



## FERC OKs PJM Capacity Performance: What You Need to Know Auction to be Held Week of Aug. 10

By Rich Heidorn Jr. and Suzanne Herel

The Federal Energy Regulatory Commission on Tuesday approved PJM's dramatic restructuring of its capacity market, saying the changes were justified by "the combination of deteriorating resource performance and the ongoing change in the resource mix in the PJM region."

The proposal, a response to the poor generator performance during the January 2014 polar vortex, increases reliability expectations of capacity resources with a new Capacity Performance product. It is intended to result in larger capacity payments for the most reliable resources (including performance bonus payments for overperforming participants) and higher penalties for non-

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performers (non-performance charges).

The changes will be phased in beginning with the 2018/19 and 2019/20 delivery years, when PJM hopes to make at least 80% of capacity procured Capacity Performance, with the remainder "Base Capacity" subject to lower performance expectations. The transition will be complete for 2020/21,

when PJM expects 100% of capacity to be Capacity Performance resources. PJM also is changing energy market rules regarding operating parameters, *force majeure* and generator outages under a "no excuses" policy.

PJM's Board of Managers filed the proposal Dec. 12 following its first-ever "enhanced liaison process," under which it accepted comments on the proposal but made no attempt to reach stakeholder consensus.

Although it rejected some of PJM's related proposals for changes to the energy market, the commission otherwise approved the RTO's changes with only limited modifications (EL15-29, ER15-623). (See related

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## SPP Takes on Grid Management in Great Plains

By Ted Caddell

SPP has expanded its electric grid management from eight to 14 states, adding more than 5,000 MW of peak demand and 9,500 miles of transmission lines in the Great Plains.

The move, effective June 1, brings into SPP the Integrated System: the Western Area Power Administration's Upper Great Plains

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## Mid-America Regulatory Conference 2015



Wisconsin Attorney General Brad Schimel (front row, fourth from left) and EPA's Janet McCabe applaud introductions at the opening of the Mid-America Regulatory Conference in Milwaukee last week. Schimel vowed that the state would sue over EPA's proposed Clean Power Plan. (See article, p.29.) Other MARC coverage, p.2.

### In case you missed it ...



#### Ex-FERC Chair Wellinghoff Under Fire for Showing Deposition Video

Former FERC Chairman Jon Wellinghoff improperly shared non-public deposition testimony from a commission investigation at an energy conference in March, according to a report by the Department of Energy's Inspector General. (p.28)



#### FERC Enforcement Process on Hot Seat in House Hearing

FERC was the subject of intense criticism earlier this month as members of a congressional subcommittee considered legislation to rein in the agency's Office of Enforcement. (p.30)

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# Mid-America Regulatory Conference 2015

## RTO Officials Confess to Surprises

MILWAUKEE — The final session of the Mid-America Regulatory Conference last week brought together top officials from MISO, SPP and PJM to discuss balancing short-term expectations with long-term planning.

Regrets? They had a few.

“We did not know how fast the wind would develop [in the Midwest] under state [renewable portfolio standards],” said PJM CEO Terry Boston, who will be retiring later this year. “If I reflect back, a plan to build HVDC from this area of the country into the Mid-Atlantic would have been an excellent plan.”

Sam Loudenslager, principal regulatory analyst for SPP, said his region was surprised by oil shale development.

He recalled a recent tour of the Bakken region in North Dakota. “I came back telling our planners, ‘You’re not going to get it. You’re going to miss this big time because it’s growing like nobody’s business,’” he recounted.

“They’ll continue to pump as long as oil’s \$35 a barrel. And if you get to the heart of the Bakken, they’re pumping at \$22. And these are areas that have no transmission whatsoever.”



From left to right: Bert Garvin, Sam Loudenslager, Terry Boston, Richard Doying and Libby Jacobs. © RTO Insider

Richard Doying, MISO’s executive vice president of operations and corporate services, lamented that officials had not anticipated the Environmental Protection Agency’s Clean Power Plan a decade ago. “When we were doing our initial transmission planning, 111(d) was not a significant focus,” he said.



Bernard Neenan, of the Electric Power Research Institute, said the Supreme Court’s ruling regarding FERC jurisdiction over demand response will have no impact on DR’s underlying problems. “We’ve been at this for 50 years trying to involve customers in the market and we’ve failed miserably, almost across the board.” © RTO Insider



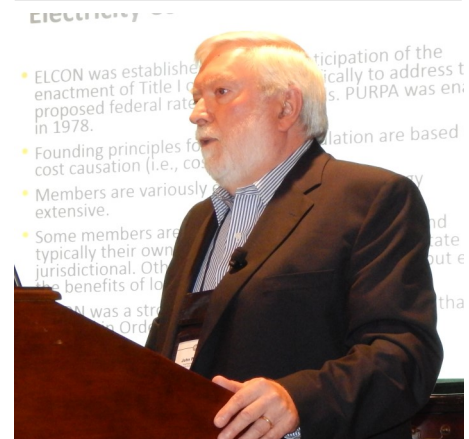
Jeff Hicken of Alliant Energy noted that Rockies Express Pipeline, which began operations in 2009 to deliver gas to Ohio from the Rocky Mountains, began sending gas in the opposite direction — from Ohio to Illinois — last year. “That’s just the biggest example of how much shale gas is revolutionizing the markets. It’s an amazing thing.” © RTO Insider



Missouri Public Service Commission Chairman Robert Kenney: “How nuclear generation is treated under the Clean Power Plan is of critical importance to us.” © RTO Insider



Valerie Wood, Energy Solutions: “People might not think of [liquefied natural gas] and electricity in the same conversation. But the fact is LNG is the biggest wildcard ... for natural gas demand in the next few years.” © RTO Insider



John Hughes, of the Electric Consumers Resource Council: “The whole debate on demand response is a ruse for a bigger issue — that is the sustainability of organized markets. They’re poorly designed. ... This constant need to change these market designs and find new revenue streams for [merchant] generators that have a bad business model must end.” © RTO Insider



## Amid Tensions, OMS Proposes MISO Stakeholder Forum

By Chris O'Malley

The Organization of MISO States voted last week to convene discussions on ways to improve the RTO's stakeholder process and address friction between the RTO and some of its members.

OMS President Libby Jacobs noted that MISO has several efforts under way already, including a white paper that MISO's Steering Committee will discuss Thursday on concerns that the stakeholder process has become "cumbersome and inefficient." The MISO Advisory Committee has made stakeholder process improvement the "hot topic" for its October meeting.

"We certainly applaud MISO for their efforts," Jacobs, of the Iowa Utilities Board, told OMS board members on June 11.

But she said, "We had some concerns that it didn't appear there was a formal outreach

to all the stakeholder groups to really weigh in on the process."

OMS would convene the dialog but will likely hire an outside facilitator to moderate the discussions, she said.

The effort could help better document how the stakeholder and governance process works, look at best practices at other RTOs and help stakeholders identify priorities.

MISO's [white paper](#) cites overlapping responsibilities among committees and insufficient focus on the most important issues as weaknesses in the current process.



Richard Doying, executive vice president of MISO, and Libby Jacobs, Iowa Utilities Board Commissioner and OMS President, at the 2015 MARC.  
© RTO Insider

### Tensions

Tensions between some MISO stakeholders and the RTO have flared in recent months.

Transmission developers objected earlier this year to MISO's approval of Entergy's request for \$217 million in out-of-cycle transmission projects in Louisiana. As out-of-cycle projects, they were excluded from competition.

The Consumer Advocates sector complained it was being disenfranchised after MISO denied its request for \$200,000 in funding to help cover legal costs in a case before the Federal Energy Regulatory Commission on MISO transmission owners' return on equity rates.

**"We had some concerns that it didn't appear there was a formal outreach to all the stakeholder groups to really weigh in on the process."**

**Libby Jacobs, OMS President**

## Municipal Eligibility for RTO Adder Questioned by MISO, Tx Owners

By Chris O'Malley

MISO and its Transmission Owners sector have raised doubts about the eligibility of some municipal transmission owners that are seeking a 50-basis-point RTO adder, asking the Federal Energy Regulatory Commission for clarification in separate filings.

Last week, MISO filed a limited protest to a compliance filing it submitted last month on behalf of several municipal TOs who requested an adder as an incentive for RTO membership. FERC had ordered MISO to make it clear that only municipals that have turned over functional control of their transmission to MISO, or provide service over non-transferred transmission facilities with MISO acting as agent, may receive the RTO adder. MISO also said that all of the municipals who are seeking the adder fulfill these requirements.

MISO's protest seeks to clarify that non-integrated facilities for which a TO receives credits under section 30.9 of the MISO Tariff are not eligible for the RTO adder ([ER15-1067](#)).

In its [protest](#), the TO sector asked FERC to reject the compliance filing outright, asserting that MISO had not adequately fulfilled the commission's requirements in its revisions.

"While the Tariff language submitted in the compliance filing appropriately limits the collection of the RTO adder, the compliance filing appears to state that certain municipals that do not meet these requirements but instead only use Attachment O of the MISO Tariff to calculate their revenue requirements for credits under section 30.9 of the MISO Tariff, are eligible to collect the RTO adder," the TOs said.

MISO filed on behalf of the Municipal Energy Agency of Nebraska, the Central Minnesota Municipal Power Agency, Cedar Falls Utilities and about 15 member cities, boards and agencies.

# MISO NEWS



## MISO Stakeholders Voting on Day-Ahead Market Schedule

By Chris O'Malley

MISO stakeholders will complete voting on June 16 on three options for responding to the Federal Energy Regulatory Commission's final rule on coordinating gas and electric schedules (RM14-2, [Order 809](#)). MISO could post ballot results as early as June 19 and announce a decision by June 30 for discussion at the July 7 Market Subcommittee meeting.

Order 809 moved the timely nomination cycle deadline for scheduling gas transportation from 11:30 a.m. to 1 p.m. CT (from 12:30 p.m. to 2 p.m. ET). It also added a third intraday nomination cycle.

MISO and other RTOs are required to make compliance filings by July 23 that move the clearing and posting of the day-ahead market's results to before the timely nomination deadline — or explain why it is not appropriate within their footprint. During a joint meeting last week of the Market Subcommittee and of the Reliability Subcommittee, Jeff Moore of Ameren asked MISO officials to what degree stakeholder votes will influence MISO's final decision. "Is MISO going to consider themselves bound by the stakeholder vote? Are there other considerations?"

Kevin Vannoy of MISO said stakeholder votes "are very important to us" but noted a number of considerations are in play, including alignment with other RTOs and scheduling, staffing and market administration issues.

Moore said his takeaway from a natural gas availability study presented earlier in the week led him to believe natural gas supplies appear to be adequate in MISO in the years

ahead and asked whether that would affect MISO's decision regarding the three options presented for the day-ahead market.

"That's something we'll discuss as part of our final decision," Vannoy said.

The three alternatives are:

- No changes. The day-ahead market closes at 11 a.m. ET, with next-day forward reliability commitment assessment (FRAC) results posted by 8 p.m. ET.
- Align the day-ahead market with the timely gas nomination cycle by closing the day-ahead two hours earlier during daylight saving time (one hour earlier during standard time) and reducing clearing windows by one hour.
- Align the FRAC with the evening gas nomination cycle by closing the day-ahead one hour early during daylight saving time and reducing the clearing window by one hour.

The status-quo alternative would require MISO to make a convincing filing with the commission, Joe Gardner, vice president of forward markets and operations services at MISO, told the Electric and Natural Gas Coordination Task Force on June 10.

Gardner said MISO estimates that alternative No. 2 could make available over one year an average of 7,500 MW more generation, while No. 3 could free up about 5,000 MW more than under the current system.

"Units that previously were not able to be considered because they [had] an hour or two longer start-up notification time than other units are able to be considered" in alternatives 2 and 3, he said.

"This allows basically just a few more units to be available for reliability purposes as

part of the normal process," Gardner added. "There is a reliability and an economic benefit."

### Other RTOs

ISO-NE reported last year that system operations had improved following changes it implemented in 2013 to move the day-ahead market and initial reserve adequacy analysis (RAA) timelines earlier in the day. It said the number of units committed in the day-ahead or RAA that were completely unavailable in real time due to gas procurement issues dropped from seven in the winter of 2012/13 to zero in the winter of 2013/14. Over the same period the number of generators with long start-up times dispatched before the day-ahead offer and bid deadline dropped from 12 to zero.

PJM, which currently posts its day-ahead results at 4 p.m. ET, is considering ways to post its results by 1 p.m., an hour before the first gas nomination deadline at 2 p.m. (See [PJM Markets and Reliability Committee Briefs](#), "Members OK Gas-Electric Initiative.")

### Importance of Stakeholder Votes

During Friday's MSC/RSC meeting, Lin Franks, senior strategist at Indianapolis Power & Light, said stakeholder votes are important for MISO to have a better understanding of generation owners' concerns. That came after one stakeholder expressed reservations about MISO releasing to the public comments stakeholders made with their votes. (MISO agreed to withhold release of those comments upon a stakeholder's request.)

"Fuel assurance is not MISO's responsibility and that's at the crux of this issue — managing the risks of natural gas. MISO did an amazing amount of work to formulate options for stakeholders to consider that appear to mitigate most of the concerns and risks we expressed with MISO collectively and individually," Franks said.

MISO estimates that natural gas-fired generation could rise to 50% of its generation pool in 2016/2017 as coal-fired plants are shuttered in response to the Environmental Protection Agency's Mercury and Air Toxics Standards. EPA's proposed Clean Power Plan is expected to increase natural gas use further.

ISO/RTO	Time for Submission of Bids (CCT)	Time for Publication of Day-Ahead Commitment Bids (CCT)
California Independent System Operator Corporation (CAISO)	12:00 p.m.	3:00 p.m.
ISO New England Inc. (ISO-NE)	9:00 a.m.	12:30 p.m.
PJM Interconnection, LLC (PJM)	11:00 a.m.	3:00 p.m.
Midcontinent Independent System Operator, Inc. (MISO)	10:00 a.m.	2:00 p.m.
New York Independent System Operator, Inc. (NYISO)	4:00 a.m.	10:00 a.m.
Southwest Power Pool, Inc. (SPP)	11:00 a.m.	4:00 p.m.

Electric commitment times by ISO/RTO (Source: MISO)

# MISO NEWS



## Southern Co. Misinterpreting Tariff, MISO Says in Reply to Complaint

By Chris O'Malley

MISO asked the Federal Energy Regulatory Commission to dismiss a complaint filed last month alleging it billed more than \$21 million in excessive transmission rates, saying Southern Co. and three Missouri utilities have misinterpreted its Tariff (EL15-66).

MISO transmission owners, which joined the RTO last week in asking for dismissal, were blunter, saying the utilities' claims amount to "misrepresentations" of the Tariff.

Both maintain the utilities' complaint is duplicative to a proceeding already underway before FERC that involves similar issues (EL14-19).

In their complaint filed last month, the utilities alleged that MISO improperly shifted and reallocated sunk costs and network upgrade costs from its legacy region in the Midwest to Entergy export customers in the South following Entergy's integration into MISO in 2013. (See [Utilities Accuse MISO of 'Massive' Overcharges](#).)

Bringing the case were Kansas City Power & Light's Greater Missouri Operations Co., The Empire District Electric Co., Associated Electric Cooperative Inc. (AECI) and five Southern Co. affiliates: Alabama Power, Georgia Power, Gulf Power, Mississippi Power and Southern Power.

### Entergy Integration

The utilities were receiving transmission service from Entergy before it joined MISO under the terms of the Entergy Tariff. When MISO succeeded Entergy as the transmission provider, they became subject to MISO's Tariff.

The utilities contend that MISO's drive-out and drive-through charges are not applicable to their transmission service reservations and that if they were applicable they should be declared unjust and unreasonable. They claim that Attachment FF-6 of the MISO Tariff provides a broad exemption for their through-and-out transaction charges. They say the allocations violate MISO's Tariff and FERC findings that — with the exception of certain multi-value projects — point-to-point export services are provided under a no-cost-sharing rule.

### Exemption Argument

In its response, MISO counters that the Tariff is clear that the utilities are not entitled to an exemption. The RTO maintains that FERC "has confirmed on several occasions" that through-and-out rates in question are applicable to transactions in the MISO South region.

