RTO Insider

Your Eyes and Ears on the Organized Electric Markets

ISO-NE ■ MISO ■ NYISO ■ PJM ■ SPP

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FERC OKs PJM Request to Delay Capacity Auction

By Rich Heidorn Jr.

The Federal Energy Regulatory Commission on Friday granted PJM's request to delay May's Base Residual Auction, allowing the RTO more time to seek FERC approval for its Capacity Performance proposal.

PJM filed the request on April 7, after FERC issued a deficiency letter over the Capacity Performance plan (ER15-623). It sought a waiver from the Tariff requirement that the auction be held in May. It said it would hold

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PJM Considering Change to Day-Ahead Deadlines, p.4

PJM Picks LS Power for Artificial Island Stability Fix; Dominion Loses Out, p.22

New England Governors Revise Energy Strategy

'A La Carte' Approach Replaces Funding Commitments

By William Opalka

New England governors last week backed away from their 2013 commitment to share the costs of new gas pipelines and electric transmission, announcing a revised regional energy strategy that gives individual states more flexibility.

A joint statement released after a summit on Thursday in Hartford, Conn., reaffirmed the governors' commitment to regional cooperation in shifting to cleaner energy sources and expanding natural gas and electric infrastructure. However, the statement recognized the political realities of each state, all but abandoning a controversial effort to have ratepayers in all six states share in the cost of building natural gas pipelines.

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Clockwise from bottom left: Meredith Hatfield, director of New Hampshire Office of Energy and Planning; Massachusetts Gov. Charlie Baker; Vermont Gov. Peter Shumlin (hidden); Rhode Island Gov. Gina Raimondo; Connecticut Gov. Dannel P. Malloy; and Maine Gov. Paul LePage. (Source: Gov. Raimondo)

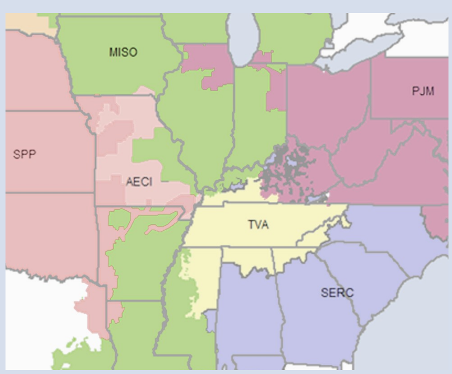
MISO Stakeholders Share Ideas on Fixing 'Broken' Interregional Process

By Chris O'Malley

MISO on Wednesday got an earful of stakeholder suggestions about how to spur interregional transmission projects at the seams with PJM and SPP.

They range from adopting common evaluation criteria to removing barriers for lower voltage projects to creating a new category for interregional projects.

One thing most agreed on during a "hot topics" discussion of the Advisory Committee is that the current process is not working.



Of the roughly $15.5 billion in transmission projects at MISO from 2008 to 2014, "We've had zero spent on interregional projects," Kip Fox, director of asset strate-

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Entergy Out-of Cycle Requests Win MISO Board OK, p.10

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10837 Deborah Drive ◘ Potomac, MD 20854 ◘ (301) 983-0375 ◘ info@rtoinsider.com
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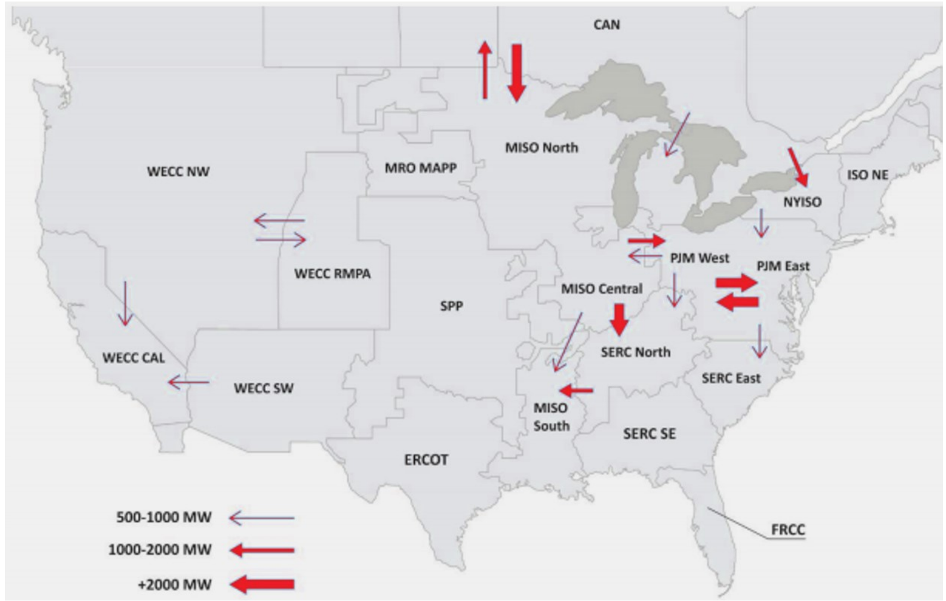
NERC: Industry Needs More Time to Meet Clean Power Plan

By William Opalka



Change in regional transmission flows: business-as-usual vs. state implantation of Clean Power Plan. (Source: NERC)

The U.S. electric industry will face reliability concerns in four years if the interim goals of the Environmental Protection Agency's Clean Power Plan aren't relaxed, the North American Electric Reliability Corp. said last week.

NERC released a reliability assessment of the CPP Tuesday that concludes EPA's proposed 2020 targets — 80% of the total CO_2 emission reductions the agency seeks — can't be reached in several regions.

The 69-page report provides additional ammunition for critics who have called for changes to the interim goals and the provision of a reliability "safety valve." The report is NERC's second on the impact of the EPA plan. Its initial review, released in November, examined EPA's assumptions and provided a broad view of potential reliability risks. (See *MISO, SPP: EPA Clean Power Plan Threatens Reliability, Needs Longer Compliance Schedule.*)

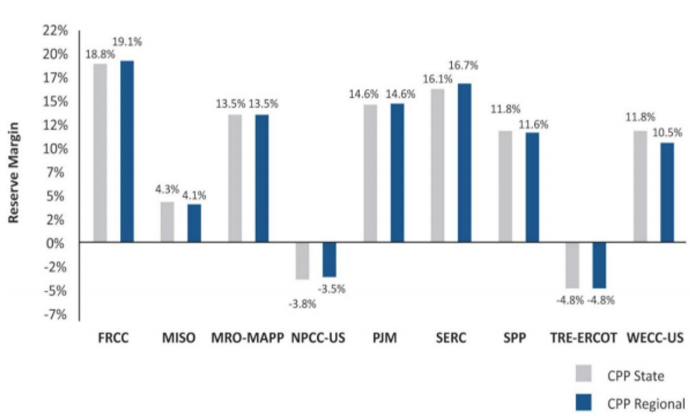
Scenarios Analyzed

The new report examines in detail how the plan would impact the generation mix and resource adequacy. It also provides a high-level analysis of transmission needs and identifies major shortfalls of reactive power needed to maintain voltage stability. In addition to a business-as-usual baseline, NERC compared a scenario assuming state-by-state compliance with one allowing for regional compliance with interstate trading. It also conducted sensitivities on the impact of lower gas prices.

NERC concludes the plan will accelerate the transition in the generation mix as natural gas, wind and solar power replace coal. The report predicts about 60 GW of natural gas-fired generation will be added by 2020, rising to 80 GW by 2030. Coal retirements are projected to total at least 18 GW by 2020 and an additional 18 GW by 2030.

Much of the remaining coal fleet will have to change from baseload to seasonal and peaking use, making the plants less economic, NERC said. Between 14 GW and 22 GW of coal plants remaining in service after 2020 will be at risk because they would be operating at capacity factors of only 11% to 19%.

The report warns that new generators will be needed before the transmission and pipeline infrastructure to support them can be built. While most combined-cycle gas turbine plants go from conception to operation in an average of 64 months, transmission infrastructure can take from five to 15 years. Local and regional pipeline infrastructure will also need to be in place to deliver gas to the new plants.



Projected regional reserve margins under Clean Power Plan, state vs. regional compliance, 2020. (Source: NERC)

"More time is needed to develop coordinated plans for this shift in generation and corresponding transmission reinforcement," said John Moura, director of reliability assessments.

NERC noted there are regions where compliance will be easier, but says New York and the New England states in the Northeast Power Coordinating Council will need more than 7 GW of new capacity by 2020, with ERCOT in need of 11 GW over the same time frame.

The report also predicts major changes in transmission flows, with Canada tripling its exports to the U.S. and PJM-East shifting from being a net importer to a net exporter as generating units in Regional Greenhouse Gas Initiative states become more competitive with the imposition of carbon pricing nationwide.

MISO Central would reduce its exports to MISO North due to cheaper imports from Canada while increasing its exports to MISO South.

EDF Challenges Report

The Environmental Defense Fund disputed the report's conclusions.

"NERC's modeling uses unrealistic assumptions that are contradicted by what's happening on the ground today," Cheryl Roberto, EDF's associate vice president of clean energy said in a statement.

NERC "fails to capture the great innovation happening now – with major investments in renewables, efficiency, natural gas and transmission infrastructure," Roberto said. "NERC's report also assumes flat-footed regulators, when the truth is regional and state-level regulators have repeatedly demonstrated they are up to the task of planning for future power needs. In short, NERC's assessment does not take into account the transformation unmistakably underway in our electric system."

Federal Energy Review Calls for Billions of Dollars in Spending on Electric, Gas Infrastructure

By Suzanne Herel

The Obama administration's first Quadrennial Energy Review presents a roadmap for returning the U.S. to a post-World War II level of investment in infrastructure, creating more than a million middle-class jobs while transforming the nation's electric grid and oil and gas pipelines, Vice President Joe Biden said last week from PECO Energy headquarters in Philadelphia.

"The U.S. is in the midst of an energy transformation that will allow us to remain the energy epicenter of the world," Biden said. "To maintain that position, we need a 21st-century infrastructure."

David Weaver, director of transmission operation and planning for Exelon Business Services leads Energy Secretary Ernest Moniz, Vice President Joe Biden and Philadelphia Mayor Michael Nutter on a tour of PECO Energy's control room. (Source: CBS Philly)

President Obama ordered the review — similar to the Pentagon's Quadrennial Defense Review, a widely followed assessment of the nation's defense — to provide a comprehensive "multi-year roadmap" for U.S. energy policy, with an assessment of current policies and recommendations for additional executive and legislative actions, including priorities for research, development and demonstration programs to support innovation. A White House task force, headed by the president's top science, technology and climate change advisors and including more than 20 federal agencies, took part in the project, which included public meetings with stakeholders around the country. (See *Looking to Build Infrastructure, Moniz Comes to Wall Street*.)

The effort is intended "to provide policymakers, industry, investors and other stakeholders with unbiased data and analysis on energy challenges, needs, requirements and barriers that will inform a range of policy options, including legislation." Each installment of the report will focus on one part of the energy "value chain."

The 348-page report released last week focuses on the energy transmission, storage and distribution system, which is facing new challenges from climate change, environmental policies and innovations in oil and natural gas production.

New Sources

Since 2008, solar electricity generation has increased 20-fold, Biden said, and wind energy has more than tripled. In that time, the U.S. has become the world's No. 1 producer of natural gas, and the nation has reduced its dependency on foreign oil.

Meanwhile, new challenges have emerged regarding national security, increasingly strict clean energy standards and an aging transmission system that isn't geographically aligned with the needs of renewable generation.

"Changes in the geography of domestic energy production stress the ability of existing infrastructures to move both liquid fuels and electricity from supply regions to demand centers," the White House said in a fact sheet. "Congestion in the nation's ports, waterways and rail systems affect the timing and cost of moving not just energy products, but all commodities."

Aging Infrastructure, Need for Resiliency

Biden noted that half of the nation's 2.6 million miles of gas pipelines were constructed in the 1950s and 60s, and it would cost about $270 billion to repair them all.

The solution, he said, includes permitting new pipelines more quickly and finding ways for companies to recover their investment without burdening ratepayers.

The system also needs to gird for events such as 2012's Superstorm Sandy, said Biden, citing it as evidence of climate change.

Between 2003 and 2012, an estimated 679 widespread power outages occurred, he said, costing from $18 billion to $33 billion per year, depending on the nature of the event, he said.

"The threat's real," he said. "We're expecting sea levels to rise by 2030." In some places, he said, "we will need to literally raise the substation."

The report cites estimates of billions of dollars to achieve its recommendations. Grid modernization alone is expected to run $3.5 billion annually over 10 years.

Workforce Impacts

Biden stressed the positive effect the investments will have on the workforce.

About 1 million people were employed in energy transmission, storage and distribution jobs in 2013 and over the next five years, about 15% of them will be eligible to retire. The administration says infrastructure spending could add 1.5 million additional energy sector jobs.

"These are middle-class jobs," he said. "These are the jobs that used to exist at the turn of the 20th century.

"Investing in our infrastructure creates of a virtuous cycle of creating good-paying jobs and attracting companies."

Accompanying the announcement were two related executive actions.

The U.S. Department of Energy has created the Partnership for Energy Sector Climate Resilience, aimed at strengthening the system against extreme weather and climate change impacts. It will kick off with an April 30 meeting with the CEOs of 17 member companies, including Exelon, Dominion Virginia Power, Pepco Holdings Inc., Public Service Electric & Gas, the New York Power Authority, the Tennessee Valley Authority, National Grid and Entergy.

