RTO Insider
Your Eyes and Ears on the Organized Electric Markets
ISO-NE ■ MISO ■ NYISO ■ PJM ■ SPP

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SPP, NYISO Mark Birthdays, Make Claim to 'Best' RTO

Tale of Two Markets

Category	NYISO	SPP
Boast	"The very best market in the world." — CEO Stephen Whitley	On-time, under-budget
Retail Choice	Yes	No
Founded	1965 (New York Power Pool)	1941
Wholesale Market Started	1999	2014
Philosophy	"Big Bang Theory": started energy, reserve and ancillary services markets simultaneously. — former CEO William Museler	Incremental. "We don't have all the bells and whistles ... but we do have a good pick-up truck to move us down the road." — Jim Krajecki, Customized Energy Solutions
Market Size	$7.72 billion (2013)	$11.8 billion (2014)
Generation Capacity	37,978 MW	63,604 MW

(Sources: NYISO, SPP)

SPP's Integrated Marketplace marked its first anniversary while NYISO's market celebrated its 15th year at separate forums last week in Little Rock and Albany (above). Each boasted of what makes them best in class while also acknowledging challenges both common and unique.

Gulf Coast Power Association SPP Briefing

SPP Members Weigh First Year of Integrated Market

By Rich Heidorn Jr.

LITTLE ROCK, Ark. — SPP officials and market participants last week celebrated the first year of its Integrated Marketplace, boasting of its on-time, under-budget delivery, while acknowledging there is more work to do.

"We don't have all the bells and whistles of everybody [else's market]. But we do have a good pick-up truck to move us down the road," said Jim Krajecki, Southwest director of wholesale

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More GCPA Coverage:

- **Arkansas PSC Chair Rips GOP's Carbon Plan Strategy** (p.10)
- **SPP Trying to Balance Risk on Gas-Electric** (p.11)

IPPNY Spring Meeting

Former FERC Regulators Lament Unfinished Business

By William Opalka

ALBANY, N.Y. — Four former energy regulators who were in the middle of many of the electric industry's watershed events of the past two decades reminisced — and expressed regrets for paths not chosen — at the Independent Power Producers of New York spring conference Wednesday.

Former Federal Energy Regulatory Commissioners William Massey (1993–2003), Nora

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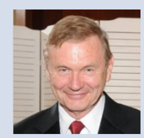
NYISO IT Chief Revealed as Former KGB Spy



"Jack Barsky" held IT posts for Consolidated Edison, NRG Energy and NYISO. (p.7)

Stakeholders Debate Need for Clean Power Plan Reliability Safety Valve

By Rich Heidorn Jr.

WASHINGTON — In the 11 months since the Environmental Protection Agency proposed its Clean Power Plan, the idea that the final rule should include a reliability "safety valve" has become an article of faith among utility, state and RTO officials.

Count former state regulator Sue Tierney among the nonbelievers.

"I don't think a reliability safety valve is needed because ... we have those mechanisms in place today," Tierney told a Bipartisan Policy Center forum Friday. "We have reliability-must-run contracts. We have ways to address voltage support. We have ways to address inertia. ... We will not

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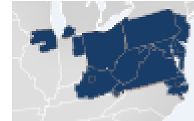
PJM NEWS



FERC Issues Request for Comments in UTC Uplift Docket; Ruling by October?

By Rich Heidorn Jr.

If the Federal Energy Regulatory Commission keeps its word, virtual traders in PJM should have clarity by the end of October on whether up-to-congestion transactions will be subject to additional charges.

In opening a section 206 docket on the issue last year, the commission said it would rule within five months after it receives comments following a technical conference.

The technical conference was held Jan. 7. On April 29, the commission issued the request for follow-up comments, which are due May 29 (EL14-37).

In September, FERC ordered the 206 proceeding to determine whether PJM is improperly treating 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 collapsed after Sept. 8, the refund-effective date set by FERC for any uplift assessments. Some financial traders have discussed an interim fee on UTCs in an effort to encourage trading pending resolution of the case. (See *Cool Response to Proposed 7-Cent Fee on Virtual Transactions*.)

Among the questions on which FERC solicited comment were:

- How should the injection/withdrawal points for the virtual transaction be identified?
- Should the defined "worst case" node be limited to the market participant's own transactions?
- Should the FTR forfeiture rule collectively assess the net impact of a market participant's entire portfolio of INCs, DECs and UTCs instead of the current rule, which assesses virtual transactions one at a time?
- Should counter-flow FTRs and bids that relieve congestion remain exempt from FTR forfeiture rule calculations? Should financial transactions that improve day-ahead and real-time market price convergence be exempt from the forfeiture rule?
- Should UTCs be assessed uplift?
- Do UTCs impact unit commitment decisions?
- Should market participants be allowed to net INC and DEC transactions for the purpose of uplift allocations?

PJM Averts Use of Temporary $1,800/MWh Cost-Based Offer Cap

By Suzanne Herel

Description	Amount
Energy cleared (MWh) with offers between $1,000 and $1,800/MWh	0
As-bid costs (dollars) of energy cleared with offers between $1,000 and $1,800/MWh	$0
Energy cleared (MWh) with cost-based offers above $1,800/MWh	0
As bid costs (dollars) of energy cleared with offers above $1,800/MWh	$0
Make whole payments to resources with offers above $1,800/MWh	$0
Number of hours with day-ahead LMP above $1,000/MWh	31
Number of hours with real-time LMP above $1,000/MWh	326
Number of 5-minute intervals with Real-Time LMP above $1,000/MWh	34,280

Summary of energy market offers, Jan. 16-March 31, 2015. (Source: Monitoring Analytics LLC)

PJM made it through the winter without having to invoke a temporary cost-based energy offer cap of $1,800/MWh, the Independent Market Monitor reported last week.

In the 75 days ending March 31 that the waiver was in effect, there were 54 cost-based offers between $1,000/MWh — the historical cap — and $1,800/MWh, but none cleared, according to the report, which the Federal Energy Regulatory Commission ordered in granting the waiver Jan. 16 (EL15-31). (See *FERC OKs $1,800 Offer Cap*.)

"None of the cost-based or price-based offers between $1,000 and $1,800/MWh cleared with an incremental rate above $1,000/MWh, although one unit with an incremental offer curve that included points below $1,000 and above $1,000/MWh was dispatched at incremental offers below $1,000/MWh on three days," it said.

"The Market Monitor's review … indicates that energy offers with scheduling rates or with incremental curve offer components above $1,000/MWh did not affect energy market prices or result in uplift payments to generators," it said. "LMPs greater than $1,000 were the result of transmission constraint penalty factors and not the result of unit offers."

The Monitor said it was "investigating the offer behavior of several units and will take appropriate actions consistent with Attachment M of the PJM Tariff."

PJM requested the waiver over concern that some natural gas-fired generators might encounter the same fuel price spikes that occurred during the polar vortex in January 2014. PJM asked for the allowance to ensure that generators would recover their costs if called upon during periods of high demand.

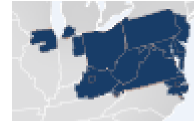
In fact, the cold temperatures of this past winter sent PJM to a new winter record for electricity use on Feb. 14, and the RTO still was able to avert use of the higher cost-based offer cap. Demand hit about 143,800 MW, surpassing the previous peak of 141,846 on Jan. 7, 2014. (See *Cold Sends PJM to New Winter Record*.)

Analysts have attributed this winter's lower natural gas prices to ample supply, a later onset of cold temperatures and increased imports of liquefied natural gas to the Northeast.

The waiver request was made as a section 206 filing after stakeholders failed over eight months to come to a consensus.

At the time the waiver was being debated, Market Monitor Joe Bowring said fewer than 25 offers had breached $1,000 in January 2014. While some of the proposed offers were in the $1,700/MWh range, he said, there had been no legitimate offers greater than $1,400/MWh.

PJM NEWS



Planning Committee Briefs

Could Planning Upgrades Help Mitigate Uplift?

The PC began work on an assignment from the Markets and Reliability Committee to consider uplift among the problems to be addressed by grid upgrades under the Regional Transmission Expansion Plan.

Since July 2013, the MRC's Energy Market Uplift Senior Task Force has been studying ways to reduce out-of-market make-whole payments, such as those for generators usually needed only for voltage support. So far this year, PJM has accrued $193 million in uplift charges, including $105 million in February alone.

"Are there [transmission] upgrades that might be more cost effective than running the generation that we're currently operating?" asked Adam Keech, senior director of market operations.

Herling encouraged stakeholders to think about how to identify problems. He said the PC would conduct more substantive discussions at the next meeting.

PAR Charter Not Ready For Endorsement

The PC postponed a vote on the charter for a group charged with considering phase angle regulator transmission injection and withdrawal rights after a stakeholder complained that it had been posted too late under PJM rules.

The group will consider whether and how PARs can participate in the market and receive injection and withdrawal rights at PJM's border, PJM's Aaron Berner said.

The group will meet next on Thursday and is continuing to look for stakeholders interested in participating. So far, he said, about 20 have expressed interest.

Planners Stumped on How to Incent Earlier Queue Submissions

VALLEY FORGE, Pa. — Despite a fee structure designed to encourage early submissions, PJM continues to receive too many interconnection requests late in the queue. As a result, planners introduced a problem statement and issue charge at the Planning Committee last week to find a better solution.

Planners proposed a new task force whose key assignment would be to "remove ineffective methods and identify new methods to incentivize new service customers to enter the queue earlier," according to the issue charge.

"We're of a mind that some of the rules need to be stripped out and replaced with something else," said Steve Herling, PJM's vice president of planning. "If it doesn't serve a purpose, then maybe we strip that out, but it has to be replaced with something to incentivize.

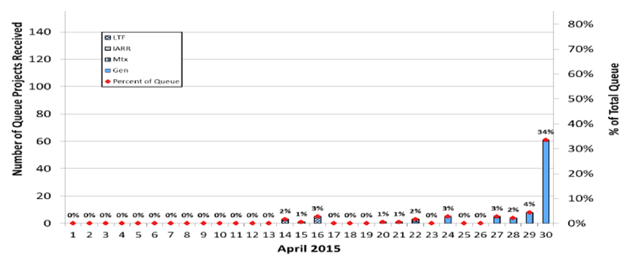
"Maybe if you come in late and you're deficient, you get first in line in the next queue," Herling said. "If it's time to start and you're not on the boat, you wait for the next one."

Herling said the problem statement would be returned to the committee next month for refinement.

Planners told the PC in January that they would be seeking stakeholder input on how to incent interconnection customers to submit their requests earlier. (See *PJM to Try Again to Speed Interconnection Filings*.)

Under the current structure, the deposit for applications filed in the first four months is $10,000; for the fifth month it is $20,000; and for the last month, $30,000. Nevertheless, about half of all queue submittals are filed in the last month, and about one-third in the final day of the window, creating a workflow crunch for planners.

— Suzanne Herel



AA2-Queue applications in April, month 6. (Source: PJM)

Market Monitor: Faulty Marginal Benefit Factor Harming Regulation

PJM's regulation market is purchasing too much from fast-responding "RegD" resources, negatively affecting regulation and reliability, at the same time the RTO is incorrectly compensating those providers, the Independent Market Monitor said in a report presented last week to the Operating Committee.

Howard Haas of Monitoring Analytics said the root of the problem is an incorrectly defined marginal benefit factor that describes the relationship between RegD and traditional RegA resources.

While the MBF should be indicating when there is a diminishing return on the use of either resource, it has resulted in the over-procurement of RegD. In addition, it has led RegD resources to be alternately overpaid and underpaid. On average, Haas said, RegD resources have been undercompensated 46% from October 2012 through March using the current method, he said.

"We never seem to be paying it the right amount," Haas said. "It's sending a strange signal to the market."

PJM operators already had observed decreased market optimization during times when a large percentage of RegD is on the system. It provides more than 42% of response on average, shooting up as high as 70% during some events.

Last week, PJM presented the OC with a problem statement and issue charge to investigate the issue. The IMM wants to add to the inquiry an investigation into how the MBF is being defined and applied.

"If we follow it through, we're going to correct more than one issue," Haas said.

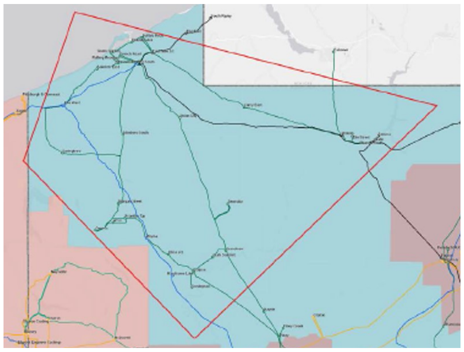
However, stakeholders agreed that the problem statement had been so substantially broadened since it was initially proposed that it was not ready for a vote. (See "Too Much of a Good Thing? PJM Concerned Fast Response Regulation Crowding Out Traditional Resources", *PJM Operating Committee Briefs*.)

Instead, it will be reworked in a series of special OC meetings.

PJM NEWS

Operating Committee Briefs

More Details Emerge on April Erie Outage



PJM created pricing interfaces for the entire PENELEC transmission zone (light blue area) and the ERIE-PN area within it (red quadrangle) in order to allow demand response to set prices following a transmission outage April 21-22. (Source: PJM)

VALLEY FORGE, Pa. — PJM provided more details last week on the April 21-22 transmission outage that resulted in the dispatch of demand response in the Erie area.