"Over the past several years, the complainants have created an extensive paper trail in

various proceedings, which casts doubt on their current Tariff violation claims. While the complainants have filed numerous pleadings to block and devalue the MISO South integration, those pleadings did not argue, until the instant complaint was filed, that MISO is violating the Tariff," MISO said. "On the contrary, the complainants sought FERC action precisely because these rates were applicable."

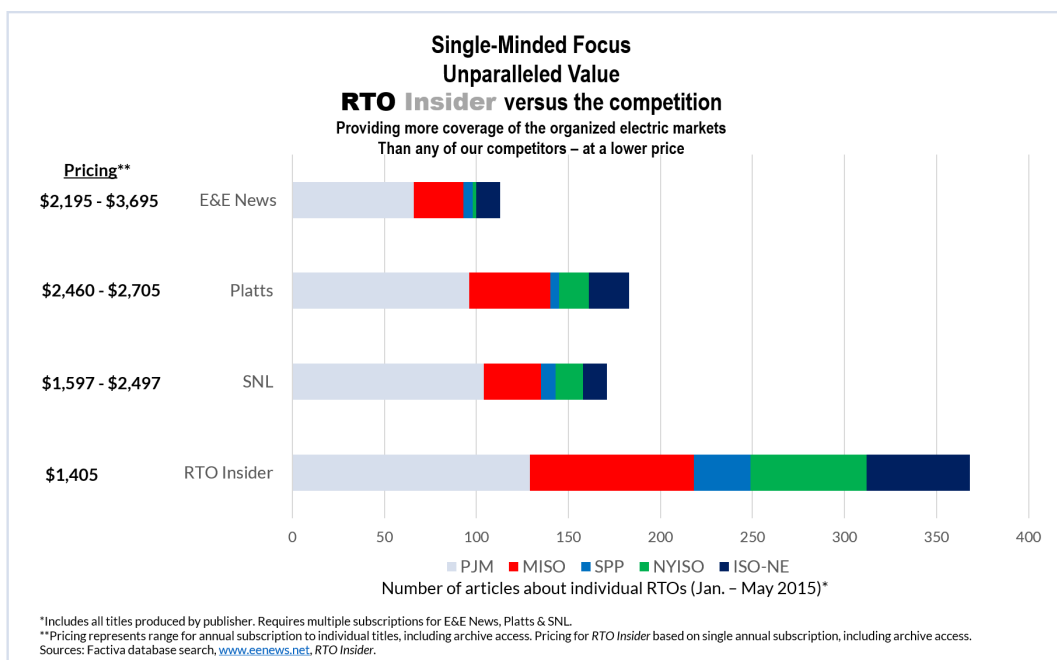
The RTO also said any dispute over its through-and-out rate should be resolved in the section 206 proceeding FERC initiated in February 2014 (EL14-19).

### Increased Scope

MISO also said the fact that the charges may have increased does not render them unjust and unreasonable. Prior to the MISO South integration, service was limited to the Entergy transmission system. But now the utilities may redirect points of receipt or delivery on a region-wide basis, MISO counters.

"Not surprisingly, the complainants' new charges reflect these benefits of scope, as well as many other unique benefits that a Day 2 RTO provides to its customers," MISO said.

Finally, MISO contends that the utilities are seeking a preferential rate at the expense of other market players.

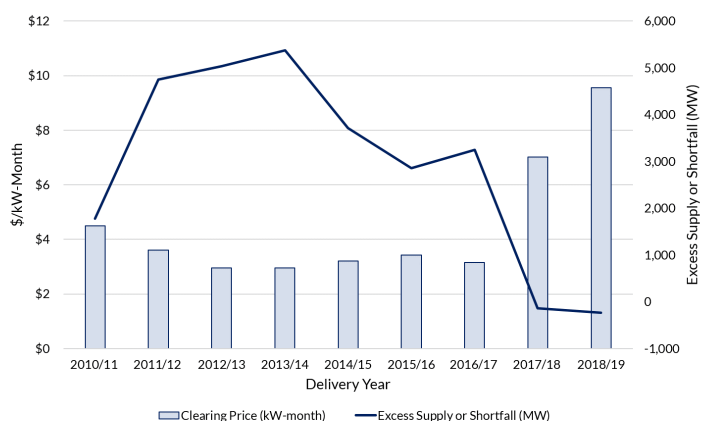


## Capacity Performance

### How PJM Capacity Performance Plan Compares with ISO-NE's Pay-for-Performance

PJM's Capacity Performance plan approved by the Federal Energy Regulatory Commission borrows elements from ISO-NE's Pay-for-Performance program. Below is a summary of some key differences between the two plans followed by the relevant paragraph numbers from the [order](#).

- Annual Stop-Loss Limit:** PJM's annual non-performance charge stop-loss limit is equal to 1.5 times the annual net cost of new entry (CONE) rather than the auction clearing price as in ISO-NE. The commission acknowledged that PJM's stop-loss limit will likely be higher than ISO-NE's but said it was reasonable. "An important element of PJM's overall proposal is to put at risk full capacity auction revenues if a resource completely fails to perform during performance assessment hours. Because the proposed annual stop-loss limit is equal to the maximum clearing price allowed by PJM's Variable Resource Requirement curve, it meets this criterion," FERC said. "In addition, basing the limit on net CONE ensures that market participants will know their maximum risk exposure in assuming a Capacity Performance commitment and be in a position to formulate their sell offers accordingly." (¶164)
- Trigger for Performance Assessment Hours:** PJM will use the declaration of Emergency Actions as the trigger for performance assessment hours. In contrast, ISO-NE's trigger is a shortage of system 30-minute reserves, system 10-minute reserves or zonal 30-minute reserves. "While PJM's proposed trigger is more expansive, to include certain warnings and pre-Emergency Actions, we find that PJM's approach would accurately correspond with conditions and events during which the system is experiencing, or may reasonably expect to experience, a shortage of capacity," the commission said. "We find that this approach will appropriately trigger performance assessment hours when performance is most critical to the PJM system." (¶186)
- Transition Mechanism:** FERC said PJM's transition mechanisms strike an appropriate balance between procuring too much or too little capacity able to qualify as a Capacity Performance resource. Although the commission approved ISO-NE's proposal to acquire only its performance product in its next auction, "PJM has demonstrated that a phased-in approach is also just and reasonable," FERC said. (¶256)
- Withholding:** The commission rejected the Market Monitor's suggestion that PJM adopt ISO-NE's use of resources' installed capacity values to define required performance. The Monitor said PJM's reliance on unforced capacity could result in withholding by allowing a supplier with a large portfolio to reduce



ISO-NE's ninth Forward Capacity Auction in February saw prices increase by about one-third as 1,400 MW of new resources cleared to replace retiring coal plants. ISO-NE officials credited its new Pay-for-Performance incentive — used for the first time in FCA 9 — a sloped demand curve and a seven-year price lock-in for new resources for the results.

its available capacity from some of its resources to result in a higher clearing price for the entire portfolio. Such suppliers also could reduce unforced capacity available from some of its resources as a hedge against unexpected outages on other units. The commission said "the likelihood of such a strategy is mitigated by a resource deliberately forgoing considerable energy revenue in the hopes that the withholding strategy and any additional performance payments during Emergency Actions would outweigh the forgone energy revenue." It said the Monitor should work with PJM to devise an alternative mitigation mechanism if it finds evidence of such strategies. (¶358)

- Application of Non-Performance Charges:** The commission approved PJM's proposed application of non-performance charges, although it said it was "more lenient" than that applied by ISO-NE. It noted that the "more significant" of PJM's proposed revisions regards generator maintenance outages as opposed to planned outages. "We agree with PJM that a generator on a planned outage should not be expected to return to service within a time interval of less than 72 hours. We also find reasonable PJM's proposal requiring a generator on a planned outage to provide PJM with an estimate of the amount of time it will require to return to service. This requirement presents no significant burden to the resource but will assist PJM in operating its system during tight conditions," FERC said. (¶496)

## FERC OKs PJM Capacity Performance Proposal

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story, [What is Changing in PJM's Proposal?](#), p.9.)

The commission cited evidence of increased generator forced outage rates since 2007, saying that capacity resources "are not be-

ing properly incented to make the investments required to perform reliably, including during extreme weather conditions."

It accepted PJM's prediction that resource performance will continue to worsen without changes as the RTO sees much of its coal fleet retire, replaced largely by natural gas-fired generation.

The commission rejected the arguments of opponents who said the changes were not necessary because generator performance improved last winter following more modest changes, including testing of seldom-used units.

"While encouraging, this does not assuage

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# Capacity Performance

## FERC OKs PJM Capacity Performance Proposal

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the long-term reliability concerns raised by historical unit performance,” the commission said. “Moreover, it is not uncommon for performance to improve after an event, only to trail off later. PJM has shown that, although its capacity market construct has been successful in procuring commitments three years in the future, it has not been successful in ensuring that resources actually perform when called upon.”

Stocks for PJM's largest generators traded higher Wednesday following news of the ruling. Dynegy's share prices jumped almost 9%, while NRG Energy and Exelon prices rose about 4%. As of Monday morning, NRG Energy had given back most of its gain, up 1% from before the order.

### Bay Dissents

Chairman Norman Bay issued a stinging dissent, raising objections that are likely to be cited in any court challenges. Bay said the proposal will continue to allow generators to profit from poor performance while potentially saddling ratepayers with billions in excessive capacity costs annually.

“The majority today accepts a flawed, complex, highly technical market construct in which there is a potential mismatch between incentives and penalties [and] in which mitigation has largely been eliminated in a market characterized by structural non-competitiveness,” he wrote. (See related story, *Bay's Dissent: 'Two Carrots and a Partial Stick,' p.11.*)

PJM CEO Terry Boston, attending the Mid-America Regulatory Conference in Milwaukee, said he was “very pleased” by the ruling.

Exelon also applauded the ruling, saying it “will result in hundreds of millions of dollars in investments across the PJM fleet to harden power plants to operate — and reduce outages — during extreme weather.”

America's Natural Gas Alliance, which represents independent exploration and production companies, said it was happy that the order provides way for combined-cycle generators to recover costs for securing fuel and investing in infrastructure.

Ruth Price, deputy Delaware Public Advocate, said the changes are unnecessary. “Last winter shows that we can get by without CP,” she said. “Clearly it's going to be a

Category	Availability Required	Limitations	Penalties	Penalty Window
Capacity Performance	All hours of the year	None	Real-Time LMP charge	Year-round during Hot or Cold Weather Alerts & Max Emergency Alerts
Base Capacity	All hours of the year	None	Generators: Real-Time LMP charge; DR: Current penalties	Generators: When Max Emergency Generation is loaded in summer or winter. DR: current rules.
Summer Extended DR	May-Oct.	10 hours/day	Current DR penalties	May-Oct: During DR activations
Limited DR	June-Sept.	10 dispatches x 6 hours ea.	Current DR penalties	June-Sept.: During DR activations

Summary of Capacity Performance products. (Source: PJM)

cost burden on” ratepayers.

Dan Griffiths, executive director for the Consumer Advocates of PJM States, said the group was reviewing the order and had no immediate reaction.

### Two Dockets

PJM made its proposal Dec. 11 in filings that totaled nearly 1,300 pages in two dockets.

One, EL15-29, filed under sections 205 and 206 of the Federal Power Act, contained proposed changes to PJM's Operating Agreement and Tariff to correct “deficiencies” regarding resource performance in PJM markets.

The second, ER15-623, filed under section 205, outlined changes to the Reliability Pricing Model rules in the Tariff and Reliability Assurance Agreement. (See [What You Need to Know about PJM's Capacity Performance Proposal](#).)

FERC responded with a deficiency notice March 31 questioning 10 areas of the proposal. PJM's answers largely satisfied the majority, although FERC's order required the RTO to make a compliance filing within 30 days incorporating changes on some details.

### Base Residual Auction

The new rules, which will be phased in over five years, will be reflected in the Base Residual Auction for the 2018/19 delivery year, which will begin Aug. 10.

“We are obviously still digesting the order,” senior vice president for operations Mike Kormos told the Market Implementation Committee on Wednesday. But he said he

saw nothing in the ruling that would keep PJM from going ahead with the BRA as planned on Aug. 10.

“We fully expect to make the compliance filings as we were directed,” he said. “We will do that within 30 days, sooner if we can.”

Manual changes to accommodate the new product will be discussed at a special meeting of the Markets and Reliability Committee being planned for June 18, time and location to be announced.

Training will be held June 24, and the MRC will be asked to endorse the manual changes June 25.

PJM also released a [schedule](#) for deadlines leading up to the BRA.

### Need for Change

FERC agreed with PJM that current capacity rules subject poorly performing resources to minimal penalties, placing most of the risk of under-performance on load. During the 2013/14 delivery year such penalties totaled less than \$39 million, 0.6% of total capacity revenues. “Without more stringent penalties, PJM has shown there is little incentive for a seller to make capital improvements or increase its operating maintenance for the purpose of enhancing the availability of its unit during emergency conditions,” FERC said.

PJM's rules also limited capacity resources' ability to recover costs needed to improve performance, allowing recovery of capital costs for dual-fuel capability but denying expenses for natural gas firm transportation contracts.

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# Capacity Performance

## FERC OKs PJM Capacity Performance Proposal

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“PJM has shown that its existing payment features not only inadequately incent resource performance, but may perversely select less reliable resources over more reliable resources because a capacity seller’s decision to forego investments that would improve resource performance allows it to offer in PJM’s capacity market at a lower price and be paid the clearing price while providing less reliable service,” FERC said.

The commission was not persuaded by opponents who argued that PJM could provide incentives for improved performance through changes to energy and ancillary services rules. “For example, although better alignment of electric market and natural gas pipeline scheduling deadlines would improve operations, it would not provide capacity market sellers the incentive to perform,” it said.

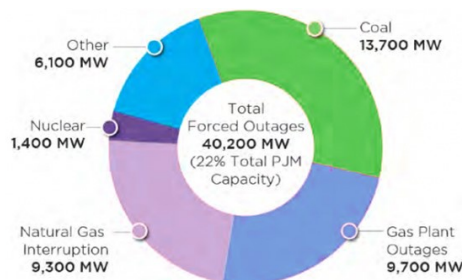
### Fixed Resource Requirements

Although some intervenors argued that Fixed Resource Requirement entities are already subject to strong performance incentives from state regulators, the commission approved PJM’s decision not to exempt them from Capacity Performance penalties. “While Fixed Resource Requirement entities do not procure their capacity commitments through PJM’s capacity auctions, the ability of these resources to perform is equally critical to system reliability,” the commission said. It rejected an argument by the Organization of PJM States Inc. (OPSI) that PJM’s proposal infringed on state authority by effectively eliminating states’ choice to opt out of the capacity auction process.

The commission did, however, require PJM to modify how it calculates penalties for FRR entities.

### Eliminating 2.5% Holdback

FERC approved PJM’s controversial proposal to eliminate its 2.5% capacity holdback effective with the Base Residual Auction for delivery year 2018/19. PJM said the change, which the Market Monitor has long urged, will ensure that it has obtained committed capacity and is not reliant on short-term procurement.



Causes of forced outages, Jan. 7, 2014.  
(Source: PJM)

The commission rejected consumer groups’ contention that the holdback should be retained as a counter to PJM’s consistently overstated load forecasts. “We are not persuaded that a holdback requirement is necessary to address load forecast errors, or that the historical overstatements experienced to date are unavoidable or likely to recur at a level that requires mitigation,” the commission said.

It also rejected the Pennsylvania Public Utility Commission’s argument that the holdback is necessary to incent demand resources’ participation, saying it was “not convinced that the benefit of any incremental demand resource participation resulting from retaining the holdback requirement will necessarily outweigh the economic efficiency benefit of no longer withholding demand from the Base Residual Auction, an action that can suppress market clearing prices.”

### Force Majeure

FERC approved PJM’s changes to its *force majeure* rule, under which a resource will be excused for non-performance only “in the event that all, or substantially all, of the electric transmission or fuel delivery infrastructure in the PJM region is incapacitated.”

“Without a replacement provision narrowing the reach of a force majeure event to excuse performance only in the most unforeseen and catastrophic circumstances, a market participant would be able to escape its obligations under circumstances not contemplated by the design of PJM’s markets,” the commission said.

