RTO Insider
Your Eyes and Ears on the Organized Electric Markets
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MISO, SPP Stakeholders Developing Trading Plan to Comply with EPA Carbon Rule

By Rich Heidorn Jr.

ST. LOUIS — Cap-and-trade, a pollution-control concept rejected by Congress five years ago, appears to be coming back to life in the Midwest.

Stakeholders from MISO and SPP said Tuesday they are developing the framework for an interstate trading platform to comply with the Environmental Protection Agency's pending limits on power sector carbon emissions.

More than 100 stakeholders from MISO, SPP and ERCOT attended FERC's fourth and final technical conference on the EPA's Clean Power Plan on Tuesday. © RTO Insider

The comments came in the Federal Energy Regulatory Commission's fourth and final technical conference on the reliability and market implications of EPA's Clean Power Plan, which seeks to reduce carbon emissions from existing generators by 30% from 2005 levels.

More than 100 regulators, utility officials and other stakeholders from MISO, SPP and ERCOT attended the conference at a hotel on Lambert-St. Louis International Airport. The session featured a repeat of the near-universal complaints about EPA's interim 2020 goals and EPA's Janet McCabe, who promised the agency was "looking very, very closely" at the issue.

Virtually absent, however, was any talk of fighting the EPA rule, which is due to be finalized this summer.

Instead, speakers said they were seeking ways to meet EPA's ultimate 2030 goals through a mechanism that would allow utilities to trade emission allowances within and across state lines. It would effectively set a price on carbon, similar to the cap-and-trade program credited with reducing the cost of complying with acid rain regulations in the 1990s.

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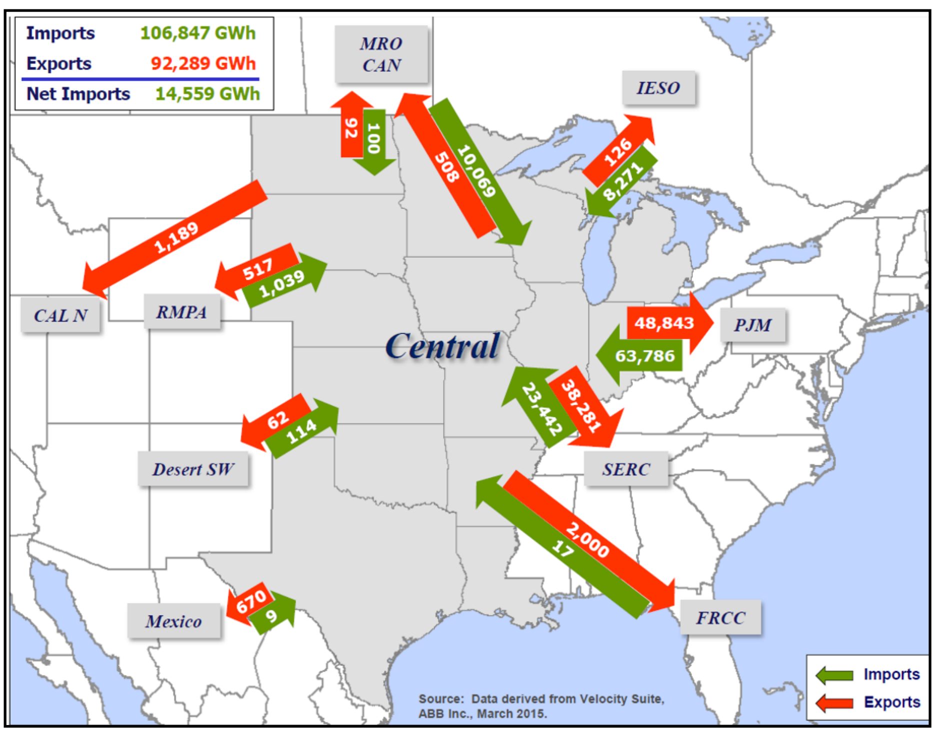
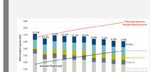


Mid-continent net regional power flows (GWh, 2013) (Source: FERC)

Also in this issue:



10837 Deborah Drive ◘ Potomac, MD 20854 ◘ (301) 983-0375 ◘ info@rtoinsider.com
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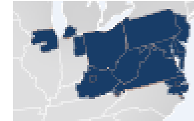
PJM NEWS



CEO: Exelon Studying Distributed Generation, is Looking to Adapt

By Suzanne Herel

CEO Christopher Crane outlined Exelon's position on distributed generation, shared his vision for the distribution company of the future and provided insight into the financial struggles faced by the firm's nuclear power plants during two days of testimony before the D.C. Public Service Commission this week on the proposed $6.8 billion acquisition of Pepco Holdings Inc.

"There has to be an equity conversation not only about the microgrid, but the cost of the infrastructure," Crane said. "We support distributed generation. But the other side of getting in on all this new, neat technology is that we keep people whole. We need to be mindful of the load profile that the generation is going to serve. You can get to a position where you've overbuilt and inequities come out of that.

"Who's going to bear the expense? Is the solar power provider going to contribute to that, or is it going to be on the back of other customers?"

Asked by Commissioner Joanne Doddy Fort to describe the role of the distribution company going forward, Crane — who earlier said the industry's technology has advanced more in the past few years than in his entire career — replied that it was about adapting.

"We're trying to define the approach that we're taking with the utilities," he said. "To deny it and stay in the old utility ways reduces the relevance that the company can have."

To that end, Exelon has directed research teams to work with such groups as the Edison Electric Institute and the U.S. Energy Department's National Labs to identify emerging technologies.

"I do believe in 10% penetration in distributed generation," he said. "That could be a great opportunity to redesign the operating model to support those microgrids going on."

In addition, he said, Exelon is investing in storage companies.

Before facing questions from the three commissioners, Crane was grilled by two staunch critics of the planned acquisition:

Crane (Source: D.C. PSC)

the D.C. Office of People's Counsel and the D.C. government, both of whom delivered stinging opening statements. (See *CEO Crane to DC PSC: Committed to Jobs, Ratepayers*.)

Both cautioned the commissioners that the sale of Pepco would have far-reaching consequences.

"While this is not a 'rate case,' any decision emanating from this case will largely predetermine the parameters of the next filed rate case," OPC said. "Second, public participation and concern over the proposed acquisition has been unprecedented."

An approval, OPC said, "will not only impact every proceeding involving Pepco, it will potentially impact the legislative initiatives that currently exist concerning renewables and distributed generation. The order approving this merger will not be static document. It will serve as a guidebook that will be referred to for decades to come."

Perhaps the most important question, it said, "is this: If the takeover is approved and it becomes apparent thereafter that Exelon's priorities are not aligned with the city's priorities, what ability will this commission have to address the conflict?"

Attorney John Coyle, representing the city government, said "If you approve this proposed merger, it is likely to be the last, as approval would place the retail supply of electricity between the Schuylkill and the Potomac under a single company — albeit one run from Chicago and having merchant generating interests that span the country.

"Sixteen years after this commission approved Pepco's divestiture of its generation, which divestiture contributed to the development of a reasonably robust market for wholesale electric power, you now find yourselves asked to approve a reconsolidation that brings generation back to the same corporate 'family' that runs the District's transmission and distribution infrastructure."

Coyle questioned the timing of the deal, which comes as Exelon is struggling to maintain six money-losing nuclear reactors in its home state of Illinois, where it is pushing legislation that would impose a surcharge on electricity customers.

"No business pays a $1.6 billion premium over market price (in a $6.8 billion stock purchase transaction) for the privilege of generating 2.1% of the $1.6 billion in savings over 10 years, and then giving the claimed savings away.