PJM's Joe Ciabattoni told the Operating Committee that early on April 21, one of the three feeds into the Erie area, located in the PENELEC zone, was on a scheduled outage when a circuit breaker failed, taking one of the remaining paths out of service.

"That resulted in severe low voltage in a load pocket of about 200 MW," he said. "If we had lost a third feed in the area, we would have lost that load pocket." Ciabattoni noted at last week's Market Implementation Committee meeting, where the matter also was discussed, that there always are voltage concerns in that area when there are planned or unplanned outages, and that an upgrade is included in next year's Regional Transmission Expansion Plan.

When a workaround to bypass the breaker did not come to pass, PJM issued a PENELEC zone-wide voluntary call for DR to alleviate some of the voltage violations and implemented a switching solution, he said, estimating the DR available that evening at 130 MW.

"Going through the midnight period, we lost some generation in the area, which further aggravated the situation," Ciabattoni said, so a voluntary call for DR again was made the following morning, when an estimated 73 MW was available. Because the outage occurred during a non-compliance period, all of the response was voluntary.

A sub-zonal call for DR was not made, he told the MIC, because it would have required a prior-day's notice.

The event sparked the creation of two new closed-loop pricing interfaces in order to capture the DR dispatch in LMPs rather than in uplift — ERIE-PN, which is within the PENELEC zone, and the entire zone itself.

However, Stu Bresler, PJM vice president of market operations, told the MIC that PJM would not have let DR set prices for the full zone because the issue was isolated to the Erie area.

Black Start Service Undergoes Annual Revenue Recalculation

Black start generators are in the process of requesting changes to their annual revenue requirements, reflecting adjustments to net cost of new entry, operations and maintenance and fuel storage costs.

All combustion turbines and combined cycles, including black start units, are required to make changes to their accounting of maintenance expenses, said Thomas Hauske, senior lead engineer.

Unit owners and the Independent Market Monitor have until Thursday to agree on changes. PJM must accept or reject submitted values by May 27. The new rates take effect in June.

Load Management for 2015/2016 Presented

PJM expects about 8,250 MW of demand response for the 2015/16 delivery year.

Curtailment service providers registered 6,700 MW of pre-emergency DR and 1,550 MW of emergency DR as of April 30. Lead times break down as follows: Quick (30 minutes), 5,600 MW; Short (60 minutes), 350 MW; and Long (120 minutes), 2,300 MW. There are 6,000 MW of Limited DR (June- September); 2,100 MW of Extended Summer (May- October); and 150 MW of Annual DR. The figures will not be finalized until May 31.

The products are always called as a group unless they are out of season or they have been called too many times and PJM wants to save some Limited DR calls for later in the summer.

PJM has automated its dispatch of DR through its emergency procedure postings.

— Suzanne Herel

Market Implementation Committee Briefs

Tariff Harmonization Group Offers First New Definition

The Tariff Harmonization Senior Task Force, formed in December to resolve inconsistencies and ambiguities in PJM's governing documents, brought forward its first proposed change: the definition of PJM Net Assets.

"We thought it would be important to try and clarify what portion of PJM assets would be available for a third-party claim if one were made," CFO Suzanne Daugherty told the committee. "You all don't want everything in our financial statement available to a third-party claim."

At any one time, she said, PJM could be holding roughly $1 billion on behalf of members, she said, but it's not an asset.

The new definition specifies that PJM's "Net Assets" will include those reflected in the RTO's financial statements and not those for which it is acting as a temporary custodian on behalf of its members.

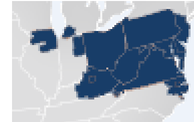
The group is prioritizing about 50 definitions and will next meet May 29.

PJM Member in Default, To be Terminated

PJM will seek to terminate the membership of Intergrid Mideast Group after it was declared in default for failing to honor collateral and payment obligations, CFO Suzanne Daugherty told the MIC.

Continued on page 5

PJM NEWS



Market Implementation Committee Briefs

Continued from page 4

Intergrid has accumulated three defaults within 12 months, and after the first one, its transaction rights were suspended. Now, PJM will be submitting a request with FERC to permanently cancel its membership, regardless of whether the defaults are rectified.

Intergrid, primarily a holder of financial transmission rights, paid its invoices through April 24. Its invoice due May 1 was fulfilled by the collateral it had posted with PJM, as will be the bill due May 8. That will leave $250,000 in remaining cash collateral.

PJM estimates that Intergrid may be liable for up to $2 million in charges on FTRs that expire May 31.

PJM plans to liquidate the FTR positions Intergrid also previously cleared in auctions for the 2015/16, 2016/17 and 2017/18 planning years. The positions for 2015/16 will be offered for sale during the FTR auction that opens this week.

The remaining positions will be offered for sale during the FTR auction that opens in early June.

PJM had no estimate for how much it will cost to liquidate the FTR positions.

Likely Dates for Delayed Capacity Auction: Aug. 3 or 10

VALLEY FORGE, Pa. — The most likely dates for the 2018/19 Base Residual Auction to commence are Aug. 3 or Aug. 10, Jeff Bastian, manager of capacity market operations, told the Market Implementation Committee last week.

The timing will be determined by when the Federal Energy Regulatory Commission rules on PJM's Capacity Performance proposal, which should be no later than June 9, assuming the commission acts 60 days from PJM's April 10 response to FERC's deficiency letter. (See PJM Responds to FERC Queries on Capacity Performance, Requests Approval.)

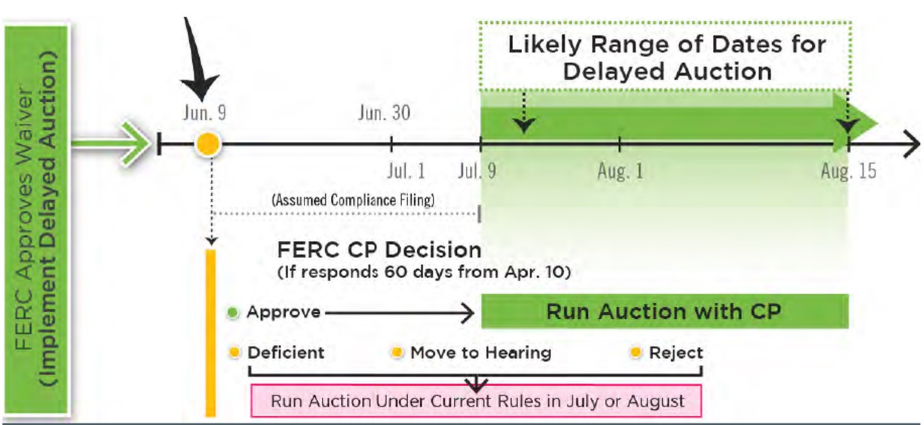
Bastian said PJM plans to announce a firm date for the auction, as well as deadlines for updates to market participant pre-auction submissions, shortly after FERC hands down its decision. PJM proposes using Aug. 3 if FERC rules on or before May 26, and Aug. 10 for an announcement after that date.

There are two scenarios, he said: Either the auction will be conducted according to PJM's proposal, with or without FERC adjustments, or it will operate under the status quo.

Even if the new capacity product is denied and the auction runs under current rules, Bastian said, PJM believes it would be in everyone's interest to utilize the 75 days allowed in its waiver to delay the auction, which generally is required to be held in May. (See FERC OKs PJM Request to Delay Capacity Auction.)

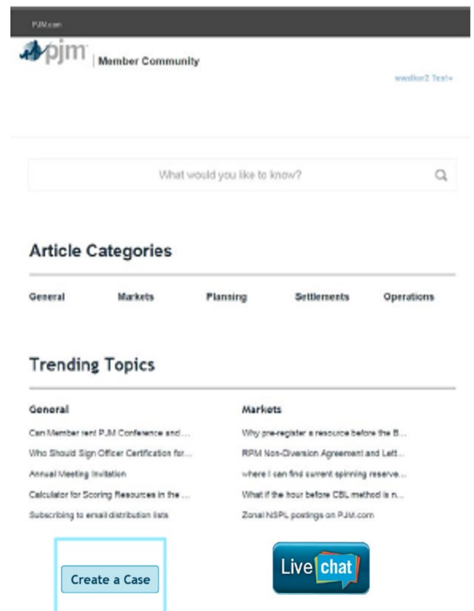
The Capacity Performance proposal (ER15-623) was conceived to increase reliability by implementing a "no excuses" policy that is expected to result in more incentives for over-performing participants and higher penalties for non-performers.

Bastian noted that an Aug. 3 auction date might necessitate an adjustment to the 2016/17 second incremental auction to avoid overlap.



Timeline for Base Residual Auction. (Source: PJM)

New PJM Member Community to Debut



Features of PJM Member Community. (Source: PJM)

PJM will launch a new tool for interacting with members on May 18: the online PJM Member Community.

PJM's Bill Walker said the new tool was conceived in response to members' desire for a way to have their concerns acknowledged, track an issue or research topics themselves.

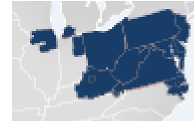
The service will provide the real-time status of a request, live chat, information on invoices and more.

Future enhancements are expected to allow members to initiate a change request, enable electronic signatures and integrate a mobile app.

The portal will be accessed through the "MyPJM" account ID.

— Suzanne Herel

PJM News



PJM to Recoup up to $15 Million in Mistaken Lost Opportunity Costs

By Suzanne Herel

VALLEY FORGE, Pa. — PJM will seek to recover up to $15 million in lost opportunity costs erroneously paid to generators that were on forced outages and not eligible for the credits, Chief Financial Officer Suzanne Daugherty told the Market Implementation Committee on Wednesday.

While Daugherty said the mistaken payments most likely extend beyond April 2013, the Tariff allows the RTO to recoup only 24 months' worth.

"We will be contacting companies before any billing adjustments will go through," she said. "This is not an immediate billing adjustment."

The compensation applies to combustion turbines that are scheduled in the day-ahead energy market but are not committed in real time. However, if they are not able to operate in real time, they are not eligible for the credit.

Daugherty said in an interview that the issue came to light by chance several weeks ago.

"We were investigating a certain scenario that wasn't even related" when staff came across instances in which generators had incorrectly or inconsistently recorded their forced outages in the eMKT system as compared with the eDART and eGADS systems, Daugherty said.

"EMKT is what we use to see if you're eligible," she said. Now, "we're trying to go through and find the anomalies amongst them.

"It could be process issues, it could be training – we have no idea why they might not all have been reported consistently," she told the committee, noting that it is the generators' responsibility to report outages.

It will remain the generators' responsibility to report outages, although PJM is considering adding a process that would flag discrepancies among the entries in the three systems, Daugherty said.

Daugherty said it will take weeks to refine the data and identify how many generators are affected and what their individual charges will be. The current estimate, she said, is that the total will not exceed $15 million.

In the meantime, she advised generators to check their own records. "If you got paid LOC in a time you reported a forced outage, you should know you're likely to have a billing adjustment," she said.

PJM stakeholders recently approved tighter rules on lost opportunity costs, correcting a provision that allowed generators to recoup start-up and no-load costs that they hadn't accrued. The rule change is intended to remove incentives for units to clear in the day-ahead market but not in the real-time market. (See *PJM Members Tighten Lost Opportunity Cost Rules; Tech-Specific Eligibility Retained*.)

Debate over 'Historic' Capacity Rights Gets a Face

By Suzanne Herel

VALLEY FORGE, Pa. — Months of debate over whether to create "historic" capacity rights for some unnamed load-serving entities in PJM got a face last week when a small contingent from the Illinois Municipal Electric Agency showed up at a meeting of the Market Implementation Committee to lobby for the changes.

The Tariff amendments would allow LSEs to use generation resources outside of their locational deliverability areas (LDAs) to meet their internal resource requirements if that external capacity agreement was in place before June 1, 2007, when PJM implemented its Reliability Pricing Model. (See *Stakeholders Skeptical of PJM Proposal for 'Historic' Capacity Transfer Rights*.)

Stu Bresler, PJM's vice president of market operations, who had proposed the change, had not identified any potential beneficiaries, although it was clear one would be IMEA.

In January, IMEA failed to win approval from the Federal Energy Regulatory Commission to continue using capacity resources outside of the Commonwealth Edison LDA to meet its internal resource requirement in serving its Naperville, Ill., load. (See *FERC Denies IMEA Request for Extended Waiver on Capacity Obligation*.)

Last week, IMEA representatives came to Valley Forge state their case.

"We wanted to put a face on this and give you our answers," said Troy Fodor, IMEA vice president and general counsel, who was joined by two colleagues.

"From our perspective, we're not asking for a preference. We got the long-term transmission rights as part of going out and building brand-new plants," he said. "We believe that since we have the firm long-term transmission rights that the transfer capability is ours. So, to the extent that it's being taken and allocated out, and we're getting a higher internal resource requirement, it feels like you're taking our stuff."

If it is a preference, he added, it's one that IMEA feels it has justified by investing "a billion dollars" in plants to deliver load in ComEd.

In an interview after the meeting, Fodor explained the trip. "We need a solution," he said. "If this process is going to fail, we have to start working at the next step. The reason we're here is it looked like [talks] were going in the wrong direction.

"We have a good story," he said. "We think we have a legitimate story."

Bresler told the committee that historic capacity resources would not exceed the value at which they were initially established — and if the load should decrease, it would never go back up.

Market Monitor Joe Bowring, who has opposed Bresler's proposal, said he continued to be concerned that the approach is too broad. "We are going to attempt to work with PJM and IMEA to see if there's a way to come up with a more targeted approach," he said.