In addition, the U.S. Department of Agriculture introduced a plan to spend $72 million to support six new rural electric infrastructure projects.

PJM NEWS

PJM Considering Change to Day-Ahead Deadlines in Response to FERC Gas Schedule Order

NYISO, SPP, MISO Ponder Response; No Change for ISO-NE

By William Opalka, Chris O'Malley and Rich Heidorn Jr.

PJM is considering changing its day-ahead market schedule in response to the Federal Energy Regulatory Commission's April 16 ruling revising the interstate gas nomination timeline.

Other RTOs' reactions varied, with ISO-NE saying it has no plans to change its schedule and NYISO looking to respond to its neighbors. MISO stakeholders will discuss the issue Friday, while an SPP task force is expected to make recommendations on any changes by July.

FERC moved the timely nomination cycle deadline for scheduling gas transportation from 11:30 a.m. to 1 p.m. CT (12:30 p.m. to 2 p.m. ET). It also added a third intraday nomination cycle (RM14-2). (See *FERC Approves Final Rule on Gas-Electric Coordination*.)

In response, PJM is considering moving up its day-ahead schedule by three hours, Adam Keech, senior director of market operations, told the Markets and Reliability Committee on Thursday.

PJM's day-ahead market results currently are published at 4 p.m. ET, which would not provide enough time for selected generators to purchase gas, Keech said.

PJM is proposing that day-ahead offers close at 9:30 a.m. ET, with results published no later than 1 p.m. That would allow at least one hour for gas generators selected to run the next day to purchase fuel before the timely nomination cycle deadline.

The rebid period and reliability unit commitment (RUC) also would be moved up, running from 1 p.m. to 4:30 p.m., with results published by 6 p.m., allowing at least one hour for gas nominations before the evening nomination cycle deadline, which FERC left unchanged.

The changes would condense the day-ahead market solution window to 3.5 hours.

Joe Wadsworth of Vitol asked if PJM would be coordinating its changes with neighboring regions. He said moving PJM's day-ahead deadline to 9:30 a.m. could inhibit trading with NYISO, which publishes its day-ahead results at about 9:30 a.m. That could hurt day-ahead convergence along the NYISO-PJM seam, he said.

Wadsworth said PJM also needs to consider that liquidity in the next-day gas markets sometimes doesn't occur until after 10 a.m. on high gas-demand days. In such circumstances, there may be little or no natural gas price transparency prior to PJM's day-ahead market bid deadline, he said.

Ed Tatum of Old Dominion Electric Cooperative suggested PJM coordinate the changes through the ISO/RTO Council and consider changing the start of the electric day.

Keech said FERC's order neither mandates nor precludes changes to the electric day.

Keech's comments came during a first read of a proposed problem statement to respond to the FERC order. Although the initiative won't come up for a vote until the May 28 MRC meeting, PJM will conduct an educational session following the May 6 Market Implementation Committee meeting.

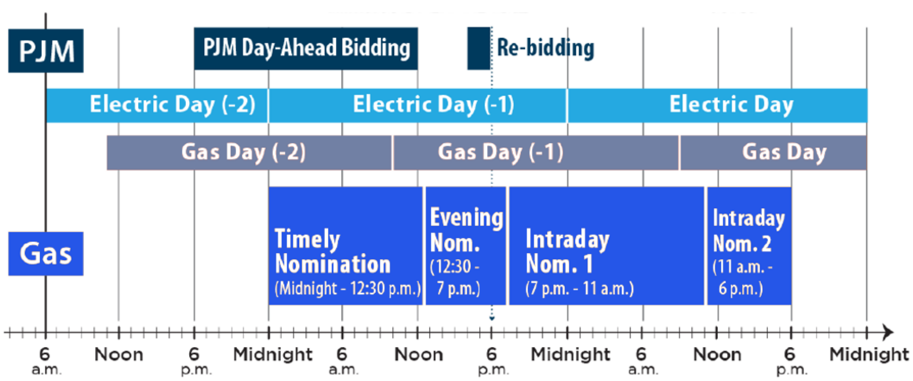
PJM and other regions must make compliance filings — adjusting their tariffs to comply with the final rule or explaining how their current rules are compliant — by July 23.

NYISO

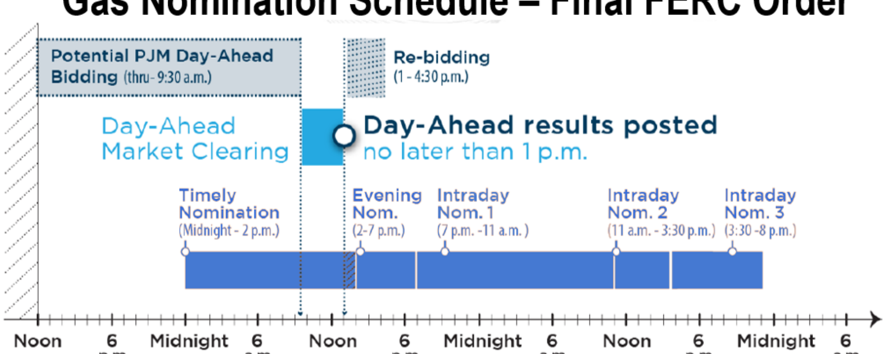
"Because electricity markets are interdependent, the NYISO's response to FERC's order will need to account for its neighbors' compliance efforts," NYISO spokesman David Flanagan said. "If no changes are determined to be necessary, FERC's decision will

Continued on page 5

Current Gas Nomination Schedule

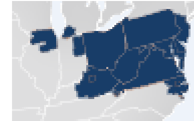


PJM Proposed Day-Ahead and Rebidding and Gas Nomination Schedule – Final FERC Order



(Source: PJM)

PJM NEWS



PJM MRC/MC Briefs

Residential DR Measurement and Verification OK'd

The Markets and Reliability Committee approved Tariff and manual revisions regarding PJM's use of sampling to measure and verify residential demand response.

The new measurement method was originally endorsed at the Jan. 22 Members Committee meeting. Thursday's vote approved the inclusion of an additional transition year because of delays in filing the new method with the Federal Energy Regulatory Commission.

PJM now expects to make the filing in late April. (See "Sampling to be used for Measuring Residential DR" in *MRC/MC Briefs*, Nov. 25, 2014.)

Tariff Harmonization Senior Task Force Charter Approved

The MRC approved the draft charter of the Tariff Harmonization Senior Task Force, formed to address inconsistencies and discrepancies in PJM's governing documents. There was one abstention and one vote against the measure. (See *Task Force Proposed to Resolve Inconsistencies in PJM Governing Documents*.)

Regional Planning Process Senior Task Force Placed on Hiatus

On first reading, MRC members approved the Regional Planning Process Senior Task Force's recommendation directing the Planning Committee to develop guidelines for considering generation interconnection projects as drivers under the multi-driver transmission project approach.

The MRC also agreed to place the task force on hiatus, available to be returned to operation if needed based on future rulings by FERC.

Manual Change Endorsed

The MRC approved changes in Manual 14D: Generator Operational Requirements to reflect a recent advisory from the North American Electric Reliability Corp. on generator frequency response requirements. PJM sent Generator Operators a survey regarding governor dead band settings, droop setting and mode of operation on April 3. PJM will compile the responses, due June 3, and share the data with NERC.

FTR Auction Clearing Deadlines, Trading Periods Approved

The Members Committee approved minor "non-substantial" provisions regarding financial transmission rights' auction clearing deadlines and trading periods.

— Suzanne Herel

PJM Considering Change to Day-Ahead Deadlines in Response to FERC Gas Schedule Order

Continued from page 4

provide New York generators an additional hour-and-a-half to nominate the gas they require following the posting of the NYISO's day-ahead market. FERC's order also will increase the gas procurement flexibility available to New York generators that participate in the NYISO's real-time market."

MISO

MISO spokesman Andy Schonert said the RTO is "working internally and with stakeholders to figure out how we will respond to FERC's order." The Electric and Natural Gas Coordination Task Force will discuss the issue in a meeting May 1.

SPP

SPP spokesman Tom Kleckner said the RTO's Gas Electric Coordination Task Force discussed the FERC ruling at a meeting Thursday and will be making a recommendation to SPP's Board of Directors at the board's July meeting.

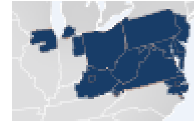
"The [task force] is evaluating what changes can be made to the day-ahead and reliability unit commitment timelines," Kleckner said. "It will be up to our stakeholders to make any changes to our timeline that are presented to the board."

ISO-NE

ISO-NE, which shifted its day-ahead market schedule two years ago to align with the natural gas trading day, believes it is already in compliance with the FERC rule, spokeswoman Marcia Blomberg said.

"However, we are very disappointed at the decision not to change the gas day," Blomberg said. "We continue to believe it would have been a material improvement to reliability. Without the change, obtaining fuel in order to meet their obligations will be more challenging for generators during upcoming winters. We are supportive of the change to the timely nomination cycle, which will help owners of gas-fired generators incrementally by improving their ability to timely nominate and schedule gas."

PJM NEWS



PJM Members Tighten Lost Opportunity Cost Rules

Technology-Specific Eligibility Retained

By Suzanne Herel

> **"I don't agree there is any physical basis for any minimum run time. It's not required by manufacturers … it's typically an economic choice. I would suggest, if anything, that two hours is too long, not too short."**
>
> **Joe Bowring, Independent Market Monitor**

WILMINGTON, Del. — PJM stakeholders last week approved tighter rules on generator lost opportunity costs but rejected a proposal to limit eligibility to the most flexible combustion units.

The rules concern compensation for combustion turbines that are scheduled in the day-ahead energy market but not committed in real time.

The vote by the Markets and Reliability Committee on Thursday was a partial setback for PJM and Independent Market Monitor Joe Bowring, who said current rules provide incentives for units to offer and clear in the day-ahead market but not in the real-time market.

PJM and the Monitor won a change preventing combustion turbines from receiving start-up and no-load costs when they do not run in real time — correcting what Bowring called "an algebra mistake" that resulted in generators receiving payments for costs they did not incur.

The change — including no-load and start-up costs as avoided costs in LOC calculations — was a reform the Monitor had sought since 2012. PJM has estimated the change could reduce LOC payments by about $40 million annually.

'2x2' Rule Rejected

The Energy Market Uplift Senior Task Force also had approved a proposal that would have allowed only the most flexible "2x2" CTs — those with start-up plus notification times and minimum run times of two hours or less — to receive lost opportunity costs if they are not dispatched in real time after clearing the day-ahead market.

Resources with start-up plus notification times or minimum run times of more than two hours would not have received lost opportunity payments unless PJM barred them from running in real time to avoid transmission overloads or other reliability problems.

But the task force's proposal received less than 60% support in a sector-weighted vote of the MRC, short of the two-thirds minimum for passage.

An alternate motion that retained the current technology-specific LOC eligibility rules — combustion turbines and combined-cycle plants operating in simple-cycle mode — was then approved with nearly 92% support and a round of applause.

The MRC last month tabled the task force's proposal, sending it back for more discussion, after some members, including Ed Tatum of Old Dominion Electric Cooperative (ODEC), complained that the 2x2 requirement was too restrictive. (See PJM Tables Rule Change on CT LOCs.)

Several proposed amendments emerged from the task force's April 17 meeting: one by Dominion Resources, allowing for start-up costs to be paid if a unit operates in real time at PJM's direction during any portion of its "temporally contiguous" commitment period; one from PJM clarifying the definition of "temporally contiguous"; and one from ODEC that would have extended LOC eligibility to 2x5 units with minimum run times of up to five hours.

Economic Choice

"We believe units with greater than a two-hour minimum run time are valuable to dispatch," Tatum said. "We should be making decisions on units' capability and not on an algorithm's limitations." (See PJM: New Rule on Lost Opportunity Costs Would Exclude 1/5 CTs.)

Bowring disagreed. "I don't agree there is any physical basis for any minimum run time. It's not required by manufacturers … it's typically an economic choice," he said. "I would suggest, if anything, that two hours is too long, not too short."

Bowring added, "Part of the reason we got into this problem in the first place is PJM wasn't really looking out four or five hours. Five hours is nowhere near flexible."

Neither amendment by Dominion nor ODEC was cleared as "friendly," so membership voted on the main EMUSTF proposal, which failed.

Susan Bruce of the PJM Industrial Customers Coalition then made what became the winning proposal, suggesting that the language regarding LOC eligibility be returned to the status quo and considered for approval along with Dominion's amendment and PJM's definitional clarification.

"My understanding is that [the 2x2 issue] was a bit of a surprise to some people," she said. "That will move us past this issue."

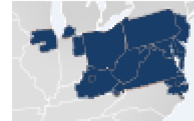
PJM's Adam Keech, director of wholesale market operations, said that regardless of a mandated minimum run time, PJM will be making procedural changes "because we think we can do better," noting that the RTO paid $25 million in lost opportunity costs in February. "We're going to look at less flexible CTs, with lead times eight to 10 hours, and run them more often," he said.

Because the less flexible units will retain their LOC eligibility, committing them in real time will ensure they are paid based on LMPs instead of being compensated via uplift.

Because the day-ahead payments to the units are a sunk cost, the less flexible units in many cases become essentially a "free resource" to PJM operators, Bowring explained.

After the meeting, Tatum said he was pleased with the vote. "We're good for now — until the next shoe drops," he said.

PJM NEWS



Cool Response to Proposed 7-Cent Fee on Virtual Transactions

By Rich Heidorn Jr.