"Any analyst who has looked at this transaction has expressed the understanding that its point is to acquire a great deal of reliable, regulated cash flow to ease the costs of Exelon's generating fleet — and particularly its nuclear assets — over the shoal of wholesale power market prices depressed for the time being by the availability of shale gas and oil in unprecedented quantities and at unusually low prices."

Under questioning, Crane said that Exelon last year lost $100 million alone on its Clinton reactor.

Under the current market design, Crane said, revenue is not sufficient to maintain its six underperforming nuclear plants.

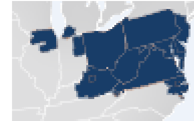
"The quick business decision would be to shut the units down," he said.

"But, we have the responsibility also of what that would mean to the community," he said, noting that the Clinton generator significantly supports the tax base of DeWitt County. "We have a commitment not to act too quickly but to work with stakeholders to come up with a market-based fix."

Regardless, he said, Exelon's motive in acquiring Pepco is not to shore up its nuclear fleet.

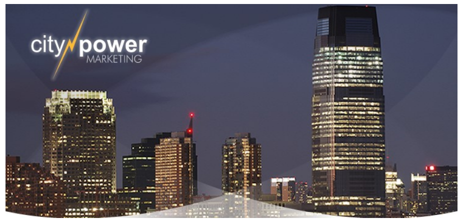
Continued on page 3

PJM NEWS



PJM Asks FERC for Direction on Refunds from Illegal Trades

By Ted Caddell



PJM has asked the Federal Energy Regulatory Commission to untangle the question of how profits from trades that are determined to be illegal get calculated and refunded (IN15-5).

In a filing Wednesday, PJM Associate General Counsel Jacqulynn Hugee referenced a March 6 Order to Show Cause and Notice of Proposed Penalty requiring City Power Marketing and trader K. Stephen Tsingas to explain why they shouldn't be sanctioned for up-to-congestion (UTC) trades investigators contend violate the Federal Power Act. Hugee filed a similar request in the case of hedge fund twins Rich and Kevin Gates and Houlian "Alan" Chen (IN15-3).

FERC Office of Enforcement staff alleges that the City Power trades resulted in profits of $1,278,358 and recommended that the profits be refunded. The staff also recommended that City Power be fined $14 million and Tsingas $1 million. The refunds and penalties are pending a final ruling by the commission. Tsingas and City Power have until April 6 to answer the charges.

PJM, in anticipation of a determination against Tsingas and City Power, wants to know just who gets the refunds and how they are to be calculated.

Handling the refunds, Hugee noted, could be complicated. She noted that although the March 6 orders don't say so, usually it is the RTO involved that is tasked with refunding any profits to market participants.

If PJM is ordered to do so, Hugee wrote, the calculations necessary to complete the refunds through the usual month-end billing adjustments "can be very time consuming, taking weeks or months to complete." She asked that the commission order the refunds be made based on Tsingas' and City Power's activity "on an hourly basis, per operating day," rather than a lump sum that would have to be split up on a pro-rata basis. She asked FERC to do those calculations.

Hugee also sought direction on how refunds should be made to parties who are no longer PJM members and asked that if any former members are due refunds but still owe money to PJM, the refunds be used to clear that debt first.

She noted that there were six entities also alleged to have engaged in sham trades, who would also be considered victims of the City Power/Tsingas trades. "PJM asks that the commission indicate in its order whether these six entities are entitled to receive the portion of the disgorged funds that are due to be refunded to them or whether they should be excluded from any such refunds," she wrote.

Exelon Studying DG

Continued from page 2

"The generation company overall is profitable," he said. "It maintains a strong balance sheet. We're not limping along on the generation company — we have assets that are under-earning or losing money.

"Just so we have the characterization right, this is not a broken car. This is an entity with assets that are losing money, and you find out how to fix it or shut them down. We do not need the regulated revenue to fund or make up for any of that challenge."

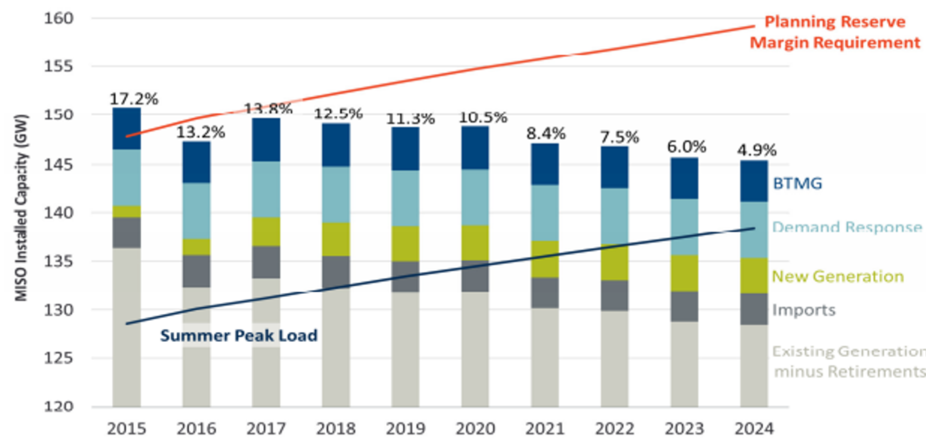
D.C. and Maryland are the last holdouts to the transaction. The acquisition has been approved by the New Jersey Board of Public Utilities, the Federal Energy Regulatory Commission, the Virginia State Corporation Commission and the staff of the Delaware Public Service Commission.

The evidentiary hearings, which are being webcast, continue through April 8 in D.C. and are scheduled for April 15-17 in Maryland.

MISO NEWS

Resource Adequacy to Get More Focus at MISO as Coal Plants Fade

By Chris O'Malley



MISO resource shortfall. (Source: MISO)

CARMEL, Ind. — MISO on Thursday launched the first in a series of stakeholder workshops planned over the next 18 months dedicated to improving resource adequacy as the RTO deals with the retirement of coal-fired generation and the growth of natural gas and renewables.

There's some urgency: MISO forecasts that its Planning Reserve Margin Requirement, which is peak demand plus the planning reserve margin, could drop below its target as early as 2016.

The RTO last month released a draft white paper, "Issues Statement on Facilitating Resource Adequacy in the MISO Region," to serve as a framework for reversing its declining margins.

"Basically, we're going to have smaller reserve margins and we're going to have different resources in play," Joseph Gardner, MISO's vice president of forward markets and operations services, told stakeholders. "We're trying to have a common understanding [of] what the issues are."

The white paper notes that MISO's current processes do not:

- Ensure transparency across all seasons and all time horizons;
- Address issues related to resource performance, such as fuel assurance and winterization;
- Treat a resource consistently as it moves from interconnection to retirement; or
- Provide applicable incentives for all load-serving entities to ensure adequate resources.

Technically, of course, MISO is not the guarantor of resource adequacy. LSEs and states that regulate them are responsible for assuring adequate resources in their jurisdictions.

MISO is building its efforts to support LSEs and the states around four "strategic goals."

Better Picture Needed

One goal is "Regional Assessment and Transparency," based on the survey of LSEs that MISO conducted last year with the Organization of MISO States (OMS). Some stakeholders said OMS needs to improve the survey.

Jeff Beattie, a senior engineer at Consumers Energy, said there's skepticism about the reliability of the data collected, noting that the OMS survey is not subject to peer review. "How can we get further buy-in?" he asked.

"The nature of the OMS survey has been such that confidentiality is strongly protected and only zonal-level shortfalls have been provided to stakeholders. That greatly limits the value of the survey results," Consumers said in pre-filed comments ahead of Thursday's workshop.

