

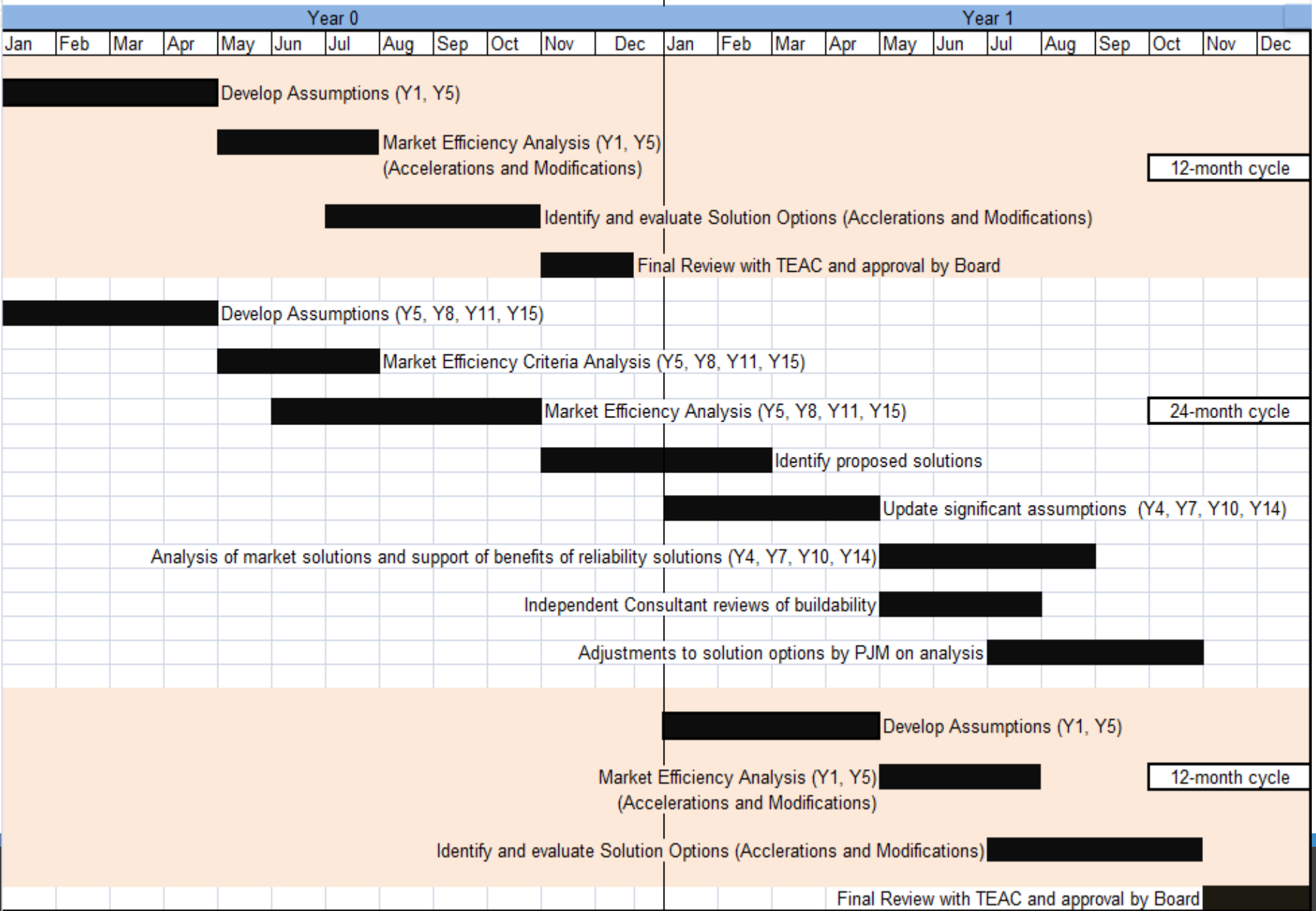
Market Efficiency Proposed Changes

RPPTF
June 8, 2012

Market Efficiency Cycle

- Existing 18-month cycle
 - Overlaps RTEP cycle and continues through following year if necessary
 - Includes years 1-15
 - Change necessary to align with new RTEP 24-month cycle
- New 24-month cycle
 - Aligns with new 24-month RTEP cycle
 - Includes two 12-month cycles for years 1-5 modifications and accelerations
 - 24 month cycle for years 5-15

Market Efficiency 24 Month and 12 month Proposed Cycles



12-Month Cycle

- **Process and Results**
 - 6 month window for analysis of Market Efficiency needs after development of input assumptions
 - Year 1-5 acceleration and modifications
 - Dedicated to accelerations and modifications to RTEP approved projects only
 - Final review with TEAC and board approval at end of each year

24-Month Cycle

- Process and Results
 - 6 month window for analysis of Market Efficiency needs after development of input assumptions
 - Year 5-15 new enhancements
 - 4 month proposal window
 - 8 months of analysis on proposed solutions and adjustments to solution options
 - Updates to input assumptions
 - Independent consultant review of ability to build
 - Review appropriate reliability projects for economic benefits
 - Solutions approved at end of 24-month cycle would need to be in service in 3 ½ years or longer
 - Projects identified for year 5 may be delayed to year 6 if necessary
 - Final review with TEAC and Board approval at end of 24-month cycle



Next Steps

- Develop Language changes
 - Tariff, Operating Agreement, and Manual
- Cost Allocation