A proposal to impose a temporary $0.07/MWh uplift charge on all netted virtual transactions received a cool response from PJM members Thursday — including a rebuff from the attorney for the Financial Marketers Coalition.

Noha Sidhom of Inertia Power proposed the charge as an interim response until the Federal Energy Regulatory Commission rules in the Section 206 proceeding it ordered in September to determine whether PJM is improperly treating up-to-congestion bids (UTCs) differently than incremental offers (INCs) and decrement bids (DECs).

While INCs and DECs are charged uplift and subject to the financial-transmission-rights forfeiture rule, UTCs are exempt from both.

UTC trading volumes crashed after Sept. 8, the refund effective date set by FERC for any uplift assessments.

PJM reported last week that trading volumes for INCs, DECs and UTCs remained near the lowest levels ever, despite modest monthly increases over the last six months. Cleared UTC transactions were at less than one-third of their level in August, before the FERC order. Submitted UTC transactions have rebounded to 40% of the August level.

Reducing Uncertainty

Sidhom said the interim fixed fee could reduce uncertainty for virtual traders, encouraging them to increase trading volumes for the summer. She introduced a problem statement to consider the fee at Thursday's Markets and Reliability Committee meeting.

The commission said it expected to rule in the 206 docket (EL14-37) within five months after it receives comments following a technical conference. But more than three months after the Jan. 7 conference, the commission has yet to issue a request for those comments. William Sauer, the Office of Energy Policy and Innovation staffer who chaired the conference, has since joined the staff of Commissioner Colette Honorable as a policy adviser. (See *Stakeholder Process Under Attack at FERC Hearing on PJM Financial Trades*.)

The proposal would apply the seven-cent fee to each UTC trade and to netted INCs/DECs — involving the same volume and same hour but different locations — with both the INC and DEC assessed the full fee. Un-netted INCs and DECs would continue to pay under current uplift rules.

Sidhom said the interim fixed fee would be a trial, allowing market participants and PJM "to see what virtual volumes will look like at a certain fee level," information that could help determine an appropriate fee for the future.

The Energy Market Uplift Senior Task Force is considering nine proposals, three of which — an American Electric Power proposal and two PJM proposals — were selected by stakeholders for backcast analyses by PJM. Results of the analyses are scheduled to be discussed at the task force's June 3rd meeting.

Sidhom said her proposal recognizes that there isn't enough time to reach agreement on a long-term solution before the more volatile summer months. She said there is uncertainty regarding whether the task force will reach consensus and if any solution stakeholders agree on will win FERC approval. The task force is unlikely to send a proposal to the MRC before July or August, she said.

Sidhom said more trading volume would improve convergence between the day-ahead and real-time markets and result in better price formation and forecasting of congestion.

Market Monitor Joe Bowring repeated his long-standing position that there is no evidence that UTCs improve price convergence. Bowring also said the fees on virtual transactions should vary with the level of uplift.

'Pretty Big Discount'

Susan Bruce, representing the PJM Industrial Customers Coalition, said seven cents "seems to be a pretty big discount," noting that the average deviation rate is $2.10/MWh.

Sidhom said that the average deviation rate for the 12 months ending March 31 was actually $0.84/MWh. She said adding UTCs to the trades sharing in uplift would reduce the rate for other market participants.

"We saw [seven cents] as a good starting point," Sidhom said. She said she was "not wedded to" the seven-cent fee but added, "If we start at a really high rate we're back to the status quo."

The AEP package proposes a $0.15/MWh fee for each cleared pair of UTCs.

Jim Benchek, of FirstEnergy, said the interim proposal "seems like an end run around" the task force. "EMUSTF has been working on this for quite a while," he said. "I'm not sure the timing on this is quite right."

Sidhom said it was "very optimistic to think the task force will vote next month."

Ruta Skucas, attorney for the Financial Marketers Coalition, said she was surprised to see the issue brought to the MRC. "We firmly believe it belongs in the EMU," she said, using the shorthand name for the task force. She said afterward that the coalition is working on a similar proposal to be considered through the task force.

Sidhom, whose company is not a member of the coalition, said she was not trying to bypass the task force but seeking an interim fix for the summer while the panel completes its work on the issue.

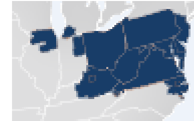
Dominion Resource's Louis Slade said the proposal was premature given that PJM is conducting the backcast analysis on AEP's fixed fee proposal.

Only one other stakeholder, Stephanie Staska of Twin Cities Power, spoke in support of Sidhom's proposal, asking how the market would react if FERC orders UTC traders to pay fees retroactive to September. "Every day that we're not charging something is a day that liability grows larger," she said.

In an interview after the meeting, Sidhom echoed that message, saying she was concerned that retroactive uplift charges could lead to defaults by traders.

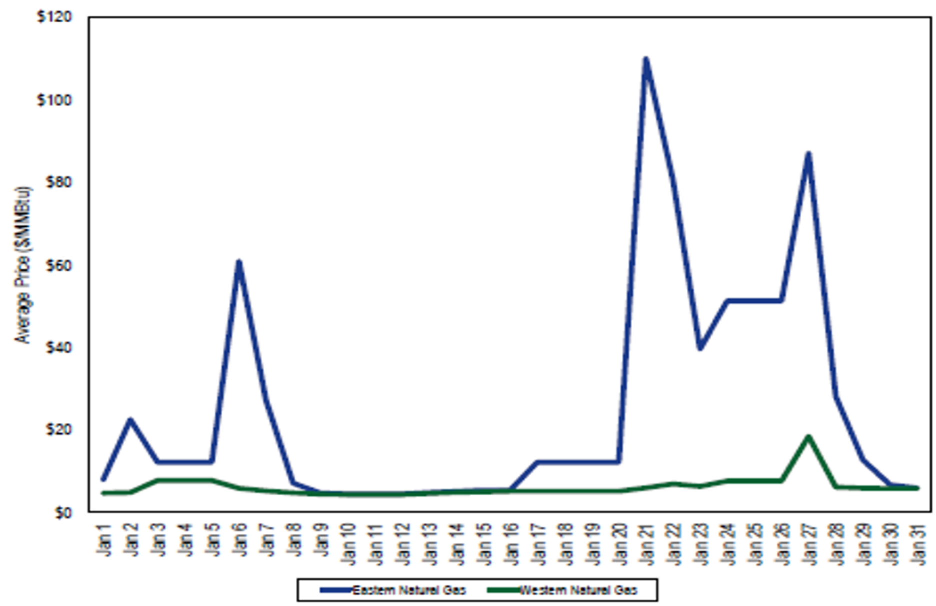
> **"We saw [7 cents] as a good starting point."**
>
> **Noha Sidhom, Inertia Power**

PJM News



Bid for Generator Price Flexibility Draws Debate over 10% Adder

By Suzanne Herel and Rich Heidorn Jr.



Natural gas price volatility - January 2014. ($/MMBtu) (Source: Monitoring Analytics LLC)

WILMINGTON, Del. — Calpine won stakeholder approval for an initiative that could give generators more flexibility in pricing following an unusually lengthy debate before the Markets and Reliability Committee Thursday.

Dave Pratzon, representing Calpine, presented a problem statement and issue charge arguing that permitting generators to revise their offers hourly to reflect changes in gas prices would result in reduced risk premiums, benefiting consumers.

But some stakeholders questioned the scope of the problem statement, saying it should also include language calling for reconsideration of the 10% adder that generators are allowed to include in their cost-based offers. The adders provide a cushion against uncertainties, including fuel prices and heat rates that can vary with temperatures and plant loading. Hourly pricing would reduce the fuel price risk, they reason, reducing the need for the adder's price cushion.

Walter Hall, representing the Maryland Public Service Commission, said the PSC would oppose the problem statement if it did not include a reconsideration of the adder. PJM and the Independent Market Monitor also backed inclusion of the adder in the problem statement.

Challenge Reaching Consensus?

"I don't want to set this group up to fail," said PJM Executive Vice President for Operations Mike Kormos, referring to the senior task force expected to be assigned to study the problem and recommend a solution. "It may be difficult to reach consensus without this issue. We think this is an important issue."

"Clearly it's related," said Market Monitor Joe Bowring. "It doesn't make any sense [to exclude it]. I think it's avoiding something that's really obvious."

But Pratzon rejected Hall's request to include the adder as a "friendly" amendment. Pratzon said he wanted to avoid "scope creep" and was not authorized by his client to broaden the initiative. He suggested the adder be addressed separately by the Cost Development Subcommittee.

Jason Cox of Dynegy came to Pratzon's aid, saying, "I'm concerned that Calpine's problem statement is being hijacked."

"This issue is very narrow," he added, saying hourly pricing would reduce the use of the adder. He said those concerned about the adder should propose their own problem statement.

The problem statement was approved by voice vote with two votes against it.

PJM Stands Alone

Pratzon introduced the proposal to the MRC in March, saying PJM is the only organized market in the U.S. that does not allow generators to vary their offers hourly. (See *PJM May Consider Hourly Pricing for Generators*.)

As approved, the initiative would also permit consideration of more flexible offers by energy storage and price-based demand side response. Market power protections were also added to the scope.

Pratzon said the issue gained urgency because the Federal Energy Regulatory Commission had declined earlier this month to change the start of the gas day, a blow to efforts to improve gas-electric coordination. (See related story, *PJM Considering Change to DA Deadlines in Response to FERC Order on Gas Schedule*, p. 4.)

John Farber of the Delaware Public Service Commission and Ruth Price of the Delaware Public Advocate's office pressed Pratzon for how the change to hourly pricing would benefit ratepayers.

Pratzon noted that a 50-cent per MMBtu difference in the price of gas translates to a difference of $3.50/MWh. With hourly generator offers, he said, the price will "be lower some hours, higher some hours. But overall it will be better."

The Adder's Role

Although the adder was not included in the problem statement, Kormos said it would be included in the educational portion of the task force's work. "I'm finding it hard to understand how that couldn't be permitted," he said.

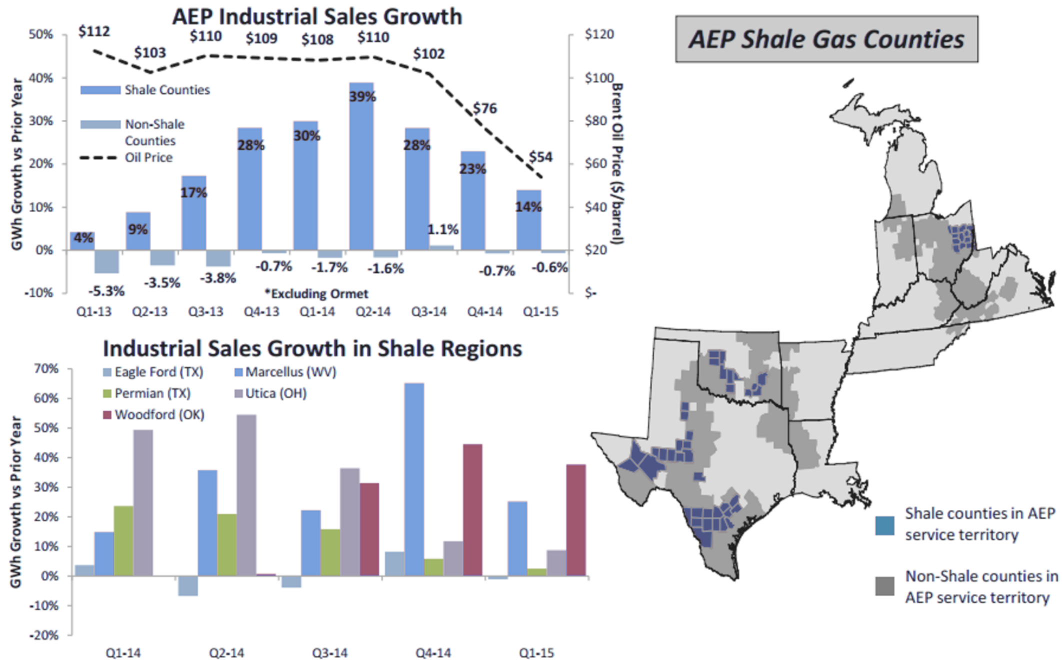
According to the Market Monitor, the adder was included in the definition of cost-based offers in 1999, based on the uncertainty of calculating the hourly operating costs of combustion turbines under changing ambient conditions. However, in docket (EL15-31) — in which PJM proposed limiting the adder to the $100 for offers exceeding $1,000/MWh — generators argued that the adder also provided protection against gas-price volatility.

PJM NEWS

Cold Weather, Low Gas Prices Drive AEP Earnings

CEO Hints at Sale of Merchant Plants

By Ted Caddell



Shale gas development drives AEP industrial load growth. (Source: AEP)

Record cold weather and falling natural gas prices helped push American Electric Power's first quarter earnings up 12%.

CEO Nicholas Akins said the first quarters of 2015 and 2014 were the "coldest and second-coldest winters, respectively, in our service territory during the past 35 years."

The increased power demand, coupled with natural gas prices that dropped 43% over the first quarter of 2014, helped AEP show a profit of $629 million on revenue of $4.7 billion ($1.29/share), up from $560 million ($1.15/share) last year.

As a result of the fall in natural gas prices, AEP burned almost 15% less coal in the first quarter than a year ago.

The company also has benefited from power demand from shale oil and gas producers in the Marcellus and Utica fields.

Akins used the quarterly earnings conference call and the company's annual meeting last week to express his continued frustration with PJM's capacity market and repeat his call for regulatory changes in Ohio.