FERC rejected arguments that the new definition was too narrow. “The risk of capacity resource non-performance must be borne by either capacity suppliers or consumers, and capacity suppliers are in the best position to assess and price the performance

risk associated with their resources, including performance risks beyond a resource owner’s control, such as weather-related outages,” it said.

### Accommodations to Demand Response

FERC approved PJM’s proposal to replace its current demand response products with an annual product that meets Capacity Performance requirements. Most of PJM’s current DR is available only in summer, including limited DR, which is available for only six hours daily up to for 10 days.

The commission required PJM to modify its proposal consistent with its response to the deficiency notice, which clarified that storage, intermittent resources, energy efficiency and DR may submit capacity offers based on their average expected output during peak hours.

FERC said it was permissible for PJM to allow such resources to make offers based on aggregate capacity while limiting traditional resources to unit-specific offers.

“The aggregated offer allowance is designed to provide an avenue to Capacity Performance participation by resources that otherwise may be unable or unwilling to participate on a stand-alone basis because no reasonable amount of investment in the resource can mitigate non-performance risk to an acceptable level,” the commission said. “Generally speaking, other resource types do not face this same limitation.”

The commission rejected the Market Monitor’s complaint that PJM’s proposal discriminated in favor of DR.

The Monitor contended that DR resources should have their output metered in five-minute intervals rather than estimated and be dispatched nodally to ensure that all capacity is performing as required. The commission said PJM’s concessions are “minor but reasonable accommodations” that allow DR to participate in the capacity market.

FERC also rejected the Monitor’s contention that DR should be subject to a must-offer requirement in the day-ahead energy market. The commission said PJM’s plan to exempt intermittent resources, storage, energy efficiency and DR from the must-offer requirement was reasonable because “they do not raise the same physical withholding concerns as do existing generation resources because their ownership is not concentrated.”



# Capacity Performance

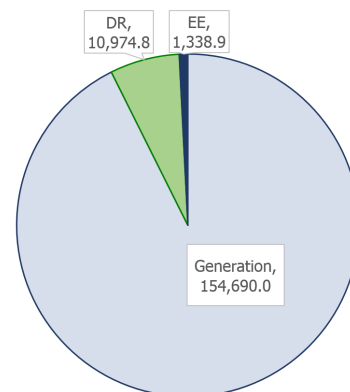
## What is Changing in PJM's Proposal?

The Federal Energy Regulatory Commission required several significant changes in PJM's Capacity Performance proposal. PJM must make the changes in a compliance filing due in 30 days.

Below is a summary of the changes required, followed by the relevant paragraph numbers from the [order](#).

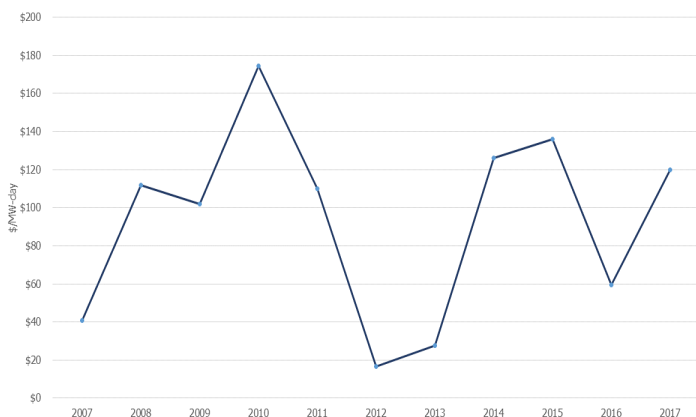
- **Review of Sell Offers:** The commission approved PJM's proposed mechanism for reviewing and rejecting sell offers but required it to remove the phrase "to the satisfaction of the Office of the Interconnection" from Attachment DD, saying it was "too ambiguous and allows PJM too much discretion." (¶192)
- **Good Faith Representation:** The commission rejected PJM's proposal that resources submitting Capacity Performance offers make a good faith representation that it has, or will make, necessary investments to ensure it has the capability to provide energy when called upon. Knowingly false representations would have been subject to penalties. The commission said it did not believe the representation "would provide any added value in incenting resource performance." It also said the scope of the requirement was "inappropriately vague" and could create a barrier to entry for new resources. (¶194-5)
- **External Resources:** FERC said PJM must add a requirement that an external generation capacity resource must demonstrate that it meets – or will meet by the start of the delivery year – the criteria for an exception to the Capacity Import Limit in order to offer as a Capacity Performance resource. (¶197)
- **Demand Resources, Energy Efficiency, Storage, Intermittent Resources:** PJM must clarify that capacity storage resources, intermittent resources, energy efficiency resources and demand resources may submit stand-alone Capacity Performance sell offers in a megawatt quantity consistent with their average expected output during peak-hour periods. (¶100)
- **Environmentally Limited Resources:** PJM must clarify that it will permit aggregated offers from environmentally limited resources. (¶101)
- **Aggregation Across Locational Deliverability Areas:** FERC rejected PJM's proposal to allow resources in different locational deliverability areas to submit aggregated offers, saying

the RTO had not demonstrated why Capacity Emergency Transfer Limits should not be taken into account. "We are not persuaded that aggregation will be feasible across locational deliverability areas in all circumstances or would be able to provide the required resource adequacy during emergency conditions," the commission said. In addition, it said the proposal was inconsistent with the Capacity Performance design, noting that several Capacity Performance rate parameters (non-performance charge rate, performance bonus payment rate, stop-loss limits, and default offer caps) are LDA-specific. (¶103)



Capacity cleared (MW), 2017/18 delivery year. (Source: PJM)

- **Monthly Stop-Loss:** The commission agreed with PJM's request to withdraw its original proposal that the monthly stop-loss limit on penalties equal 0.5 times annual net CONE, which the RTO said would allow under-performance without consequence once a resource has reached the limit, equivalent to 15 performance assessment hours in a month. PJM acknowledged in its response to FERC's March 31 deficiency letter that most performance assessment hours are likely to occur during a few peak months of the year. The commission said the monthly stop-loss limit would "severely dilute" PJM's performance incentives. (¶165)
- **Non-Performance Charges:** FERC required two clarifications to the language in proposed section 10A(d) of the Tariff "to avoid ambiguity or misinterpretation." It said the proposed wording, "limitations specified by such seller in the resource operating parameters," could be misinterpreted to mean only those operating parameter limitations that are less flexible than a resource's pre-determined parameter-limited schedule. That, it said, could allow less flexible resources to avoid non-performance charges more often than more flexible resources. "We find that a clarification is warranted to make clear what parameter limitations are at issue in this provision."
- **Net Energy Imports:** FERC required a clarification to avoid any ambiguity regarding how PJM will assess the performance of external resources, saying it agreed with the Market Monitor that the RTO's proposal does not specify how PJM will assess performance for energy imports and when emergency



BRA clearing prices in the RTO (annual resources), by delivery year. (Source: PJM)

*Continued on page 10*

# Capacity Performance

## What is Changing in PJM's Proposal?

*Continued from page 9*

action hours only occur within individual zones or sub-zones. "If an emergency action is limited to a zone or sub-zone region, transmission into the affected region is likely restricted, so including a system-wide measure of net energy imports would likely distort the balancing ratio," the commission said. It also agreed with Panda Power Funds and the Coalition of Generators and Project Finance Resources (Essential Power; Lake-wood Cogeneration; Moxie Freedom; CPV Power Development; NextEra Energy; Invenenergy Thermal Development and Brookfield Energy Marketing) that, as proposed, the balancing ratio could exceed 1, causing capacity resources' expected performance during a performance assessment hour to exceed their full cleared unforced capacity quantity.

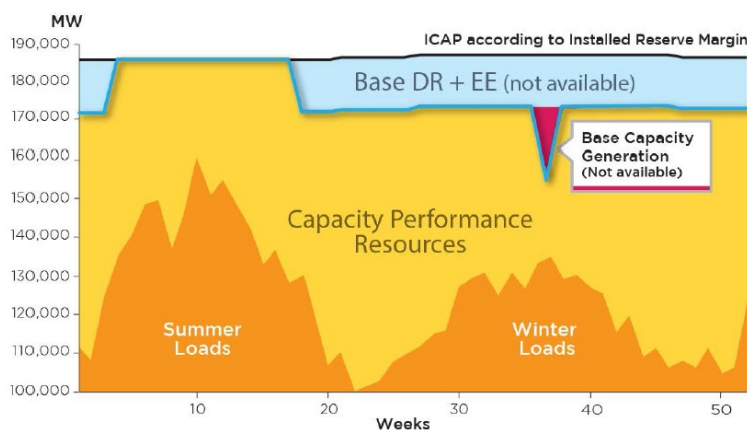
It required PJM to submit revisions clarifying: the definition of net energy imports; how it will apply the performance assessment calculation to external resources with and without a capacity commitment when an emergency action is triggered PJM-wide; and that a capacity resource's expected performance for any performance assessment hour shall not exceed 100% of its cleared UCAP quantity. (¶175-178)

- Fixed Resource Requirement Entities:** FERC said PJM's penalties rate could unduly penalize Fixed Resource Requirement (FRR) entities because the physical penalty option lacks an hourly charge rate relative to the additional capacity per megawatt of non-performance. It required that PJM propose a penalty rate for the physical payment option in terms of additional capacity per megawatt-hour of non-performance. It also required the RTO to allow FRRs to choose between the physical non-performance assessment option and the financial non-performance assessment option at the start of the delivery year, rather than when the FRR submits its first capacity plan. "We find that this delay will allow a Fixed Resource Requirement entity to make its decision on the best information available." FERC also said PJM may apply the Capacity Performance rules to FRR entities only after the conclusion of the FRR plans to which they are currently obligated. (¶208-212)

- Exemption for Planned Generation Resources:** FERC rejected PJM's proposal to exempt planned generation capacity resources from the capacity market must-offer requirement until they become operational. "We are not persuaded by PJM's concerns that continuing to apply the must-offer requirement to planned resources that have cleared at least one

RPM auction would act as a barrier to entry. In addition, we are concerned that by clearing an RPM auction with a planned resource but not following through on its construction in a timely manner, a seller could effectively withhold capacity and deter a new entrant from taking its place," the commission said. It noted that PJM's current rules allow resources not expected to become operational as planned to seek an exception to the must-offer requirement. (¶ 353-356)

- Credit Requirements:** FERC agreed with PJM that the risk of non-performance is higher for resources that do not exist at the time a seller submits an offer but said its proposal did not acknowledge changes in the risk as a resource transitions through the stages of development. It required PJM to modify the proposed credit requirements for planned resources and financed resources, as recommended by Panda Power Funds, to allow the security requirement to be reduced as the project nears its in-service date. FERC also required PJM to revise its credit requirements to recognize LDA-specific net CONE values in determining a market seller's auction credit rate. (¶382-383)
- Operating Parameters:** The commission rejected, in part, PJM's proposed revisions to rules on operating parameters. FERC said PJM's existing rules allow capacity resources to submit energy market offers with inflexible operating parameters that do not reflect their actual capabilities. As a result, generators could offer excessive minimum run times, resulting in unjust make-whole payments at ratepayers' expense, the commission said. But it called PJM's proposed changes "overly restrictive," saying the RTO's proposals for capping the minimum start-up and notification times for all resources and for capping the minimum down time of storage resources did not take into account unit-specific constraints.



(Source: PJM)

It also found fault with PJM's proposal that offers reflect only physical constraints, saying it barred resources from reflecting in their offers contractual limits, such as gas pipeline requirements that generators take uniform delivery throughout the day, which could result in

longer minimum run times. The commission said including such constraints in a supply offer is reasonable and not an exercise of market power, as PJM had contended in proposing that resources that do so be denied make-whole payments. "We see no reason to treat costs associated with resource physical constraints differently than costs associated with other types of actual constraints," the commission said.

It ordered PJM to revise the rules to allow make-whole pay-

*Continued on page 11*

## Capacity Performance

### Bay's Dissent: 'Two Carrots and a Partial Stick'

The Federal Energy Regulatory Commission gave PJM virtually all it asked for in approving its Capacity Performance proposal. But Chairman Norman Bay's dissent may provide ammunition for a potential challenge in federal court.



Bay predicted the proposal would not accomplish its stated goals, calling it "two carrots and a partial stick."

One "carrot," Bay said, allows resources to offer up to about .85 of the net cost of new entry (CONE) — or more if a resource can justify higher unit specific costs. The second carrot entitles resources that overperform a share of penalties collected from units that fail to perform.

Bay said the "stick" may provide insufficient deterrence because it is based on an estimate of 30 "performance assessment hours" — hours in which PJM declares emergency actions — annually. The 30-hour estimate is based on the number of such hours during delivery year 2013/14.

Bay said this is "overly generous" because PJM declared only seven and five performance assessment hours in 2011/12 and 2012/13 respectively — an average of 14 hours over the three-year period, or six hours if the "outlier" of 2013/14 is excluded.

If PJM declared 14 performance assess-

ment hours in a capacity zone, a resource that failed to perform during each of those hours would be subject to a total non-performance charge of 14/30 times .85 net CONE, or .40 of net CONE for the delivery year, Bay said. That means non-performers could profit as long as the auction clearing price is larger than 0.40 net CONE.

"A rational profit-maximizing resource could simply seek a capacity award in the auction, fail to perform during each performance assessment hour and likely pay a penalty less than the carrot it has received," Bay said.

Bay said the changes also will incent generators to raise auction clearing prices up to .85 of net CONE, because only prices above that level are subject to unit specific reviews.

"The temptation to exercise market power in the auction will be considerable. This would be less of a problem if one could count on the salutary benefits of competition. But, as PJM and the Market Monitor recognize, this market is structurally non-competitive. And the mitigation rules that are usually the safety net in such markets have largely been removed. Thus, the CPP creates the very real risk of the unmitigated exercise of market power up to .85 of net CONE."

The commission majority ordered PJM to review the 30-hour metric annually to evaluate whether it remained appropriate. It

also said that a penalty rate based on net CONE rather than energy prices or capacity clearing prices "is more likely to prevent non-performing resources from receiving positive net capacity revenues over the long run."

Bay said the commission should have required a cost-benefit analysis before approving the proposal. "Given the potential multi-billion dollar cost ... and the burden consumers will be asked to bear, any analysis, no matter how rudimentary, would have been helpful before concluding this proposal is just and reasonable."

The commission said it did not need the "mathematical specificity of a cost-benefit analysis" to decide the case. "Rather, the commission considers the proposal in light of the currently effective tariff and comments in support and opposition to reach its determination," it said.

Bay contended Capacity Performance's cost may outweigh any benefits, citing PJM's estimate that it would cost \$1.4 billion to \$4 billion annually. While PJM experienced uplift payments totaling \$667 million in January and February 2014, uplift dropped to \$105 million for the same months in 2015.

"One way of viewing the CPP is that it fixes a several hundred million dollar uplift problem in the energy market with a multi-billion dollar redesign of the capacity market," Bay said.

### What is Changing in PJM's Proposal?

*Continued from page 10*

ments based on "actual constraints." However, the commission rejected arguments that a resource's inability to perform due to such limitations should be excused when calculating capacity payments. "The revisions that we direct here ensure that resources are appropriately compensated for their operation in the energy market; they do not excuse a resource from failing to fulfill its capacity obligation," the commission said. "Providing such an exemption from non-performance charges would blunt the incentives for providing energy and reserves during the hours when they are most needed. ... Accordingly, it is reasonable for a resource that fails to perform because of parameter limitations to receive less net capacity revenue than a performing resource." (¶1437-440)

- **Maximum Emergency Offers:** The commission said PJM had failed to make a case that its current rules regarding maximum

emergency offers are unjust and unreasonable, rejecting its proposed changes. PJM said the rules allow a generation capacity resource to submit an uneconomic offer price, removing itself from the day-ahead energy market until PJM has declared a maximum emergency. FERC acknowledged that the rules may allow a capacity resource to avoid honoring its capacity commitment. "However, we conclude that proper application of non-performance charges, rather than revision of the maximum emergency offer designation, is the appropriate method of eliminating this concern," the commission said. PJM's proposal could unintentionally reduce the number of resources available during emergency conditions if the resource's alternative action is to take a forced outage, FERC said. "There is, therefore, value in allowing a capacity performance resource to offer capacity on an emergency-only basis when it is subject to environmental limitations, fuel limitations, or temporary emergency conditions, or when it can provide its capacity on a temporary basis only." (¶1476-479)

# Capacity Performance

## Why Did the PJM Grid Fare Better this Winter?

By Suzanne Herel

VALLEY FORGE, Pa. — This winter bumped aside last year’s peak load record, but PJM’s system experienced a fraction of the stress brought on by the January 2014 polar vortex. Generator outage rates, which exceeded 20% in 2014, were generally less than 15% in 2015.