PJM estimates 1,037 MW of historic external resources would qualify under its proposal: 122 MW in the DOM zone, 533 in COMED, 261 in AEP and 121 in DAY.

Bresler said the committee would see a first reading on proposed Tariff changes in June.

NYISO NEWS

Former Soviet Spy Worked Undetected at NYISO, ConEd, NRG

By William Opalka

East German native Albrecht Dieterich (R) moved to the U.S. as KGB spy "Jack Barsky," using the birth certificate of a boy who died at age 10.

A star student, he went on to work as an information technology executive at Consolidated Edison, NRG Energy and NYISO.

A former Soviet spy who lived in the United States for more than 35 years under an assumed identity has been working since 2011 as director of software development for NYISO but never had access to any sensitive data or operations, officials said.

The power grid operator responded to a CBS "60 Minutes" report that aired Sunday, in which "Jack Barsky" revealed his Cold War past, when he posed as an American in the 1970s and 80s in the hopes of gaining access to high ranking government officials.

Born Albrecht Dieterich in East Germany, he was recruited by the KGB as a student. He assumed the identity of Jack Barsky after Soviet agents provided him the birth certificate of an American boy who died at age 10.

Barsky told CBS he was directed to infiltrate the office of Zbigniew Brzezinski, President Jimmy Carter's national security adviser from 1977-1981 but never got close to the official. He said his biggest coup was providing Soviets industrial software that he stole while working for Metropolitan Life Insurance.

Barsky, who lives northeast of NYISO headquarters in Rensselaer, was placed on administrative leave recently when he told the ISO he was going to be the subject of a "60 Minutes" report.

According to his LinkedIn profile, Barsky came to NYISO after serving as chief information officer for NRG Energy from 2006 to 2010 and ConEdison Solutions from 2002 to 2006. The companies confirmed his employment to *Capital New York*.

"According to the story on '60 Minutes,' Mr. Barsky appears to have had regular contact with the FBI over a period of many years that was not publicly disclosed. The FBI generally informs a company such as the NYISO of any potential cyber security threat of which it is aware. We have a long standing and productive relationship with the FBI and at no time did the FBI indicate that this employee posed a threat," NYISO spokesman David C. Flanagan said.

"Out of an abundance of caution, we have conducted internal forensic reviews of physical and computer records and have not discovered any security threats or any indication that the employee engaged in improper behavior. The employee did not have direct access to grid operations or energy market systems that would enable manipulation of software. Further, the individual did not have physical access to our control rooms."

Flanagan said NYISO has hired an outside firm to "to conduct a separate analysis to confirm our findings."

Flanagan would not say if the recent departures of two NYISO executives — Jennifer Chatt, vice president for human resources, and Tom Rumsey, senior vice president of external affairs — were related to the Barsky revelation. Rumsey's departure came just weeks after he received a promotion announced in January. (See *NYISO CEO Stephen Whitley to Retire in 2016; Dewey, Rumsey Promoted*.)

According to the "60 Minutes" report, Barsky was discovered in 1997 by the FBI, when he was working as a computer programmer in New Jersey. His last name had appeared in materials provided to the government by a KGB defector in 1992.

Barsky was never arrested or charged, as the FBI determined he would be of no value in jail; he was more useful living freely as he was debriefed about KGB operations.

Barsky had been ordered back to Germany in 1988 when the Soviets told him his cover had been blown, but he refused out of devotion to his American child. Under the threat of death, Barsky told "60 Minutes," he concocted a story that he was suffering from AIDS and could only be treated in the U.S. The Soviets left him alone and he continued to live and work undetected.

Barsky, 70, told the Albany *Times-Union* that he is writing a book about his life.

Informed that his cover might be blown, Barsky was ordered to return to East Germany, where Dieterich had a wife and son (left). "Barsky" instead chose to remain in the U.S., saying he couldn't bear to leave his American daughter, Chelsea (right).

IPPNY Spring Meeting

Former FERC Regulators Lament Unfinished Business

Continued from page 1

Mead Brownell (2001–2006), Suedeen Kelly (2003–2009) and former chairman Pat Wood (2001-2005) expressed pride in the growth of wholesale competition and wistfulness over political compromises that prevented development of larger, more uniform markets.

In a later session, NYISO CEO Stephen Whitley (2008–present) and predecessors William Museler (1999–2005) and Mark Lynch (2005–2008) also shared war stories from the first 15 years of the ISO's markets.

Open Access

Massey voted in 1996 for the landmark Order 888, which ordered transmission operators to open their lines to competition.

"We knew we would get pushback with everything we did, but if you're going to be a regulator or run an RTO, you've got to have political courage," said Massey, counsel to the COMPETE coalition, which represents more than 700 stakeholders in support of electricity competition.

And political courage failed him at the most crucial time, Massey admitted, recalling the California energy crisis of 2000-2001, which occurred after FERC's misgivings about the poorly designed California market were cast aside.

Massey related how the 1996 utility restructuring law passed the California legislature unanimously. The entire California congressional delegation then wrote to FERC, saying that any tinkering by the agency would likely cause the plan to collapse "like a house of cards."

FERC meekly went along. "We had the opportunity to vote yes or no," Massey said. "That is the vote I'm most sorry about."

Massey (left) and Wood. © RTO Insider

California's wholesale power market and customer-choice program began in 1998 and seemed to be working well until the summer of 2000, when electricity prices in southern California hit all-time highs, and generation shortages caused rolling blackouts in northern California. Escalating wholesale prices, combined with retail price caps, put the state's three major investor-owned utilities in a vise, with Pacific Gas & Electric forced to declare bankruptcy.

In December 2000, FERC eliminated the requirement that the three IOUs purchase their power through the California Power Exchange. In June 2001, shortly after Wood and Brownell joined the commission, FERC expanded a price mitigation and market monitoring plan it had issued in April 2001.

The California price spikes and Enron's implosion stopped restructuring dead in its tracks as a national policy, Wood recalled. "Years later we were still putting the pieces back together," he said.

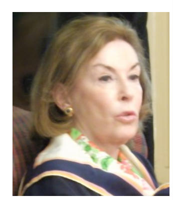
Wood, now chairman of the Dynegy Board of Directors, said the industry is still coping with the lessons from the California crisis, including the balancing of consumer interests and industry needs. "If you want to be an economic regulator, you've got to understand the economics [and] what it takes to incent investment," he said.

What he most seemed to regret was how proposals to divide the country into four RTOs — the Northeast, Southeast, Midwest and West — were stymied. The country is still paying for the "balkanization" of the markets caused by the "hue and cry and pushback," he said.

"I still think there's a lot of enterprise that could occur between New York and New England. And the seams issues between PJM and MISO are just awful," he said.

Former NYISO CEO Lynch said the vision of a larger, seamless market in the Eastern Interconnection is unlikely to be realized. "We may have missed our opportunity to get there," he said.

Kelly, who worked on legislation to make restructured markets national policy as a Senate staffer before her FERC tenure, said its failure informed her tenure as a regulator. "Political courage is important, but even more important is political support," she said. Kelly added that energy policy is one place where partisanship can melt away and consensus built.



But **Brownell** and NYISO CEO Whitley said that consensus-building can be unwieldy — "herding cats," Whitley called it.

"I think the stakeholder process has grown into a cottage industry," Brownell said. "I have great respect for the work they do, but I can't imagine the New York Stock Exchange being developed by 400 people over a three-year period. We need to focus on the larger picture," she said.

The larger picture, Brownell said, is electric markets' role in developing the economy. "Where we begin to redefine this industry as economic development, we'll move away from state versus federal [jurisdiction]. This is really about our competitive position in the world and social well-being."

From left to right: Museler, Lynch and Whitley. © RTO Insider

Gulf Coast Power Association SPP Briefing

SPP Members Weigh First Year of Integrated Market

Continued from page 1

services for Customized Energy Solutions, who moderated the headline session at the Gulf Coast Power Association's briefing on SPP last week.

Krajecki noted that in its first year, SPP got 95% of its generation from the day-ahead market, while only 2.2% came through self-commitments and 2.5% from the reliability unit commitment (RUC) process. "Other regions took four to five years to get to these commitment levels," he said.

David Walters, a former Oklahoma governor (1991–1995) who now runs his own international power development company, called the market "a game changer for developers."

"I've been in this business for about 20 years. I think I spent the first … maybe 18 years complaining about SPP. I've been quoted as saying it was managed like the Bada Bing club," the strip joint frequented by mobsters in "The Sopranos," he said, prompting laughter from the audience of about 70 — and winces from SPP officials in attendance.

"But it's a lot different now," Walters continued. "I'm really excited about this Integrated Market. [It is] somewhat delayed compared with the other areas of the country but a remarkably complex system was established with very few hiccups."

"From an operational aspect things have been very smooth compared to what I saw in ERCOT," agreed Seth Cochran, manager of market affairs and origination for DC Energy. "Not only that but they didn't have any slippage in the timelines and I think they did it for a quarter of the cost. So there's a good story to tell there."

Improvements Needed: Ramping Product

Speakers also discussed changes they'd like to see. Several speakers called for developing a ramping product to take advantage of the region's wind resources and incentivize quick-start generators.

Cliff Franklin, senior regulatory specialist for Westar Energy, said SPP is overly reliant on RUCs compared with MISO, which he said makes better use of the day-ahead market.

"The reason that's bad is because then deviations get hit with all that cost and that dis-

From left to right: Seth Cochran, DC Energy; Cliff Franklin, Westar Energy; and David Walters, Walters Power. © RTO Insider

courages imports [and] exports in real time," he said. "When you need help you don't want people worrying about their RUC distribution charges. You want people to efficiently trade in the market in real time."

Tom Foreman, GCPA executive director

Krajecki noted that SPP's available ramp has declined from about 375 MW/minute in August 2014 to 200 MW/minute in February 2015, which he said is leading to more constrained periods and market volatility.

Franklin said ramping can be improved with better compensation.

Fast-ramping units are "getting [payment for] energy and they're typically at minimum load. That's not real good incentive," he said.

SPP officials are aware of the market's desire for a ramping product. (See *SPP Board Rejects Short-Term Study; Impact on Quick-Start Units Debated*.)

But it won't be easy to achieve, said Richard Dillon, SPP's director of market design. "It sounds very easy. I'm going to pay somebody for how fast they can press on the gas pedal and get out of the way of the truck coming up the back end. It sounds really easy but you set yourself up for: Am I offering ramp or am I offering energy? And they actually start contradicting each other if you don't do the design correctly. … That is not going to be a small project."

Jodi Woods, SPP's manager of the day-ahead market, said the RTO is working to minimize use of the RUC process. "Some of it's just been a learning process for the operators who are doing some of those commitments," she said.

Transmission Congestion Rights Funding

DC Energy's Cochran said the underfunding of transmission congestion rights has been a big disappointment for his company.

SPP's 84.5% funding in March 2015 is "bottom-of-the-barrel," he said, noting that ERCOT averages about 95%.

"If this goes on, it will ultimately drive out liquidity. People won't want to participate. I've talked to numerous traders. When their targeted amounts are getting hair-cut by [as much as] 40% … it just disincentivizes trading. They no longer want to participate in that kind of market."

Overcollection of Losses

SPP's Dillon said overcollection of marginal losses is causing too much day-ahead trading at the expense of the real-time market. "As in many designs you go in and you have a lot of theories. And overcollected losses

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Gulf Coast Power Association SPP Briefing

Arkansas PSC Chair Rips Republican 'Just Say No' Strategy on Clean Power Plan

By Rich Heidorn Jr.


Thomas

LITTLE ROCK, Ark. — Arkansas Public Service Commission Chairman Ted Thomas is no fan of the Environmental Protection Agency's Clean Power Plan, but he's perhaps even more critical of the "just say no" strategy of Senate Majority Leader Mitch McConnell and other congressional Republicans.

Thomas, a former Republican political consultant who served as budget director for former Gov. Mike Huckabee, said McConnell's focus on coal job losses is a "narrow special interest" appeal. "That's got to change if people in Osceola and Jonesboro are going to be protected," he said in a passionate keynote speech to an audience of about 70 at the Gulf Coast Power Association's SPP briefing last week.

Under EPA's proposed rule, low-income Arkansas would be forced to reduce its carbon emissions by 44% from 2012 levels, the seventh-largest reduction of any state.

Thomas said EPA's modeling failed to include stranded costs from premature generation plant retirements. (See related story, *Stakeholders Debate Need for Clean Power Plan Reliability Safety Valve*, p.1.)

Devastating Hit

"If you're a big company like Entergy, you can shift a few plants around, use your portfolio. A 10% or 15% [rate increase], it's a lot of money — we don't like that — but it might not end the world," Thomas said.

"But if you're in Jonesboro, Ark. — who's paying for a coal plant that was built in 2010 and it gets retired and you have to pay for it for 35 years and get nothing while you also have to pay for an alternative source of electricity — your face gets ripped off.

"It's not a small hit. It's a devastating hit to a small town in the delta which is finally just seeing some good things happen [economically]."

Thomas said Republican congressional leaders made a mistake in supporting legislation by House Energy and Power subcommittee chairman Ed Whitfield (R-Ky.) and Sen. Rob Portman (R-Ohio) that would allow states to delay or opt out of compliance.

Thomas said the strategy failed because it did not gain the Democratic support needed to override a veto.

Instead, he said, Republicans should propose a bill limiting rate increases resulting from EPA's final rule to 10% or 20% — legislation he believes many Democrats would be forced to support.