"It is clear that the Rube Goldberg capacity market of PJM cannot be depended upon to provide consistent revenue and price discovery to enable the long-term investment potential and maintenance of existing baseload generation. Ohio must regain control of its ability to define resources within the state," he said.

Akins said that PJM's capacity performance proposal "is a step in the right direction and should be a no-brainer to FERC." (See FERC OKs PJM Request to Delay Capacity Auction.)

But he suggested AEP may not wait much longer for changes, renewing talk that the company will sell its merchant generation. It acknowledged in January that it had hired Goldman Sachs to investigate the sale of its merchant fleet in Ohio and Indiana. (See AEP Considering Sale of 8,000 MW in Ohio, Indiana.)

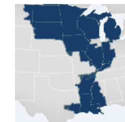
"Right now, there is no support for long-term investment in the state of Ohio, and we're trying to get that fixed from an energy-policy perspective," Akins told reporters following the company's annual shareholder meeting Tuesday. The company failed in February in its bid to secure regulatory approval for a "guaranteed price" power purchase agreement for one of its coal-fired plants. It has another case pending for four more of its plants. (See "PUCO Rejects AEP's Guaranteed Income Plan for Coal Plants" in State Briefs, March 2, 2015.)

Akins didn't seem optimistic about the chances for winning regulatory changes. "At this point, looking at it, you would need to lean toward that direction [of selling the unregulated plants] because there clearly is volatility in that business, and it's very difficult to invest," he said.

"It is clear that the Rube Goldberg capacity market of PJM cannot be depended upon to provide consistent revenue and price discovery to enable the long-term investment potential and maintenance of existing baseload generation. Ohio must regain control of its ability to define resources within the state."

Nicholas Akins, American Electric Power CEO

MISO News



Entergy Out-of-Cycle Request Wins MISO Board OK

By Chris O'Malley

CARMEL, Ind. — MISO's board of directors voted unanimously Thursday to approve Entergy's request for $217 million in out-of-cycle transmission projects over the objections of transmission developers and independent power producers.

There was no discussion by the board nor comments from stakeholders on the topic.

The outcome seemed all but certain following a unanimous vote Tuesday by MISO's Board of Directors System Planning Committee to recommend that the full board approve Entergy's requests.

Most of the opposition centered on the largest of the Entergy projects, a $187 million project to serve additional load in the Lake Charles, La., industrial zone in the midst of an economic revival.

Opposing stakeholders have alleged the increased load is speculative, that the project is beyond what is needed for a base reliability upgrade and that there was inadequate stakeholder review.

They also wanted a shot at competing for the project.

On Tuesday, MISO staff outlined a checklist of steps taken that they say conforms with tariff and business practice manual procedures.

The bulk of the controversial Lake Charles project involves adding a 500 kV tap line that will extend seven miles to a new substation in Lake Charles, where Entergy said numerous industrial customers have committed to adding facilities.

MISO studied alternatives, including upgrading a 230-kV line and providing supply from more distant sources, but concluded they were less effective, said MISO Director of Planning Jeff Webb. "This is a straightforward, and I think ideal, solution," Webb told the committee last week.

The committee pointed to an April 2 letter from Louisiana Public Service Commissioner Eric Skrmetta that expressed dissatisfaction with the review of the projects at MISO, calling on MISO to streamline the out-of-cycle approval process.

"Nothing should be permitted to interfere with the location of significant new load in southwest Louisiana and the economic benefits it will bring to the people of this state," wrote Skrmetta. "… The consideration of these projects has gone on long enough. Second, numerous stakeholders have expressed dissatisfaction with MISO's out-of-cycle consideration and approval process."

Webb told the committee that MISO had 16 OOC projects last year and seven in 2013. Director Baljit "Bal" Dail, who is not a member of the committee but sat in on Tuesday's meeting, asked Webb why Lake Charles was so controversial.

Webb cited the size of the project and said he recalled only one other controversial project over the years — also one of substantial size.

Clearly, large projects would be more lucrative for transmission developers hoping for a competitive project. MISO staff have maintained that Lake Charles is a reliability project, which would be ineligible for competition.

Board Chairman Judy Walsh — who substituted as chair of the meeting due to a medical issue involving chair Mike Evans — said the OOC process is designed to prevent MISO from becoming a "stumbling block" to needed reliability upgrades.

"In order for this process to work it has to be fast. It has to be efficient," she said.

Earlier this month, in response to the controversy over Entergy's request, MISO launched discussions that could lead to refinements in its procedures for handling out-of-cycle requests. (See *MISO Seeks Stakeholder Input on Out-of-Cycle Process amid Entergy Controversy*.)

Michigan OKs Wisconsin Energy-Integrys Merger

By Chris O'Malley

Michigan regulators on Thursday approved Wisconsin Energy Corp.'s $9.1 billion acquisition of Illinois-based Integrys Energy — with the condition that the merged companies continue to operate the Presque Isle Power Plant in Michigan's Upper Peninsula.

The approval of the Michigan Public Service Commission comes less than a month after the Federal Energy Regulatory Commission granted its OK (EC14-126).

The deal also requires the approval of state regulators in Illinois, Minnesota and Wisconsin.

Gov. Rick Snyder and other Michigan officials initially opposed the merger, in part because Wisconsin Energy had agreed to keep Presque Isle open under a system support resource agreement with MISO.

The aging generating plant had lost its major mine customers, and keeping it open under an SSR would have resulted in hefty rate increases for Upper Peninsula customers. Presque Isle recently wooed back former mine customers.

In exchange for approving the merger, the Michigan Public Service Commission won a commitment from Wisconsin Energy not to enter into a Presque Isle SSR with MISO before the end of 2019 or a new "clean energy" plant goes into service in the Upper Peninsula.

Wisconsin Energy also agreed to continue making any capital investments needed to continue operations of Presque Isle until the end of 2019 or the new plant begins commercial operations. The plant could retire earlier if Wisconsin Energy's WEPCo subsidiary and the mines served by Presque Isle come to an agreement.

Other terms include a pledge by Wisconsin Electric not to increase retail rates for Michigan customers as a result of special contracts between Wisconsin Electric and mines in the area.

It appears the biggest hurdle for Wisconsin Energy and Integrys to clear is in Wisconsin, where consumer groups have demanded that the Milwaukee-based utility provide guarantees of monetary savings from the merger.

Among those groups insisting on concessions are the Wisconsin Paper Council, Wisconsin Industrial Energy Group and retail customer group Citizens Utility Board, reports the *Milwaukee Journal Sentinel.*

Wisconsin Energy is the parent of electric utility We Energies. Integrys owns Wisconsin Public Service Corp. and Michigan Gas Utilities Corp.

MISO NEWS

MISO to Consumer Sector: No Money for You

By Chris O'Malley

CARMEL, Ind. — MISO has declined a request by the Public Consumer Advocates sector for $200,000 to help cover its legal costs in a fight over MISO transmission owners' return on equity.

The decision was announced Wednesday at the MISO Advisory Committee meeting.

"We don't have a mechanism to send them money," said MISO General Counsel Stephen Kozey, adding that there was no show of stakeholder support for such funding.

The Public Consumer Advocates sector consists of both non-profit groups and government agencies that represent consumers in utility cases before state regulators.

It decided to enter the ROE battle — the sector's first-ever litigation in a federal rate case — after settlement talks ordered by the Federal Energy Regulatory Commission between industrial customers and TOs broke down last year.

The consumer sector made the funding request at the Advisory Committee in February, saying it lacks the deep pockets for legal costs.

Robert Mork, deputy consumer counselor for the Indiana Office of Utility Consumer Counselor, said the consumer advocates have been supportive of MISO over the years. "We have to say we're surprised and disappointed by MISO's decision on this," Mork said.

Appeal to Board

Mork raised the issue again during Thursday's Board of Directors meeting, urging the board to ensure that ratepayer concerns are protected.

Mork said a letter Kozey sent to the advocates explaining MISO's rejection "seemed to rely primarily on tallying up the sectors' responses, and not in a very nuanced way at that."

The letter reported that five sectors in addition to the consumer advocates commented on the request, with four — the Power Marketers and Brokers, Transmission Developers, Transmission Dependent Utilities and Transmission Owners — in opposition.

The Organization of MISO States took no position, despite acknowledging that the case "may have significant impact on customers throughout MISO, and it is valuable to have diverse viewpoints, including consumer advocates, represented before FERC." Texas and Louisiana abstained from OMS' vote.

Mork said Kozey's response "raises concerns to our sector that MISO may not adequately appreciate its independence and stakeholder responsiveness" obligations under FERC Order 719, he said. "We would respectfully suggest that MISO needs to show that it understands that it has a clear obligation to look beyond the particular [views] of the sectors and to consider what is in the overall interests of the organization and the public."

Mork added that his sector would continue to engage with MISO.

"We all have a shared interest that MISO-related issues appear to be dealt with so as to ensure the legitimacy of MISO and its processes."

Mork didn't elaborate on the group's response to the funding denial but said that the consumer sector would have further discussions with MISO, OMS and FERC.

Neither any of the board members nor any stakeholders made comments on the issue.

MISO industrial customers initiated the ROE dispute last year, contending that transmission operators' current base ROE — 12.38% except for American Transmission Co., at 12.2% — is too high (EL14-12). On April 3, the consumer advocates asked FERC for approval to amend the group's intervention by adding allies from Arkansas, Kentucky, Louisiana, Montana and Illinois. (See *MISO TOs Seek Base ROE of 11.39%*.)

Another Cold Winter Helps Michigan Utilities in Q1

By Chris O'Malley

Extreme cold helped drive first-quarter earnings at two of Michigan's largest gas-electric utilities, though neither DTE Energy nor CMS Energy enjoyed quite the bump it did during the polar vortex last year.

Moreover, operating revenue at DTE Energy fell 24% on losses in its energy trading business. DTE's first-quarter earnings of $273 million ($1.53/share) compare to $326 million ($1.84/share) in the first quarter of 2014. Per-share earnings exceeded a $1.52 forecast by analysts polled by Thomson Reuters.

Operating revenue of $2.98 billion was down from $3.93 billion a year earlier and less than the $3.53 billion analysts had forecast.

In the first quarter, DTE's energy trading unit lost $9 million, versus a profit of $42 million in early 2014. The company cited mark-to-market adjustments.

Operating earnings for DTE Electric were flat, at $136 million. DTE Gas earnings of $111 million were down 14%, from $129 million during the first quarter 2014 polar vortex.

During a conference call with analysts, DTE Energy executives held firm on full-year earnings-per-share estimates of $4.48 to $4.72.

"We're off to a strong start across our portfolio of businesses," Chief Financial Officer Peter Oleksiak said.

First-quarter net income of Jackson, Mich.-based CMS Energy fell nearly 1% to $202 million ($0.73/share). That compares with $204 million ($0.75/share) in the first quarter of 2014.

On a weather-normalized basis, however, earnings per share were 7% more than last year's first quarter, CFO Tom Webb told analysts during a conference call.

CMS said it was holding to its 2015 earnings-per-share guidance of $1.86 to $1.89, in line with the company's annual adjusted growth goal.

MISO NEWS

MISO: Nothing Amiss in High Illinois Capacity Prices

By Chris O'Malley

MISO told Illinois officials last week that the nine-fold price increase the state experienced in this month's capacity auction was the result of market dynamics and not any improper conduct.

"The Independent Market Monitor reviewed the offers and determined that the final results were not impacted by physical or economic withholding and other conduct prohibited by MISO's Tariff," Kari A.E. Bennett, MISO's senior corporate counsel, said in an April 24 response to a request for information from the office of Illinois Attorney General Lisa Madigan.

Madigan's staff sent a letter April 17 to MISO Executive Vice President Richard Doying and Independent Market Monitor David Patton, asking seven questions about MISO's third annual Planning Resources Auction, which saw Zone 4, comprising much of Illinois, clear at $150/MW-day, compared with $16.75 a year earlier. The results will boost revenues for Dynegy's coal fleet and Exelon's Clinton nuclear plant. (See *Cornucopia of Capacity at MISO Auction.*)

"This year's auction resulted in capacity prices for central and southern Illinois that are nine times greater than last year and more than 40 times greater than other zones," Cara Hendrickson, chief of the attorney general's public interest division, said in the letter.

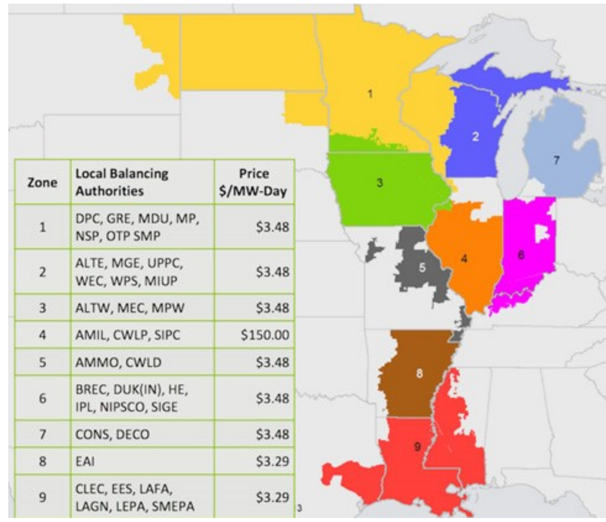
Citing the "substantial impact" on Illinois ratepayers, Hendrickson asked about MISO's market design, including limits on imports into Zone 4.