To figure out why, PJM researchers “did a deeper dive in different areas so we could understand the differences from last winter, and while we hit a new winter peak, why we did so much better,” Chantal Hendrzak, executive director for operations support, told the Operating Committee in presenting the [2015 Cold Weather Report](#).

Last year, recommendations for follow-up on winter preparedness filled pages. This year, there were five recommendations, all contained on one page.

**“PJM believes we need a more sustainable approach, so we are continuing to move forward with” Capacity Performance.**

**Chantal Hendrzak**

A lot of the conversation, she said, revolved around whether this winter was colder, noting that it was most relevant to compare this past February with January 2014.

“We poked at weather in all sorts of different ways to understand what some of the differences were,” she said.

One of the findings was that while temperatures were colder this winter, the wind chill factors weren’t as severe in some areas. Including the wind chill factor, the low temperatures for Cleveland, Chicago and Co-

lumbus, Ohio, all were at least 14 degrees warmer this year.

Wind chill can have more of an impact — and more quickly — on generators than temperature alone, depending on how insulated they are and if the units are not enclosed in structures, she said.

Staff also looked at the days leading up to peak loads. This year, she said, “we kind of baby-stepped into the peak load” as opposed to the large incline seen before last year’s peak.

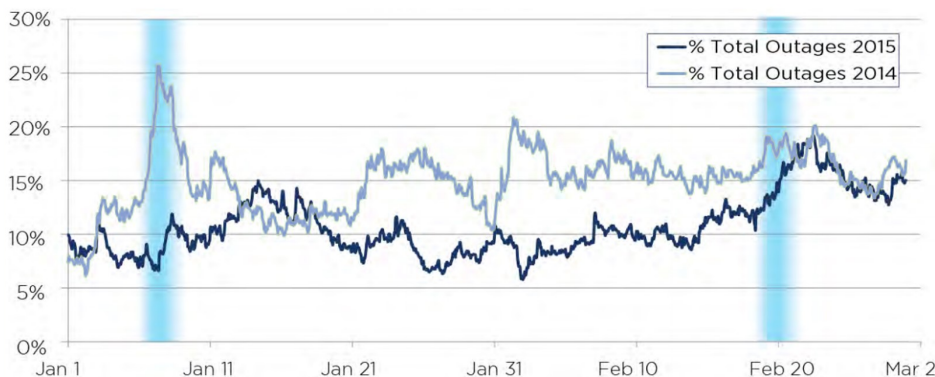
In addition, she said, wind capability increased over the previous winter.

This winter, she said, pipelines were more proactive in making sure pressure was maintained for their firm customers, generation owners took a number of precautions to ensure their availability and more units were running on alternate fuel.

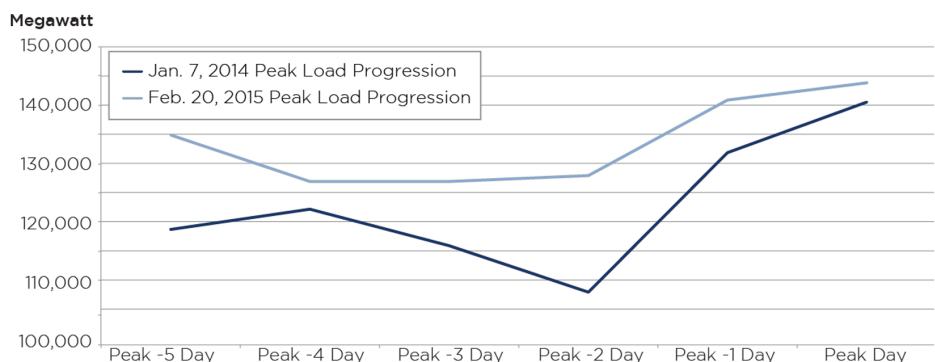
In addition to PJM’s initiatives to introduce the Capacity Performance product and improve gas-electric coordination, the new report recommended continuing efforts to improve the ability of generators to communicate their operational parameters to grid operators; building on the testing program for seldom-run units and winter preparation checklist; and continuing efforts to reduce energy market uplift.

This winter’s success led a number of stakeholders to question the need for PJM’s new Capacity Performance product, which aims to strengthen reliability by penalizing underperforming units and rewarding overperforming participants. (See [FERC OKs PJM Capacity Performance Proposal: Bay Dissents](#).)

Hendrzak said the changes the RTO saw this winter were voluntary. “PJM believes we need a more sustainable approach, so we are continuing to move forward with CP,” she said.

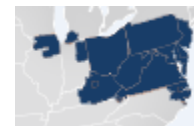


Total outages, 2014 vs. 2015. (Source: PJM)



Day-to-day peak load growth, January 2014 vs. February 2015. (Source: PJM)

# PJM NEWS



## Duke, ODEC Denied 'Stranded' Gas Compensation

By Michael Brooks

The Federal Energy Regulatory Commission last week rejected requests by two PJM generators seeking the recovery of "stranded" natural gas costs incurred during the polar vortex last year.

But the commission also ordered PJM to change its Tariff to allow generators to submit day-ahead offers that vary by hour and to update their offers in real time. PJM is the only RTO that doesn't allow such variable offers.

Duke Energy ([EL14-45](#)) and Old Dominion Electric Cooperative ([ER14-2242](#)) both argued that they were owed compensation due to the events of January 2014, when a cold snap sent gas prices soaring. Duke purchased \$12.5 million worth of natural gas for its Lee plant in Illinois, only to have it not called on in real time. Similarly, ODEC complained that PJM canceled multiple dispatches that left gas it had purchased for its plants unused.

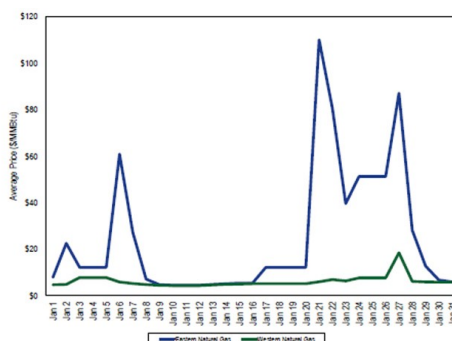
ODEC also said its plants' operating costs on Jan. 23, 2014, exceeded what it could recover in the day-ahead market due to the \$1,000/MWh offer cap at the time. The co-op asked for an extension of the waiver FERC granted PJM on Jan. 24, which allowed capacity resources to receive make-whole payments if their costs exceeded the offer cap for a limited time.

Duke, which was able to resell some of its gas, sought \$9.8 million, while ODEC said it was due nearly \$15 million.

### Different Arguments, Same Result

While PJM supported the companies receiving one-time waivers, FERC denied both requests, citing its rules against retroactive ratemaking. The commission said that in both cases, ratepayers had not given prior notice that they would be responsible for natural gas-related costs.

Additionally, FERC disagreed with Duke's assertion that it was due indemnification under section 10.3 of the PJM Tariff, which the company claimed required PJM to hold it harmless for obligations to third parties as a result of directives from the RTO. Duke told FERC that PJM had effectively ordered it to buy gas on Jan. 27, as it was likely Lee would be called upon to maintain reliability.



Natural gas price volatility, January 2014. (Source: Monitoring Analytics)

Although PJM supported the waiver requests, it said it was not permitted to provide Duke relief under the Tariff. "Any extension of section 10.3 to cover the type of loss Duke incurred under the circumstances at issue would read the indemnification provision into a blanket insurance policy for losses of whatever sort, caused by accident, act of God or plain misfortune that a market seller may incur in responding to PJM dispatch," PJM told FERC in response to Duke's complaint. (See [PJM Backs Duke's \\$9.8M 'Stranded Gas' Claim](#).)

FERC agreed with PJM's interpretation of the section. "The PJM indemnification provision should not be interpreted to guarantee reimbursement of a generator's losses on gas purchases incurred in meeting its capacity resource obligations in PJM," the commission said. "Fulfilling its energy market commitments are among the risks the generation capacity resource has assumed ... when choosing to participate in the market."

FERC also disputed Duke's claim that PJM's communication with Duke on Jan. 27 constituted a "directive" by the RTO. FERC said that PJM was merely advising that Lee was likely to be dispatched for reliability reasons.

And while PJM's Independent Market Monitor objected to ODEC receiving compensation for its purchases of gas, it supported the co-op's request to extend FERC's waiver by a day in order to receive \$2.7 million in make-whole payments. FERC said it saw no difference between the requests.

### Offer Flexibility

FERC, however, found that PJM's Tariff may be unjust and unreasonable because it does not allow generators to submit offers in the

day-ahead market that vary hourly or to update their offers in the real-time market. ISO-NE gave its generators that flexibility in December, leaving PJM as the only RTO that does not allow such changes. (See related story, [ISO-NE Prices Down Sharply in Q1; Generators Using Offer Flexibility Rule, p.19](#).)

The commission said it expects PJM to implement new rules allowing such changes by Nov. 1 and said refunds would be effective with the order's publication in the Federal Register. PJM was ordered to report within 30 days on its planned response ([EL14-45](#), [EL15-73](#)).

In April, the Markets and Reliability Committee authorized the creation of the [Generator Offer Flexibility Senior Task Force](#) to consider how to implement the changes under a problem statement proposed by Calpine, which is seeking \$3.3 million in compensation for stranded gas-related costs ([ER15-376](#)). (See [Bid for Generator Price Flexibility Draws Debate over 10% Adder](#).) The commission has not ruled on Calpine's request.

### Moeller Dissents

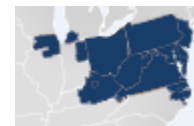
Commissioner Philip Moeller agreed with the majority that PJM's Tariff was potentially unjust due to the lack of offer flexibility, but he said that he was "troubled" that it was unwilling to grant the companies any relief.

PJM's "inflexibility contributed to the inability of generation units ... to recover legitimate fuel costs," Moeller said in his dissents to the orders. The companies "acted in good faith to preserve system reliability during a time of extraordinary system stress and deserve appropriate compensation."

Moeller also said that the majority ignored the companies' arguments and applied "an overly narrow reading of the prior notice rule and prohibition against retroactive ratemaking to find that ratepayers somehow lacked adequate notice that they would, in fact, be responsible for paying the cost of services provided to them to ensure resource availability during system emergencies."

The complaints should have at least been set for hearing and settlement judge procedures, he said.

# PJM NEWS



## With Issue Receding, FERC Denies Rehearing on PJM FTR Funding PJM Hints at 206 Filing to Break Cost Allocation Deadlock

By Rich Heidorn Jr.

The Federal Energy Regulatory Commission last week denied rehearing in a challenge to PJM's method of funding Financial Transmission Rights, closing a docket that had been in limbo for almost two years — and potentially clearing the decks for a unilateral rule change proposal by the RTO.

FirstEnergy had requested removal of real-time congestion costs from the calculation of transmission congestion charges, saying it would allow FTR holders to better hedge congestion.

"We continue to find that allocation of real-time balancing congestion to current FTRs has a reasonable basis, because FTR holders are in the best position to reflect the associated underfunding in the value of FTRs," the commission wrote. "Allocation to other parties would not create any incentive to reduce real-time balancing congestion and would provide even less of an ability to provide any reflection of the value of the underfunding in any instrument."

The commission gave no reason for the timing of its ruling ([EL13-47-001](#)) on the rehearing request, which was filed by FirstEnergy, J. Aron & Co., DC Energy, Vitol and Public Service Electric and Gas and its affiliates after the commission denied a complaint by FirstEnergy in June 2013.

But it came after just days after PJM suggested it may make a unilateral section 206 filing to break a deadlock among stakeholders over potential rule changes.

PJM's June 2 filing with the commission noted that the FTR funding shortfall the companies had complained of had been resolved — at least for now, with FTRs **fully funded** since the current planning year began in June 2014.

PJM said it had addressed underfunding by being more conservative in its annual modeling of Auction Revenue Rights and FTRs, particularly the impact of transmission outages, market-to-market flowgates and loop flow.

"Thus, while FTR underfunding has been

resolved for now, the consequence is that customers have experienced reduced ARR allocations," PJM said. "PJM's solution has therefore shifted revenues from ARR holders, through a reduction of the quantity of ARRs, to FTR holders, in the form of increased FTR funding ... PJM believes that the resulting status quo is less equitable and desirable than it would prefer."

A PJM task force formed last spring to address the issue deadlocked over potential solutions. (See [Move to Disband FTR Task Force Splits PJM Members](#).)

"Redesigning the funding and allocation processes for FTRs and ARRs is fundamentally an issue of cost allocation among different classes of members. Therefore, it is unlikely that stakeholders will be able to come to consensus on a long-term solution to address PJM's FTR design," PJM said. "Indeed, PJM expects that in the future any significantly proposed market rule changes aimed for an improved, more efficient and equitable ARR and FTR design may have to be prompted by a filing made by PJM under section 206 of the Federal Power Act."

## PJM Transmission Expansion Advisory Committee Briefs

### Board Hears Complaints over Artificial Island Fix, Cost Allocation

VALLEY FORGE, Pa. — Maryland and Delaware officials are protesting PJM's proposal to allocate most of the cost of the stability fix at Artificial Island to Delmarva Power & Light ratepayers.

PJM planners expect to present their **recommended fix** to the Board of Managers on July 27, after a meeting with the board's Reliability Committee, which is made up of

four of the board's 10 members.

The project has been mired in controversy since planners last summer recommended Public Service Electric & Gas for the job, only to have the Board of Managers reopen the bidding following an outcry from finalists, environmentalists and New Jersey officials. On April 28, planners completed a second review, recommending selection of a proposal by LS Power. Including upgrades by PSE&G and Transource, the project is expected to total more than \$200 million. (See [PJM Staff Picks LS Power for Artificial Island Stability Fix; Dominion Loses Out](#).)

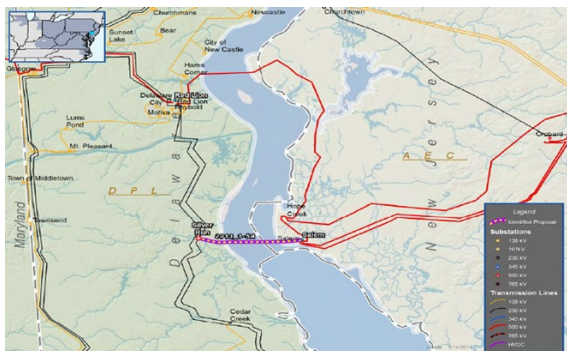
[PJM Staff Picks LS Power for Artificial Island Stability Fix; Dominion Loses Out](#).)

The recommendation has drawn **comments and complaints** from several losing bidders and the public service commissions of [Maryland](#) and [Delaware](#), which objected to the cost allocation. The [Delaware Public Advocate](#) and [Old Dominion Electric Cooperative](#) also raised objections over the allocation.

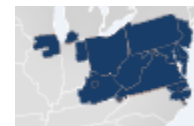
Steve Herling, vice president of planning, told the Transmission Expansion Advisory Committee that the allocation is based on the location of the solution, not the problem. In this case, while the stability fix affects nuclear generators located in New Jersey, the project would entail transmission terminating in Red Lion, Del.

In its letter to the board, the Delaware PSC estimates that the AI fix could boost Delmarva's annual transmission revenue requirements by \$30 million over the current \$121 million, an increase of almost 25%. Ratepayers of ODEC and the Delaware Municipal Electric Corp. also would be affected.

The Maryland PSC echoed its neighboring state's concern, saying, "We do not view such a cost allocation as reasonably comparable to the benefits received from the project, which we believe would flow equally to at least New Jersey and Pennsylvania residents. Thus, such an allocation of costs, we believe, is in violation of FERC's Order 1000 cost allocation principles and directives."