Consumers suggests that MISO follow the example of NYISO's "Gold Book," which provides details for new generators and proposed and actual unit suspensions and retirements.

"If MISO moved in this direction on transparency, it would be much easier for all parties to accurately evaluate resource adequacy in the MISO footprint," Consumers said.

MISO traditionally has forecast demand based on individual forecasts performed by LSEs, transmission operators and others. However, it recently hired a consulting firm to conduct independent load forecasts through 2017.

"As reserve margins decline, it is now more critical than ever to have confidence that demand forecasting is consistent and accurate," the paper says.

Looking Outward

Another of the four goals is "Industry Influence, Monitoring and Coordination," which deals with issues partly or entirely outside of MISO's direct control, such as fuel reliability, electric and natural gas coordination and support from neighboring systems.

For example, MISO noted that it has been surveying asset owners as to their confidence about fuel deliveries and inventories. The survey is voluntary, however.

As for support from neighboring systems, Entergy has already weighed in by saying that assuming neighboring systems will provide support toward MISO resource adequacy isn't sufficient.

"If this is an assumption MISO is relying on for [resource adequacy], a study with neighboring systems to determine the appropriate level of support to assume and contractual agreements may be needed to be put in place," Sarah McCurdy, an analyst with Entergy, said in pre-filed comments.

Other Topics for Debate

Another goal, titled "Evolving the Resource Adequacy Requirements," deals with MISO's resource adequacy construct and issues such as retail choice and seasonal and locational considerations.

Traditionally, the focus has been on meeting the summer peak. But one of the questions raised by MISO staff is whether non-

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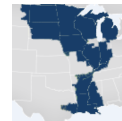
MISO NEWS



FERC Cuts ITC Transco Adder in Half

Moeller, Clark Dissent, Citing 'Mixed Messages'

By Rich Heidorn Jr.

A split Federal Energy Regulatory Commission on Tuesday granted ITC Midwest's request for an incentive adder but cut the bonus in half, prompting a dissent from Commissioners Philip Moeller and Tony Clark.

ITC had requested an adder of 100 basis points, consistent with what the commission has granted "independent, stand-alone" transmission companies (transcos) since such incentives were authorized by Congress in 2005 to increase transmission spending.

In response to that directive, the commission issued Order 679, concluding that the transco business model responds more rapidly and precisely to market signals and was thus deserving of an incentive.

"We continue to find that the transco business model provides the benefits that the commission recognized in Order No. 679. However, we note that the commission did not specify the size of the transco adder in Order No. 679," the commission wrote (ER15-945).

Under current conditions, the commission said, 100 basis points is excessive. "We conclude that 50 basis points is an appropriate size for the transco adder, taking into account the interests of consumers and applicants, as well as current market conditions. Granting this 50-basis-point adder strikes the right balance by appropriately encouraging independent transmission consistent with Order No. 679, while acknowledging protesters' concerns regarding the rate impacts of such adders."

The commission said the adder would be applied to a base return on equity within the "zone of reasonableness" determined by an updated discounted cash flow analysis being conducted in docket EL14-12. (See *ROE Talks Between MISO Industrials and TOs Collapse*.) ITC said it would defer collection of the adder, which became effective April 1, pending the outcome of that proceeding.

Dissent

Moeller and Clark blasted the majority's ruling, the first time that the commission has reduced a requested transco adder.

"The majority has not provided any guidance as to what showing is necessary to support a 100-basis-point adder moving forward," they wrote.

"This order also sends the wrong message at a time when new regulations, such as the [Environmental Protection Agency's] Clean Power Plan, will likely drive the need for more transmission investment." (See related story, *MISO, SPP Stakeholders Developing Trading Plan to Comply with EPA Carbon Rule*, p.1.)

"We also find it puzzling that the commission would reduce transmission incentives for a transco business model when it is just beginning to see the effects of competitive solicitation under Order No. 1000," the commissioners continued. "These mixed messages from the commission on the value of innovative business models and transmission investment decrease regulatory certainty at a time when it is most needed."

Resource Adequacy to Get More Focus at MISO as Coal Plants Fade

Continued from page 4

summer risk will increase as capacity is squeezed in the years ahead.

"How much of our footprint is winter-peaking?" wondered Amy Jo Miller, commercial market affairs executive at Ameren.

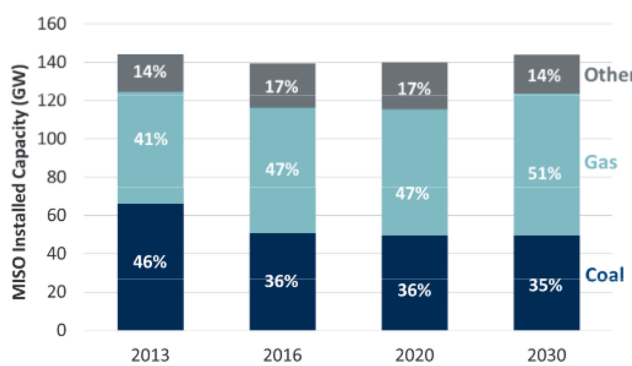
For example, MISO's paper contemplates that as reserve margins decline, it may have to dispatch seldom-used capacity. This could include increased use of load-modifying resources — such as factories that can reduce energy use by adjusting production schedules and commercial buildings that can reduce air conditioning.

MISO said it has not called on those resources since 2006.

"Because declared emergency conditions will likely become more prevalent as reserve margins decline, MISO may call on LMRs more extensively going forward," MISO says.

The final goal is "Process Alignment," which involves identifying and eliminating barriers or inconsistencies within MISO procedures.

One such issue raised by stakeholders is that the current annual construct doesn't address mid-year retirements and suspensions of generating plants.



MISO installed capacity. (Source: MISO)

Next Meeting

The next workshop meeting is tentatively scheduled for May 15.

NYISO News

Low-Income Groups Seek Clarification on Utility Ownership in REV

By William Opalka

A coalition of organizations representing low- and moderate-income households in New York has asked for a clarification and rehearing of last month's Reforming the Energy Vision order to allow greater participation in the program by less affluent residents (14-M-0101).

The New York Public Service Commission set up a framework for the REV process that limits utility ownership of distributed energy resources with a limited number of exceptions, one of the cornerstones of the state's path-breaking initiatives in the smart grid, distributed energy resources (DER) and energy storage. (See *New York PSC Bars Utility Ownership of Distributed Energy Resources*).

"While seeking to pay attention to low- and moderate-income residents, the commission continues to view low- and moderate-income households as merely consumers of energy while providing the opportunity for more affluent residents to be more active participants and owners," according to a Tuesday filing by the Energy Democracy Working Group, a coalition of six organizations from throughout the state.

The REV generally excludes utility ownership of DER assets, but it allows exceptions for the development of DER intended to benefit the less affluent. The REV order noted that consumer advocates expressed concerns during the proceeding that those residents, including renters, would be excluded from REV benefits.

Energy Democracy agreed with the PSC's assessment that utility investment may be needed but said the order is unclear regarding what types of investments that may mean, and how partnerships with community groups would be organized.

"We seek clarification as to whether 'investment' … means 'ownership' or whether it means providing access to financing or other support to allow low-income and moderate-income people to own distributed energy resources themselves," it wrote.

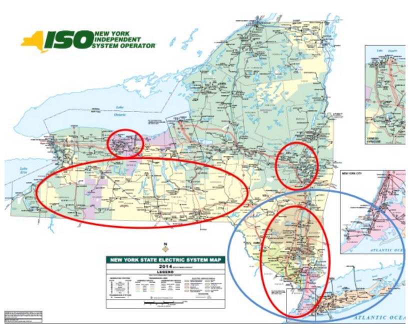
The group also says that the assumption that DER markets will not develop without utility ownership is "premature" and that the "REV proceeding is meant to change the status quo and reduce barriers" for DER.