"Do you want to be the guy who votes against a 20% rate cap so some shark can make a commercial about [how] you thought it was OK that [constituents'] rates went up 20%? Nope."

Thomas said that would force Democratic supporters of the EPA rule to pressure the agency on its cost.

EPA Administrator Gina McCarthy is "probably not going to pay attention to me. But she has to pay attention to her political allies," Thomas said. "And until they feel pressure, they're not going to come eyeball to eyeball with cost. The time to act is now while they're still doing the rule. When you have the rule, it's too late to change it.

"That's the play that should be made when you do what politicians do: look at polls. Why they're missing it is beyond me and beyond frustrating."

Building the Ark

During a panel discussion later, Curtis Warner, director of compliance and support for the Arkansas Electric Cooperative Corp. (AECC), echoed Thomas's concerns.

AECC expects it will have to reduce coal from 58% of electric generation to less than 9%, while natural gas generation rises to 73% from 30%. Warner said that would cost AECC ratepayers an average of $280 more per year — $450 more if natural gas prices increase by $1/MMBtu.

Lanny Nickell, SPP's vice president of engineering, who also participated in the panel, noted that most of the generator retirements projected as a result of the rule are along the SPP-MISO seam. "That's exactly where we're not doing a good job of building transmission infrastructure," he said.

Nickell likened himself to Noah. "Help us build the ark … the [transmission] infrastructure that we need," he said. "The technical answer is not the most difficult part of this. It's the political willpower that has to happen first." (See *SPP: $45/ton Adder, Wind, Gas Meets EPA Carbon Rule*.)

David Farnsworth, senior associate for the Regulatory Assistance Project, also called for engagement. "The worst form of planning is just saying no," he said.

SPP Members Weigh First Year of Integrated Market

Continued from page 9

was one of those where it actually played out and we went, 'Oops, this is providing the wrong incentive.'"

RTO officials hope a revised rule, effective May 29, will solve the problem.

Seams Coordination

Dillon said SPP also is considering changes to rules setting a single interface price for the seam with MISO, which leaves the RTO vulnerable to gaming by traders — an issue that will become more acute when the Heartland Consumers Power District, Basin Electric Power Cooperative and the Western Area Power Administration's Upper Great Plains Region join SPP in October. (See *Spurned by Entergy, SPP Expands in Great Plains*.)

"Our border is very long to begin with," Dillon said. With WAPA "you have a single price representing from the Gulf Coast all the way up to Canada, [although] the Entergy area is very different from [the] Kansas City area, which is very different from the North and South Dakota area. SPP is looking at [whether it can] mitigate the gaming such that we can break it into multiple prices."

Gulf Coast Power Association SPP Briefing

SPP Trying to 'Balance the Risk' on Gas-Electric Schedules

By Rich Heidorn Jr.


From left to right: Amber Metzker, Xcel Energy; Chris Hendrix, Wal-Mart; and Richard Dillon, SPP.

LITTLE ROCK, Ark. — The Federal Energy Regulatory Commission's April 16 decision not to change the start of the gas day is forcing SPP to make an uncomfortable choice between risks, stakeholders said last week.

FERC moved the timely nomination cycle deadline for scheduling gas transportation from 11:30 a.m. to 1 p.m. CT and added a third intraday nomination cycle. But, in the face of gas industry opposition, it declined to move the start of the gas day to 4 a.m. CT from 9 a.m. CT (RM14-2). (See *FERC Approves Final Rule on Gas-Electric Coordination*.)

"The electric industry wanted the gas industry to move their timelines and the gas industry said, 'We were first; we don't want to move, you move,'" summed up Tony Delacluyse, director of Power Costs Inc., during a discussion at the Gulf Coast Power Association's SPP briefing. "And FERC did something they always do, they kind of picked something in the middle."

FERC required each ISO and RTO to revise its day-ahead market timeline to coordinate with the pipeline scheduling changes or show why changes shouldn't be implemented.

Richard Dillon, SPP director of market design, said SPP and other RTOs are considering moving the close of their electric markets to 8 a.m. CT — but with misgivings.

The current schedules make it impossible to clear the electric market in the time between when next-day gas prices are posted at about 9 a.m. CT and the current 11:30 a.m. timely nomination cycle deadline, Dillon said. The additional 90 minutes to the later nomination deadline makes it "a little more feasible," Dillon said.

"We're trying to figure out how to balance the risk. If I close the nominations for the electric market at 8 a.m. then I do not know tomorrow's gas price," Dillon explained. "But I have to close it at 8 a.m. to make the 1 p.m. nomination for the gas market. So there's a lot of debate going on not just here but at the other RTOs about what's the right balance of risk."

"It's definitely something that the membership is split on," agreed Amber Metzker, manager of market operations for Xcel Energy.

Moving the close of the electric market to 8 a.m. would mean losing "certainty on price, certainty on transmission outages and all those things that go into the market clearing engine," she said.

The benefit of such a change? Knowing how much gas you need to buy, Metzker said. "Right now the quantity of gas you're buying is unknown because of the fact that the market is clearing after the fact of you submitting your offers in the day-ahead [market]."

Dillon said there was likely to be only limited coordination among RTOs regarding energy market schedules. (See *PJM Considering Change to Day-Ahead Deadlines in Response to FERC Gas Schedule Order*.)

"Right now New York's not coordinating with anyone else's timeline. New England is different than New York and PJM. I do not believe ERCOT is going to change, which means there wouldn't be coordination there," he said. "Some parties would say 'Oh, that doesn't matter.' Well, we have entities that actually have switchable generation. So they make a decision as to, 'Am I going to be in ERCOT or SPP?'"

Dillon said SPP's Gas-Electric Coordination Task Force and its Market Working Group will discuss the options and make recommendations.


Darrell Hayslip, Narrow Gate Energy, asks a question as Lanny Nickell, SPP (right), listens.

SPP NEWS

SPP, MISO Considering 4 Tx Projects with Potential $438M Benefits

By Chris O'Malley

MISO and SPP are considering $276 million in potential transmission upgrades under a joint model for identifying congested flowgates that could be relieved by economic projects.

Emerging from that joint process so far are four potential projects that could generate $438 million in benefits to the RTOs over 20 years, RTO officials said last week at a meeting of the SPP-MISO Interregional Planning Stakeholder Advisory Committee.

Project	20 Yr. Net Present Value (Millions 2015 $)		% of Benefits		B/C Ratio
	Cost	Benefit	MISO	SPP	
Alto–Swartz 115kV (Series Reactor)	$11.0	$30.4	81.6%	18.4%	2.75
S. Shreveport -Wallace Lake 138kV (Rebuild 11-mile line w/ 246/246 MVA)	$10.1	$58.5	83.4%	16.6%	5.78
Elm Creek–Mark Moore (New 100-mile 345kV line)	$135.8	$184.8	16.3%	83.7%	1.36
Elm Creek–NSUB (New 78-mile 345kV line)	$118.9	$164.5	11.5%	88.5%	1.38
TOTAL	**$275.8**	**$438.2**	**28.0%**	**72.0%**	**1.59**

(Source: SPP-MISO Interregional Planning Stakeholder Advisory Committee)

Four projects may not sound like much. But it's progress considering the RTOs' contentious relationship since December 2013 when New Orleans-based Entergy joined MISO rather than SPP, which had served as the Independent Coordinator of Transmission for Entergy's system since 2006.

Most visible is a dispute over flows between MISO's northern region and its new, southern region. MISO began limiting flows between the regions last spring after SPP complained that MISO had breached their joint operating agreement by moving power over its transmission footprint in excess of a 1,000-MW physical contract path.

But that dispute seemed distant as staff from both RTOs convened last week in Little Rock, Ark. Some even joked that they've been talking so much with those at the other RTO that they've memorized their phone numbers.

"We've learned a great deal about each other's processes," said Clayton Mayfield, an economic planner at SPP.

Collaboration has also improved modeling practices and provided a better understanding of neighboring stakeholder groups, said Jenell McKay, a senior analyst at MISO.

Stakeholders and staff at SPP and MISO came up with 67 potential economic projects using a joint model based on each RTO's regional model. It projected transmission needs for 2019 and 2024.

That was whittled down to seven projects with potential, but three of those didn't provide a minimum 5% benefit set as a threshold under the joint model.

The four projects seen to have the most potential totaled $276 million. They include new and upgraded transmission lines and transformers in Louisiana, Kansas and Nebraska. Benefits range from a 21% congestion reduction to a complete reduction in congestion.

Still Fine-Tuning List

Mayfield cautioned that the project list is preliminary and that more projects will likely emerge from the ongoing collaborative effort.

He noted that some projects initially identified were dismissed, and others added, after assumptions changed about the future of the Tennessee Valley Authority's Shawnee units. MISO's 2014 Transmission Expansion Plan originally contemplated that Shawnee Units 1-10, totaling 1,369 MW, would be retired, but TVA has since decided to keep nine of the Shawnee units in service.

The IPSAC joint analysis is expected to result in final project recommendations by June 30. The committee also is looking at a handful of reliability projects to reduce overloads.

More Potential

Other joint studies may be underway. McKay said the RTOs have had discussions regarding a study involving the effects of the Environmental Protection Agency's proposed Clean Power Plan.

Pat Hayes, senior transmission policy specialist at Ameren, told the committee it could be helpful if staff conducts a "post mortem" regarding what differences the RTOs ran into and how they could have impeded a project from going through.

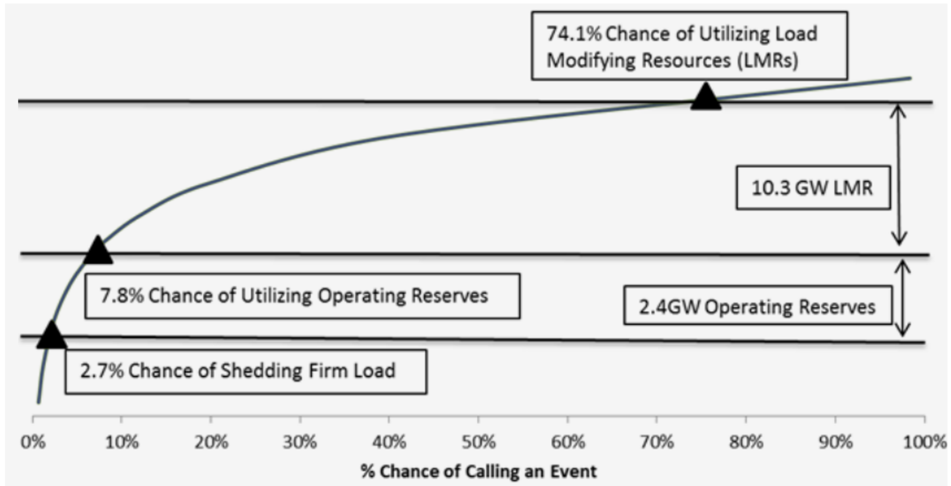
Kip Fox, director of transmission strategy and grid development at American Electric Power, said his "personal observation" is that the RTOs are working better together. He noted, however, that MISO and PJM have not been able to get moving on a seams project after four years. "I don't want the same thing to happen here," he told the committee.

"We've learned a great deal about each other's processes."

Clayton Mayfield, SPP

RTOs Prepared for Summer Peaks, but Reserve Margins Shrinking

By Chris O'Malley and William Opalka



MISO probabilistic risk analysis, summer 2015. (Source: MISO)

MISO and ISO-NE said last week they have sufficient resources to meet this summer's demand, but they warned that their reserve margins are shrinking due to plant retirements.

Reserves Good — for Now

MISO estimates that summer demand in its territory will peak at 127.3 GW, with 23 GW of reserve capacity available. That amounts to an 18% reserve margin, above the target of 14.3%.

However, the RTO projects reserve margins will erode because of "current environmental and microeconomic pressures." That could result in emergency operations, such as suspending planned generation maintenance and the curtailment of non-firm energy sales.

Coal-fired generators are being forced into retirement by cheap natural gas and current and pending emissions limits on mercury and carbon dioxide.

"Starting in the next few years, we are seeing a dramatic shift in the resources available to meet demand during the hottest days of the year," said Todd Ramey, vice president of system operations and market services at MISO.

ISO-NE Expects Sufficient Resources

ISO-NE also said it will have enough electric generation and demand response resources to serve its forecasted summer peak.

Under normal weather conditions of about 90 F this summer, electricity demand is forecasted to peak at 26.71 GW. Extreme summer weather, such as an extended heat wave of about 94 F, could push demand up to 29 GW. These forecasts take into account the demand-reducing effect of 1,685 MW of energy-efficiency measures acquired through the Forward Capacity Market.

Last year's retirement of the 615-MW Vermont Yankee nuclear power plant will reduce the region's reserve margin. Last summer, demand for power peaked on July 2, 2014, at 24.44 GW. The all-time record for peak demand was set on Aug. 2, 2006, when demand reached 28.13 GW after a prolonged heat wave.