*Continued on page 15*



## Operating Committee Briefs

### Problem Statement Targets Marginal Benefits Factor

VALLEY FORGE, Pa. — PJM staff introduced a problem statement at last week's Operating Committee meeting to address concerns that the RTO is purchasing too much fast-responding "RegD" resources, which is negatively affecting regulation and reliability.

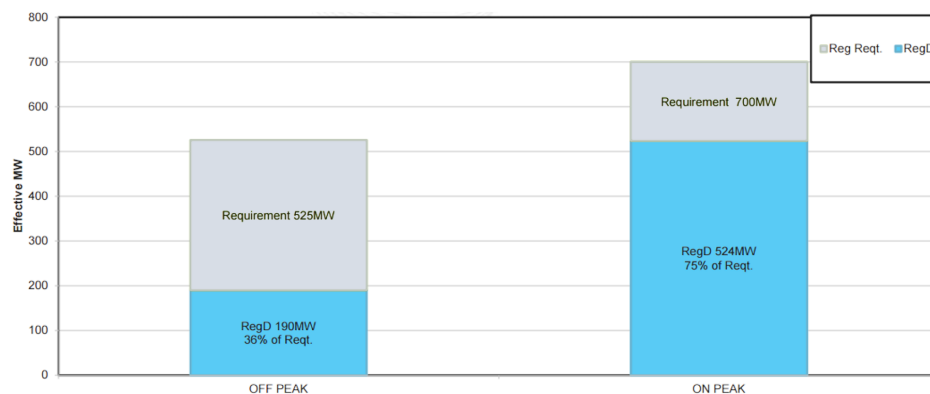
The problem statement calls for a reevaluation of the marginal benefits factor used in the regulation market optimization solution, which appears to over-value the contribution of RegD resources as a substitute for traditional RegA.

"In order for the regulation market to arrange the optimal, least-cost combination of RegA and RegD to meet [area control error] control requirements, the marginal benefits factor function needs to be accurately defined," according to the problem statement. (See *PJM Market Monitor: Faulty Marginal Benefit Factor Harming Regulation*.)

### Generators' Non-Compliance Continues

PJM staff continues to struggle with generators' non-compliance with training and certification requirements.

While transmission owners generally are in compliance, 10 generators (12%) were non-compliant for certification, and two (3%) were non-compliant for training as of May, PJM's Glen Boyle told the Operating Committee. Four demand response companies (17%) were non-compliant for training. In



Maximum hourly RegD participation in regulation. (Source: PJM)

addition, four small generation companies (20%) were non-compliant for training.

While non-compliant companies are supposed to submit mitigation plans, many have not, and there are no financial penalties for failing to do so.

Stakeholders suggested PJM identify a compliance officer at each organization with whom to follow up. (See *PJM Operating Committee Briefs*, "Sought: Ways to Incent Training, Certification Compliance.")

### SPS Removals in PPL

PPL Electric Utilities is removing three special protections schemes (SPS).

- **Susquehanna Loss of Outlet Scheme:** The SPS would trip Susquehanna Unit 2 when two 500-kV outlets were open at the same time. The SPS is no longer needed with the May addition of the Susquehanna-Roseland 500-kV line.

- **Wescosville T3 SPS:** The Wescosville 500/138-kV Transformer T3 would trip when the Alburdis end of the Susquehanna-Wescosville-Alburdis 500-kV line was open. The SPS is no longer needed with the May installation of the Breinigsville 500/138/69-kV substation.

- **Montour Runback SPS:** During construction of the 230-kV line between Lackawanna and Bushkill and on one of the two Susquehanna-Harwood 230-kV lines, certain contingencies could overload the remaining second line. This SPS either reduced the output of Montour Units 1 and 2 or tripped the units to alleviate the overload. The SPS is no longer needed with the rebuilt line between Lackawanna and Bushkill and the Susquehanna-Harwood lines being back in service. It is blocked and will be removed in September.

— Suzanne Herel

## PJM Transmission Expansion Advisory Committee Briefs

*Continued from page 14*

### PJM Holds Firm on its Pratts Decision

PJM planners reaffirmed their recommendation to select Dominion Resources and FirstEnergy to resolve reliability problems near Pratts, Va., despite feedback from several stakeholders questioning their decision. (See *Tx Developers Challenge PJM Choice on Pratts Project*.)

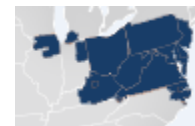
The feedback was received from three entities that were unsuc-

cessful in vying for the project: Ameren, ITC and LS Power's North-east Transmission Development.

"We've been pretty consistent in the way we've been evaluating all the proposals submitted in a proposal window," said Paul McGlynn, PJM general manager of system planning, noting that the key factors in PJM's decision were performance, cost and risk associated with siting, feasibility and cost commitment.

PJM will continue to accept comments regarding the decision until July 13. It plans to make its recommendation to the Board of Managers at its meeting July 27.

— Suzanne Herel



## PJM Market Implementation Committee Briefs

### Stakeholders Question New Approach to IMEA Capacity Dilemma

VALLEY FORGE, Pa. — A months-long debate over whether to create “historic” capacity rights for some load-serving entities took a twist last week when PJM staff returned with a different proposal angled to achieve the same result.

“This has very little similarity, if any, to the previous approach,” PJM’s Jeff Bastian told the Market Implementation Committee on Wednesday.

Staff have been wrestling with how to help the Illinois Municipal Electric Agency meet its internal resource capacity requirements when it needed to use resources located outside of the Commonwealth Edison locational deliverability area to serve its Naperville, Ill., load. (See [PJM Debate over ‘Historic’ Capacity Rights Gets a Face: IMEA.](#))

After failing to gain traction with skeptical stakeholders, staff veered from the notion of “historic” capacity to recommend a proposal that would apply only to Fixed Resource Requirement (FRR) entities — LSEs permitted to avoid direct participation in the Reliability Pricing Model auctions by meeting their capacity requirements using internally owned resources.

Under a proposal approved by PJM, the Independent Market Monitor and IMEA, the internal capacity requirement would not have an effect unless there was price separation for the relevant LDA.

IMEA will put in its offer after PJM defines the auction parameters. If its LDA has price separation when PJM clears the auction, it will be required to meet the internal requirement for the next auction, avoiding the internal capacity rule for only one auction, Market Monitor Joe Bowring explained.

The changes put IMEA where it was before PJM changed the rules regarding the trigger for the internal capacity requirement.

“Within an LDA that is being modeled separately, for reasons other than [Capacity Emergency Transmission Objective or Capacity Emergency Transmission Limit] threshold test or non-zero locational price adder in past three auctions, the FRR entity would not be subject to an internal minimum requirement until the first year after the LDA actually in an auction — or they

Category	PJM	Market Monitor	Industrial Customer Coalition
Price credited to Tier 1 resources outside of an event	SRMCP when NSRMCP > \$0	\$0	NSRMCP when NSRMCP > \$0
Tier 1 MW calculation	Status quo, but discontinue estimation of Tier 1 MW on resources self-scheduled and dispatched at min	Same as PJM	Status quo
Obligation to respond	Y	N	N
Refund owed for non-performance	Y	N	N
Parameter Changes	Allow Spin Max to be updated intra-hour	N/A	N/A

Tier 1 synch reserve compensation proposals. (Source: PJM)

could resort back to RPM the following year,” Bastian said.

Stakeholders, however, asked for more information regarding the thought process behind the changes before they considered approval.

### Proposals Address Tier 1 Synch Reserve Compensation

Committee members were presented with the first read of three competing proposals addressing the issue of how to compensate Tier 1 synchronized reserves.

Since October 2012, Tier 1 reserves have been compensated at the synch reserve market clearing price (SRMCP) when the non-synch reserve market clearing price (NSRMCP) is greater than \$0. While Tier 1 reserves are paid the same as Tier 2, only the latter is subject to penalties for non-performance.

The problem statement the proposals seek to solve asks whether it’s appropriate for such reserves to be credited when they are not responding to a synch reserve event, and if so, how much? (See [Monitor: Cut Pay for Tier 1 Synchronized Reserves.](#))

Tier 1 reserves are made up of on-line resources that are able to ramp up from their current output within 10 minutes in response to a synchronized reserve event.

The proposals come from PJM, the Independent Market Monitor and PJM’s Industrial Customer Coalition.

The PJM proposal would retain the status quo of paying Tier 1 reserves the SRMCP when the NSRMCP is greater than zero. The ICC recommends paying the non-synch re-

serve price in that scenario. The Monitor says Tier 1 resources should not be paid except during a synch reserve event.

PJM’s proposal alone would impose an obligation on Tier 1 resources to respond, with a refund owed for non-performance.

Independent Market Monitor Joe Bowring said the payments to Tier 1 resources are an unnecessary “windfall” that have totaled up to \$15 million in the first quarter of this year alone.

“There’s no reason to pay Tier 1 anything additional than what they’re being paid now,” Bowring said. “That’s fully compensatory for what they’re doing.”

### Changes Would Allow Earlier Replacement Transactions

The committee will be asked to vote at its next meeting on manual changes that would allow replacement capacity transactions earlier than Nov. 30 prior to the start of the delivery year.

Such replacements would be permitted when the owner of the replaced resource could show the expected final physical position of the resource at the time of the request.

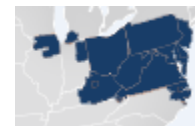
Existing generators could engage in such transactions if they are being deactivated, while new generators could replace themselves if their project is cancelled or delayed. Demand response or energy efficiency resources could be replaced due to the permanent departure of their loads.

Resources replaced would not be able to be recommitted for the delivery year.

— Suzanne Herel



# PJM NEWS



## Planning Committee Briefs

### PJM Lowers Proposed Tx Project Study Fee

VALLEY FORGE, Pa. — PJM will propose a two-tiered fee schedule for proposed transmission projects, officials told the Planning Committee last week.

Instead of asking for \$30,000 to study any project costing at least \$20 million, it will request that amount only for projects of at least \$100 million.

For projects between \$20 million and \$100 million, PJM will recommend collecting a fee of \$5,000.

The \$30,000 fee proposal was approved Feb. 26 by the Markets and Reliability and Members committees after the Federal Energy Regulatory Commission rejected as discriminatory a previous plan to apply the charge to all greenfield projects but not upgrades of less than \$20 million. (See [FERC Rejects Fee on Greenfield Transmission Projects](#).)

“Because we put this threshold in place, we were going to be collecting for a larger number of projects,” PJM’s Fran Barrett told the committee. “Staff said that we could find ourselves over-collecting.”

The Planning Committee will be asked to

approve the proposal, which would be tested over a two-year period, at its next meeting on July 9.

The fee schedule would be applied based on the cost estimates presented by those proposing the projects.

“If it turns out that a lot of people are trying to get around that with [estimates of] \$99,999,000 we’ll have to revisit it,” said Steve Herling, vice president of planning.

### Task Force Would Create Standards for Order 1000 Projects

A problem statement and issue charge introduced on first read Thursday would create a task force to develop minimum design standards for competitively solicited greenfield projects under FERC Order 1000.

The idea arose from concern that the designated entities for such projects would not be required to follow the design standards of the zonal transmission owner.

“We don’t want this new product to fix one problem but introduce a weak point in the system,” PJM’s Suzanne Glatz said, reflecting stakeholder feedback.

The design standards would apply to transmission lines, substations, and system protection and control design and coordination.

They would take into consideration geography and physical and local needs of the project.

The task force would be open to all PJM stakeholders and would report to the Planning Committee.

### Still Searching for Ways to Incent Early Project Submissions

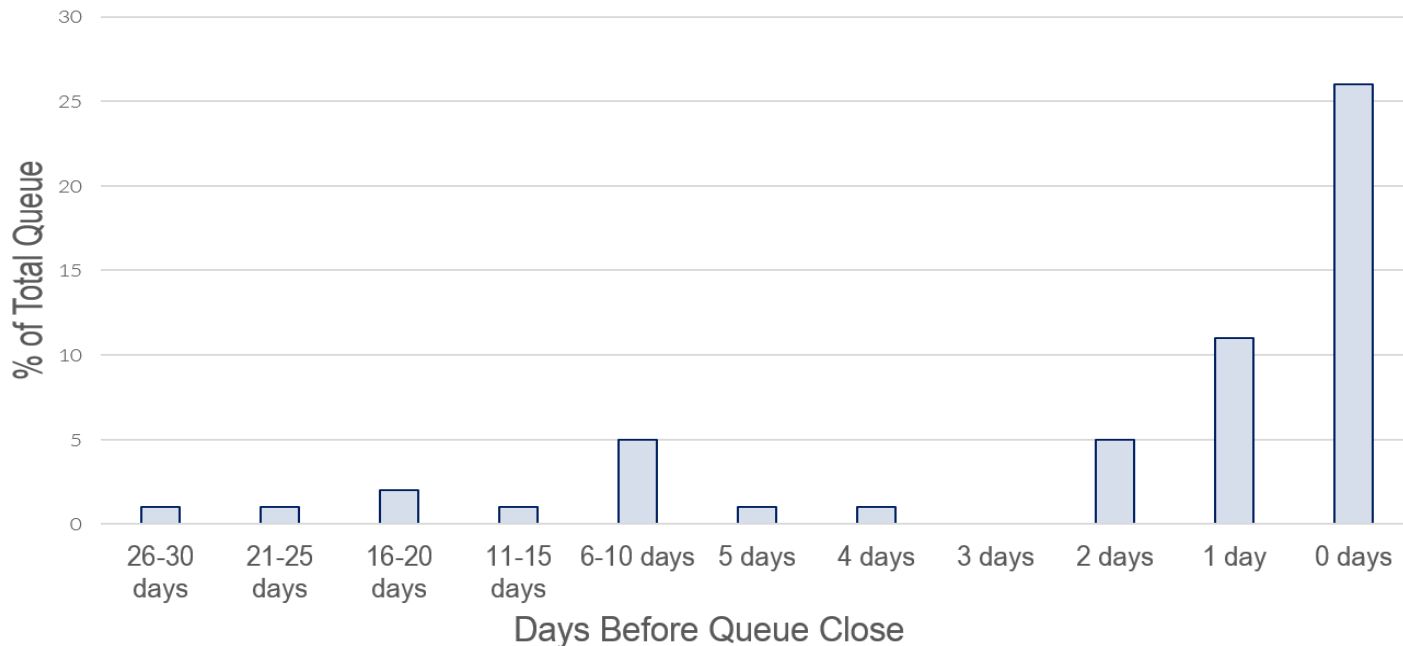
The committee endorsed a problem statement and issue charge to find ways to incent customers to submit transmission projects earlier in the queue window.

The issue will be assigned to the Planning Committee, which will have three to six months to identify better incentives to encourage earlier participation. (See [PJM to Try Again to Speed Interconnection Filings](#).)

The imposition of non-refundable fees that escalate later in the queue window have had little effect on changing participants’ behavior, said Dave Egan, manager of interconnection projects.

Meanwhile, those who have done their due diligence in their submittals are being held up by late, deficient entrants, PJM says.

— Suzanne Herel



Applications by days before queue close (final month) (Source: PJM)



## Connecticut Officials at Odds over Plant Clean-up, Merger

By William Opalka

Connecticut environmental officials are at odds with utility regulators over whether the state should seek cleanup of an abandoned power plant as a condition for Iberdrola's acquisition of UIL Holdings.

Attorney General George Jepsen, the state Department of Energy and Environmental Protection and the City of New Haven see the merger as the best chance to clean up the contaminated site in the city, but the Public Utilities Regulatory Authority doesn't seem inclined to force the issue.

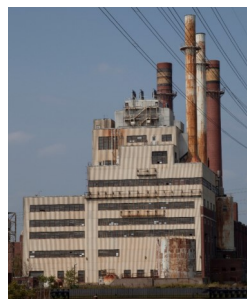
Spanish conglomerate Iberdrola announced in February it would acquire UIL Holdings, which has electric and gas units in Connecticut and Massachusetts, in a \$3 billion cash and stock deal. (See [Iberdrola Broadens Northeast Footprint in \\$3B UIL Deal.](#))

### English Station

The power plant that has emerged as a flashpoint is the English Station, a coal- and oil-fired generator that dates to the 1920s and sits on a man-made island in the Mill River. The plant was shut down by United Illuminating, the electric utility subsidiary of UIL, in 1992 and sold eight years later.

The new owner intended to revive the plant, but environmental problems killed that plan. It was later sold to a real estate developer.