MISO said Zone 4 imported 1,568 MW of lower-cost capacity from other zones, with the balance from resources within the zone. MISO said its annual local clearing requirement study determined that Zone 4 needed at least 85% of its capacity from resources within the zone in the 2015/16 planning year.

"The value is comparable to the average of all other zones (87%) and is lower than six other zones, which required local participation of 87% or higher," Bennett wrote.

"Different results by location and by year can occur for multiple reasons, including the impact of commercial decisions market participants make leading up to the auction and available capacity offered into the auction," she continued. "In Zone 4, higher priced local resources were needed to meet the local clearing requirement.

"Additionally, more capacity was procured through the auction rather than by direct contracts between parties as compared to last year. This resulted in more exposure to price-sensitive capacity offers in this year's auction."



Zone	Local Balancing Authorities	Price $/MW-Day
1	DPC, GRE, MDU, MP, NSP, OTP SMP	$3.48
2	ALTE, MGE, UPPC, WEC, WPS, MIUP	$3.48
3	ALTW, MEC, MPW	$3.48
4	AMIL, CWLP, SIPC	$150.00
5	AMMO, CWLD	$3.48
6	BREC, DUK(IN), HE, IPL, NIPSCO, SIGE	$3.48
7	CONS, DECO	$3.48
8	EAI	$3.29
9	CLEC, EES, LAFA, LAGN, LEPA, SMEPA	$3.29

2015/2016 auction clearing price overview. (Source: MISO)

Red Meat for Consumer Groups

Whatever the causes, the sheer size of the increase set off a firestorm among consumer interests in Illinois.

The Chicago-based Citizens Utility Board called for a federal investigation, saying Ameren customers in central and southern Illinois will see significant rate hikes. "CUB's rough estimate is that this increase could force consumers on Ameren's supply rate to pay up to $150 [in capacity charges] on their electric bills over the next year," it said.

CUB Executive Director David Kolata said the results are another sign the electricity market "is not working for Illinois consumers," given that the state has a surplus of electricity.

Exelon, Dynegy also Miffed

Ratepayer groups aren't the only unhappy players.

The capacity providers accused of profiting from the auction, Exelon and Dynegy, are upset at Madigan's office.

Dynegy said that Madigan's team told an Illinois Senate hearing last week that the company could rake in more than $200 million as a result of the auction.

That's far from the truth, said Dynegy spokesman Micah Hirschfield. He said that Dynegy cleared only 553 MW (excluding what it needs to cover retail load obligations), meaning it will collect about $30 million.

Exelon, likewise, said speculation that it would enjoy a $50 million windfall from the auction was off base.

The company said it bid its Clinton nuclear plant's capacity into the auction the same way it has every year.

"We bid as a price taker, meaning we would accept the auction clearing price. Because we sold some of the plant's capacity in retail and wholesale transactions before the auction, we realized about $13 million from the auction, not upwards of $50 million as some have speculated," Exelon spokesman Paul Elsberg said a statement.

Moreover, Exelon said the auction results were not sufficient to make the Clinton power station profitable. The utility is still pushing for the Illinois General Assembly to act on a so-called Low Carbon Portfolio Standard that would boost the competitiveness of the company's nuclear plants.

Bluster or Substance?

Whether Madigan's office is just fishing or will press further on the auction results is yet to be seen.

As for MISO, the RTO "looks forward to continuing the discussion with policymakers in Illinois to address any questions and concerns around the results of the Planning Resource Auction," spokesman Andy Schonert said.

MISO NEWS

MISO Stakeholders Share Ideas on Fixing 'Broken' Interregional Process

Continued from page 1

gy and grid development at American Electric Power, told the committee. "If this isn't pretty clear evidence that the process is broken, I don't know what it would be."

"The current interregional transmission planning process has failed to meet [its] objectives and has not resulted in identifying a single interregional transmission project for approval," agreed the Independent Power Producer sector.

Despite 12 years of joint meetings, MISO and PJM have been unable or unwilling to eliminate obstacles to cross-border projects. In February, the Federal Energy Regulatory Commission increased pressure on the two RTOs, saying it was considering taking action "to improve the efficiency of operations" at the RTOs' seam. (See *Impatient FERC Hints at Action on PJM-MISO Seams Disputes*.) MISO also is working to resolve disputes with SPP.

"Even though we've made some progress, there still are challenges we need to work through," acknowledged Jesse Moser, manager of strategic infrastructure at MISO.

Re-Evaluate Benefit-Cost Ratio

FERC's Order 1000 requires interregional transmission planning but does not mandate that border-spanning projects be built.

"RTOs view compliance with Order 1000 as regularly scheduled meetings to facilitate discussion and data exchange. No plan or project is required," said the Transmission Developer sector. "… Since 2012, over 121 project solutions along the MISO seams have been identified and summarily rejected."

The transmission developers say MISO customers have paid more than $100 million in congestion, market-to-market costs and higher LMPs over the past four years due to inadequate transmission.

Interregional projects involving MISO and PJM must navigate three separate processes: MISO Transmission Expansion Planning regional criteria, PJM Regional Transmission Expansion Planning criteria and the cross-border process under the MISO-PJM Joint Operating Agreement.

One impediment to interregional projects, according to the developers and IPP sectors, is MISO's requirement that interregional projects clear a 1.25 benefit-to-cost hurdle to win approval.

Both sectors say the 25% return on investment should be re-evaluated, and either lowered or broadened to capture more benefits.

"First, a project must meet the interregional criteria of providing a 25% return on investment based on a simulated adjusted production cost with perfect unit dispatch and no transmission outages," said the developers. "Second, a project that passes the interregional criteria must now pass the regional criteria under the MTEP process using a different set of economic and powerflow models."

MISO Director Eugene Zeltmann said he wondered whether the current ratio is detrimental to the process. But if the ratio were changed, he asked, "Would that have a deleterious effect on consumers?"

The developers say the definition of benefits should be expanded to include savings on capacity spending due to reduced transmission losses and capacity margins; avoided or delayed reliability projects; reduced emissions; and increased transmission revenues.

Reduce Voltage

Another impediment, according to some stakeholders, is that MISO has no provision for regional cost allocation for projects on low voltage transmission. MISO's market efficiency projects are limited to projects of at least 345 kV, a much higher threshold than that of other regions.

The transmission developers said that most transmission between MISO and its neighbors is less than 300 kV. "MISO appears to be discriminating against lower-voltage projects that resolve reliability and economic solutions by making the requirement that the host zone needs to pay for the upgrade, even though the upgrade may benefit multiple zones," they said.

The IPPs suggested projects as low as 100 kV be eligible for cost-sharing. "The current criteria was developed years before MISO's seams expanded in the southern region," they said.

Unify Metrics

Several stakeholder groups complained that the lack of a common set of metrics for cross-border project selection also is to blame. The Transmission Owners sector said planning should be consistent across seams and between the regional and interregional processes. "Ideally, a single transmission system model would be used in order to provide the highest level of accurate and consistent analysis," they said.

The Transmission Dependent Utilities sector said it would support a MISO suggestion to create a new interregional project category. "It is neither productive nor efficient to consider a large number of potential candidate projects under two or three futures scenarios for which there is no consensus among the participating RTOs," it said.

Defending Regional Differences

But in their minority comments within the Transmission Developer sector, AEP and Exelon noted that FERC has recognized the validity of regional differences in planning criteria.

The companies say using concurrent studies with identical criteria is "untenable."

Instead, they say each RTO could post its market efficiency needs and congested flowgates and then invite stakeholders to submit regional and interregional proposals that could address those issues "more efficiently and cost-effectively than any regional proposals the RTOs may already be considering."

Each RTO would determine what portion of its market efficiency issues is met by each of the interregional proposals. Cost apportionment would be in proportion to the benefits received by each RTO.

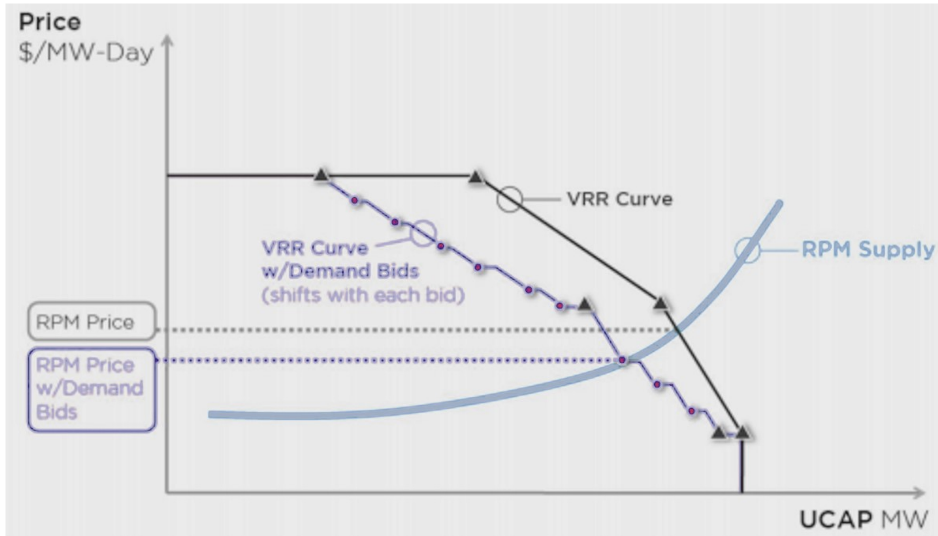
Backyard Projects First

MISO and PJM recently have been discussing "quick hit" flowgate projects on either side of the border that could relieve market-to-market congestion. The four low-voltage projects identified so far as most promising could generate congestion savings of more than $90 million, the RTOs said during the Interregional Planning Stakeholder Advisory Committee meeting April 14. (See *Quick Hit List at PJM-MISO Seam Narrowed to 4 Projects from 39*.)

ISO-NE News

ISO-NE May Delay DR Integration into Markets

By William Opalka



Integration of demand response into capacity auction, shown based on existing PJM variable resource requirement curve. (Sources: ISO-NE and PJM)

ISO-NE is considering delaying full integration of demand response into its markets by a year due to uncertainty about the Federal Energy Regulatory Commission's authority over the resource.

A 33-page Markets Committee contingency plan released April 17 suggests not implementing DR until 2018 because of the time needed to develop procedures once the issue is resolved.

The U.S. Supreme Court was scheduled to consider FERC's appeal of the D.C. Circuit Court of Appeals decision threatening the agency's jurisdiction at its conference Friday. But no decision was announced Monday and the court said no news is likely for at least a week.

The D.C. Circuit vacated FERC Order 745, which set rules for compensating DR in RTO energy markets, saying the commission had intruded on state jurisdiction (*Electric Power Supply Association v. Federal Energy Regulatory Commission*). There is disagreement over whether the ruling also voids FERC jurisdiction over DR in the capacity and ancillary services markets. FERC filed its appeal with the Supreme Court in January. (See *FERC Files EPSA DR Appeal with Supreme Court*.)

"Without direction from the U.S. Supreme Court and the FERC, the region's next steps are uncertain," according to ISO-NE's plan. "Possible scenarios range from maintaining an approach that is fairly consistent with the status quo, to allowing demand response participation solely in the capacity and ancillary services markets, or to removing demand resources from the supply-side of the wholesale market platform altogether."

If the Supreme Court grants FERC's request for a *writ of certiorari*, ISO-NE said, a ruling is not likely before mid-2016. Then FERC must interpret how the court's direction impacts the integration of DR in wholesale markets.

"In addition to the potentially protracted legal process in this case, it is also unclear how narrowly or broadly the decision in *EPSA* will be interpreted — primarily by the commission, but potentially by the U.S. Supreme Court as well," the plan says.

ISO-NE had planned to implement full integration of DR into the energy and reserves markets by June 1, 2017, a transition it says will require at least two years of modifications to its software and system infrastructure.

"The ISO would be at least one year into the project to meet the June 1, 2017, implementation date before knowing the Supreme Court's ultimate decision," the plan says. "And for all of the time, money and effort expended up to that point, the Supreme Court may nevertheless uphold the D.C. Circuit's previous ruling. Substantial resources will be wasted if the ISO moves forward to fully integrate demand response into the energy and reserves market by June 1, 2017, and the Supreme Court ultimately upholds *EPSA*."

The Markets Committee will discuss the issue when it meets May 5-6.

FERC last month rejected as premature PJM's contingency plan to include demand response in its capacity auctions in the event the *EPSA* ruling is allowed to stand. (See *FERC: PJM Demand Response Stopgap Measure 'Premature'*.)

The Supreme Court was scheduled to consider FERC's appeal of the *EPSA* decision on Friday, but the court made no announcement and doesn't expect action on the case for at least a week.