While the order does not define low or moderate income, Energy Democracy said it assumes standard measures that define "area median income" are used. "We hope the commission does not mean to write off the approximately 50% of New Yorkers who are low- or moderate-income as unreachable by the new REV markets," the petition states.

"Low- and moderate-income New Yorkers represent a substantial portion of the state's population and a large portion of the electricity market. This raises the possibility that … the exception … will represent a significant portion of the market," it adds.

NYISO Asks if ICAP Order Includes the Lower Hudson Valley

By William Opalka



NYISO asked the Federal Energy Regulatory Commission this week if a recent order meant to mitigate market power in the installed capacity market in New York City would apply to its new capacity zone in the Lower Hudson Valley (EL07-39-006). NYISO wants an expedited ruling by Monday because market participants are preparing for the May monthly auction. Enrollment closes on Wednesday.

The order accepted NYISO's compliance filing with the exception of its proposal to grant a blanket exemption from offer floor calculations for all payments and other benefits to special case resources (SCR) under state programs. An SCR is a demand-side resource that participates as a supplier in NYISO's capacity market. (See *FERC Upholds Most of New York City Market Power Order.*)

NYISO said it is clear the order requires revisions to state programs for SCRs in New York City and will be included in determinations under buyer-side capacity market power mitigation rules. "It is not clear whether that revision is also to apply to new SCRs in the Load Zones G, H and I (i.e., those within the G-J Locality) or in any mitigated capacity zones that may be created in the future," NYISO wrote.

The New York Transmission Owners on Thursday opposed the NYISO petition, saying it was counter to the plain language meaning contained in the FERC order. "The clarification request is, in substance, an untimely motion asking the commission to expand the scope of a March 19, 2015, ruling in this proceeding far beyond that expressly established by the commission and addressed by the parties during the more than seven years that this proceeding has been pending," it wrote.

Niagara Mohawk ROE Settlement Certified

A Federal Energy Regulatory Commission settlement judge on March 27 certified an uncontested proceeding to reduce transmission owner Niagara Mohawk Power's return on equity to 10.03% from the current 11.5% (EL12-101, EL13-16, EL14-29).

Niagara Mohawk, a unit of National Grid, reached the agreement with the Municipal Electric Utilities Association of New York, the New York Association of Public Power and the Allegheny Electric Coop. (See *FERC Staff Endorses Niagara Mohawk ROE Settlement*.) As a result of the settlement, the hearing ordered by the commission last year will not be necessary.

— William Opalka

In case you missed it ...

(Originally published April 1)

FERC: PJM Demand Response Stop-gap Measure 'Premature'

Clark Dissents

By Michael Brooks

The Federal Energy Regulatory Commission on Tuesday rejected PJM's contingency plan to include demand response in its capacity auctions in the event an appellate court ruling limiting FERC's jurisdiction over DR is allowed to stand (ER15-852).

FERC called the filing premature, saying it would disrupt the commission's options in dealing with the aftermath of the *Electric Power Supply Association (EPSA) v. Federal Energy Regulatory Commission* case.

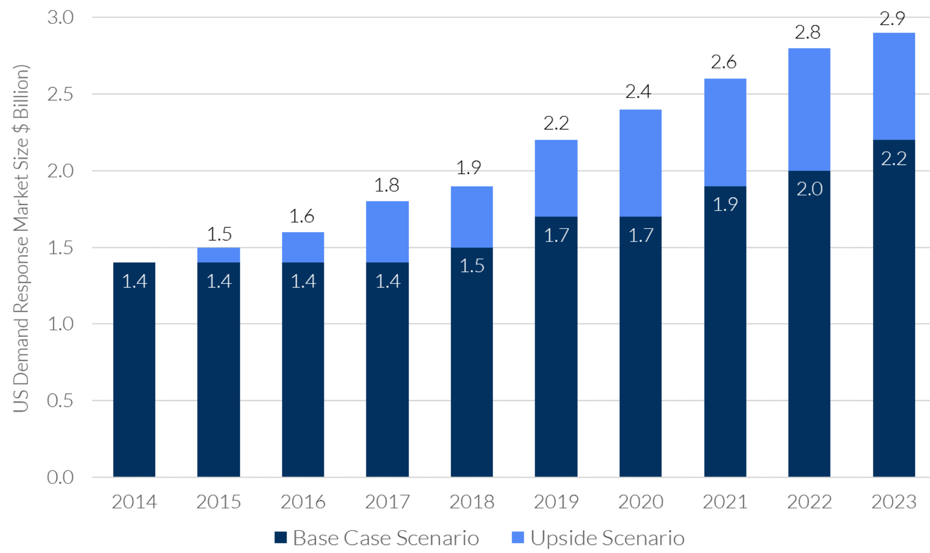
FERC has asked the Supreme Court to reconsider the 2-1 ruling, which found that Order 745 violated state ratemaking authority by forcing RTOs to pay market-clearing prices to DR resources. While the ruling only directly addressed FERC's jurisdiction over DR in energy markets, PJM wanted to be prepared in case it were applied to FERC-regulated capacity markets. (See *PJM to File Post-EPSA Demand Response Contingency Plan with FERC*.)

PJM's proposal would have altered its demand curve to reflect actual load by accepting DR bids from any "wholesale entity" in May's Base Residual Auction, reducing the amount of capacity procured and the price at which it clears.

As a result of FERC's rejection, PJM said in a statement Wednesday, the BRA for delivery year 2018/19 "will move forward under the existing rules for the participation of demand response." However, the auction, scheduled for May 11-15, may be delayed as a result of a separate FERC ruling that required the RTO to provide additional information on its Capacity Performance proposal. (See related story, *FERC: PJM Capacity Performance Filing 'Deficient'*, p.8.)

FERC ruled that PJM's DR idea was good but before its time. "While we recognize that PJM's goal is to reduce uncertainty surrounding demand response participation in its upcoming BRA, in the present circumstances, it is unavoidable that some uncertainty is inherent in the current stance of the *EPSA* case," FERC said.

"Moreover, we are concerned that PJM's proposal introduces uncertainties that may exceed those it seeks to avoid, particularly with respect to potential unanticipated spillover effects on state programs and private sector arrangements."



U.S. demand response forecast with and without FERC Order 745, 2014-2023 (Source: GTM Research, "U.S. Demand Response Markets Outlook 2014")

Commissioner Tony Clark dissented, saying that the commission was sidestepping the merits of PJM's filing.

"Today's order unnecessarily delays action and perpetuates system inefficiencies created by the overcompensation of demand response products in wholesale electricity markets," Clark said. FERC should "seize the opportunity to provide guidance on a functional demand-side product to the betterment of the PJM markets."

Clark, however, said he thought that PJM's proposal may not have gone far enough and ignored the role its existing Price Responsive Demand product could have played. "Enabling functioning price-responsive demand is the right answer to the conundrum in which we now find ourselves, and it is where the commission should expend the bulk of its efforts," he said.

PJM had requested the proposal go in effect April 1, in time for the BRA. The RTO argued it was being proactive, and that the changes would only be a temporary measure while FERC developed a more comprehensive solution.

PJM noted that if the Supreme Court granted its *writ of certiorari*, it would have withdrawn the changes from the Tariff and run the BRA under the previous rules. The court is expected to decide this month whether to take the case.