State environmental regulators have closed the site pending an estimated \$30 million cleanup of toxins. DEEP's environmental remediation order for the site — while not yet final — would require UI and the subsequent owners to clean up the site.



English Station

In a [brief](#) filed June 5, the attorney general said the state should require the merger applicants to place \$30 million in an escrow fund to pay for cleanup of the site, with an additional promise that Iberdrola pay any additional costs more than that amount. Jepsen said UIL "bears a significant portion of responsibility" for the contamination.

The utilities and PURA say that the environmental issues are beyond the scope of the merger.

### 'Devoid of Evidence'

In a [reply](#) filed Friday, the companies rely on a recent PURA order that removed English Station from the merger's consideration. "The record is devoid of any evidence upon which the authority could base a condition such as that recommended by the AG. As such, the authority should not entertain

conditions related to matters it has already decided are beyond the scope of the proceeding and its authority and upon which it has no record evidence to decide," they wrote.

PURA had said its docket is not the "appropriate forum" on responsibility for the cleanup.

"English Station property is already the subject of pending legal actions in other appropriate forums such as [DEEP] and the U.S. Environmental Protection Agency," it wrote in a May order.

### FERC Approval

Iberdrola USA owns utilities New York State Electric & Gas and Rochester Gas & Electric in New York, Central Maine Power in Maine and significant wind power assets from coast-to-coast.

The Federal Energy Regulatory Commission approved its takeover of UIL on June 2 ([EC15-103](#)).

FERC said acquiring an electric utility in Connecticut and gas distribution companies in Massachusetts and Connecticut presented no significant concerns about the combined companies' market power.

In the PURA docket, however, Jepsen has listed other objections to the takeover, joining the state's consumer counsel in saying consumer benefits promised by the merging companies are elusive or non-existent.

## Kinder Morgan Trims Northeast Energy Direct Pipeline

By William Opalka

Kinder Morgan has scaled back a natural gas pipeline proposed for New England, but the changes will have little effect on the overall project to supply power plants and home-heating utilities.

Kinder Morgan filed an updated plan with the Federal Energy Regulatory Commission on June 2 for its Northeast Energy Direct project, saying it was eliminating local laterals and related facilities due to the inability to sign up utilities to support those spurs. "We just don't have the customers," Allen Fore, vice president of government affairs

at Kinder Morgan, told *The Boston Globe*.

The pipeline is planned to run from New York through northern Massachusetts, cut into New Hampshire and return to Massachusetts, where it will terminate in Dracut.

Kinder Morgan, the parent of project developer Tennessee Gas Pipeline, said it is eliminating a nearly 15-mile spur through seven Massachusetts towns and a 1-mile spur in Connecticut, along with a new meter station and modifications at three existing stations.

Remaining in the project are 37 miles of laterals running off the main line, which will mostly follow existing rights-of-way.

"This revised scope, which will be reflected

in Tennessee's next draft environmental report filing, will allow Tennessee to meet the needs for all the shippers that have executed binding precedent agreements for the project," the company wrote ([PF14-22](#)).

The pipelines are controversial because they would import fracked shale gas from Pennsylvania and be funded by utility rate-payers. (See [New England Governors Revise Energy Strategy.](#))

Kinder Morgan said the pipeline could bring more than 2 billion cubic feet of natural gas per day into the region. It plans to file a second draft of its environmental report next month and a final pipeline application with FERC in October.

# ISO-NE NEWS



## ISO-NE Prices Down Sharply in Q1; Generators Using Offer Flexibility Rule

By William Opalka

ISO-NE's power prices dropped by more than 40% in the first quarter of 2015 thanks to lower natural gas costs, the Internal Market Monitor reported last week.

In a filing with the Federal Energy Regulatory Commission, the Monitor said a 43% decrease in the cost of natural gas from the previous year was largely responsible for the power price decline (ZZ15-4). Natural gas prices averaged \$11.37/MMBtu, a drop from \$19.95.

Day-ahead energy market prices averaged \$84.84/MWh at the Massachusetts hub, down 41% from a year ago, while real-time prices averaged \$81.97/MWh, a drop of 43%.

Also lower were real-time reserve payments (-80%), regulation payments (-56%) and net commitment period compensation payments (-67%).

Total wholesale market costs of \$3.14 billion were down 41%. "Overall, market prices reflected the cost of providing energy, and energy market outcomes were competi-

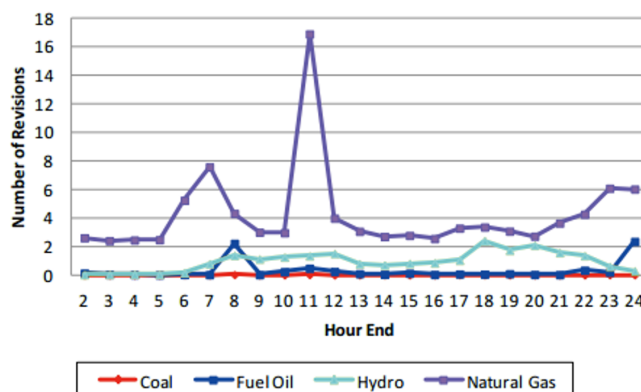
tive," the Monitor said.

### Pricing Flexibility

The IMM said generators are taking advantage of the flexibility resulting from the RTO's Dec. 3 rule change allowing market offers to be made hourly and changed during the operating day. The energy market offer flexibility (EMOF) rule, which allows resources to respond to changes in production and opportunity costs, has been used primarily by natural gas generators.

"There has been a reduction in the volume of self-scheduling, in which generators assume a price-taking role, and to the extent to which generators vary economic minimum parameters to reach desired levels of output," the Monitor said.

Some generators also took advantage of EMOF rules allowing them to offer negative



Average number of offer block revisions by fuel type and hour in the real-time market, Q1 2015. (Source: ISO-NE)

prices to signal their desire to maintain minimum output levels.

Only hydro and wind resources offered negative prices in the day-ahead market. They were joined by some natural gas, biomass and coal resources in offering negative prices in the real-time market.

"On average, the amount of capacity offered in the real-time market at negative prices was equal to roughly 3% to 4% of load," the Monitor said.

## Lake Champlain Cable into New England Progresses

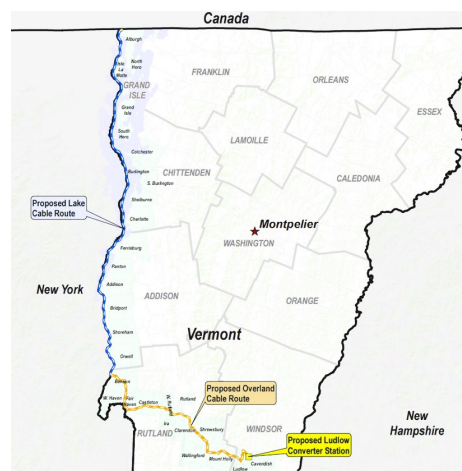
By William Opalka

The second transmission line proposed to bring Canadian hydropower into the Northeast under Lake Champlain has advanced with the release of its draft environmental impact statement.

The New England Clean Power Link, proposed by Transmission Developers Inc.-New England (TDI-NE), is a high voltage, direct current line that would transport 1,000 MW of electricity 154 miles from Quebec to Ludlow, Vt. Ninety-eight miles of the cable would be buried under Lake Champlain, and most of its land-based route would be underground.

The U.S. Department of Energy released the draft on June 3 for the \$1.2 billion for the project, which it says should be issued a Presidential Permit, required for the border crossing.

TDI also is planning another 1,200-MW line



New England Clean Power Link (Source: TDI)

using a path underneath the lake and through existing rights-of-way to New York City. This project is furthest along the regulatory path, having received its final permits in April. (See [Quebec-NYC Tx Line Clears](#)

### Final Regulatory Hurdle.)

A third high-voltage transmission line proposed to transport Canadian hydropower into the Northeast, Eversource Energy's Northern Pass in New Hampshire, is expecting its final EIS next month, as its review is taking longer than expected to complete. (See [Eversource: Northern Pass Delayed Until '19: Earnings Up](#).)

TDI-NE touts the Vermont project as a way to deliver renewable energy from Canada to the ISO-NE market. The company estimates that the regulatory process will take until the end of the year, with construction starting in 2016. The project is expected to be in service by 2019.

TDI-NE still needs permits from Vermont and has yet to announce customers for its electricity.

The release of the draft opens a 60-day comment period that is scheduled to close on Aug. 11.



## ISO-NE: Renewable Growth to Boost Capacity Prices

By William Opalka

Increased use of renewable energy will depress energy prices, increase capacity prices and lead to early retirement of some base-load plants, according to a discussion paper by ISO-NE.

The RTO said renewables' low operating costs, combined with state and federal subsidies, reduce the energy market clearing prices, requiring competing traditional resources to make up that shortfall in the capacity market.

"State subsidies for renewable resources will put downward pressure on energy market prices, but this action is not without consequences: it will put upward pressure on prices in the capacity market. The capacity market will help balance the revenue needs for resources as the energy market provides fewer opportunities for resources to recover their fixed costs," the paper says.

ISO-NE was asked by stakeholders to assess the impact of renewables on baseload generation following the retirement of the Vermont Yankee nuclear plant and other resources. (See [Vermont Yankee Retirement Leaves ISO-NE More Dependent on Gas.](#))

### Wind Growth

In 2014, the region's 800 MW of wind power produced nearly 1% of its electricity. Solar penetration had reached 900 MW at that time, with projections of nearly 2,500 MW by 2024.

Developers have proposed 4,000 MW of additional wind power, with studies suggesting 12,000 MW of onshore and offshore wind could supply a quarter of the six states' electricity needs.

Increased renewables are expected to impact technology choices, even as the region continues its inexorable march to natural gas, which accounts for about half of New

England's power generation. "That might mean a shift from gas-fired combined cycles toward gas-fired peaking resources," the report said.

A decrease in energy revenues may cause combined-cycle generators — which expect to earn double the energy and ancillary market revenue of a combustion turbine — to become less competitive. At the same time, more gas peakers will be needed to provide additional reserves as the penetration of intermittent renewables grows.

### Baseload Coal and Nuclear

The report said renewables will put the most pressure on baseload coal and nuclear units, noting that Entergy cited low energy market revenues in closing Vermont Yankee.

"With the expected increased penetration of renewable resources, more such retirements should be expected in the future. For example, at current energy and capacity prices, nuclear units might earn almost 10 times more revenue from the energy market than they earn from the capacity market. Modest changes in energy market revenues could have large impacts on the bottom line of a nuclear unit or baseload coal unit. This may be especially true for nuclear units, which have very high fixed operating costs and typically operate at very high capacity factors."



Conceptual illustration of potential transmission for 12,000 MW wind scenario. (Source: New England 2030 Power System Study, ISO-NE)

### No Changes Recommended

Nevertheless, ISO-NE said it does not believe its market rules need to be changed to accommodate these developments. It previously noted that higher capacity prices in recent auctions attracted new generation resources into the region. (See [Prices up One-Third in ISO-NE Capacity Auction.](#))

"In the medium- to long-term, the capacity market will enable the region to achieve necessary levels of resource adequacy and resource performance while transitioning toward a system with greater levels of renewable resources," the report concludes.

**"The capacity market will help balance the revenue needs for resources as the energy market provides fewer opportunities for resources to recover their fixed costs."**

# NYISO NEWS



## New York Doubles Down on Renewable Energy

### Proposes Spending \$1.5B, Revising Procurement Strategy

By William Opalka

New York state is proposing to invest \$1.5 billion in large-scale renewable energy development over the next decade under a revised procurement strategy to reduce costs.

The New York State Energy Research and Development Authority made the proposal in a [report](#) released early this month. “The current approach has been good, but we can do better,” said Richard Kauffman, the state’s chairman of energy and finance.

Unlike most state renewable portfolio standard programs, which delegate renewable purchases to utilities, New York designated NYISERDA to act as a central procurement agency.

NYISERDA said the \$1.5 billion investment is comparable to the state’s spending since it created its RPS in 2004. The programs have led to the construction of 1,900 MW of clean generation, although the RPS goal of 29% for this year will not be met.

A 32-MW project on Long Island is the only large-scale solar project in the state, according to the Long Island Power Authority. The American Wind Energy Association says New York had 1,749 MW of installed wind capacity at the end of 2014.

The report recommends several new strategies that it said would allow it to obtain renewable resources at lower costs, optimize siting of projects and extend benefits to customers.

It said long-term bundled power purchase agreements would provide developers predictable revenue streams, allowing them to obtain cheaper financing and reducing the levelized cost by at least \$11/MWh. Securitizing debt and opening projects to financing vehicles such as “YieldCos” — publicly traded companies formed to own operating assets that produce a predictable cash flow — could reduce costs further.

It also invited comment on whether utilities should be permitted to bid against other developers for renewable projects, saying the competition could also reduce costs.

Procurements should take into account not just price, the report said, but also plant retirements, price forecasts and integration with storage and demand response to ensure projects are sited where they provide the greatest system and customer benefits.

It called for ways to address insufficient demand volumes, contract durations and credit supports that it said had crimped voluntary renewable purchases.

A 10-year budget commitment of \$1.5 billion would stimulate investment and help renewables become self-sustaining without subsidies.

The report was filed in response to a Feb. 26 New York Public Service Commission order laying out the role of renewables under the Reforming the Energy Vision overhaul of the state’s energy industry. (See [New York PSC Bars Utility Ownership of Distributed Energy Resources](#).)

The PSC will hold a technical conference to discuss the report, with initial public comments due July 22.

## Tx Developers Challenge NYISO, SPP, ISO-NE Order 1000 Filings

By William Opalka

Transmission developer LS Power Transmission is protesting Order 1000 compliance filings by NYISO, SPP and ISO-NE, saying they still favor regulated incumbents over independent developers. NextEra Energy also filed a protest in NYISO’s docket.

The protests, submitted last week, are to compliance filings the three regions made in response to Federal Energy Regulatory Commission orders in April and May.

### NYISO

FERC accepted NYISO’s Order 1000 compliance filing in April while denying multiple requests for rehearing. (See [FERC Denies Rehearing Requests on NYISO Order 1000 Compliance Filing](#).)

LS Power praised NYISO for its handling of the stakeholder process, saying it was an “open dialogue that actually valued the exchange of ideas, rather than a perfunctory process, for process sake, that occurred in

some regions that oppose Order No. 1000 at the regional planner level.”

It said its protest to the ISO’s developer agreement is limited to “sections that provide no ratepayer benefit but that have the potential to substantially increase costs either through increased financing costs or through a significant mismatch to the obligations undertaken by incumbent transmission owners proposing regulated backstop solutions.”

“Because both regulated and alternative projects will be evaluated against each other under the Order No. 1000 compliant process, it is important that the developer agreement impose no more stringent obligations on the developer of an alternative regulated solution than are imposed on incumbent transmission developers,” it wrote (ER13-102-007).

NextEra [said](#) the agreement burdens alternative developers without guaranteeing faster project completion. It said the deadlines within the agreement do not reflect the reality of project development sched-

ules and that NYISO should not be given latitude to terminate a project agreement when the project is faced with obstacles beyond the developer’s control.

### SPP

LS Power said SPP’s compliance filing fails to meet the requirements of Order 1000 because its exceptions to competitive bidding are overly broad. (See [FERC Rejects Rehearing Request on SPP Order 1000 Filing](#).)

It said competitive bidders should only be disqualified if the only feasible route would alter an incumbent transmission owner’s use and control of its existing right of way and law or regulation prevents use of alternatives to those rights-of-way (ER13-366).

### ISO-NE

In New England, LS Power said ISO-NE failed to delete certain language as ordered by FERC following its second compliance order from 2013 regarding backstop transmission solutions (ER13-193).

## COMPANY BRIEFS

### PPL Spinoff Talen Energy Attracting Tepid Interest on Market



Talen Energy, the merchant generation company formed by spinning

off much of PPL's generating assets and combining it with those of Riverstone Holdings, began trading on the New York Stock Exchange on June 2. The company issued shares at \$20 but ended its first day at the \$18.50 mark.

Trading under the symbol TLN, Talen has only hovered around \$19/share through its first two weeks of trading and experienced a dip on Thursday and Friday to close out last week, finishing at \$18.13/share. The company is now one of the country's largest merchant generators, with about 15,000 MW in its fleet. Most of the assets are in PJM, along with some in ERCOT. To allay concerns from competitors, the company agreed to divest about 1,300 MW in PJM in a settlement with the Federal Energy Regulatory Commission.

