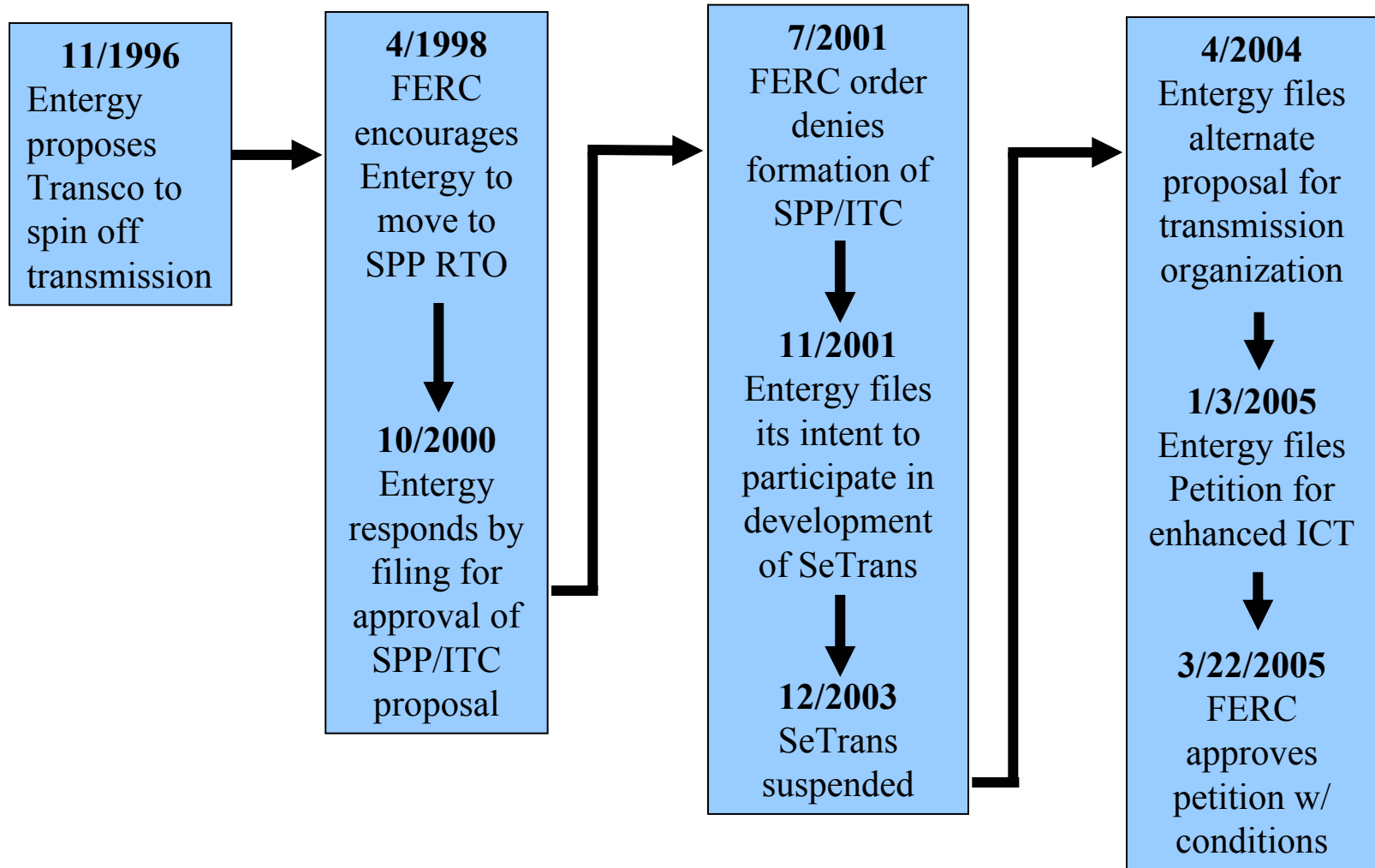
There has also been a dramatic increase in wholesale activity on the Entergy System



Entergy has been a staunch supporter of Participant Funding to address this issue

- The SeTrans proposal included a Participant Funding protocol
 - Awarded Financial Transmission Rights to parties that expanded the transmission system
- In light of the suspension of the SeTrans effort, Entergy has proposed a similar “beneficiary pays” pricing policy in the context of our ICT Proposal

The ICT proposal is a continuation of Entergy's efforts to promote greater independence and transparency in the provision of Transmission Service



Overview of the Entergy ICT Proposal

- Will establish an Independent Coordinator of Transmission (ICT)
- The ICT will:
 - Grant transmission service
 - Calculate Available Flowgate Capacity (AFC)
 - Administer Entergy's OASIS
 - Perform an enhanced regional planning function
 - Provide oversight over the new Weekly Procurement Process
 - Administer the Entergy Transmission Expansion and Pricing Policy

The ICT Pricing Proposal is based on the Commission's "Higher of" Pricing Policy

- Transmission expansion projects categorized as Base-funded or Supplemental Projects
- Base-funded projects are those projects in the ICT base plan that are required to honor long-term firm service commitments, to accommodate load growth from existing resources, and to maintain reliability
- Supplemental Projects include upgrades required for new PTP and NITS service, generator interconnection, and investments designed to reduce congestion and increase transfer capability

Cost recovery for PTP Service

- The costs of Supplemental Upgrades that are required to grant PTP service requests will be recoverable under the Commission's "or" pricing policy.
- The requesting customer will be charged the higher of:
 - the applicable PTP rate recoverable from the customer over the requested term of service, factoring the cost of the upgrade into the rate; or
 - the incremental cost of the upgrade.

Network Service and Interconnection service do not create additional revenues

- Accordingly, the costs of Supplemental Upgrades required to accommodate generator interconnection service requests for Energy Resource Interconnection Service or Network Resource Interconnection Service will be recovered from the requesting interconnection customer.
- The costs of Supplemental Upgrades required to accommodate Network Customer service requests, including designation of new Long Term NITS resources, will be recoverable from the requesting Network Customer.

Transmission Rights

- The ICT proposal does not include an LMP/FTR market structure, thus offering financial transmission rights currently not an option
- Customer's funding Supplemental Upgrades will, however, receive:
 - The rights associated with the service request
 - Congestion protection
 - PTP allowance
 - Financial compensation for long-term service sold to others