In its protest to the filing, the Advanced Energy Management Alliance argued that LSEs, curtailment service providers and DR owners would not be able to change their business strategies in time for the BRA. The Illinois Commerce Commission and the Maryland Public Service Commission also argued that in some states, laws and regulations would need to be amended in order to enact the changes.

While not taking a strong position on the merits of PJM's proposal in its protest, Public Service Enterprise Group argued that if FERC accepted the plan, it should require PJM to keep the changes intact regardless of whether the Supreme Court took the *EPSA* case, as withdrawing them would create uncertainty in the results of the BRA.

PJM proposed creating two new capacity products: Whole Load Reductions and Whole Energy Efficiency Load. PJM General Counsel Vince Duane said in December, when the proposal was first presented to stakeholders, that the term "wholesale entity" was left "deliberately vague" to allow load-serving entities and electric distribution companies to submit DR bids.

In case you missed it ...

(Originally published April 1)

FERC: PJM Capacity Performance Filing 'Deficient'

PJM May Delay BRA

By Suzanne Herel

PJM's controversial Capacity Performance plan was turned back Tuesday by the Federal Energy Regulatory Commission, which deemed the filing deficient and gave the RTO 30 days to provide additional information (ER15-623).

FERC's four-page order questioned 10 areas of the proposal, which was conceived to increase reliability expectations of capacity resources with a "no excuses" policy.

PJM said Wednesday it will respond to FERC's questions "promptly and seek expedited review" to allow the new rules to be in effect for May's Base Residual Auction.

"We recognize that process may require a delay to conduct an orderly auction process," Dave Anders, director of stakeholder affairs, said in an email to members. "While PJM clearly would have welcomed approval, we appreciate the FERC's thoughtful consideration of our proposal and the commission's demonstrated commitment to reliability and enhanced generator performance."

Anders said PJM has never delayed a BRA before.

The commission compared aspects of the PJM proposal with ISO-NE's "pay-for-performance" design, which it approved last year and on which PJM's proposal was in large part modeled.

PJM's proposal was expected to result in both larger capacity payments for over-performing participants and higher penalties for non-performers.

FERC asked PJM to explain its derivation of an appropriate competitive clearing price when no new capacity is required in a locational deliverability area (LDA), and to provide more detail on a default offer cap and how it would apply in several situations.

It also requested any analyses the RTO had conducted on expected performance charges and bonus payments under the proposal. The commission asked if it made sense to phase in the penalties — as ISO-NE has — and for ideas of how to provide incentives for resource performance. In addition, it asked PJM how it plans to evaluate the performance of external resources not pseudo-tied to the RTO.

Moeller: Delay Creates Uncertainty

The commission's order drew a rebuke from Commissioner Philip Moeller. The RTO's filing "already contains sufficient information to permit the commission to issue an order on the merits of PJM's proposal in advance of the May 2015 Base Residual Auction," he said in a statement.

"Markets provide the best prices for both buyers and sellers when participants know the market rules. Regardless of whether the commission ultimately decides to accept or reject PJM's Capacity Performance proposal, by failing to act, the commission is creating market uncertainty on issues that need clarity now," he added.

Dynegy and NRG Energy shares fell sharply April 1 after news of the ruling, with Dynegy down 2.1% and NRG falling 5.6%. Dynegy recaptured its losses Thursday while NRG only partially rebounded.

More than 60 entities filed comments and protests in response to the plan.

States and load-serving entities (LSEs) were skeptical about the need for a major overhaul, while generators split over elements they liked and others they said must be changed. (See *States, LSEs Skeptical, Utilities Split Over Capacity Performance*.) Many generators complained the penalties were too harsh; others, including Exelon, said the penalties were too lax.

LSEs feared the product redesign was overkill and would result in unnecessary price increases.

As proposed, the changes would have begun to take effect for the 2016/17 delivery year and be fully implemented in 2020/21.

The details are outlined in nearly 1,300 pages filed in two dockets:

- EL15-29 contains proposed changes to PJM's Operating Agreement and Tariff "to correct present deficiencies in those agreements on matters of resource performance and excuses for resource performance."
- ER15-623 proposes changes to the Reliability Pricing Model in the Tariff and Reliability Assurance Agreement.

COMPANY BRIEFS

Enbridge Says Low Oil Prices Won't Slow Pipeline Growth

The CEO of Enbridge Energy last week said the slump in oil prices won't affect the company's ambitious pipeline construction plans, especially those in Minnesota. The company is upgrading two oil pipelines and has proposed the 600-mile Sandpiper project. They are all part of the company's five-year, $44 billion building program.

"The amount of production that is coming on to our system and the amount of production we forecast from the oil sands or the Bakken is actually well in excess of the capacity we have on our system," said CEO Al Monaco, whose company operates the world's longest crude oil pipeline system and has major operations in Minnesota and Wisconsin.

More: *Star Tribune*

Ash Spill Cost Duke CEO $600,000 in Incentives


Good

Duke Energy CEO Lynn Good earned about $600,000 less than she could have last year, primarily because the Dan River coal ash spill cut her short-term incentive payment from $1.7 million to $1.1 million. But Good had a good year anyway as, according to securities filings, her total compensation worked out to $8.4 million. She earned $6.4 million the year before, when she was the company's chief financial officer. Good was named CEO in the middle of 2013.

More: *The Charlotte Observer*

Dominion Sells Carolina Gas To its Own Midstream Partners

Dominion Resources sold its ownership of Carolina Gas Transmission to its Dominion Midstream Partners subsidiary for $495 million, the company announced last week. Dominion bought Carolina Gas, which owns and operates about 1,500 miles of natural gas pipelines in South Carolina and Georgia, for $493 million in December.

Dominion Midstream is the corporation's holding company for its natural gas transmission, storage and export business, which includes the under-construction Cove Point liquefied natural gas export facility on the Chesapeake Bay in Maryland.

More: *Richmond Times-Dispatch*

FERC Approves NextEra's Acquisition of Hawaiian Electric

The Federal Energy Regulatory Commission has approved NextEra Energy's proposed $4.3 billion acquisition of Hawaiian Electric, but the Juno, Fla.-based company still needs several more approvals to close the deal. The Hawaii Public Service Commission has set a deadline of Aug. 31 to finish hearings and issue a ruling. Several interveners, including the state's Consumer Advocate, SunEdison and the International Brotherhood of Electrical Workers, have asked that the deadline be extended to Oct. 30. If granted, the extension could push back complete approval of the acquisition into next year.

More: *Pacific Business News*

NuScale Power Unveils Mock-Up Of Small Modular Reactor

NuScale Power has finished constructing the full-scale mock-up of it modular reactor design, one of the final steps before it submits the entire design to the Nuclear Regulatory Commission for approval next year. The Portland, Ore.-based firm said it will be submitting its 12,000-page design application to the NRC in 2016, starting a three-year design review process. NuScale's design is for small, 50-MW modules that could be joined in as many as 12 units to produce a 600-MW plant. Instead of being constructed on-site, the modules would be built in a factory and shipped to the plant site. NuScale is backed by Fluor Corp. and the Department of Energy.

More: *Portland Business Journal*

-- Compiled by Ted Caddell

FEDERAL BRIEFS

NRC Grants Crystal River Emergency Plan Exemption

The Nuclear Regulatory Commission has granted an exemption to Duke Energy Florida's Crystal River Unit 3, allowing the company to skip its 10-mile emergency planning zone responsibilities in light of the plant's decommissioning. Duke announced last year that the unit was being permanently shut down. All fuel has been removed from the unit and placed in spent fuel pools. The NRC granted the exemption after determining that the probability of an accident is lower because of the unit's cold status. All on-site responsibilities for the unit remain in effect.