More: [TheStreet](#)

### Amazon Turning to Solar To Power Its Data Centers



Amazon.com announced that it is partnering with Community Energy Inc. to build an 80-MW solar farm in Virginia to help power its data centers in the state.

The \$200 million solar farm, to be built on the Eastern Shore's Accomack County, will be called Amazon Solar Farm U.S. East and should be operating by October 2016.

When completed, the 250,000-panel solar farm will increase the state's solar capacity by a factor of five. Virginia currently ranks 30th in the U.S. for solar capacity.

Amazon says it eventually wants to use renewable energy to power all its data centers.

More: [Richmond Times Dispatch](#)

### DTE to Drop Renewable Surcharge, Reducing Rates \$15M Annually



DTE Electric has proposed dropping a 43-cent/month customer surcharge that pays for renewable energy.

Under changes in the utility's renewable energy plan filed early this month with the Michigan Public Service Commission, DTE said the request would reduce electric rates

by a total of \$15 million a year. DTE also said it will be in compliance with Michigan's renewable portfolio standard requiring electric utilities to supply 10% of their power from renewable sources.

Parent DTE Energy has a 1,000-MW renewable portfolio that it acquired from Michigan developers. DTE began assessing the renewable surcharge in 2009. Last year it reduced the charge to 43 cents from \$3.

Meanwhile, DTE said it will explore the potential of a voluntary pilot program for customers who want to pay for more than 10% of their electricity from renewables.

More: [FierceEnergy](#)

### Xcel Tones down Texas Rate Request



Xcel Energy's Southwestern Public Service last week scaled back its rate-increase request in Texas by nearly \$23 million.

SPS last year filed for an annual revenue increase of \$64.8 million, or 6.7%. On June 10, SPS revised its request to \$42 million, or 4.4%. A number of interveners have been pressuring regulators for a rate decrease and in May the Public Utility Commission of Texas staff recommended a decrease of \$2.6 million.

SPS is also seeking a waiver of PUCT's post-test year adjustment rule, which would allow the company to include \$392 million additional capital investment for the July-December 2014 period.

More: [Xcel Energy](#)

### Duke Ordered to Stop Groundwater Contamination from Coal Ash Site



North Carolina environmental regulators ordered Duke Energy to

stop one of its retired coal-fired power plant sites from polluting groundwater after tests showed heavy metals in nearby drinking water wells. The contamination, including boron, was found in three wells near the retired Sutton Steam Plant near Wilmington, N.C. Boron is an indicator of coal ash contamination.

The state gave Duke until July 9 to stop the spread of the contamination at the Sutton site. If it can't, it could face further fines than the \$25 million the state has already assessed the company in relation to leaching from the plant's coal ash basin. Duke is appealing the fine. The company also recently

reached a \$102 million settlement with federal regulators concerning coal ash spills relating to the January 2014 spill at the Dan River.

North Carolina has hired a private law firm to assist it in its ongoing cases against Duke. "It is evident that Duke Energy is choosing to spend its virtually limitless legal resources to fight fines for clearly documented groundwater contamination stemming from its coal ash impoundments near the Sutton plant," said Sam Hayes, general counsel for the state environmental department.

More: [Associated Press](#)

### Fallout Grows from Accusations Dynegy Manipulated MISO Auction



DYNEGY

At least 16 stakeholders have filed notices at the Federal Energy Regulatory Commission to

intervene in a request by a consumer group and the Illinois Attorney General for an investigation into whether Dynegy illegally manipulated MISO's Planning Resource Auction last April.

The Illinois AG and the group Public Citizen Inc. point to a nine-fold price increase resulted in Zone 4, which includes much of downstate Illinois. (See [Public Citizen to FERC: Investigate Dynegy Role.](#)) Among those filing to intervene at FERC is the Illinois Citizens Utility Board, a public advocacy group that this week claimed that electric bills for downstate Illinois customers rose more than 10%.

Dynegy says it followed all the auction rules and the results were verified by an independent monitor.

More: [Post-Dispatch](#)

*Continued on page 23*

## COMPANY BRIEFS

*Continued from page 22*

### Opponents to Exelon's Medway Plant Voice Concerns at Meeting

Exelon Generation's plan to build a two-unit, 195-MW generating station in the Boston suburb of West Medway drew opponents last week at a public information meeting.



Exelon plans to build the natural gas-fired units on the existing 94-acre site of the West Medway Generating Station, a three-unit, oil-fired 117-MW peaking station built by Boston Edison following the 1965 East Coast blackout. The oil-fired units only run about 100 hours a year, but the new gas-fired generators would operate about 14 hours a day.

Several residents said they were concerned about the plant's needs for cooling water. According to the company, the units would need 97,000 to 197,000 gallons of cooling water each day. This would come at a time, said resident Brian Adams, when he and his neighbors "are told every day that we can't water our lawns."

More: [Milford Daily News](#)

### Invenergy's Proposed Jessup Plant Opponents Meet with Gov. Wolf

Invenergy Pennsylvania Gov. Tom Wolf listened to the concerns of a small group of residents who are worried about Invenergy's plans to build a 1,500-MW combined-cycle natural-gas plant in the North-eastern town of Jessup.

Four members of Citizens for a Healthy Jessup said the plant is being pushed through the siting and permitting process too quickly. They also expressed concerns that the plans for the plant seem to change. Wolf didn't offer his own position on the plant.

Invenergy announced the project last November and said the site's proximity to both the new Susquehanna-Roseland transmission line and shale gas supplies made it an attractive location. It was originally proposed to be a 1,300-MW facility. If built, it would be the state's second-largest natural gas-fired plant, after PPL's 1,722-MW Martins Creek plant in Northampton County.

More: [Times-Tribune](#)

### Dominion Questions Va. Zoning Ordinance's Effect on Wind Facility

Dominion Virginia Power is concerned that a proposed local zoning ordinance would create roadblocks to its proposed wind energy facility near Bluefield, Va. Dominion wants to build an industrial-sized wind farm on 2,600 acres it purchased near East River Mountain in 2009.

Opponents say the wind-turbine towers would ruin the view. Dominion, in a letter to Tazewell County officials, said that a recent proposed zoning ordinance change that would limit industrial expansion in the area, coupled with an existing tall structure ordinance, "significantly deters wind development" in the area.

County officials think the zoning issue could spell the end of the project. "This ordinance in my opinion is a death blow to that project," said Charles Stacy, a member of the board of supervisors in Tazewell County's Eastern District.

More: [Bluefield Daily Telegraph](#)

### Options Limited for County Opposed To Dominion Tx Line Proposal



Orange County, Va., is considering making an attempt to block a proposed 230-kV

transmission line between two rural areas near Culpeper, but the county attorney says little can be done to stop it.

Dominion Virginia Power has proposed running the line between Remington and Pratt, but local opponents fear the line would detract from the area's scenic beauty. The alliance asked Orange County officials to see if there was a way to block the project.

County Attorney Tom Lacheney said last week that a review of existing laws and ordinances seems to indicate that Dominion will probably be successful in its attempts to build the line.

More: [Fredericksburg Free Lance-Star](#)

### Duke Energy to Introduce 'Swine Waste' Gas into Plants' Fuel Stream

Duke Energy has applied to the North Carolina Utilities Commission to buy gas produced from Midwestern swine farms for two of its North Carolina plants in order to comply with a state biofuel mandate.

Duke and other power producers say there are insufficient in-state supplies of gas produced from swine waste to comply with a state law, which mandates that 0.07% of energy be derived from pig manure. The mandate steps up to 0.2% by 2020.

The fuel would come from hog farms in Missouri and Oklahoma, where manure and other waste is deposited in a digester, which then collects the gas. The fuel would be used at Duke's Dan River combined-cycle plant near Eden and its Buck combined-cycle plant near Salisbury.

More: [Charlotte Business Journal](#)

### 8 Utilities Joining Together to Form Emergency Equipment Stockpile

Eight U.S. utility companies are forming a consortium called Grid Assurance to stockpile large transformers, circuit breakers and other special equipment so they are available for emergencies. The venture will help the companies to more economically meet a Federal Energy Regulatory Commission mandate to have vital backup equipment available.

"Restoration of the transmission grid can be hampered by long lead times required to design, build and deliver" such equipment, one of the companies, American Electric Power, said in a statement. "Subscribers can call on equipment when they experience ... physical attacks, electromagnetic pulses, solar storms, cyberattacks, earthquakes and severe weather events," it said. The equipment would be stored at warehouses throughout the country.

In addition to AEP, the other companies in the program are Berkshire Hathaway Energy, Duke Energy, Edison International, Ever-source Energy, Exelon, Great Plains Energy and Southern Co.

More: [Columbus Dispatch](#)

# FEDERAL BRIEFS

## EPA Fracking Study Finds No Evidence of Water Supply Damage



An Environmental Protection Agency study of the practice of hydraulic fracturing found no evidence of widespread water supply contamination — but the agency said there is still a potential risk. The [draft report](#) detailed several instances where the practice — known as fracking, which has contributed to a domestic oil and gas boom — contaminated some drinking water supplies. It noted, however, that the number of instances was small considering the number of wells examined in the study.

The study examined more than 3,500 reports, studies, articles and other sources. It said that more than 25,000 wells were fracked each year between 2011 and 2014. EPA determined that there were about 6,800 public water systems within a mile of a fracked well.

Both supporters and opponents of fracking seized on the results. The draft report shows that “hydraulic fracturing is being done safely under the strong environmental stewardship of state regulators and industry best practices,” according to Erik Milito, director at the American Petroleum Institute. But Michael Brune, executive director of the Sierra Club, said the report vindicated arguments against the technique. “The EPA’s water quality study confirms what millions of Americans already know — that dirty oil and gas fracking contaminates drinking water,” he said.

More: [The New York Times](#)

## Cardin Introduces Bill To Close Fracking ‘Loopholes’

A U.S. senator has introduced a bill that will close what he calls “loopholes” that exempted some of the processes used in hydraulic fracturing from the Clean Water Act.



Cardin

Sen. Ben Cardin (D-Md.) introduced the Focused Reduction of Effluence and Stormwater Runoff Through Hydraulic-Fracturing Environmental Regulation (Fresher) Act. Exemptions in 1987 and 2005 exempted fracking from certain provisions of the Clean Water Act involving collection and disposal of stormwater runoff and by-products.

Environmentalists applauded the measure. “It’s well past time for the oil and gas industry to be held accountable to our core environmental laws,” Rachel Richardson, director of Environment America’s Stop Drilling Program, said in a statement.

More: [The Hill](#)

## House Bill Would Cut EPA Budget by 9%



House Republicans have crafted a spending bill that would cut the Environmental Protection Agency’s budget by 9% and slice its workforce to 15,000, down from a high of about 17,300 five years ago.

The bill, made public by the House Appropriations Committee, also covers the Department of the Interior and the Smithsonian Institution, as well as other agencies. Altogether, it set spending at \$30.2 billion, about \$246 million below last year’s budget and \$3 billion less than the Obama administration requested.

“These reductions will help the (EPA) streamline operations, and focus its activities on core duties, rather than unnecessary regulatory expansion,” the committee said in a press release.

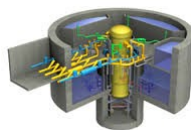
More: [Associated Press](#)

## DTE Energy Gets NRC Nod to Build New Reactor

The Nuclear Regulatory Commission has approved DTE Energy’s plan to build and operate a new reactor at its Fermi site. Although the company has not yet committed to go ahead with the project, NRC approved plans to build a third unit at the existing 1,170-MW plant near Newport, Mich.

DTE is considering building a GE-Hitachi Nuclear Energy Economic Simplified Boiling Water Reactor (ESBWR) that will be rated at approximately 1,535 MW. It has passive safety features, such as the ability to cool itself for a week in the case of a complete power loss.

The company worked six and a half years to attain the combined operation license. The project is the fifth reactor nationwide to receive a combined license. “The potential



GE-Hitachi Nuclear ESBWR (Source: NRC)

of additional nuclear energy gives us the option of reliable, baseload generation that does not emit greenhouse gases,” said Steven Kurmas, DTE’s president and COO.

More: [Zacks](#); [Energy Online](#); [Detroit Free Press](#)

## Entergy to Appeal ‘White’ Finding Levied by NRC at Pilgrim



Entergy is appealing a Nuclear Regulatory Commission sanction assessed following the shutdown at Pilgrim Station during a winter storm. NRC found that the scram was caused by a sudden loss of outside power during the storm and gave the power station a “white” safety finding.

“One of the complications during the shutdown involved the use of safety relief valves to reduce reactor vessel pressure as part of the reactor cool down process,” according to the NRC report. “During attempts to open one of the plant’s safety relief valves, the valve did not open based on observed system response. Plant operators safely completed the cool down using two other of the plant’s four safety relief valves.”

The inspectors said the operators should have anticipated the safety valve issue. Entergy says it has addressed all the safety concerns raised by the report, and that it will seek to have the “white” finding reduced.

More: [Mattapoissett Sentinel](#)

## Atlantic Coast Pipeline Opponents Say Meeting Transcripts Garbled

Opponents of the proposed 550-mile Atlantic Coast Pipeline (ACP) were shocked when they read transcripts of the Federal Energy Regulatory Commission scoping meeting where they spoke and were unable to make sense of how a stenographer recorded their comments.



Atlantic Coast Pipeline route (Source: Dominion)

In many cases, opponents say, their transcribed comments from

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## FEDERAL BRIEFS

*Continued from page 24*

a March 18 meeting in Nelson County, Va., were so “garbled” that it is “literally incomprehensible,” according to Joanna Salidis, president of Friends of Nelson.

One resident said at the meeting: “The one-mile swath of pipeline proposed for Shannon Farm would tear up sensitive wetlands and plow through the climax beech forest in our designated wilderness area. It would disrupt our organic gardens, where some members ... grow a sizeable portion of their food.”

The FERC transcript reads: “The one hot swath of pipeline proposed for Shannon Farm would tear up sensitive wetlands and plow through the planet’s beech forests in our designated wilderness area and would destruct our organic environments for some members ... for a sizeable portion of their food.”

“Again, we see that the agency charged with evaluating whether the ACP’s benefit to the public outweighs its harm does not take public concerns seriously,” Salidis said.

More: [Daily Progress](#)

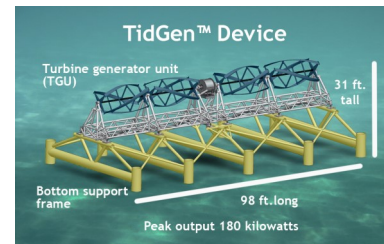
## Tidal Power Project Asks for Two-Year License Extension

The developers of a tidal power project off Eastport, Maine, are asking the Federal Energy Regulatory Commission for a two-year extension of its license to complete testing of some technology.

The 300-kW Cobscook Bay Tidal Energy Project, run by Ocean Renewable Power Co., received its license in 2012 and began operations later the same year. Its license was granted as a pilot project, used to study the effect on ocean life and to test hydrokinetic technology.

Pilot licenses are granted to small, short-term projects that must be removable or able to be terminated at short notice. The Cobscook Bay project is ongoing, but the company wants an extension instead of a new license. Although it has been online since 2012, the technology is not suitable for commercial applications.

More: [HydroWorld](#) (subscription required)



## STATE BRIEFS

### RGGI Allowances Sold for \$5.50

The nine Northeastern and Mid-Atlantic states participating in the Regional Greenhouse Gas Initiative said their 28th auction of carbon dioxide allowances raised \$85 million for investment in energy efficiency, renewable energy and other programs. More than 15.5 million allowances were sold at the clearing price of \$5.50. Bids for the CO<sub>2</sub> allowances ranged from \$2.05 to \$12.50 per allowance.

The market for cost-containment reserve (CCR) allowances was not as robust. The CCR is a fixed additional supply of allowances that are only available for sale if CO<sub>2</sub> allowance prices exceed certain price levels (\$6 in 2015, \$8 in 2016, and \$10 in 2017, rising by 2.5% each year thereafter to account for inflation). Ten million CCR allowances were for sale, and none sold.