SPP Issues RFP for 115-kV Transmission Project

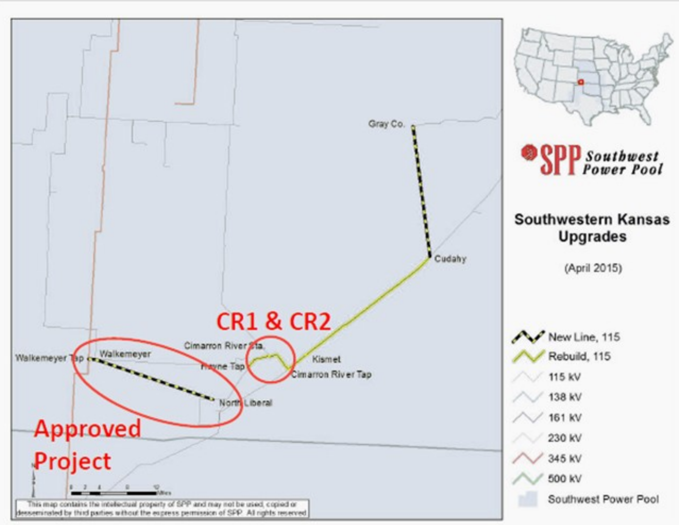
SPP last week issued its first competitive transmission solicitation, inviting developers to bid on construction of a 21-mile 115-kV line between North Liberal and Walkemeyer in southwestern Kansas.

The SPP Board of Directors approved staff's recommendation that it authorize construction of the project on April 28.

The board originally approved the project in January but asked staff to evaluate an alternative proposed by Sunflower Electric Power that would have delayed the line by relying on operating guides for Sunflower's 76-MW Cimarron River Station to provide relief from thermal or voltage violations. (See *Walkemeyer Transmission Projects Wins SPP OK*.)

The request for proposals (SPP-RFP-00001) was sent May 5 to transmission developers that had cleared the RTO's qualification process.

It is SPP's first competitive solicitation under the Federal Energy Regulatory Commission's Order 1000, which removed federal rights of first refusal for incumbent transmission owners. An "industry expert panel" will review, rank and score proposals received.



(Source:SPP)

ISO-NE NEWS

Allco Challenges New England's Renewable Procurement Plan

By William Opalka

A New York clean energy developer has challenged a three-state effort to bring more renewable energy to New England.

Allco Renewable Energy Group filed suit against Connecticut in U.S. District Court in New Haven, claiming the joint effort and Connecticut's renewable energy subsidies violate the U.S. Constitution's Interstate Commerce Clause (3:15-cv-00608-CSH). Allco is also asking for an injunction to stop the joint procurement plan by Connecticut, Massachusetts and Rhode Island.

In February, the states issued a draft solicitation seeking more than 2,300 GWh of renewable energy per year. (See *New England States Combine on Clean Energy Procurement*.)

Allco CEO Thomas Melone unsuccessfully sued over Connecticut's previous clean power plan, claiming the state illegally excluded renewable energy credits (RECs) generated by his facilities in other states from participating in Connecticut's programs. RECs represent the environmental attributes of a clean energy project and are sold and traded separately from the energy produced. That case is under appeal. The claims made in that suit under the dormant Commerce Clause and the Federal Power Act are repeated in the new lawsuit.

Connecticut counts RECs from other New England states, and from New York and Canada, under certain circumstances. Melone is seeking to have his solar facilities in Georgia and New York qualified. The determination should be made by the Federal Energy Regulatory Commission and not the states, the suit says.

"The dormant Commerce Clause prohibits a state from using its regulatory power to discriminate against out-of-state businesses," according to the suit, filed on April 26.

Allco sued the Connecticut Department of Energy and Environmental Protection and the state's Public Utility Regulatory Authority.

ISO-NE: GenOn's Responsibility to Flag Capacity Error

ISO-NE said a power plant owner facing millions in what it says are mistaken capacity charges had plenty of time to correct the record, and that amending auction results after the fact would undermine the market.

GenOn Energy Management, a unit of NRG Energy, asked the Federal Energy Regulatory Commission last month for relief from what it called an "anomalous, illogical and patently unfair circumstance."

GenOn said ISO-NE credited its Canal 2 generator in Sandwich, Mass., with capacity of only 303 MW — rather than the plant's actual 556.5-MW output — in the March annual reconfiguration auction (ARA) for the 2015-2016 capacity commitment period that begins June 1. (See *ISO-NE Error Could Cost GenOn Millions*.)

GenOn said the RTO mistakenly underestimated the plant's capacity and then submitted a demand bid on GenOn's behalf for the difference, forcing the company "to buy out of a capacity supply obligation that Canal 2 is fully capable of fulfilling."

In an answer, ISO-NE said it was GenOn's responsibility to correct the capacity values the RTO posted in October in preparation for the auction and that granting its request would set a dangerous precedent (EL15-57).

"The ISO is not in a position to discern the soundness of, or reasoning behind, the business-related actions (or inactions) of active and sophisticated market participants like GEM, much less to prevent them from making costly mistakes," ISO-NE wrote.

"Granting the requested relief would undermine important principles of auction finality, eroding certainty and confidence in the markets and setting a possibly dangerous precedent," ISO-NE continued. "Finally, the March 2015 ARA results are used as inputs to monthly bilateral arrangements and monthly reconfiguration auctions; these processes are already underway, and a change to the March 2015 ARA results could cause significant disruption."

ISO-NE also said similar "corrections" could cause substantial harm to other parties. "If the March 2015 ARA had instead included more supply offers than demand bids, post hoc removal of the Canal 2 demand bid would have required a re-running of the auction and would have stripped some of the resources of the capacity supply obligations acquired in the first iteration."

Eversource: Northern Pass Delayed Until 2019; Earnings Up

Eversource Energy said Wednesday that its proposed Northern Pass transmission project won't be operational until the first half of 2019. The company had previously said the 187-mile, 1,200-MW line would be delivering Canadian hydropower to the New England energy market by 2018.

The delay is due to the longer-than-expected release of a U.S. Department of Energy draft environmental impact statement, Eversource officials said during the company's earnings call. The statement had been expected in April, but the company is now expecting its release by June or July.

Approvals are expected in late 2016, with construction beginning shortly thereafter and expected to take about two years. However, even if the project maintains its construction schedule, line testing could not take place during the winter of 2018-2019 and would be delayed until spring, officials said.

Q1 Earnings Up

Eversource reported first-quarter earnings of $253.3 million ($0.80/share), compared with $236 million ($0.74/share) a year ago. These figures include integration costs of $4 million in 2015 and $5.8 million in 2014 related to the merger of Northeast Utilities and NSTAR. Excluding those costs, Eversource earned $257.3 million ($0.81/share) versus $241.8 million ($0.76/share).

The legal name change of Northeast Utilities to Eversource Energy was approved at the company's 2015 annual shareholders meeting on April 29. Its stock started trading on the New York Stock Exchange under the ES ticker symbol in February. The company also reported that Standard & Poor's upgraded its corporate credit rating to A.

— William Opalka

COMPANY NEWS

Buffett Banking on Midwest Solar?

By Chris O'Malley

Warren Buffett's energy businesses have been buying and building wind generation facilities in the Midwest and Great Plains for years.

But the Oracle of Omaha now has his eyes on bringing solar power to the central U.S., according to a recent filing with the Federal Energy Regulatory Commission.

Buffett's Berkshire Hathaway Energy disclosed that it recently acquired a site for solar generation development in MISO's central region. The "site" consists of 74 individual "locations" not to exceed 1 MW each, according to the company's quarterly property acquisition report. (MidAmerican Energy Holdings changed its name to Berkshire Hathaway Energy in April 2014.)

The company did not disclose exactly where the site is located. The company is not ready to make an announcement on the project, spokesman David Caris said.

MISO is a new locale for the company's solar portfolio.

Subsidiary BHE Renewables has more than 1,200 MW in existing solar generation, primarily in California and Arizona, including its 550-MW Topaz Solar Farms in San Luis Obispo County, Calif., which became fully operational in March. Berkshire Hathaway companies also operate 579 MW of solar generation in Los Angeles and Kern Counties and own 49% of a 290-MW solar generating site in Yuma County, Ariz.

Topaz Solar Farms, San Luis Obispo, Calif. (Source: Berkshire Hathaway Energy)

Environmental Regulations Bring Opportunities

Berkshire Hathaway's planned solar expansion in MISO's coal-dependent central region — which includes Indiana, Michigan, Wisconsin and parts of Illinois — appears designed to take advantage of increased demand for renewables as a result of federal environmental regulations.

The company has also continued its investments in wind. In October, BHE announced its plans for a 160-MW wind farm in Adams County, Iowa, that could cost up to $280 million.

Late last month, the company filed plans with the Iowa Utilities Board to construct up to 552 MW of additional wind generation in the state at a cost of $900 million. The company said it would announce the location and other details later.

On April 30, BHE announced plans to build a 400-MW wind farm in Holt County, Neb., that would be the largest wind project in the state. The recent FERC filing said that Berkshire Hathaway acquired a site in SPP territory for up to 400 MW of wind-powered generation development. It wasn't immediately clear whether it's the same site.

BHE owns and operates more than 3,400 MW of wind, solar, geothermal and hydro generation.

At the Edison Electric Institute's annual convention last June, Buffett said the company, which has already spent $15 billion on renewables, was prepared to double that investment.

Ameren Would Make Refunds, Accounting Adjustments, Under Proposed Deal

By Chris O'Malley

Federal regulators last week said they support a settlement under which Ameren Illinois would refund $7.1 million to resolve a dispute over its purchase of Central Illinois Light Co. in 2003 and Illinois Power in 2004.

The settlement was filed April 14 by Ameren and a customer group consisting of the Illinois Municipal Electric Agency, Prairie Power Inc., Southern Illinois Power Cooperative and Wabash Valley Power Association. Federal Energy Regulatory Commission trial staff filed initial comments in support of the settlement on May 4 (AC11-46).

At the heart of the case is how Ameren Illinois accounted for goodwill in connection with the acquisition of the two Illinois utilities when it conducted a corporate reorganization in 2010.

As part of the reorganization, $197 million of goodwill that had been on Central Illinois' books and $214 million of Illinois Power goodwill were transferred to Ameren Illinois.

In July 2012, FERC determined that Ameren Illinois and its predecessors had inappropriately included the $411 million in their common equity. The inflated rate base resulted in excess collections from ratepayers.

FERC also said the improper inclusion of goodwill in equity caused excessive collections under Allowance for Funds Used During Construction.

In a 2012 refund report required by FERC, Ameren contended it did not owe a refund. Even after removing goodwill from its capital structure, the company said, it was owed $19.7 million, plus $3 million in interest, because it had failed to include the cost of debt redemptions in Ameren and Illinois Power's annual transmission revenue requirements from 2005 to 2012. FERC rejected Ameren's claim in 2013, saying its proposed adjustments went beyond the scope of its July 2012 order.

The proposed $7.1 million refund would be paid to network integration transmission service customers for the period from June 1, 2005, through Dec. 31, 2014. The amount will be reduced by $2.1 million if a refund is ordered in a separate docket over Ameren's booking of income tax overpayments (FA13-1).

If the settlement is approved by FERC, Ameren would also have to make adjustments to its common equity for Attachment O, removing $291.8 million for 2013 and $292.2 million for 2014.

Company Q1 2015 Earnings Roundup

Alliant

Alliant Energy's first-quarter profit dropped nearly 11% as a warmer winter brought lower electricity and gas sales.

The Madison-based energy company said it earned a profit of $99.2 million ($0.87/share) in the quarter, including a 4-cent weather benefit.

But that was significantly lower than the 12-cent benefit during the colder first quarter of 2014, when the company earned $110.6 million ($0.97/share), Alliant CEO Patricia Kampling said.

Higher electric transmission service expenses at Wisconsin Power and Light and retail electric customer billing credits at Interstate Power and Light also crimped results.

Revenues fell 6% to $897.4 million.

Ameren

Increased electric infrastructure investments in Illinois helped boost Ameren's first-quarter profits by 12.4%.

The St. Louis-based utility reported net income of $108 million ($0.45/share) compared to $96 million ($0.40/share) last year. The earnings-per-share results were 7-10 cents higher than analyst estimates.

Revenue was $1.56 billion compared with $1.59 billion a year earlier.

Ameren said it benefited from increased electric delivery and transmission infrastructure investments and from an order by the Illinois Commerce Commission approving recovery of additional costs, which added 4 cents to earnings.

The regulatory climate in Missouri was less favorable, reflecting a reduction in allowable cost recovery for vegetation management, infrastructure investment costs and certain storm costs. The state also reduced return on equity to 9.53% from 9.8%.

Even so, Ameren held firm on its estimated full-year diluted earnings per share of $2.45 to $2.65.

Con Ed

Consolidated Edison reported first-quarter net income of $370 million ($1.26/share) compared with $361 million ($1.23/share) in 2014.

Revenue for the company's regulated utilities fell by 4.4%, from $2.22 billion to $2.12 billion.

"The company experienced strong financial performance in the first quarter, and our workforce performed admirably during the challenges of a persistent, lingering winter," said John McAvoy, chairman and CEO of Con Ed. "We are also very pleased with a proposed settlement with the New York State Public Service Commission that will keep electric delivery rates flat for our customers through 2016."

Dominion

Dominion Resources reported a 41% increase in net income for the first quarter, from $379 million ($0.65/share) last year to $536 million ($0.91/share) this year.

Operating earnings for the quarter, however, fell nearly 4%, and revenue fell 6%, from $3.63 billion last year to $3.41 billion this year. While earnings were largely the same from last year across most segments, Dominion noted a drop in its merchant generation business — earnings fell by nearly 9% — as one of the primary factors in the decrease in operating earnings.

CFO Mark McGettrick told investors that the drop was primarily due to poor power prices for its merchant generation in New England. Otherwise, weather conditions in the company's service areas were "favorable," which added 5 cents more per share in operating earnings than normal, he said.

Duke

Duke Energy reported 2015 first-quarter net income of $864 million ($1.22/share) on $6 billion in revenue.