More: *Power Engineering*

Survey Shows 86% Favor Developing Spent Fuel Repository

A new poll shows an 86% majority of those asked favor the development of a federal facility for the storage of spent nuclear fuel in the country. The poll, commissioned by the Nuclear Energy Institute and performed by Bisconti Research, had a margin of error of plus/minus 3%.

Poll results show a less clear picture of who should be in charge of such a repository. Fifty-four percent indicated they thought a hybrid structure of a federal authority steered by a corporate-style board should oversee such a site, with 39% holding to a federal agency-type governance. The poll was conducted just before the introduction in the Senate of legislation that establishing an independent entity to oversee nuclear

Continued on page 10

FEDERAL BRIEFS

Continued from page 9

waste management.

"The public may express changing views about who should manage the storage facilities, but support for consolidating used nuclear fuel has been constant for a long time," Bisconti Research President Ann Bisconti said.

More: *Nuclear Energy Institute*

Interior Secretary Reaffirms 2008 Arctic Drilling Site Auction

In a move that opens the Chukchi Sea to exploratory drilling again, Interior Secretary Sally Jewell this week reaffirmed the government's auction of drilling rights in the Arctic, saying the region "is an important component of the administration's national energy strategy."

Drilling in the Arctic region was halted during a challenge by environmentalists, who argued in federal court that the department's environmental impact statement was flawed. The results of a new court-ordered study were filed as part of the department's decision.

Jewell's affirmation of the auction keeps the door open for Shell Oil to restart its exploratory work in the Chukchi Sea, about 70 miles off the Alaskan coast, this summer. The company must still receive several permits from other agencies, but it is already moving equipment north in anticipation of restarting work.

More: *SF Gate*

Former DOE Secretary's Move to Private Sector Under Investigation


Poneman

Former Deputy Energy Secretary Daniel Poneman's recent hiring as Centrus Energy's new CEO is being examined by the House Oversight and Government Reform Committee. Poneman, in his role with the Department of Energy, worked with the uranium enrichment company when it was known as USEC. During that time, USEC received hundreds of millions of dollars in federal funds, according to *Politico*. House investigators have requested five years' worth of documents from his time with the department, with an emphasis on any communication between USEC, Centrus and Poneman, who could make up to $1.7 million a year in his new job.

"Given Mr. Poneman's involvement in the numerous dealings between DOE and USEC since 2009, we are concerned that he may have violated post-employment laws for federal personnel," Committee Chairman Jason Chaffetz (R-Utah) and Interior subcommittee Chairwoman Cynthia Lummis (R-Wyo.) wrote in a letter to Energy Secretary Ernest Moniz.

A Centrus spokesman said there was nothing improper about Poneman's activities. "At no time during his employment with the Department of Energy did anyone affiliated with Centrus contact Mr. Poneman to discuss future employment opportunities," the spokesman said.

More: *Politico*

NRC Increases Oversight at Vogtle After Waste-Shipping Mistake

The Nuclear Regulatory Commission is increasing its oversight at the operating units of Southern Co.'s Vogtle nuclear generating station near Augusta, Ga., after employees used a wrong container to store and ship radioactive waste. The incident occurred last June, when employees shipped a cask of spent resin radioactive waste to a processing facility in South Carolina. The cask was only approved for storage of a lower class of radioactive waste, according to the agency. Employees at the processing facility noticed the mistake. Vogtle was fined $8,000. Southern said it has instituted increased training and improved procedures.

More: *The Augusta Chronicle*

NRC Finds 3 of Entergy's Nukes Have Enough Decommission Funds

In response to a petition filed in 2013 by four anti-nuclear groups to order the closing of Entergy's FitzPatrick and Vermont Yankee plants because of inadequate decommissioning funds, the Nuclear Regulatory Commission found that the plants' funds are in order. In a preliminary decision released last week, the NRC found that the now-closed Vermont Yankee plant, the FitzPatrick plant in New York and the Pilgrim plant in Massachusetts were all "operating safely and addition actions were not required." The agency also reviewed financial records relating to the Pilgrim plant and issued a similar finding that there was enough money in Vermont Yankee's decommission fund.

More: *Vermont Digger*

LaFleur Questioned on Pipeline Review Policies by Va. Officials

Federal Energy Regulatory Commission Chairman Cheryl LaFleur is getting a lot of mail from Virginia officials lately. On March 23, Democratic Sen. Mark Warner shot her a missive asking her about the rules surrounding public meetings in response to concerns about a controversial Dominion Resources-led pipeline proposal, the Atlantic Coast Pipeline.

On Friday, the Nelson County Board of Supervisors sent two letters to LaFleur, one asking to extend the scoping period for the proposed line by an additional 30 days, and a second asking her to schedule another scoping meeting. Pipeline opponents have complained that the public hearing process is rigged, after they arrived to find most of the speaking slots taken by the line's supporters.

A FERC spokeswoman said that scoping meetings are not required as part of the FERC review and wouldn't comment on the letters.

More: *Nelson County Times*

NY Underground Pumped Storage Project Application Filed with FERC

A $264.1 million plan to develop a 260-MW pumped storage project in an abandoned mine complex in New York is under review by the Federal Energy Regulatory Commission. Albany Engineering filed applications on behalf of its subsidiary Moriah Hydro to construct the facility at three interconnected mines near the town of Moriah. It would use the flow of underground water through the mines to drive five reversible pump turbines. Electricity would be sent underground about a mile to an existing National Grid 115-kV transmission line.

More: *HydroWorld* (subscription required); *Press Republican*

-- Compiled by Ted Caddell

STATE BRIEFS

CONNECTICUT

Judge Hears Arguments on Gas System Expansion Lawsuit

A Superior Court judge this week heard arguments as to why he shouldn't allow a lawsuit against the state Department of Energy and Environmental Protection (DEEP) to go forward. The Connecticut Energy Marketers Association, which represents the fuel oil industry, sued DEEP last fall, saying the agency failed to do a full environmental assessment of a plan that allows natural gas companies to expand their networks.

That plan would allow 300,000 homes to switch to natural gas for heating, as opposed to fuel oil. The state Attorney General's office filed a motion to have the suit thrown out, saying the proper target should be the utilities, not the state. The gas expansion program was approved by the Public Utilities Regulatory Agency in 2013.

More: *New Haven Register*

DELAWARE

DEMA Distributing Pills to Residents near Artificial Island

The state Emergency Management Agency next week will distribute potassium iodide tablets to residents who live within 10 miles of the nuclear stations on Artificial Island, across the Delaware River in New Jersey. The tablets are an in case of an emergency to limit radiation absorption in the event of an incident at the Salem or Hope Creek generating stations.

More: *WBOC-TV*

INDIANA

Duke Gives $1 million for Battery Storage Research Center

Spurred by a settlement reached on cost overruns at its Edwardsport gasified coal plant, Duke Energy is contributing $1 million to fund research at the Battery Innovation Center, which is developing ways to incorporate battery storage into small solar and wind facilities. Part of the money will go toward installing battery storage systems at two schools.

Battery storage is seen as one part of the answer to a problem experienced by solar and wind facilities: what to do with extra electricity generated by the facilities in times of low demand? If a workable way is found to store the energy for use when demand is higher, it would make renewable energy that much more valuable.

"Technology that can store energy is a way to advance renewable energy sources such as wind and solar, which are clean, but not always available when power is needed," Duke Energy Indiana President Doug Esamann said.