ISO-NE NEWS

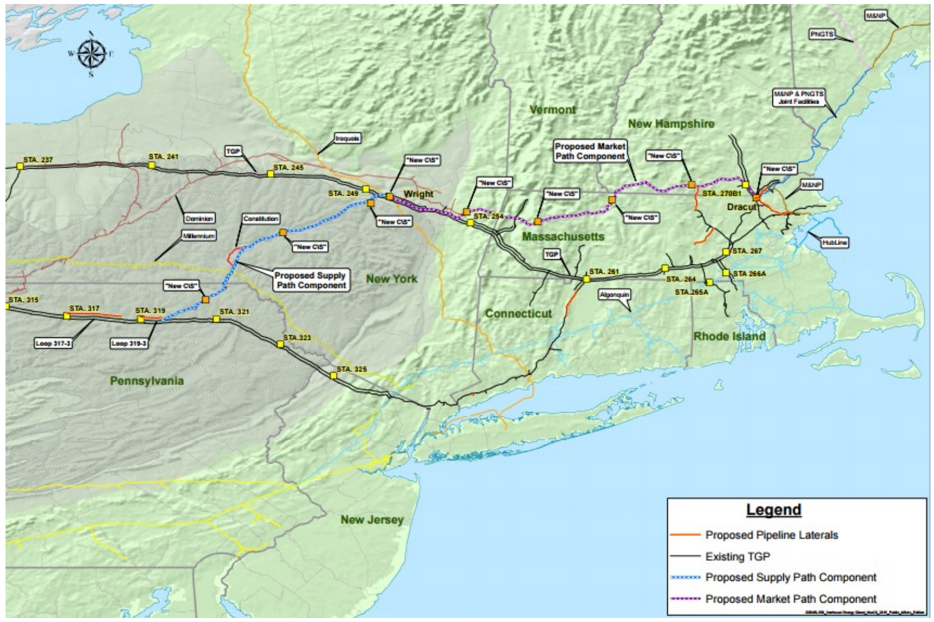
New England Governors Revise Energy Strategy

Continued from page 1

"We recognize that each state may support addressing our regional energy challenge in different ways. These efforts must be done in partnership with state legislatures, and respecting the requirements of laws, regulatory proceedings, and opportunities for public participation that are unique to each individual state," the governors said.

"It's as if the governors had agreed on family-style meals [in 2013], but now everyone's ordering a la carte," *The Hartford Courant* observed.

New England pays the highest electric rates in the continental United States and is particularly vulnerable to price spikes in the winter. ISO-NE has created winter reliability programs to counter tight natural gas supplies, but its increasing reliance on oil-fired generation runs counter to the region's environmental commitments, the governors said.



Route of Kinder Morgan's proposed Northeast Energy Direct pipeline. (Source: Kinder Morgan)

Vermont, New Hampshire Not Committed

In a companion document outlining short-term goals, states emphasized their project and policy preferences, with Vermont and New Hampshire pointedly not committing to sharing in new infrastructure spending.

"Vermont has not committed to share in the allocated costs of any regional gas infrastructure or electric transmission projects," it said, but noted that the state could host transmission projects if they met its "legal criteria."

New Hampshire noted it is a net energy exporter and said it "may host projects that meet its siting requirements and which provide benefits to the state's residents and businesses, including our second largest industry, tourism."

Proposed infrastructure projects are hot-button issues in both ends of New Hampshire. The Northern Pass transmission line would cut through the White Mountains to import 1,200 MW of Canadian hydropower. Part of Kinder Morgan's proposed Northeast Energy Direct pipeline project was rerouted to existing rights-of-way in the southern end of the state to counter objections to a path in northeast Massachusetts.

Northeast Direct is one of two large-scale projects proposed to transport Marcellus Shale gas into New England from Pennsylvania. The other is a Spectra Energy project that would largely use existing rights-of-way and eventually connect with the Canadian Maritime provinces.

Connecticut Democratic Gov. Dannel Malloy, who hosted last week's summit, also spearheaded the December 2013 meeting, which resulted in a statement that endorsed collective action. In it, the governors pledged "to advance a regional energy infrastructure initiative that diversifies our energy supply portfolio while ensuring that the benefits and costs of transmission and pipeline investments are shared appropriately among the New England States."

The governors united behind a plan to provide a funding mechanism for natural gas pipeline expansions though a regional tax on utility bills. That plan fell apart last year when the Massachusetts legislature balked at a comprehensive package that former Democratic Gov. Deval Patrick wanted that would link gas infrastructure with a plan to expand transmission to import Canadian hydropower into the region.

Shift by New Massachusetts Governor

Patrick's successor, Republican Gov. Charlie Baker, said in a press conference after the summit that his administration supports new pipelines and transmission, a statement that *The Boston Globe* reported represented "a shift in tone" from Patrick's emphasis on renewable energy.

Maine's Republican Gov. Paul LePage, who also appeared at the press conference, praised Baker as "more collaborative and more open-minded" than Patrick, who he said was "held hostage by an ideology."

Baker, who took office in January, said he has asked the state Department of Public Utilities to review all natural gas pipeline options. He indicated support for Spectra Energy's plan to expand the Algonquin pipeline but would not say whether he supports Kinder Morgan's more controversial plan, *The Globe* reported.

Still, some collaborative efforts continue. Earlier this year, Massachusetts, Connecticut and Rhode Island began a process that could result in joint purchases of clean energy. (See *New England States Combine on Clean Energy Procurement*.)

COMPANY BRIEFS

Exelon Pulls Merger Ads; Opposition Grows in DC

Regulators in Maryland and D.C., the last holdouts to Exelon's proposed $6.8 billion acquisition of Pepco Holdings Inc., have completed evidentiary hearings and are expected to rule on the deal by May 8 and May 13, respectively. Approval would create the Mid-Atlantic's largest electric and gas utility.

Opposition in D.C. continues to mount, with two more of the District's Advisory Neighborhood Commissions last week signing resolutions against the merger, tipping the resistance among those 40 groups to more than half. None of the ANCs have come out in support of the takeover, despite being approached by Exelon. The District's Office of People's Counsel and three members of the D.C. Council also oppose the deal. (See *Deadline Looms in Exelon-Pepco Deal*.)

Meanwhile, Exelon has pulled its advertising supporting the merger in Maryland and D.C., prompting some to wonder if that means the company has concluded the acquisition is a done deal. "The decision to discontinue ads in Maryland and D.C. is completely unrelated to any anticipated action the Maryland [Public Service Commission] may or may not take in coming weeks with regard to the merger," Exelon spokesman Paul Adams said. "The ads have run for several weeks, and we believe they have been effective in educating people about the benefits of the merger."

More: *The Sentinel*

Exec: Half of US Fracking Cos. will be Gone by End of Year

The slumping price of U.S. oil and gas will halve the number of hydraulic fracturing companies, according to an industry executive's prediction. Rob Fulks with Weatherford International, one of the larger fracking-service companies, predicts that the number of fracking companies will fall from 41 to just 20 by the end of the year, either through acquisitions or closures.

Speaking at the IHS Cera Week conference in Houston, Fulks said low energy prices are causing a decline in demand for drilling services. Some consolidation moves are already apparent, he said, pointing at Halliburton's acquisition of Baker Hughes in a $34.6 billion deal announced in November.

More: *Bloomberg News*

Dominion Backing Away from Offshore Wind Pilot Program

Unexpectedly high costs have Dominion Virginia Power rethinking its offshore wind pilot program.

The company obtained the permits, did the site test work, drew up plans and sent out bid requests. It figured it would cost about $230 million to erect two wind turbines off Virginia Beach. But the bids came back at between $375 million and $400 million. Now, a Dominion spokesman said the pilot program is on hold while the company and its partners research other ways of building the project.

More: *Virginian-Pilot*

Alliant Taking Steps to Prevent More Eagle Deaths

A month after an eagle was electrocuted on one of its power lines, Alliant Energy is installing equipment aimed at preventing more avian injuries. In March, the body of a dead eagle was found beneath one of its lines near the town of Harper, Iowa.

While birds can perch on one charged wire without risk, Alliant is installing plastic insulation on some wires to decrease the likelihood of a bird contacting two charged wires at once. Work crews are also installing triangular plastic devices on the crossarms to discourage birds from perching.

Birdwatcher say hundreds of eagles congregate in the area, where there is a proliferation of hog farms.

More: *The Gazette*

Alevo Makes First Sale of 2-MW GridBank Battery System

Alevo Group says it signed its first sales contract on its 2-MW GridBank battery system. The company said it will sell three units to an unidentified buyer. In February, the company and Customized Energy Solutions announced they would provide 200 MW of merchant storage capacity to regional transmission operators, half of it to PJM.

More: *Charlotte Business Journal*

RGGI Auctions Provided $2.9 Billion Returns

The nine states of the Regional Greenhouse Gas Initiative (RGGI) say they generated $2.9 billion in savings through 2013. A report by RGGI shows the CO_2 allowances auctions provided lifetime energy bill savings to more than 3.7 million participating households and 17,800 businesses.

More than $1 billion in RGGI auction proceeds were invested in programs including energy efficiency, clean and renewable energy, greenhouse gas abatement and direct bill assistance. Energy efficiency continued to receive the largest share of investments.

Over their lifetime, the investments are projected to save more than 48.7 million BTU of fossil fuels and 11.5 million MWh of electricity, avoiding the release of about 10 million short tons of carbon pollution.

More: *RGGI*

TVA Shutting Coal Units but Wants to Stay in Steam Business

The Tennessee Valley Authority said it wants to install a heat recovery steam generator on one of the 20 gas-fired combustion turbines at the Johnsonville Fossil Plant in Tennessee to provide steam to an adjacent titanium dioxide manufacturer. TVA is retiring the coal-fired units at the Johnsonville plants by the end of 2017, but wants to continue selling steam to the factory. It has prepared a draft environmental study supporting the plan.

More: *Chattanooga Times-Free Press*

Federal Briefs

BLM Taking Comments on Proposed Wyoming Gas Plant

The Bureau of Land Management is taking public comments on a gas processing plant that QEP Resources Inc. wants to build near LaBarge, Wyo. The plant would process production from nearby natural gas wells, separating the raw feed gas into refined helium and marketable carbon dioxide and methane streams.

Refined helium product would be delivered to markets by commercial truck. Excess nitrogen would be vented to the atmosphere. Waste streams of hydrogen sulfide would be injected into a sour gas disposal well currently planned to be drilled close to the plant. Another well would be used for injecting waste water and four wells would be used to inject unsold carbon dioxide.

The plant would include about 16 miles of methane and CO2 pipelines, 13 miles of 230-kV transmission line and a substation. While some of the 355 acres for the project are on federal and state land, the majority is on land owned by QEP. BLM is taking comments until May 20. Comments may be emailed to the bureau.

More: *PennEnergy*; *BLM*

Lawmakers Introduce Bill Targeting 'Absurd' Fossil Fuel Tax Breaks

Sen. Bernie Sanders (I-Vt.) and Rep. Keith Ellison (D-Minn.) introduced a bill that would kill tax breaks for fossil-fuel companies. They said the bills could save $135 billion over 10 years.

"At a time when scientists tell us we need to reduce carbon pollution to prevent catastrophic climate change, it is absurd to provide massive taxpayer subsidies that pad fossil-fuel companies' already enormous profits," Sanders said in a statement.

The "End Polluter Welfare Act" targets federal subsidies for the oil, natural gas and coal industries, as well as grant programs for rail companies. It also calls for an increase in the royalties that coal, oil and gas companies pay for extracting oil and gas from federal land.

More: *The Hill*

No Changes Needed At Fuel Plant, NRC Says

The Nuclear Regulatory Commission gave a clean bill to a nuclear-fuel processing plant in Erwin, Tenn. The NRC's two-year- licensee performance review at the Nuclear Fuel Services facility found that the plant was operating at a satisfactory level of safety and security.

The review singled out an incident in which an employee propped open two valves with a tool rather than holding them open according to regulations, but the infraction was deemed a low-risk event, the commission said. A separate chemical spill at the plant, earlier this spring, is still under investigation.

Nuclear Fuel Services is a subsidiary of Babcock & Wilcox Nuclear Operations Group.

More: *WJHL-TV*

FERC to Conduct Environmental Study of Tenn. Gas Conversion Plan

The Federal Energy Regulatory Commission will prepare an environmental assessment of a plan by Kinder Morgan's Tennessee Gas Pipeline to convert an existing pipeline to transport natural gas liquids collected from shale gas fields. The line was originally built about 70 years ago to move natural gas. It runs 256 miles through 18 Kentucky counties, into Tennessee. The current south-to-north flow will be reversed.

An environmental assessment could take as long as six months and will look at construction methods, materials and the pipeline path.

More: *Lexington Herald-Leader*

Enviros Opposing Ameren Nuke Plant License Extension

A Missouri environmental organization is calling for the Nuclear Regulatory Commission to reverse its decision to grant a license extension to Ameren Missouri's Callaway nuclear station. The Missouri Coalition for the Environment is appealing the NRC's decision to extend Callaway's operating license until 2044. The group cites pending legal challenges that could have an impact on the case.

More: *St. Louis Dispatch*

NRC Gives Peach Bottom Highest Rating in Review

Exelon Nuclear's Peach Bottom Atomic Power Station received the highest safety rating after a review by the Nuclear Regulatory Commission. The NRC announced its finding at a public forum held last week. The NRC senior resident inspector for the plant, Sam Hansell, told a small crowd that the plant on the Susquehanna River had only minor violations in 2014. "Peach Bottom is in a group of top-performer plants," he said. "They get credit for running their plant safely."

More: *The Baltimore Sun*

State Briefs

ILLINOIS

Dynegy CEO: Exelon Bill Endangers Jobs, Plants

Legislation proposed by Exelon that would impose a customer surcharge to provide more revenue for its Illinois nuclear fleet would put jobs at risk at competing coal-fired power plants, Dynegy CEO Bob Flexon said. "It'll have a severe economic impact on jobs downstate," he told Crain's Chicago Business, placing Dynegy's plants "more at risk for shutdown."

"What I would like the Legislature to avoid is disrupting the market by introducing a subsidy for one generator at the expense of other generators," he said. (See *Exelon-Backed Bill Proposes Surcharge to Fund Illinois Nukes*.)

More: *Crain's Chicago Business*

INDIANA

Small Railroad Wants to be Heard in IPL Fuel Switch

Indianapolis Power & Light wants to switch its Harding Street plant from coal to natural gas. Cleaner fuel, more modern plant, better reliability, right? Who would complain?