While revenue fell from the nearly $6.3 billion it brought in a year ago, Duke's earnings per share were well above analysts' expectations of $1.14/share. A year ago, the company posted a first-quarter loss of $97 million after a $1.4 billion write-down of its Midwest Generation business. In March, Duke completed a $2.8 billion sale of the business to Dynegy.

Duke's domestic utility businesses performed well despite the challenges of multiple winter storms, including Duke Energy Carolinas customers setting a record on Feb. 20 for peak use, CEO Lynn Good said.

This offset weak international results, due in large part to an ongoing drought in Brazil that drove up the cost of purchased hydropower.

Entergy

Strong electricity demand by Entergy's industrial customers in the first quarter was offset by a decline in its wholesale commodities unit, resulting in a 26% decrease in quarterly profit, the company announced Tuesday.

The New Orleans-based generator earned net income of $298.1 million ($1.65/share) in the first quarter versus $401.2 million ($2.24/share) for the same period last year. Quarterly operating revenue fell 9% to $2.92 billion.

Entergy cited the "Industrial Renaissance" in the Gulf region for the seventh-straight quarter of industrial sales growth. That boosted consolidated net income of the utility segment by 11% to $223.4 million. Entergy cited industrial growth in persuading MISO to approve a $187 million out-of-cycle project to beef up its transmission system near Lake Charles, La. (See *Entergy Out-of-Cycle Requests Win MISO Board OK*.)

Entergy's wholesale commodities segment saw a steep decline in the first quarter, with net income falling to $123 million compared to $242 million in 2014 — a decrease of nearly 50%. The company cited several factors, including the shutdown of the Vermont Yankee nuclear plant at the end of 2014 and lower wholesale power prices.

CEO Leo Denault said Entergy is proceeding with $8 billion in capital spending over the next three years, including additional peaking units in the Lake Charles area.

He also said new ratemaking legislation in states such as Arkansas should provide a more favorable regulatory climate for recovering costs.

Denault also said that during Entergy's first year as a member of MISO, the company's customers have benefited from $240 million in energy-related savings, "exceeding expectations."

FirstEnergy

FirstEnergy's first-quarter net income rose almost 7% to $222 million ($0.53/share) despite a 7% drop in revenue to $3.9 billion, the company said. Last year it reported earnings of $208 million ($0.49/share) on

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Company Q1 2015 Earnings Roundup

Continued from page 16

first-quarter revenue of $4.2 billion.

In an earnings call with analysts, CEO Charles Jones cited a revised strategy in the company's competitive sales business as the primary driver of both the increased earnings and decreased revenue. FirstEnergy reduced its predicted annual load obligation to 68 million MWh, compared to 99 million last year, Jones said. The company also reduced the number of residential and small business customers it serves in weather-sensitive areas.

"This strategy, together with improved plant operations, helped to mitigate the potential downside from this year's severe first-quarter weather and demand conditions, even though our region experienced four more below-zero days this February than last January," Jones said. He also noted that PJM set a new winter demand peak in February. (See *Cold Sends PJM to New Winter Record*.)

The company also cited an increase in earnings from its regulated transmission segment, a result of prior investments, it said.

NiSource

NiSource's net income rose nearly 1% in the first quarter, to $268.4 million from $266.2 million a year earlier, the company announced Thursday.

The Merrillville, Ind.-based energy provider said that quarterly revenue fell 7%, to $2.15 billion from $2.32 billion, in the same quarter of last year.

Most of the decline occurred in its electric utility business, where revenue slumped 12% to $394.7 million. The company's gas distribution business revenues dropped 11% to $1.08 billion, but gas transport and storage revenue rose nearly 9% to $628 million, thanks to growth in shale gas projects.

NiSource, the parent of Northern Indiana Public Service Co., said it is on track for a planned July 1 separation of its Columbia Pipeline Group into a publicly traded company. It will trade on the New York Stock Exchange as CPGX.

PPL

PPL more than doubled its first-quarter profits, reporting earnings of $647 million ($0.96/share) versus $316 million ($0.49/share) in 2014.

Revenues were $3.17 billion, up from $1.19 billion in the first quarter of 2014, when it recorded $1.46 billion in losses on physical and financial commodity sales.

The company cited strong results from its regulated operations in the United Kingdom, Pennsylvania and Kentucky and earnings from infrastructure investments.

PPL expects to close the spinoff of its competitive generation business into Talen Energy on June 1.

"Moving forward as a purely regulated utility company, we remain confident in our ability to achieve annual earnings growth of 4 to 6% through at least 2017, based on the continued strong performance of our regulated businesses, the rate base growth expected from significant projected infrastructure investment and $75 million in targeted, corporate support cost savings that have been identified as part of our corporate restructuring," CEO William Spence said.

PSEG

Public Service Enterprise Group reported 2015 first-quarter net income of $586 million ($1.15/share) compared to $386 million ($0.76/share) for the same period last year, a 52% increase.

While the company cited the strong performances of Public Service Electric & Gas and its generation business PSEG Power, operating earnings only increased slightly from the previous year and revenue dipped slightly. The biggest boon for the company was a $264 million settlement it reached with its insurers to recover losses due to Superstorm Sandy, $159 million of which is reflected in the first-quarter report.

PSEG had filed a lawsuit against the insurance companies in the summer of 2013, claiming they had denied it full coverage for its losses. A New Jersey Superior Court judge sided with the company in March. "The claims related to Superstorm Sandy insurance coverage are now fully resolved," PSE&G spokeswoman Karen Johnson said.

Operating earnings for PSEG Power fell slightly by 5%, but due in part to the settlement, the business's net income rose from $164 million to $335 million, a 105% increase. Most of the settlement money was for damages to the subsidiary's plants.

"PSE&G is delivering on the promise of its expanded distribution and transmission investment program, while the reliable performance of PSEG Power's generating assets and its gas market expertise during one of the coldest winters on record helped us deliver value for our customers," CEO Ralph Izzo said.

Wisconsin Energy

Wisconsin Energy said first-quarter profit fell 6%, citing a warmer winter than a year ago and the costs related to its proposed acquisition of Integrys Energy.

The company reported net income of $195.8 million ($0.86/share) compared with $207.6 million ($0.91/share) in the first quarter of 2014. Revenues fell 18% to $1.39 billion. The company said 2014 revenues were higher due to the polar vortex and higher spot market prices for natural gas.

The Federal Energy Regulatory Commission and the Michigan Public Service Commission have already approved the Integrys deal. The Wisconsin Public Service Commission last month indicated it will likely approve the deal, to the chagrin of industrial and consumer groups that want Wisconsin Energy to promise specific rate savings to customers as a result of the $9.1 billion merger. Regulators in Illinois and Minnesota have yet to sign off on the deal.

Xcel

Xcel Energy's first-quarter net income fell 41% from a year earlier on a milder winter and a $129 million pre-tax loss related to a 2013 upgrade of its Monticello nuclear plant.

The Minneapolis-based company reported a profit of $152 million ($0.30/share) compared with $261.2 million ($0.52/share) in the first quarter of 2014.

Profits took a 16 cents-per-share hit due to the loss stemming from the Monticello project. In 2013, Northern States Power-Minnesota completed a project to uprate the Monticello nuclear facility to 671 MW from 600 MW, at a cost of $748 million.

That was more than a 2008 estimate of $320 million. The Minnesota Public Utilities Commission completed a prudence review in March, determining that $333 million of the costs must be recovered over the life of the project.

Revenues of $2.96 billion were down 7.5% from the same quarter last year, largely on milder winter weather that reduced consumption.

Xcel reaffirmed full-year earnings per share of $2 to $2.15.

Strong PECO Performance, Integrys Acquisition Help Exelon's Earnings

By Suzanne Herel

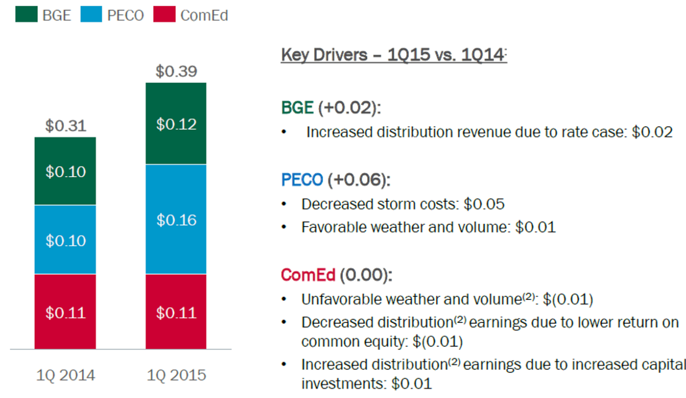
Exelon said Wednesday that first-quarter profit exceeded expectations, in part due to strong performances by PECO, Baltimore Gas and Electric and Constellation Energy.

The company reported earnings of $693 million ($0.80/share) compared with $90 million ($0.10/share) a year earlier. Excluding certain items, the company delivered a per-share profit of 71 cents, compared with 62 cents the same time last year.

Exelon said its earnings benefited from fewer storms and more hot days for PECO, its generation-to-load-matching strategy, the $60 million acquisition of Integrys, increased rates at BGE and the Department of Energy's cancellation of spent nuclear fuel disposal fees.

These factors were partially offset by some nuclear outages; lower profit at Commonwealth Edison, where heating degree days and electric deliveries fell; higher operating and maintenance costs for contracting; interest expenses; and the termination of interest rate swaps.

Exelon's generation segment — which includes its retail suppliers and Constellation, which sells to both wholesale and retail customers — saw a profit of $443 million, compared with a year-earlier loss of $185 million.



Exelon utilities' contribution to earnings (adjusted EPS) (Source: Exelon)

In a conference call with analysts, CEO Christopher Crane said he was hopeful that an Exelon-backed bill designed to support some of the company's underperforming nuclear reactors would clear the Illinois legislature this session. (See Exelon-Backed Bill Proposes Surcharge to Fund Illinois Nukes.)

He also was optimistic that the company's proposed $6.8 billion takeover of Pepco Holdings Inc. would clear the final regulatory hurdles in Maryland and D.C., and close late in the second quarter or the third quarter of this year. (See Deadline Looms for Decision in Exelon-Pepco Deal.)

He dismissed rumors that Maryland Gov. Larry Hogan opposed the merger, saying, "The governor has stayed neutral since he says he's come in late to the process." Crane said Hogan had penned a letter to the state Public Service Commission saying he was neither for nor against the transaction.

Crane said he expects the company to receive a decision from the Maryland PSC by May 15.

Chief Financial Officer Jack Thayer said that should regulators reject the deal or place such onerous conditions on it that it no longer was viable, Exelon would use the money to "fund growth at the business or return value to shareholders through other means."

COMPANY BRIEFS

Musk Unveils Powerwall Battery Storage System

Tesla CEO Elon Musk announced the electric automaker's next new product: the Powerwall, a modular battery storage system aimed at the residential sector. The lithium-ion battery pack, which can be combined with as many as eight other units, mounts to a wall and stores energy from solar collectors.

"If you have the Tesla Powerwall, if the utility goes down, you still have power," Musk said. "The whole thing is an integrated system that works." The components will be built at the company's $5 billion Gigafactory now under construction near Reno, Nev. The company announced two versions of the battery: a 10-kWh unit for $3,500 and a 7-kWh one for $3,000, the latter of which is designed for daily cycling. Tesla is also marketing a version for the commercial sector called the Powerpack.

Initial reaction from analysts was positive. Tesla said it received more than 38,000 orders for the product, including 2,800 for the commercial version. "We're basically sold out through the first half of next year," Musk said.

Other companies are working on the same idea, including NRG Energy, which is developing battery storage products. "We have to be in this space," NRG Home CEO Steve McBee said. "If your goal is to build a meaningful solar business that is durable over time, you have to assume that the solar business is going to morph into a solar-plus-storage solution."

More: *New York Times*; *The Next Web*

Dominion's Annual Meeting Scene of Pipeline Protest

The Dominion Resources annual meeting drew more than 100 protesters opposed to the Atlantic Coast Pipeline. The Richmond, Va.-based company is a major partner in the $4.5 billion plan to build a 500-mile pipeline across rural parts of West Virginia, Virginia and into North Carolina to bring shale gas to eastern markets.

"I think that we'll get the attention of the shareholders of the corporation that don't realize they're risking lives," said Yvette Ravina of Churchville, Va., a rural area. Picketers gathered outside the site of the meeting, and at least six were inside the meeting itself.

CEO Thomas F. Farrell II said the pipeline would be critical to providing the natural gas necessary to meet growing customer demand, especially now that the pressure is on to meet Environmental Protection Agency emissions mandates. "Virginia and North Carolina in particular do not have enough gas infrastructure," he said. "This is extremely important. … it's going to result in much cleaner air."

More: *Richmond Times-Dispatch*

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Company Briefs

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Exelon's Oyster Creek Down For 'Electrical Disturbance'

Exelon Nuclear's aging Oyster Creek Generating Station was taken offline Thursday due to what the company termed "an electrical disturbance on the non-nuclear side of the plant." They said there was no release of radiation.

"We want to make sure why it happened, but for public safety and the plant workers the plant is safely shut down," said Nuclear Regulatory Commission spokesman Neil Sheehan. "Now it's a matter of troubleshooting exactly what occurred."

The 636-MW plant on the New Jersey coast also shut down in March. It is the oldest in the company's fleet and is scheduled for decommissioning in 2019. The plant received a "white" performance indicator from the NRC because of four unplanned shutdowns in 2013 and 2014. It received a more serious "yellow" finding last month after problems were found with two of five reactor pressure valves.