More: *Charlotte Business Journal*; *Duke Energy*

IOWA

Outgoing IUB Member Criticizes Gov. for Pushing Her Out


Tipton

Utilities Board member Sheila Tipton criticized Gov. Terry Branstad for removing her, saying he was pandering to utilities and making the move to "appease MidAmerican Energy." Tipton recently voted to require MidAmerican to use some of its $280 million wind energy proceeds to offset customer rates. Tipton, who used to represent MidAmerican in her private legal practice, said the governor's decision to remove her from the board and demote the chair, Elizabeth Jacobs, was a "disservice to the citizens of this state."

"Administrative agencies, including the Iowa Utilities Board, are intended to be independent and not subject to political pressures or threats of retaliation," she wrote in a letter to Branstad, hand-delivered on March 18. "Yet, in replacing me and demoting Chair Jacobs, the message being sent to the board and its staff is to get in line and approve anything that the utilities, particularly MidAmerican, bring to it." Before his election to governor, Branstad was a MidAmerican board member.

More: *The Des Moines Register*

MARYLAND

Higgs' PSC Nomination Stalls As Session Ends with no Action


Higgs

The state Senate Executive Nominations Committee ended its final meeting of the legislative session without acting on the nomination of Republican Michael Higgs to the Public Service Commission. A spokesman for Gov. Larry Hogan said the governor had asked that action on the nomination be delayed until the commission had decided on Exelon's proposed acquisition of Pepco Holdings Inc. But some senators have raised concerns about several off-color messages Higgs posted on a since-deleted Twitter account about Hillary Clinton and "illegal alien immigrants." Higgs told *The Washington Post* that the old messages didn't undermine his ability to serve on the commission.

More: *The Washington Post*

NEW JERSEY

PSE&G, BPU Staff, Rate Counsel Reach Settlement on Efficiency Plan

Public Service Electric and Gas has reached a settlement with the staff of the Board of Public Utilities and the Division of Rate Counsel to spend $95 million on energy efficiency programs. The utility's program allows for institutions, non-profits and multifamily housing units to apply for grants and no-interest loans to install energy efficiency devices to allow for savings on their bills.

The settlement allows PSE&G to recover the $95 million, along with $12 million in associated administrative and technology costs, from ratepayers through an adder on electric and gas bills. The typical residential customer would see electric bills increase by about 40 cents a year and gas bills by about 64 cents a year. The utility originally asked for approval for $109.8 million but reached the lower number through the settlement. The agreement still needs the approval of the full board.

"It's a reasonable price for the services they will deliver,'' Rate Counsel Director Stefanie Brand said.

More: *NJ Spotlight*

Continued on page 12

STATE BRIEFS

Continued from page 11

NORTH DAKOTA

XTO Seeking Pass on Gas Flaring Rules

XTO Energy is asking that 140 of its oil wells be exempted from rules prohibiting gas flaring because it can't deliver the gas to a processing facility. It says the company that was to process the gas, a byproduct of drilling, was unable to secure an easement necessary to build a 20-mile pipeline to collect and deliver the gas to its processing plant.

The Industrial Commission's Oil and Gas Division received the request last week and forwarded it to the full commission for a ruling. OneOK, the gas processing company, said the pipeline would have moved 40 million cubic feet per day. XTO is asking for the gas-flare exemption until 2016, when a different processing facility will be ready to accept the gas.

More: The Bismark Tribune

OHIO

Johnson Announces Resignation as Head of PUCO

Kasich swears in Johnson as chairman of PUCO, one year ago this month.

Public Utilities Commission Chairman Tom Johnson announced this week that he would step down as head, but he will serve the rest of his term as commissioner, until 2019. Johnson sent a letter to Gov. John Kasich, citing personal reasons for stepping down. While he only headed the PUCO for a year, he oversaw a controversial decision denying American Electric Power's request to receive ratepayer-guaranteed profits for one of its Ohio coal-fired plants.

That was seen as a crucial ruling, as it was the first of a salvo of similar requests from AEP and FirstEnergy before the commission.

Johnson will remain as chair until a replacement is found. State energy watchers suspect the likely candidate is Andre Porter, the state Director of Commerce who returned to PUCO last month.

More: Columbus Business First

PENNSYLVANIA

DEP Schedules Hearing for Shell Petro Project in Beaver County

A petrochemical project proposed for Beaver County by Shell Chemical took a step forward this week when the state Department of Environmental Protection scheduled a public hearing for May. Shell wants to build a facility to crack ethane and make polyethylene pellets for the plastics industry on the site of a former zinc smelter near Pittsburgh.

The project includes a 250-MW natural gas-fired power plant primarily for on-site use, but about 100 MW of the plant's output would be available for PJM capacity through a Duquesne Light interconnection.

More: Pittsburgh Post-Gazette; Power Engineering

PPL Asks PUC to Approve $167.5 Million Rate Hike

PPL Electric Utilities is asking the Public Utility Commission to allow it to increase its electric rates 6.9%, for a total of about $167.5 million. The PUC granted PPL a 3% hike two years ago, allowing an increase of $71 million in revenue.

The rate hike covers distribution, not supply charges, which went up 8.5% beginning March 1 in a separate rate increase. The average customer's monthly bill would increase by $10, to about $157.60. PPL Electric President Greg Dudkin said the majority of the hike would go toward system reliability improvements. The PUC has not yet scheduled public hearings on the request.

More: The Morning Call

-- Compiled by Ted Caddell

MISO, SPP Stakeholders Developing Trading Plan to Comply with EPA Carbon Rule

Continued from page 1

Even a representative from coal giant Peabody Energy conceded: "There is going to be a value on carbon."

MSEER

On Monday in St. Louis, the Midcontinent States Environmental and Energy Regulators (MSEER) held their fifth meeting to continue their work on a regional solution. Fourteen states, including most of those in MISO and SPP, are participating.

"I think there is broad recognition that a regional response will most likely be more cost-effective and operationally beneficial," said Minnesota Public Utilities Commissioner Nancy Lange, one of those who attended.

The plans are also taking shape in a larger group, the Midwest Power Sector Collaborative, which also includes utilities and environmental organizations.

Former Illinois Commerce Commissioner Doug Scott, now vice president for strategic initiatives at the Great Plains Institute, said he was encouraged by states' efforts to find regional solutions. The Minneapolis-based institute and the Washington-based Bipartisan Policy Center are providing staffing support to MSEER and the Collaborative.

"By our estimation, 41 of the 50 states are currently taking part in some discussion or another with other states trying to figure out the potential for multistate collaboration," Scott said. His count is in contrast with that of EPA critics such as Sen. Jim Inhofe (R-Okla.), who opened a committee hearing last month by displaying a map identifying 32 states he said are opposing the EPA plan.

Continued on page 13

MISO, SPP Stakeholders Developing Trading Plan to Comply with EPA Carbon Rule

Continued from page 12

(See *Inhofe Decries EPA 'Power Grab'*.)

Rate- vs. Mass-Based Standards

EPA's initial proposal last June set rate-based goals for each state, measured in pounds of CO_2 per megawatt-hour. In response to state requests, EPA in November released a technical support document explaining how to translate rate-based goals to mass-based equivalents, measuring total CO_2 emissions in metric tons.

The platform being discussed by MSEER would differ from the Regional Greenhouse Gas Initiative, in which nine Mid-Atlantic and Northeastern states set an overall cap on power sector carbon emissions (91 million short tons for 2014, declining by 2.5% annually from 2015 to 2020).

Instead, states would submit for EPA approval implementation plans using their individual mass-based targets. Once the plans are approved, the states would use trading to reduce the cost of meeting their goals.

"That would be a form of regional coordination that doesn't require the grand bargain of … all the states trying to" reallocate emissions using the rate-based approach, said Michael Schnitzer, director of the Northbridge Group, and a consultant to Entergy.