Well, the small railroad that last year delivered 1 million tons of coal to the plant might. The Indiana Utility Regulatory Commission has recognized Indiana Rail Road Company to be an intervenor in the case. "This conversion will have a substantial, adverse financial impact," the company wrote. The status as intervenor will allow it to cross-examine IPL witnesses. The rail company has not said whether it will try to stop the fuel conversion.

More: *The Indianapolis Star*

KENTUCKY

Landfill Project Will Generate Electricity from Methane Gas

The East Kentucky Power Cooperative plans to begin construction next month on a landfill-gas power plant after receiving approval from the Kentucky Public Service Commission.

The facility at the Glasgow Regional Landfill, which will generate electricity from methane gas produced from buried trash, could be operating by September. Other landfills in the state have embarked on such projects over the past decade.

EKPC, comprised of 16 owner-member distribution cooperatives, will purchase the methane gas from the city-owned landfill, and Farmers Rural Electric Cooperative Corp. will buy the electricity produced from the facility.

More: *Glasgow Daily Times*

MARYLAND

Hogan to Sign Bill Opening Tx Construction to Non-Incumbents

Gov. Larry Hogan will sign a bill opening transmission construction to non-incumbent transmission developers.

Senate Bill 460 authorizes persons other than "electric companies" to obtain a certificate of public convenience and necessity (CPCN) to build overhead transmission at or above 69 kV and to obtain land access through condemnation proceedings. Under current law, that authority was limited to existing electric distribution companies — companies already delivering power to retail customers. The bill allows a transmission developer with a regionally cost-allocated project to obtain a CPCN if the Public Service Commission finds the permit is in the best interest of state residents.

The bill was backed by LS Power and NextEra Energy, two competitive developers seeking to gain business as a result of the Federal Energy Regulatory Commission's Order 1000, which eliminated incumbent transmission developers' federal rights of first refusal (ROFR). Order 1000 does not bar state ROFR preferences, but FERC Chairman Norman Bay has suggested such laws may be unconstitutional. (See *FERC Rejects Rehearing Request on SPP Order 1000 Filing*.)

Hogan was scheduled to sign the bill Tuesday, but the signing ceremony was postponed due to the state of emergency declared due to disturbances in Baltimore City.

More: *Md. Department of Legislative Services*

MICHIGAN

Democrats Propose Bill to Double Renewable Standards

While Republicans in Lansing are looking to gut or abandon the state's renewable energy standard, Democrats are seeking passage of a bill that would double the clean energy standards. The bill, "Power Michigan's Future," was introduced last week and now heads for Republican-controlled committees.

The legislation would double the renewable portfolio standard, to 20% by 2022, while also increasing energy efficiency standards to 2% of a utility's annual sales by 2019.

More: *Midwest Energy News*

Detroit Zoo Energy Plans: 400 Tons of Animal Manure

The Detroit Zoo is raising funds for a proposed power generator that would be fueled from something it has plenty of: animal manure. It is using an online crowdsourcing site – Patronicity.com - to help it obtain $55,000 in funds to match an offer by the Michigan Economic Development Corporation.

The zoo wants to build a biodigester that would capture methane from the manure to generate both heat and power for the zoo's 18,000-squre-foot Ruth Roby Glancy Animal Health Complex. The zoo estimates it could save between $70,000 and $80,000 a year in energy costs. "The biodigester will turn one of our most abundant resources - manure - into energy, and represents a significant step on our green journey," said Detroit Zoological Society CEO Ron Kagan.

More: *MLive*

NEBRASKA

Wind Energy Credit Bill Advances in Legislature

A bill that would create a wind energy tax credit moved forward last week with a 25-3 vote in the Senate. The bill would provide for a 1-cent tax credit per KWh of power produced. The credit would decline by a tenth of a cent every two years, and then end after 10 years. The federal wind energy tax credit, which expired last year, was 2.3 cents per KWh.

The bill's sponsor, Sen. Jeremy Nordquist of

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Nordquist

Omaha, said the wind industry is ready to step in to replace production that will be lost from coal-fired plants being forced into retirement by federal emissions standards. The state has a high amount of potential wind energy, but ranked only 18th in the nation in production while neighbor Iowa was first.

Iowa is one of six states with state production tax credits, according to a report last year by the Iowa Department of Revenue. "We need to be in the game," Nordquist said. "Right now, without a [state] production tax credit, we are not in that game."

More: Omaha World-Herald

NEW JERSEY

BPU Investigating JCP&L's Operations, May Order Audit

The Board of Public Utilities has ordered its staff to examine Jersey Central Power & Light's operations, finances and customer service, and indicated that the initial probe could extend into a full audit. The team conducting the probe is expected to report back to the board by its next meeting in May.

JCP&L has been the target of frequent criticism for its outages. The FirstEnergy subsidiary was handed a blow earlier this year when the BPU signed off on a rate case that reduced revenue by $115 million.

While JCP&L has upgraded substations to improve reliability, regulators have said the company is still under the microscope. "Even today, there lingering concerns about operations and management of the company," said BPU President Richard Mroz.

More: NJSpotlight

Three NJ Utilities Issue RFPs To Increase Solar Certificates

While not ready to build their own solar facilities, three utilities in New Jersey are seeking power purchase agreements with solar generators for about 80 MW of solar capacity. Atlantic City Electric, Jersey Central Power & Light and Rockland Electric Company are looking to secure Solar Renewable Energy Certificates to satisfy state mandates.

The three-year SREC program, certified by the Board of Public Utility's Office of Clean Energy, awards one SREC for each MWh of solar generation. ACE is looking for 23 credits, JCP&L is in the market for 52 credits and Rockland needs 4.5 credits.

More: PV Magazine

NEW MEXICO

PRC Nixes Public Service's Plan To Shutter San Juan Unit

The Public Regulation Commission's refusal to allow Public Service Co. of New Mexico to shut down one half of its coal-fired San Juan Generating Station to meet federal emissions standards could spell trouble for the plant's future, according to the company.

Public Service wants to retire two of the plant's four units, and install emissions controls on the other two. While the hearing examiner agreed to closing the units, he nixed the company's proposal to absorb 132 MW of excess coal capacity in one of the remaining two units. The company said its plan is necessary because some of the plant's co-owners will pull out in 2017.

"The consequences of such a decision will likely lead to a collapse of the restructuring of the San Juan ownership interests ... and ultimately endanger continued operations at San Juan," the company wrote in a filing last week. If Public Service has to find outside sources for the lost generation, rates could increase for customers, it said.

More: Albuquerque Journal

NEW YORK

Anti-Fracking Report Due Out Soon

A several-thousand-page document that will lay out the rationale for prohibiting hydraulic fracturing will be released soon, state Environmental Conservation Commissioner Joseph Martens said. The Supplemental Generic Environmental Impact Statement will end seven years of study that paves the way for Martens to issue an order preventing large-scale fracking.

Martens

In December, Martens said he would move to prohibit high-volume fracking "at this time" after state Acting Health Commissioner Howard Zucker issued a report recommending against proceeding, citing concerns about health risks and gaps in science.

To formalize a ban, the state Department of Environmental Conservation has to complete the environmental impact statement. State law mandates the document must be available for public review for at least 10 days before Martens issues a "findings statement," the legal document that would finalize the state's decision.

More: Poughkeepsie Journal

Caithness Long Island Says 2nd Plant Could Save $192 Million a Year

Caithness Long Island Energy, which already operates a 350-MW plant in the center of Long Island, released a study that says construction of a second plant could lower regional energy costs up to $192 million a year.

The company said its proposed 750-MW Caithness II plant in Yaphank would also decrease the island's dependence on power imports and on older plants. The company released the report after PSEG Long Island, operator of the local distribution company, announced that no new sources of power were necessary until 2024.

Caithness President Ross Ain called PSEG's analysis "one-dimensional" and said it didn't take into account other savings from both the proposed plant and from Caithness I. PSEG Long Island's parent company also produces power that would be in competition with the Caithness project.

More: Newsday

NORTH CAROLINA

Most Wells near Duke Ash Ponds Show Contamination

State environmental regulators issued health warnings after some tests of private water wells near Duke Energy's coal ash ponds showed contamination. The Department of Environment and Natural Resources said that 87 of 117 test results mailed recently to property owners cited contamination that exceeded state water

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safety standards.

The state indicated that the water would pass federal standards for municipal water supplies. Nevertheless, the state included warnings not to use the water for drinking or cooking.

While the tests have not yet shown a direct link between the coal ash ponds and the contaminants, many of the contaminants were those often found in coal ash, such as toxic heavy metals. Duke said it believes the high levels of contaminants are naturally occurring. "Based on the test results we're reviewed thus far, we have no indication that Duke Energy plant operations have influenced neighbors' well water," the company said.

More: *The Charlotte Observer*

Officials Approve Offshore Seismic Surveys with Some Caveats

The state Division of Coastal Management gave the go-ahead for seismic surveys off the North Carolina coast by two oil and gas exploration companies.

Although Spectrum Geo Inc. and GX Technology now have state permits, they still need approval from the Bureau of Ocean Energy Management and the National Marine Fisheries Service. The state division also set other conditions, such as conducting the surveys at times that don't conflict with recreational fishing tournaments, avoiding certain protected habitats, and following federal mitigation methods to reduce or eliminate impacts to marine life.

More: *Carteret County News-Times*

Attempt to Scale Back RPS Foiled by House Vote

A House committee voted against an attempt to roll back renewable portfolio standards. House Bill 681 would have allowed utilities to freeze the amount of renewable energy they procure at 6% for the next three years. The current Renewable Energy and Energy Efficiency Portfolio Standard requires utilities to obtain 12.5% of their energy from renewable sources by 2021. The bill was defeated in committee 15-14.

More: *WRAL*

Duke Energy Moves Ahead With NC Solar Construction

Duke Energy is on track to complete three more utility-scale solar projects by the end of the year as part of a $500 million investment in North Carolina solar: the 65-MW Warsaw facility in Duplin County; 40-MW Elm City plant in Wilson County; and the 23-MW Fayetteville Solar Facility in Bladen County.

Duke is also building a 13-MW solar plant at Marine Corps Base Camp Lejeune. The company said last week that it will employ more than 900 workers on the plants at the peak of construction.

More: *The Charlotte Observer*; *Duke Energy*

PENNSYLVANIA

PUC Gives Initial Approval To New AEPS Regulations

The Public Utility Commission voted unanimously to revise the state's Alternative Energy Portfolio Standards with new rules for net metering customers. The rules would allow "customer-generators" to produce up to 200% of their annual power needs, receiving retail prices for any excess they sell to the grid. The rules also would reduce PUC deadlines for approving net metering applicants.

Final approval is pending a comments session. The AEPS requires distribution companies and generation suppliers to source 18% of electricity from alternative sources by 2021.

More: *The Philadelphia Inquirer*; *PUC*

FirstEnergy's Bruce Mansfield Plant Tagged with Notice of Violation

The Department of Environmental Protection issued a notice of violation to FirstEnergy Corp. for emissions at its Bruce Mansfield coal-fired plant in Shippingport. The DEP said that the plant's Unit 2 stack exceeded emissions limits earlier this month. The NOV did not identify the emissions.

Workers at the plant found a leak in a duct and repaired it, a plant spokeswoman said. A DEP spokesman said union employees at the plant brought the issue to the attention of state regulators, and that "served as a way to gets us out there."

More: *Pittsburgh Post-Gazette*

VIRGINIA

Dominion to Close All Ash Ponds in Virginia

Dominion Virginia Power said it will be closing all ash ponds at its Virginia power plants. The announcement came following the finalization of coal-ash disposal rules by the Environmental Protection Agency.

Virginia is the northern neighbor of North Carolina, which has been the scene of coal-ash legal action and legislation following a massive spill of toxic coal ash from a retired Duke Energy plant on the border of the two states. Dominion said it would close coal ponds at its Chesterfield Power Station near Richmond, the Bremo Power Station in Fluvanna County, the Chesapeake Energy Center in Chesapeake and the Possum Point Power Station in Prince William County.

The company said the ponds would be drained and sealed with a liner that would covered with a 2-foot layer of earth.

More: *The Roanoke Times*

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McAuliffe Signs Clean Energy Bills on Earth Day

McAuliffe

Gov. Terry McAuliffe signed several bills aimed at encouraging clean energy production, energy efficiency and jobs production:

- HB 2267/ SB 1099: A bill creating the Virginia Solar Development Authority, which aims to spur construction of solar facilities;
- HB 1950/ SB1395: Doubles allowable generation capacity of a solar net energy metering facility;
- HB 2237: Authorizes utility cost recovery for construction or purchase of a solar facility with capacity over 1MW and establishes that 500MW of solar generation are in the public interest;
- SB 1331: Clarifies how costs are evaluated by the State Corporation Commission to increase approval of natural gas energy efficiency programs;
- HB 1446 /SB 801: Expands the Property Assessed Clean Energy (PACE) program, which creates loan programs for localities to finance energy efficiency projects on commercial buildings using private capital; and
- HB 1843/ SB 1037: Extends $500 per job Green Jobs Tax Credit for three years to July 1, 2018.