More: Press of Atlantic City

Southern Co. May Use Drones to Inspect Lines

Southern Co. said it is researching the possible use of drones to inspect its thousands of miles of power lines. It has asked for and received clearance from the Federal Aviation Administration to test unmanned aerial systems for business purposes.

The company has more than 27,000 miles of transmission lines throughout the Southeast. COO Kimberly Greene said the use of drones could expedite storm recovery, and drone inspections could be done safely and cost effectively.

More: Atlanta Constitution Journal

Mississippi Power Adding 52 MW to Solar Stable

Southern Co. subsidiary Mississippi Power is partnering with Origis Energy to build a utility-scale solar farm in Sumrall, Miss. It will be Mississippi Power's third renewable project in the state. The company is also building a 450-acre, 50-MW solar station in Hattiesburg, and a 3 to 4-MW facility in conjunction with the U.S. Navy at the Naval Construction Battalion Center in Gulfport. All three projects, pending approval of the Public Service Commission, are expected to be in service by the end of next year.

More: PennEnergy

Ohio Religious Leaders Appeal To FirstEnergy for Reform

A group of 38 Ohio religious leaders, concerned about low-income customers, have asked FirstEnergy CEO Charles Jones to change the way the utility does business. "It's time that we as citizens demand corporate America be accountable to us," Eugene Ward Jr., a Baptist bishop from Cleveland, wrote in the letter to Jones. "We can't afford the higher rates nor the damage that FirstEnergy is wreaking on our environment."

Many of the clergy face staggering utility bills from heating and cooling old, inefficient churches. The group also denounced FirstEnergy's attempt to get approval for its Electric Security Plan, which would guarantee income for underperforming plants.

"This subsidy would rob the poorest among us for the profit of a massive corporation and hurt families by forcing them to underwrite the costs of outmoded facilities whose harmful byproducts make them sick," the letter said.

More: Cleveland Scene

Annual Market Report for RGGI CO2 Allowances Released

No evidence of anti-competitive conduct has been found in the market for Regional Greenhouse Gas Initiative CO_2 allowances, according to Independent Market Monitor Potomac Economics' 2014 Annual Report on the Market for RGGI CO_2 Allowances.

Firms acquire the RGGI CO_2 allowances in the primary market, mainly the RGGI CO_2 allowance auctions, and can also buy and sell CO_2 allowances in the secondary market. According to the Monitor, the average 2014 auction clearing price was $4.72, a 62% increase from $2.92 in 2013. Secondary market prices were generally consistent with auction prices at an average price of $4.82.

Demand for allowances at auction also increased in 2014. For the second year in a row, no allowances offered at auction have gone unsold. Compliance entities held 85% of the CO_2 allowances in circulation at the end of 2014, an increase from 81% at the end of 2013.

Duke Buys 7.5% Stake In $3B Gas Pipeline Project

Duke Energy will buy a 7.5% stake for $225 million in a proposed natural gas pipeline that is to run from Alabama, through Georgia and terminate in Florida. The other partners in the 500-mile Sabal Trail Transmission project are Spectra Energy (59.5%) and NextEra Energy (33%). The pipeline is scheduled to begin operations in 2017.

More: Atlanta Business Chronicle

PPL's Susquehanna-Roseland Tx Line About to Go into Service

A 130-mile, $632 million transmission line running from PPL's Susquehanna nuclear plant near Berwick, Pa., to a substation near Newark, N.J., is set to go into service. Under construction since 2012, the development of the line prevailed despite community opposition. The line follows a previously existing transmission corridor through the Delaware Water Gap National Recreational Area. PPL officials said testing is being done on the line now, and it should go into service by the end of the month.

The 500-kV line was fast-tracked by federal authorities as part of the Obama administration's drive to upgrade the nation's power grid. It was constructed in collaboration with Public Service Electric & Gas.

More: The Morning Call

FEDERAL BRIEFS

Ex-NRC Employee Charged With Attempt to Steal Secrets

A former Nuclear Regulatory Commission employee was charged with trying to sell sensitive nuclear weapons information to a foreign government after he was caught by an FBI sting operation. Charles Harvey Eccleston's attempts to glean information from government computers came to the attention of investigators after he entered an unidentified foreign embassy and offered to sell information.

Investigators said he offered to design malware that would pluck information from government computers in a method known as "spear-phishing." He was caught in the Philippines on March 27.

More: *The Hill*

NRC Approves Plan to Build At Fermi — but DTE isn't Building

While the Nuclear Regulatory Commission has approved plans to build a new reactor at DTE's Fermi 2 site, the company announced that it doesn't plan to act on that approval.

A company spokesman said the construction license was sought to preserve DTE's options. The plan allows for a 1,560-MW facility, which would boost the site's capacity from the 1,170 MW already in operation.

DTE plans to retire some of its coal plants in the next five years, but the company said it is eyeing natural gas-fired plants if it pursues any immediate construction plans.

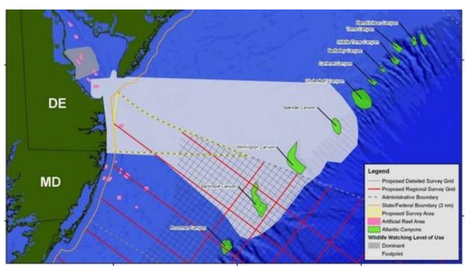
More: *Fierce Energy*

Algonquin Pipeline Prep Work Approved by FERC

The Federal Energy Regulatory Commission approved Spectra Energy's plans to begin site preparation work on its Algonquin Pipeline expansion in New Jersey. Called the AIM Expansion, the project is designed to improve natural gas supply to the Northeast Region of the U.S., which experienced gas shortages during winter peaks.

More: *Cortlandt Daily Voice*

Delaware Urges Interior to Keep Offshore Water Survey-Free



Delaware's top environmental official is urging the U.S. Department of the Interior to not permit any seismic surveys off the state's coast because it is not part of the federal government's immediate plans for oil and gas development.

"The extent of proposed surveys into waters offshore of Delaware does not correlate to the leasing program areas and we do not see the need for surveys in areas that are not currently subject to leasing," Department of Natural Resources and Environmental Control Secretary David Small said in a letter.

The Interior Department has granted seismic surveying off the coasts of other Mid-Atlantic states. Information from the surveys will be part of the Bureau of Ocean Energy Management offshore lease programs.

More: *Delmarva Now*

NRC Investigating Incidents At Exelon's Three Mile Island

The Nuclear Regulatory Commission is looking into two recent incidents at Exelon Nuclear's Three Mile Island generating station in Pennsylvania. Two Sundays ago, a control rod dropped inside the reactor. Four days later, a valve opened and allowed steam to be vented into the atmosphere. Low levels of radiation were in the steam, according to the NRC and Exelon officials.

NRC investigators are determining the cause of both incidents.

More: *ABC 27 News*

FERC Grants Initial Approval To Palmetto Pipeline Project

The Federal Energy Regulatory Commission has granted pricing and service conditions for Kinder Morgan's proposed Palmetto Pipeline. The pipeline runs from South Carolina to Florida. When completed, the pipeline will have the capacity to move 167,000 barrels of oil or petroleum products daily.

Kinder Morgan said the project will cost about $1 billion.

More: *GSA Business*

STATE BRIEFS

CONNECTICUT

Largest Fuel Cell Park Planned for Beacon Falls

Developers have released plans to build the world's largest fuel cell park at a former gravel pit in Beacon Falls. CT Energy & Technology would develop and own the 63.3-MW park, which would surpass the 59-MW Gyeonggi Green Energy park in South Korea as the world's largest.

"For practical purposes, the project location in Beacon Falls is perfect because it is next to an electric switch yard, a natural gas tie-in and water," said William Corvo, president of CT Energy.

Under a letter of intent, FuelCell Energy of Danbury will supply the cells and is expected to operate and maintain the plant under a long-term service agreement. O&G Industries owns the property. CT Energy is developing and will own the project. Corvo declined to disclose the price tag for the project.

More: *Hartford Courant*

INDIANA

State Braces for Large Wind Expansion Due to Clean Power Plan

The state, which generates the majority of its electricity from coal, is anticipating a rapid expansion of its wind portfolio due partly to the Environmental Protection Agency's proposed Clean Power Plan.

Only five other states are projected to boost wind power as much as or more than Indiana, according to the U.S. Department of Energy. The state could triple its wind power capacity over the next decade from 1,744 MW to more than 5,000 MW, said Sean Brady, Midwest policy manager for Wind on the Wires.

That would require 2,000 more wind turbines to join the 1,031 now located in the northern half of the state.

More: *The Indianapolis Star*

MAINE

UT Economist Nominated to PUC Seat


Williamson

Gov. Paul LePage has nominated a University of Tennessee economist for the remaining slot on the Public Utilities Commission. Bruce Williamson, senior economist at the Institute for Nuclear Security at the university's Howard Baker Center for Public Policy, told the *Portland Press Herald*, "I have no agenda in coming to Maine. I'm not bringing any prejudice about one type of energy versus another. It's all about making sense financially."

LePage favors policies that encourage expansion of natural gas pipelines and is opposed to subsidies to promote renewable energy and energy efficiency.

SunEdison, developer of the proposed 22-turbine Weaver Wind project near Ellsworth, recently released a statement saying it was withdrawing its power purchase plan and would try to sell its electricity elsewhere in New England, due to issues with the commission.

More: *Portland Press Herald*

LePage's Plan to Attract Nukes Blasted by Environmentalists

Environmentalists and anti-nuclear activists are blasting Gov. Paul LePage's proposal to make it easier to bring small nuclear power plants to the state, because it would strip voters of the power to sign off on new plants, they say. Currently, voters must approve the construction of any nuclear power plant in the state.

LePage wants to remove that requirement for plants that generate 500 MW or less. But opponents say LePage's proposal would silence those who could be greatly impacted by a potentially risky energy resource. The state's only nuclear plant, Maine Yankee, closed in 1997, but only after surviving three referendums led by anti-nuclear activists — it closed due to operations and management problems. Patrick Woodcock, director of the Governor's Energy Office, said the public would still have plenty of opportunities to weigh in through municipal permitting hearings.

More: *Associated Press*

MARYLAND

Earthjustice Appeals Fed OK of Cove Point Terminal

Environmental group Earthjustice is suing the Federal Energy Regulatory Commission to reverse the agency's approval of Dominion Resources' Cove Point liquefied natural gas export terminal near Lusby, Md.

The group said FERC approved the project without conducting a rigorous environmental review. While the environmental studies did cover effects at the plant site, the group argues that it should have considered how increased demand for gas would result in increased pollution in the Marcellus Shale region where the gas is produced, as well as water pollution from increased shipping in the Chesapeake Bay.

Earthjustice — on behalf of state environmental groups Chesapeake Climate Action Network, the Patuxent Riverkeeper and the state chapter of the Sierra Club — filed the suit in the D.C. Circuit Court of Appeals after FERC denied its request for a rehearing last week. "After months of delay, we will finally get our day in court to challenge the fundamentally flawed approval of Dominion's climate- and community-wrecking project," said Mike Tidwell, director of the organization.

More: *Baltimore Sun*

PSC Decision on Exelon-Pepco Deal Expected Friday

The Public Service Commission is expected to announce a decision Friday on Exelon's proposed $6.8 billion acquisition of Pepco. (See *Deadline Looms for Decisions in Exelon-Pepco Deal*.)

The takeover has met significant opposition in the state, where critics believe it would give the Chicago energy giant too much influence over electric service in the region. Criticism also has been fierce in D.C., which is expected to make its decision shortly after Maryland rules.

The acquisition already has won support

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STATE BRIEFS

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from the Federal Energy Regulatory Commission and state officials in New Jersey, Virginia and Delaware.

More: *WUSA9*; *Crain's Chicago Business*

Constellation, CCBC Team Up to Build Solar Project

Constellation Energy and the Community College of Baltimore County are partnering to build a 5.1-MW solar generation project.

The system, spread among the college's three main campuses, is expected to generate enough electricity to meet about 27% of the school's electricity needs.

Constellation also will install 10 duplex electric vehicle charging stations as part of the project.

Constellation, the state's top solar energy producer, will own and operate the systems. CCBC will buy the electricity under a 20-year purchase agreement.

The system will consist of about 16,500 photovoltaic panels on carports across the campuses.

More: *The Daily Record*

MASSACHUSETTS

Large-Scale PV Plant Planned for Pittsfield

The Pittsfield Community Development Board has approved a site plan for a commercial-scale photovoltaic power generation facility planned on three adjacent undeveloped lots in an industrial park. Solar panels on each lot are expected to produce 650 kW of energy at peak generation, according to officials with U.S. Light Energy.

William Heffernan, operations manager with the firm, said it plans to purchase the lots from Betnr Industrial Development and will produce electricity for distribution through Eversource Energy.

More: *Berkshire Eagle*

MICHIGAN

Stamping Parts Maker Is Tesla's First Acquisition

Tesla Motors has reached a deal to buy the Grand Rapids-based auto supplier Riviera Tool, marking the Silicon Valley tech company's first acquisition, according to the *Detroit Free Press*.

Riviera makes stamping parts used by Tesla's assembly plant in Fremont, Calif. Tesla is expected to continue adding jobs at Riviera.

More: *Detroit Free Press*

MINNESOTA

PSC Approves Acquisition of Former Alliant Customers by Co-Ops

The Public Utilities Commission has approved the transfer of about 43,000 electricity customers from Alliant Energy to a consortium of co-ops. Alliant agreed in 2013 to the sale of its business to a group known as the Southern Minnesota Energy Cooperative, which will divide the southern service territory among adjacent co-ops.