RGGI's approach, "nine states agreeing on a target and what their respective responsibilities are — I think that one is much less likely to come to fruition than this other approach," Schnitzer added.

"SPP, MISO and the ERCOT regions have the best wind resources in the world and we have harvested only a small part of the potential," said Steve Gaw, representing The Wind Coalition, a trade group. "Much can be done now, and certainly once the rule is finalized this summer, to start the [transmission] planning processes. Waiting until the [state implementation plans] are developed will be too late. An understanding of what infrastructure is likely to be available should be an input to the states' SIP development process." © RTO Insider

McCabe, EPA's acting assistant administrator for the Office of Air and Radiation, said agency officials have a similar perception of how a regional compliance plan could emerge. "We've … heard from many states that they would very much like the final plan to allow for interstate or regional arrangements that are less formal, perhaps, than some of the ones that already exist," she said.

Winners and Losers

Ameren's integrated resource plan for Missouri would allow it to meet EPA's carbon emission targets by 2034 by retiring one-third of its coal generation, adding natural gas and renewables, extending the life of its nuclear power plant and implementing energy efficiency programs, CEO Warner Baxter said. Meeting EPA's 2020 interim goals would increase Ameren's compliance costs by $4 billion, he said. © RTO Insider

EPA's proposed rate-based approach resulted in dramatically different emission rates from one state to another, which state and utility officials said would be an impediment to regional cooperation.

North Dakota, for example, has the nation's highest target rate at 1,783 lbs/MWh, more than double South Dakota's 741 lbs/MWh. EPA said the discrepancies reflected its attempt to determine what was "practical and affordable" for individual states, taking into account factors such as their current generation mixes and the availability of natural gas. (See *Carbon Rule Falls Unevenly on PJM States*.)

Creating a "blended" regional rate could result in some states with low rates having to reduce their emissions more than if they went it alone.

"There's no question that the rule as proposed creates winners and losers. But the mass-based approach … can provide every state an opportunity to do better through trading," Schnitzer said. "If it makes sense for [Iowa] to over-comply to reduce their tons even further so that they can sell them to Minnesota, which is cheaper for Minnesota than doing the next most onerous thing … that's how it's going to work. It's self-interest for both states."

Clair Moeller, MISO's executive vice president of transmission and technology, said the RTO needs to reconsider "several layers of conservatism" in its planning assumptions, such as the 20-year assumed economic life for assets that last far longer. He said cost allocation will be MISO's biggest challenge in expanding transmission to deliver renewable energy. "It always is the hardest thing to solve." © RTO Insider

Trading Between Rate- and Mass-Based States

The MSEER group hasn't been able to find a way to accommodate trading between states using the rate-based standard and others using the mass-based limits, said Thomas Easterly, commissioner of the Indiana Department of Environmental Management.

While the mass-based approach would ease trading, it "sets a cap that basically limits growth over time forever," Easterly said. "The rate-based plan allows you to have really unlimited growth if you can do it in a clean way. That's why some different states have different views — one of the reasons not the only reason. That's what making it so difficult to come to a common understanding."

Mike Peters, CEO of Wisconsin Public Power, said his company did an analysis assuming trading between mass- and rate-based states.

"If you take a state that has a rate-based approach and another state that has a mass-

Continued on page 14

MISO, SPP Stakeholders Developing Trading Plan to Comply with EPA Carbon Rule

Continued from page 13

based approach, identical generating units in both states, [with an] identical cost of fuel, you could have a $20[/MWH]-plus differential in the adders on those plants, and that's going to result in shifting generation in ways that we can't even anticipate right now," he said.

Preserving Economic Dispatch

Richard Doying, MISO's executive vice president of operations, said a "transparent, liquid market" is essential to ensuring MISO doesn't lose the $1.5 billion in annual savings resulting from the RTO's least-cost generation dispatch. "How do you avoid that? It's really pretty simple: You monetize the cost of compliance [through tradeable allowances]. Those tradeable allowances are easily reflected in generation offers, they're reflected then in the dispatch of that energy, the clearing of the market and they're reflected in prices. ... It allows you to trade those allowances based on market-derived value across the seam just as you would with energy."

MISO MVP Example Cited

Former Wisconsin Public Service Commissioner Lauren Azar said MISO's states demonstrated their ability to collaborate through their development of the Multi-Value Project, a transmission concept designed to help them meet individual renewable portfolio standards.

Azar said state officials met every other week for 18 months to develop the MVP plan. The entire stakeholder process, including drafting tariff changes and cost allocation formulas, took about six years, said Clair Moeller, MISO executive vice president of transmission and technology.

"Transmission owners coalesced around the product because the state commissions were leading the process. So they had some certainty with respect to whether their costs were going to be approved later on," Azar said.

Referring to MSEER's five meetings since EPA released its carbon proposal last summer, Azar said: "Let me tell you guys, you're going to have to meet a heck of a lot more, and I recommend you begin as soon as possible."

Lone Star State

A measure of how far discussions have progressed is the position of Entergy.

"Entergy does not support the proposed rule," Schnitzer noted. "But the company recognized that if the rule does go forward, it should be designed to be efficient and to minimize reliability impacts. And the mass-based compliance recommendations we offer are to further that objective."

Recounting a recent conversation with an energy trader about the West Coast energy crisis in 2000-2001, FERC Commissioner Philip Moeller said he has concerns about traders exploiting regional compliance disparities under the Clean Power Plan. The West Coast crisis "was essentially caused by seams. California had a market program that was flawed and then those seams issues spilled over into the entire west," Moeller said. "I hate to be sounding too dark here, but I certainly hope that will be in the minds of our friends at EPA as they put these rules together. When a trader is telling me that there's going to be a lot of opportunity here … he's putting out a pretty good warning." © RTO Insider

But while most of the speakers Tuesday indicated a willingness to embrace trading, Donna Nelson, chairman of the Public Utility Commission of Texas, said her state — which is split between MISO, SPP, ERCOT and the Western Electric Coordinating Council — is unlikely to be among them.

"We're probably ... not going to roll over on the issue of a carbon tax," she said.

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Editor & Publisher: Rich Heidorn Jr.
Marketing & Operations: Merry Eisner

RTO Insider LLC
10837 Deborah Drive
Potomac, MD 20854
(301) 983-0375

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New England Generators Challenge Sloped Demand Curve

New England power generators asked a federal appeals court to overturn Federal Energy Regulatory Commission orders that accepted ISO-NE's change to a sloped demand curve in advance of this year's Forward Capacity Auction.

NextEra Energy Resources, NRG Energy and Public Service Enterprise Group filed a petition for review Monday in the D.C. Circuit Court of Appeals.

A year ago, ISO-NE and the New England Power Pool Participants Committee jointly filed revisions to the RTO's Tariff to establish a system-wide sloped demand curve for the Forward Capacity Market, which were accepted by FERC (ER14-1369). A rehearing request of what became known as the Demand Curve Order was denied by FERC on Jan. 30.

ISO-NE formerly used a vertical demand curve, which produces a single clearing price for all cleared resources at the point where the demand and supply curves intersect. Before the eighth Forward Capacity Auction in February 2014, ISO-NE determined a potential for a capacity shortage, which would invoke administrative pricing provisions in the Tariff. Capacity prices in FCA 8 tripled to about $3 billion.

In response to a FERC order just prior to FCA 8, ISO-NE posited that a sloped demand curve would be a long-term solution, eliminating the need for administrative pricing rules.

In filings last year, PSEG asserted that the sloped curve failed to meet the one-day-in-10-years loss-of-load expectation.

— William Opalka