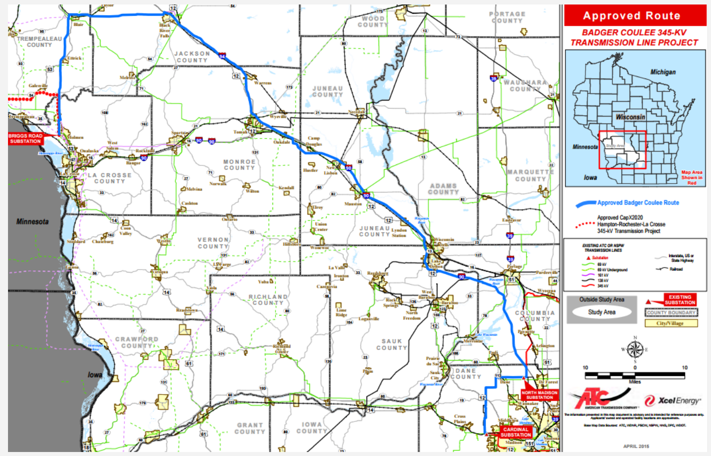
Some environmentalists applauded the move, but said more action is needed. “The fact that we’re celebrating Earth Day by witnessing several pieces of clean energy legislation get signed into law is proof of the growing movement in Virginia demanding solutions to climate change,” said Dawone Robinson of the Chesapeake Climate Action Network.

“Virginia currently has only 11 MW of solar installed, and that figure is embarrassingly low, especially compared to our neighbors. Virginia has as much or more solar potential than Maryland and North Carolina, yet those states have more than 200 MW and 950 MW of solar currently installed respectively thanks to much stronger state policies.”

More: Gov. McAuliffe; Chesapeake Climate Action Network

WISCONSIN

Contested Transmission Line Gains PSC Approval



Route of the proposed Badger Coulee line. (Source: Xcel Energy, ATC)

The Public Service Commission last week approved the Badger-Coulee transmission project, and now land agents are fanning out to acquire the easements upon which it will be built. The 345-kV, $580 million line is a joint venture of Xcel Energy and American Transmission Co.

With the PSC’s approval, the companies received permission to pass the cost of the line on to consumers across the Midwest. The line is part of a larger project, the CapX2020, which will run across Minnesota and Wisconsin.

Construction work on that line is already underway. ATC and Xcel say the lines will provide a way to deliver cheaper wind-generated power to consumers.

More: Lacrosse Tribune

Alliant to Build $750 Million Gas-fired Plant in Wisconsin

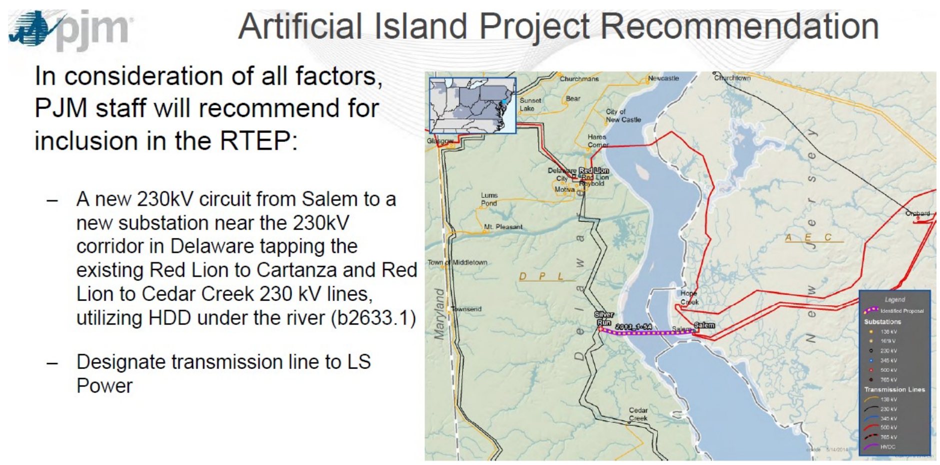
Alliant Energy Corp. is seeking authority to build a $750 million combined cycle gas plant in Wisconsin, its first application for new generation since regulators rejected its 2008 proposal to build a coal-fired plant. The company is also proposing to build a new 2-MW, $9 million solar facility next to the gas plant.

The solar facility, if approved and constructed, would be the second largest in the state. The proposed gas-fired plant would be rated at about 700 MW. The proposal for the new complex coincides with Alliant’s plans to retire a coal-fired facility in Cassville, Wis., and coal boilers in Sheboygan to comply with an environmental settlement reached with federal regulators several years ago.

More: Journal Sentinel

PJM Picks LS Power for Artificial Island Stability Fix; Dominion Loses Out

By Suzanne Herel



VALLEY FORGE, Pa. — PJM planners have selected LS Power to build a new 230-kV transmission line from New Jersey's Artificial Island to Delaware to address stability issues at the nuclear complex, they announced Tuesday at a special meeting of the Transmission Expansion Advisory Committee.

Public Service Electric & Gas and Transource Energy — two other finalists for the project — were chosen for necessary connection facilities. Dominion Resources, the fourth finalist, is not included in PJM's recommendation, which it will make to the Board of Managers on May 20.

PSE&G will be responsible for expanding the Salem substation and building a static VAR compensator (SVC) upgrade at New Freedom. Pepco Holdings Inc., Transource's partner, will oversee interconnecting the new substation to the existing Red Lion-Cartanza and Red Lion-Cedar Creek 230-kV lines.

PSE&G and PHI together would be responsible for optical ground wire (OPGW) upgrades.

The SVC upgrade project is estimated at $31 million to $38 million, and the OPGW work at $25 million.

Home to the Salem and Hope Creek nuclear reactors, Artificial Island is the second largest nuclear complex in the country. Special operating procedures that historically have been used to maintain stability in the area have become increasingly difficult to implement while respecting the system's other operational limits.

The call for proposals for a fix, which went out two years ago, signaled PJM's first competitive transmission project under the Federal Energy Regulatory Commission's Order 1000.

Last summer, PJM planners recommended PSE&G for the job, but the Board of Managers reopened the bidding following an outcry from losing bidders, environmentalists and New Jersey officials. (See PJM Board Puts the Brakes on Artificial Island Selection.)

PSE&G was a finalist in the new round of bidding, along with LS Power, Transource and Dominion. All of the projects include new transmission lines connecting the nuclear complex to Delaware. LS Power and Transource offered a southern, submarine crossing of the Delaware River, with LS Power also including an overhead option. Dominion and PSE&G proposed a northern, overhead crossing. (See Artificial Island Finalists Face Off in Tense Meeting.)

All are expected to be met with permitting obstacles.

Planners had expected to make a recommendation in January but held off so consultants could look into concerns that Dominion's proposed use of thyristor controlled series compensation (TCSC) could threaten reliability. (See Further Study Delays PJM's Artificial Island Decision.)

At the last TEAC meeting, PJM said that Siemens Power Technology International had completed a sub-synchronous resonance analysis of Dominion's proposal and found it could result in "negative damping" for several resonant frequencies.

Exponent, an engineering and science consulting firm hired by PJM to review the Siemens study, expressed its own concerns with the Dominion plan, which proposes a 90% post-contingency TCSC compensation — well above the usual 70 to 80% compensation used in the industry.

Still outstanding is a complaint PSE&G submitted to FERC accusing PJM of breaking its own rules in the bid solicitation process (EL15-40). PJM in March asked FERC to defer ruling on the matter until it had chosen a bidder for the project. (See PJM: PSE&G's Remedy for Artificial Island Bid Process 'Draconian,' 'Self-Serving'.)

Quebec-NYC Tx Line Clears Final Regulatory Hurdle

By William Opalka

A 1000-MW merchant transmission line that would deliver Canadian hydropower to New York City has completed its federal environmental review, clearing the way for construction.

The U.S. Army Corps of Engineers on Tuesday issued a permit to Transmission Developers Inc. that allows the Champlain Hudson Power Express project to be placed in U.S. waters along the proposed route. The entire 333 miles from the Quebec border to the Astoria neighborhood in Queens will be underground or underwater, including sections beneath Lake Champlain and the Hudson River.

TDI said the project has secured all of the federal and state siting permits necessary to proceed with construction, which could start next year. The permit authorizes TDI to construct the project under Section 10 of the Rivers and Harbors Act and Section 404 of the Clean Water Act.

The estimated $2.2 billion project would boost Canada's interest in exporting electricity to New York and New England. (See *Hydro-Quebec Seeks to Boost Exports to Northeast*.)

"The terms of the permit reaffirm that our project will take appropriate steps to protect New York's environmental and commercial resources, and we are excited to have moved substantially closer to the moment when we will begin to deliver cleaner, lower-cost power to New York's residents and businesses," TDI CEO Donald Jessome said in a statement.

The project has been under development since 2008. Its proponents claim it could reduce energy costs for consumers and businesses by $650 million a year.

The Independent Power Producers of New York, a trade association whose members would be in direct competition with imported energy sources, opposed the project. IPPNY insists the project is not financially viable without subsidies from Canadian power producers and an above-market-rate contract with New York utilities transmitting the energy.

The New York Public Service Commission has rejected those claims.

TDI plans to finance the project through private equity and support from shippers and contractors. TDI's lead investor is the Blackstone Group.

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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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FERC OKs PJM Request to Delay Capacity Auction

Continued from page 1

the auction 30 to 75 days after a commission order on the merits of the proposal, but no later than the week of Aug. 10-14.

The proposed delay drew more than two dozen comments, mostly from supportive stakeholders, but also from critics who said a postponement would create more market uncertainty than it is seeking to quell. (See *PJM Bid to Delay Capacity Auction Draws Flurry of Support, Criticism*.)

In granting the delay, the commission ruled that PJM's request was of limited scope, remedied a concrete problem and would not harm third parties (ER15-1470). (The commission later issued an errata to fix its incorrect reference to the delivery year in paragraphs 1 and 2, which should have referred to the 2018/19.)

"PJM's request for waiver will allow the commission to consider the additional information submitted by PJM in support of its Capacity Performance proposal, as well as comments and protests regarding that additional information, while also providing clarity regarding the timing under which PJM will conduct its auction following commission action on that proposal," the commission said.

FERC acknowledged the delay would result in "some uncertainty."

"We recognize that some protestors argue that delaying the auction will harm them by increasing their costs to participate in the auction. We acknowledge these concerns, but agree with PJM that it is important that the commission have the opportunity to consider the full record in the Capacity Performance proceeding prior to PJM running this year's auction."

The commission said PJM's commitment to conduct the auction no later than mid-August mitigates the potential impacts on market participants, and noted that "any additional costs incurred by participating resources may be included in their capacity sell offers, to the extent permitted by the rules in place for the auction."

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MRC/MC Preview

7. ENERGY MARKET UP-LIFT SENIOR TASK FORCE (EMUSTF) Charter (11:00-11:10)

Members will be asked to approve the charter for the Energy Market Uplift Senior Task Force (EMUSTF). The MRC approved the creation of the task force in May to take a broad review of its method of providing Operating Reserve payments.

PJM said the changes were needed to reduce growing uplift costs resulting from Operating Reserves, "make whole" payments that ensure generators dispatched out of merit for system reliability don't operate at a loss.

See *PJM Proposes Operating Reserve Changes to Cut Uplift*

pjm — Energy Market Uplift Senior Task Force Charter
Draft

Mission

The Markets and Reliability Committee (MRC) approved the creation of the Energy Market Uplift Senior Task Force (EMUSTF) on May 30, 2013 to evaluate causes for energy market up-lift charges, develop ways to minimize them while maintaining prices that are consistent with operational reliability needs, and explore new methodologies for the allocation of make-whole payments.

PJM Proposes Operating Reserve Changes to Cut Uplift
April 30, 2013

PJM called Thursday for a broad review of its method of providing Operating Reserve payments, saying changes were needed to reduce growing uplift costs.

Operating Reserves are "make whole" payments that ensure generators dispatched out of merit for system reliability don't operate at a loss. Because they are collected through uplift charges and not reflected in day-ahead or real-time locational marginal prices, they cannot be hedged.

In 2012, operating reserve payments totaled a near record $649 million, 2.2% of total billing. Day-ahead operating reserve charges increased by about 90% in 2012, spiking in September after PJM increased the number of "must run" units dispatched in the day-ahead market.

- **Federal and state regulatory news briefs**

OHIO

Industry Likes Efficiency Rule, Wants Spending Cap

The Ohio Manufacturers Association favors the state's energy efficiency standards but wants a cap on how much utilities can charge for efficiency riders. The group said is still studying provisions of a bill that has been introduced to make changes in the program.

Meanwhile, wind energy supporters argued against a provision in the bill that would eliminate requirements that utilities buy a certain amount of in-state renewable energy.

More: *Columbus Business First; The Columbus Dispatch*

- **Voting summaries**

Trading Limits

Reason for Change: PJM proposed the cap because high bid volumes can make it difficult for the RTO's day-ahead markets software to reach solutions.

Impact: PJM can limit market participants to no more than 3,000 UTC transactions each in the day-ahead market when necessary for market operations. (A similar cap also applies to increment offers and decrement bids.)

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PJM should be able to absorb the more than 7,000 MW of imports that cleared in May's capacity auction for 2016-17, officials said. -more-

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Members agreed to consider new rules to allow batteries, flywheels and other advanced storage technologies to bid in the capacity market. -more-

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PJM will seek to set a limit on capacity imports before next year's Base Reliability Auction under a problem statement approved Thursday by the Planning Committee. -more-

Installed Reserve Margin May Increase for 2014
September 17, 2013
PJM's recommended Installed Reserve Margin (IRM) will increase slightly because of the increasing alignment of the RTO's peak demand with demand outside of the region, according to a preliminary analysis presented to the Planning Committee Thursday. -more-

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