The co-ops involved are: BENCO EC, Mankata; Brown County REA, Sleepy Eye; Federated REA, Jackson; Freeborn-Mower Cooperative Services, Albert Lea; Minnesota Valley EC, Jordan; Nobles Cooperative Electric, Worthington; Redwood EC, Clements; Peoples Energy Cooperative, Oronoco; South Central Electric Association, Saint James; and Steele-Waseca Cooperative Electric, Owatonna. Sioux Valley Energy, headquartered in Colman, S.D., would also add members in its Minnesota territory.

More: *Electric Co-op Today*

NEW HAMPSHIRE

Research Firm Walks Out On Kinder Morgan Contract

An independent state research institute has walked away from a $66,000 contract with Kinder Morgan to study the impact of a proposed natural gas pipeline, citing a disagreement over the terms of the research. The New Hampshire Center for Public Policy Studies has been at work on the Kinder Morgan proposal since early March and was scheduled to release its report in June. The non-profit think tank was hired by the energy company to conduct an objective analysis of its proposal for a new pipeline through southern New Hampshire. The work was under the direction of the center's Executive Director Steve Norton, with most of the research conducted by economist Dennis Delay. A disagreement over the "terms of engagement" led to the cancellation of the deal, according to Norton.

More: *Manchester Union Leader*

NEW YORK

Nuclear Transformer that Caught Fire was Subject of State Concerns

The state has had concerns for years about the reliability of transformers at the Indian Point nuclear generating station, where a transformer at Unit 3 exploded on Saturday night, spilling oil into the Hudson River.

The unit, which shut down automatically, could be out of service for weeks, according to a spokesman for plant owner Entergy. The fire, which sent black smoke into the sky, was extinguished by a sprinkler system and on-site personnel, the company said.

In 2007, state officials filed a petition with the Nuclear Regulatory Commission, saying the plant failed to operate an age management plan for transformers. The "failure to properly manage the aging of electrical transformers could have safety implications for the plant, such as affecting station blackout recovery," the state told the NRC. Entergy responded that neither industry practice nor NRC staff guidance called for such a monitoring regime, according to a filing last year by the state as part of Indian Point's licensing renewal application.

In 2013, the NRC's Atomic Safety and Licensing Board ruled that the transformers fall under the scope of an age-monitoring review. An engineer called by the state as a witness testified that failure to properly manage transformer aging may compromise the safety of Indian Point, which is located about 35 miles north of midtown Manhattan.

More: *Associated Press*

Ambit Energy Under Investigation by PSC

Ambit Energy, an alternate energy marketer in the state, is under investigation by the Public Service Commission. Customers have complained about a lack of notification at the expiration of their contracts and the calculations used for guaranteed savings. Ambit says it is cooperating in the investigation.

The company said it met with the Department of Public Service "to explain how it calculates savings from its Guaranteed Savings Plan. The conversation expanded to

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State Briefs

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include a discussion of the complaints the DPS received in 2014 and 2015 after consecutive, unseasonably cold winters in the state." The newly formed Consumer Advocate office within the department is heading the investigation.

More: *Poughkeepsie Journal*

Ginna Supporters Swarm Hearing

Hundreds of people turned out at the first of two Public Service Commission hearings on a proposal to subsidize the Ginna nuclear power plant. The hearing in Webster, a town close to the financially troubled nuclear facility and populated by many Ginna workers, was mostly supportive of the plan to prop up the plant to maintain system reliability.

Rochester Gas & Electric officials have said the transmission system is insufficiently robust to be able to deliver enough power to replace Ginna's supply, should the plant be shuttered. A study done for the company raises the possibility of electricity shortages during periods of peak summertime demand if Ginna were to close now. Under that plan to guarantee rates, residential customers would pay an extra $163 over the next 3.5 years to keep Ginna running. Monthly charges would start at $6.11 and drop in subsequent years.

More: *Rochester Democrat & Chronicle*

National Grid Upgrades Add Jobs, Tax Base

National Grid transmission-line upgrades would add $20 million to the tax base in the state's Capital Region and lead to 264 new permanent jobs locally, according to a new study commissioned by the utility. The figures include data from Albany, Columbia, Montgomery, Rensselaer and Schenectady counties, where the construction would take place. Other counties involved in the project include Oneida, Herkimer and Dutchess counties. The total tax base benefit would be $30 million, and the addition to the job base would be 389 jobs.

National Grid is proposing a $1.2 billion upgrade to its high-voltage electric transmission system in the Mohawk Valley and the Hudson Valley.

More: *Albany Times Union*

NORTH CAROLINA

House OKs Bill to Freeze Renewables as 'Reform'

The Republican-led House voted 77-32 to freeze the percentage of electricity sales mandated to come from renewable sources or energy efficiency as part of a regulatory reform package. It would stop an annual progression in a bill passed in 2007, setting the cap for renewable retail sales at 6%. And while the bill provides for local property tax breaks for solar, it also decreases the capacity threshold for solar and wind projects selling back to utilities. That particular amendment was seen as a major loss for solar advocates.

More: *News & Observer*

Officials Warn Against Drinking Water near Duke Coal Ash Pits

State environmental officials are warning residents near Duke Energy coal ash pits against drinking or cooking with well water after tests showed that 93% of the 163 wells tested so far showed high levels of toxic metals. It was the second warning about contaminated groundwater. Last month, state officials said 87 wells near eight Duke power plants failed to meet state groundwater standards.

Duke has 32 ash dumps at 14 power plants in the state. A law passed in the wake of a massive coal ash spill last year mandates testing at every site.

More: *Charlotte Observer*

NORTH DAKOTA

Senators Call for Better Tank Car Standards After Fiery Derailment

A crude-oil train's derailment and explosion spurred the state's U.S. senators to call for rapid upgrades of tank-car fleets to reduce the chance of future accidents. A 107-car BNSF train derailed and several cars burst into flames near Heimdal, but no injuries were reported.

"We must get the tanker car fleet updated," Sen. John Hoeven (R-N.D.) said. "It's all about safety and everyone … has a role to play."

"Today's derailment of a crude oil train is the second one in our state in the past year and a half," Sen. Heidi Heitkamp (D-N.D.) said. "We cannot allow these to become the norm."

More: *Bismarck Tribune*

PENNSYLVANIA

Democrat Appointed to Chair PUC; Wolf Eyes Renewable Power Policies


Brown

Gov. Tom Wolf has named fellow Democrat Gladys Brown chairwoman of the Public Utility Commission.

She replaces Robert Powelson, a Republican, who has led the five-member group since 2011. His term expires in 2019.

Wolf has not revealed his intention to reappoint or replace the other Democrat on the panel, James Cawley, whose term expired March 31.

Brown, 51, is a Harrisburg lawyer and former legislative aide who was named to the PUC in 2013.

Wolf said he looked forward to working with Brown "to ensure there is a stable balance between consumers and utilities, as well as utilizing PUC to advance the development of Pennsylvania's infrastructure to support the natural gas industry."

"I also believe we have a real opportunity to reposition the commonwealth as a leader in developing renewable energy and energy efficiencies," Wolf said in a statement. "Gladys shares my vision and has the experience to help advance policies to achieve this."

More: *Philadelphia Inquirer*

Stakeholders Debate Need for Clean Power Plan Safety Valve

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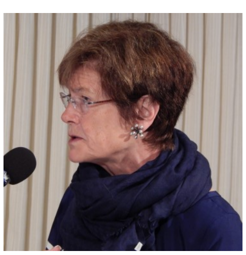
allow a plant to retire if it's needed for reliability purposes."

Tierney, senior advisor for the Analysis Group, and John Moore, senior attorney for the Natural Resources Defense Council's Sustainable FERC Project, were in the minority in cautioning against a mechanism for providing relief from the EPA's carbon emission rule.

Indicating their support at the forum were Gerry Cauley, CEO of the North American Electric Reliability Corp.; PPL CEO William Spence; Michael Dowd, director of the Virginia Department of Environmental Quality's air division; James W. Gardner, vice chairman of the Kentucky Public Service Commission; Craig Glazer, PJM's vice president for federal government policy; and John Novak, the National Rural Electric Cooperative Association's executive director for environmental issues.

Federal Energy Regulatory Commissioner Colette Honorable mostly listened and asked questions.

BPC President **Jason Grumet** said the forum was intended as "a constructive, messy, complicated conversation." He opened the four-hour discussion by declaring what was out of bounds: "We are not going to debate the interim [EPA] targets. We are not going to be debating the legality of the rule. We're not going to be debating the existential question of whether climate change exists," he said.



Tierney began her comments by remarking that preparations for EPA's Mercury and Air Toxics Standards also prompted apocalyptic warnings. Yet when the rule took effect April 16 — albeit, with a reliability safety valve included — the lights did not go out, she said.

"Business as usual is not assuming that the problems are going to go away," she said. "Business as usual in this industry is making sure reliability is addressed all the time."

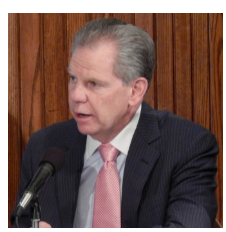
Fear of Complacency

Tierney and Moore spent much of their time debating NERC's Cauley and PJM's Glazer.

"One thing I'd like to challenge is assertions that because the grid and the utility industry [have] been resilient in the past and resolved all problems ... [they] will continue to do so," Cauley said. "We don't work that way. If a power company operates on that presumption we go get 'em and fine them a million dollars a day. Because you can't go off into unknown areas and not have a well-planned, well-operated system."

Glazer, with a piece of transmission tower.

Glazer spoke on behalf of the ISO/RTO Council, which included a detailed reliability safety valve proposal in its comments to EPA. "If we do this right, Sue is right, we shouldn't need the reliability safety valve. But boy it is a good thing in our view to have."



Spence, representing the investor-owned utilities of the Edison Electric Institute, agreed. "We're not asking for a free pass," he said. "We're just saying if we get ourselves into a situation where we need to do something, [EPA can provide relief from compliance]. I think that's a reasonable ask."

"There will be nothing that will derail the Clean Power Plan quicker than having a reliability event," he added. "So I would suggest [to] people who really want to see [EPA's 30% emissions reduction] pushed across the finish line: We ought to have all the tools that we possibly can have."

Novak said the mechanism could be needed if Virginia lost the North Anna nuclear plant. "What if for some reason [North] Anna goes down for several years — or like San Onofre in California, it goes down forever?" he asked. "Are there going to be sufficient offsets to make up for 1,000 MW or more of non-emitting generation? How long will it take to get that extra ... energy?"

Dowd said he was concerned about relying on existing law and mechanisms to ensure reliability.

"The question of whether reliability trumps environment has not been established," he said. "... The courts have not decided that."

Undermining Markets

Tierney said the flexibility of the proposed rule — which would allow states to engage in interstate emissions trading and to lower emissions through energy efficiency, renewables and low-carbon fuels — provides ways to balance reliability and compliance.

Tierney said the IRC's proposal could result in an "administrative nightmare" and undermine the discipline needed to develop market-based compliance programs.

"Just about every [concern] that I'm hearing about could be solved with market-based approaches," she said. "The biggest thing that will be an impediment to the development of carbon markets would be a safety valve that creates the ability to leak carbon

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Stakeholders Debate Need for Clean Power Plan Safety Valve

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into the atmosphere."

Glazer responded by quoting former Defense Secretary Donald Rumsfeld's quote: "You go to war with the army you have, not the army you wish you had."

"The reality is we are not going into this with a mandatory, nationwide [carbon] market," he said. "This is not Waxman-Markey," the cap-and-trade bill that failed to win Senate passage in 2010.

Cauley acknowledged that electricity markets are resilient. "But they're not infallible, because they are limited by gas supply [and] by resources that do get retired.

"Do I want to bet the future of grid reliability five years from now, 10 years from now on a robust carbon market? I don't think we've seen that yet and I don't know that there's any assurance that that will materialize," he said.

No 'License to Steal'

Glazer said the IRC's proposal was designed with a high burden of proof and only time-limited relief to ensure it didn't become a "license to steal." It would require independent verification that there is a reliability problem that can't be addressed through carbon offsets.

"If somebody can just run into the governor's office and get a five-year, 10-year extension, this is going to be a farce," he acknowledged.

Moore said any increased emissions resulting from such relief should be offset by reductions elsewhere.

Glazer asked FERC not to use its litigation process in any role it would have under a reliability safety valve. (See *FERC Seeking Its Role on Carbon Rule 'Safety Valve'*.)

He recalled the fight over GenOn Energy Management's coal-fired Potomac River Generating Station outside D.C., which shut down in September 2012 under pressure from environmentalists and public officials.

"Because of the *ex parte* rules … I couldn't call Joe McClellan, who was [FERC's] reliability coordinator. We couldn't have him at meetings. FERC became irrelevant to the process," Glazer said. "So I implore you to find creative" alternatives.

Sitting to Glazer's left, Commissioner Honorable nodded. "Noted," she said.

(See related story, *Arkansas PSC Chair Rips Republican 'Just Say No' Strategy on Clean Power Plan*, p.10.)

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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-

PJM to Consider Storage as Capacity
October 1, 2013
Members agreed to consider new rules to allow batteries, flywheels and other advanced storage technologies to bid in the capacity market. -more-

PJM Likely to Limit Capacity Imports
September 17, 2013
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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