The June 3 auction was the second auction of 2015.

More: [RGGI](#)

### DELAWARE

#### Opposition Grows to Delaware City Refinery’s Water Use Permit

Opposition is mounting to a proposed per-

mit that would grant the Delaware City Refinery continued use of 300 million gallons of Delaware River water a day for coolant.


A coalition of lawmakers and environmentalists has asked the Department of Natural Resources and Environmental Control to uphold an earlier recommendation that the refinery install a cooling tower system, which would reduce water consumption and kill less aquatic life. The refinery, which was designed and built in the 1950s, is using older technology that last received a five-year water-use permit in 1997. The refinery has been operating under permit extensions for more than a decade.

Regulators estimated the cost of a tower cooling system at about \$75 million. Refinery owner PBF put the price at closer to \$300 million. The public comment period on the proposed permit ends this week.

More: [The News Journal](#)

### ILLINOIS

#### Stricter Water Temp. Limits Could Result in Closing of 2 NRG Plants

 New regulations setting temperature limits for Chicago-area waterways could doom two NRG Energy coal-fired plants, according to comments the company

filed with the Pollution Control Board last week.


The board has set temperature limits for waterways into which NRG’s Joliet Station and Will County plant discharge cooling water. NRG sought a six-year period to conduct new studies, analyze the data and petition for variances. But the board denied the extension request and says NRG has only three years to meet the goals.

If finalized in their current form, the proposed thermal water quality standard would “result in the closure of certain industrial facilities,” NRG wrote in the [request](#) for the extension.

More: [Midwest Energy News](#)

### IOWA

#### State Supreme Court Ruling Allows Luther College to Go Solar

 Luther College says a 2014 state Supreme Court case that allows third-party ownership of solar arrays made it attractive for the school to install an 825-kW solar system. The court ruling made it possible for the nonprofit institution, which would not directly benefit

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## STATE BRIEFS

*Continued from page 25*

from renewable-power tax subsidies, to finance its solar system through a third party that could take advantage of the tax breaks.

The system, which will be one of the state's largest solar facilities, is designed to provide about 6% of the school's electricity needs. A big benefit is that it will produce power during peak hours, helping the school to reduce its demand charge with the area utility, Alliant Energy, which currently makes up about 35% of its bill.

More: [Midwest Energy News](#)

### KENTUCKY

#### Nearly 60% of State's Coal-Fired Plants Will Close by 2040

More than 58% of the state's coal-fired power plants would be retired by 2040, even before taking into account proposed U.S. Environmental Protection Agency emission regulations, according to state Energy and Environment Secretary Len Peters.

Peters told a legislative committee earlier this month that state generators have already proposed retiring plants or converting them to natural gas to comply with EPA's Mercury and Air Toxics Standards. Even without the pressure to meet the proposed Clean Power Plan, about 5,830 MW of the state's aging coal-fired fleet will reach retirement age of about 65 years by 2040. Peters said the new emissions regulations and the price of construction means that it is unlikely Kentucky will see many, or any, new coal-fired plants being built.

More: [WKMS](#)

### MAINE

#### State Pilots First Energy Storage System



CONVERGENT ENERGY + POWER

New England's first utility-scale electricity storage system is contained in three large shipping containers in Boothbay's industrial park. The 3-MWh system, which uses valve-regulated lead acid batteries, is designed to help supply demand during peak summer hours and to provide grid stability and resilience.

The system, which would typically be charged at night and discharged during the

day, was developed through a partnership led by New York City-based Convergent Energy + Power. The pilot program, which can supply up to 500 KWh for six hours, is being run by GridSolar for the Public Utilities Commission.

More: [Portland Press Herald: Convergent Energy + Power](#)

### MANITOBA

#### Manitoba Hydro in Spotlight During PUB Hearings

The political opposition has taken aim at Manitoba Hydro, the quasi-governmental utility that is seeking a 3.95% electric rate increase before the Public Utilities Board.

At a board hearing, Progressive Conservative party leaders called Manitoba Hydro's predicted long-range losses of \$75 million to \$192 million "mind-boggling." Though it predicts healthy profits during the next three years, the utility projects a downturn in power export opportunities and an expensive capital construction campaign that will turn profits into losses starting in 2018.

Premier Greg Selinger's administration has touted the utility's near-term success.

More: [Winnipeg Free Press](#)

### MARYLAND

#### Consumer Advocate Appeals PSC OK of Exelon-Pepco Deal

The Office of People's Counsel last week appealed the Public Service Commission's approval of Exelon's acquisition of Pepco Holdings Inc., saying consumers will suffer from the deal. The OPC filed its petition for judicial review in the Queen Anne's County Circuit Court.

"The majority decision to approve this transaction was flawed and failed to address the single most important aspect of the law — first, do no harm," People's Counsel Paula Carmody said.

The PSC voted 3-2 to approve Exelon's takeover, which would make the company the electric supplier for 80% of Maryland ratepayers. (See [How Exelon Won over Maryland.](#))

D.C. regulators have yet to rule on the deal.

More: [Office of People's Counsel](#)



Carmody

### MINNESOTA

#### Regulators OK We Energy's Acquisition of Integrys; Just Need Ill.



The Public Utilities Commission on Friday approved We Energy's acquisition of Integrys Energy Group, joining Wisconsin, Michigan and various federal authorities.

We Energy now needs just the nod from the Illinois Commerce Commission to complete the transaction. The \$9.1 billion deal, when completed, will create WEC Energy Group Inc., which will have 4.4 million customers in four states and be headquartered in Milwaukee. WEC will also own 60% of American Transmission Co.

The ICC is expected to rule on the acquisition at the end of this month. At the forefront of the issue in Illinois is the ongoing multibillion-dollar gas main replacement project going on in Chicago by Integrys subsidiary Peoples Gas. Wisconsin Energy has said it will put together a new upper management team at Peoples. That company, and the gas main replacement project, was the subject of a highly critical audit. The final cost of the gas main project is still unknown, and the state Attorney General's office has begun a probe into the entire project.

More: [Journal Sentinel: Milwaukee Business Journal](#)

### NEW HAMPSHIRE

#### Eversource Review of 'Grand Bargain' Begins



The Public Utilities Commission will begin hearings on a plan to allow Eversource Energy to divest its generation assets and concentrate on its regulated electric distribution business. The "grand bargain" between Eversource and stakeholders will allow the company to charge ratepayers an estimated \$425 million for stranded assets from the sale. (See [Eversource to Sell New Hampshire Plants.](#))

Eversource, political leaders, the state Office of Energy and Planning, the PUC Office of Consumer Advocate and staff members of the PUC participated in negotiations that led to the filing. The agreement is also supported by the electrical trade unions; the Conservation Law Foundation; trade organizations representing independent power

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# STATE BRIEFS

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plant owners and competitive electricity suppliers; and the New Hampshire Sustainable Energy Association.

The settlement is likely to yield about \$380 million in customer savings over the next five years, according to state Sen. Dan Feltes. Hearings are expected to begin this fall, with legislative updates required in October and a PUC decision by the end of the year.

More: [New Hampshire Union Leader](#)

## NEW JERSEY

### Deal Will Keep Lights on At Revel — for Now



The owner of the former Revel casino and a third-party power supplier have struck a court-approved deal to keep the lights on.

Glenn Straub's Polo North Country Club, which bought Revel for \$82 million out of bankruptcy court in April, has temporarily resolved his dispute with ACR Energy Partners over the cost of energy services it supplies and whether his company should have to assume the previous owner's commitments to pay for the costs of the ACR power plant's construction. ACR initially cut service to the complex, but lawmakers ordered the company to restore service to maintain fire protection systems and the warning light atop the 47-story building.

Under the agreement, ACR will maintain power until one of four things happens: the parties reach a long-term contract; a state order requiring ACR to provide service is canceled or changed; a judge allows ACR to stop providing service; or Polo North finds a new energy provider.

More: [Associated Press](#)

## NEW YORK

### NYISO Report Touts Market Benefits



The state's transition to competitive electricity markets has contributed to dramatic benefits for consumers and the state's power grid, including nearly \$7 billion in savings and reduced costs and significant reductions in emissions, among numerous other impacts, according to a NYISO report.

The report, "Powering New York — Responsibly," examines the 15-year period since the inception of New York's competitive market in 2000. It quantifies the major contributions made by NYISO to help the state meet its future energy needs and achieve its goals for cleaner energy and improved efficiency.

"The federal and state policy decisions that produced electric industry restructuring were founded on the conviction that competitive wholesale electricity markets expeditiously and effectively facilitate evolution of the grid," said NYISO CEO Stephen Whitley.

More: [NYISO](#)

## NORTH CAROLINA

### Duke Stays out Of Solar Bill Fray

Duke Energy is staying out of the debate as state lawmakers consider bills that could affect solar development.

One bill would let homeowners lease or finance solar systems through third-party developers like SolarCity. Another would cap utilities' required purchases of renewable energy at 6% of demand this year, compared with the current target of 12.5%.

"There have been a half-dozen bills in this session dealing with energy," Duke CEO Lynn Good told *Bloomberg News*. "It's difficult to handicap which ones will go through."

More: [Bloomberg News](#)

### Court Gives Duke Some Relief From Ash-Cleanup Ruling

The state Supreme Court last week vacated a lower court ruling that said regulators could force the utility to take immediate action to clean up coal ash-contaminated groundwater. The high court said legislation passed last year ordering coal ash remediation made the "immediate action" ruling unnecessary.

Environmental activists said the lower court ruling, arising from a 2012 case and predating Duke's January 2014 ash spill on the Dan River, meant that Duke should be forced to stop the pollution at the source before any work restoring groundwater is taken. But the utility and state regulators said full assessments of the groundwater contamination is necessary first.

"We think the court's ruling is appropriate, and we are pleased to close this issue so we can continue moving ahead with safely and permanently closing ash basins," Duke spokeswoman Erin Culbert said.

More: [Charlotte Observer](#)

## PENNSYLVANIA

### Boston Company Eyes State for Gas-Fired Plant



Boston-based Competitive Power Ventures wants to build a \$900 million natural gas-fired power plant in western Pennsylvania that could be up and running by the end of 2019.

Vice President Michael Vesca said construction could start in 2017 on the plant, which would be located near Vinco, about 65 miles east of Pittsburgh.

More: [Associated Press](#)

### Penelec Spends \$6M to Serve New Gas-Pumping Station



Pennsylvania Electric Co. plans to spend \$6 million to build new distribution lines to supply power to pumping stations being built in shale-gas producing areas of central Pennsylvania.

New electric distribution lines will deliver 2.8 MW from substations in McConnelltown and Blain to new pumping stations in Marcklesburg and Doyleburg.

Completion is expected in late summer.

More: [Pennsylvania Business Daily](#)

# In case you missed it ...

## Ex-FERC Chair Wellinghoff Under Fire for Showing Deposition Video (Originally published June 10)

By Chris O'Malley

Former Federal Energy Regulatory Commission Chairman Jon Wellinghoff improperly shared in public a video excerpt of a deposition taken during a 2013 commission investigation, according to a report released last week by Department of Energy Inspector General Gregory Friedman.

But Wellinghoff last week told *RTO Insider* the video snippet in question was not “nonpublic” information when he played it during an industry conference on March 9.

While disclosing information is forbidden during an investigation, certain portions of it become public after an investigation is completed, Wellinghoff said.

“I’m kind of bemused by [\[the report\]](#) in the sense that, No. 1, this information is not confidential at all. I don’t understand where they get this,” Wellinghoff said.

The Inspector General also faulted FERC for inadequate safeguards inside the agency to prevent such disclosures and has asked current Chairman Norman Bay to do more to prevent disclosure of nonpublic information and strengthen post-employment guidance.

Perhaps ominously for Wellinghoff, Friedman asked Bay to determine if the former FERC chairman violated a Confidentiality of Investigations requirement at the agency “and ascertain what, if any, sanctions are available to address the former chairman’s actions.”

### ‘How Not to Behave’

Wellinghoff, who served as chairman from 2009 to 2013, is currently a partner at the energy law firm of Stoel Rives. He’s been widely sought after as a speaker and panelist at various utility industry conferences.

It was at such a conference on March 9 when, Friedman said, Wellinghoff shared a video excerpt of a nonpublic deposition taken during a “major” Office of Enforcement investigation resolved in a July 2013 agreement.

The video clip showed a trader being evasive while questioned by investigators. Wellinghoff presented the clip during the conference “as an example of how not to behave in front of regulators,” Friedman wrote.

Wellinghoff said the point of showing the



Jon Wellinghoff (Source: FERC)

video during the conference was instructional, in the context of “don’t do this” if you’re being questioned by regulators.

“But the snippet had no substantial information at all” concerning the underlying case, he insisted.

Records show that Wellinghoff was on the agenda to moderate a panel on “FERC and CFTC Enforcement” at the Western Systems Power Pool’s spring operating committee meeting, in Sonoma, Calif. After the panel discussion, a FERC employee, along with an attorney for the energy trading firm targeted in the 2013 investigation, “expressed concerns to the commission that the disclosure may have been unauthorized and in violation of federal law regulation,” according to the report.

### FERC Integrity at Stake?

The Inspector General “confirmed the essence of the allegation, finding that Mr. Wellinghoff had, in fact, disclosed nonpublic OE information in a public setting. We concluded that the disclosure of such information could threaten the integrity of FERC’s regulatory and enforcement process.” Under FERC regulations, Friedman said, “virtually all of the information gathered during the course of an investigation is nonpublic.”

The report faults FERC management for failing “to take action to positively ascertain the scope of information still in possession of the former chairman.”

“In our view, the seriousness of this matter required more aggressive intervention and involvement by the commission,” the report said.

Friedman said FERC staff were focused on preventing future disclosures and failed to determine whether the former chairman possessed other nonpublic, sensitive commission material. FERC attorneys spoke with Wellinghoff on March 20, asking him to

call the commission before releasing any other material in public so they could determine whether or not it was nonpublic, according to the report.

The report said Wellinghoff agreed, but he informed the attorneys that his computer had crashed in February and that all of his documents had been permanently lost. “However, we were told that Mr. Wellinghoff used a personal computing device to show the video clip during the March 9 presentation, despite having told commission attorneys that all of his documents were lost due to the computer crash,” the report said.

On April 29, the day before the Inspector General announced its investigation into the matter, FERC asked Wellinghoff to destroy any remaining commission material he possessed. Wellinghoff confirmed that he had on May 4.

The Inspector General said Wellinghoff has declined repeated requests to discuss the matter.

### FERC Policies Faulted

Also faulted were FERC’s post-employment guidance and exit processes, such as how employees leaving FERC should treat information. The review did cite steps taken since the public release of the deposition came to light. For example, in an April email to current employees, FERC’s ethics official outlined potential criminal penalties for unlawful removal and distribution of federal records.

But Friedman said the risk of unauthorized disclosure by current and former FERC employees “remains unacceptably high.”

He recommended that Bay:

- Determine if Wellinghoff violated the Confidentiality of Investigations requirement and whether sanctions are available;
- Determine if the commission has necessary safeguards in place to prevent disclosure and propose statutory or regulatory changes; and
- Expedite the effort to strengthen post-employment guidance and exit processes, including a better understanding of what constitutes nonpublic information.

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# In case you missed it ...

## Ex-FERC Chair Wellinghoff Under Fire for Showing Deposition Video (Originally published June 10)

*Continued from page 28*

### Major Enforcement Case

Neither the conference nor the firm whose traders were targeted in the FERC investigation are identified in Friedman's report.

According to FERC records, there were two major enforcement cases resolved in July 2013. One involved Barclays Bank, which FERC determined had violated the Anti-Manipulation Rule involving electricity trades in the western U.S. The commission assessed penalties of more than \$435 million.

The [public record](#) of the case includes the

names of traders found to have run askew of federal laws and includes summaries of depositions they'd made.

The [other case](#) resolved that month involved make-whole payments and related bidding strategies of JP Morgan Ventures Energy. Again finding a violation of the Anti-Manipulation Rule, FERC levied massive sanctions that included a \$285 million civil penalty.

Wellinghoff declined to confirm to *RTO Insider* whether it was from one of these two July 2013 cases that he pulled the video deposition. The former FERC chairman said he did not identify the case at the March 9 conference.

### Bay on Board

In a letter to Friedman, Bay said he agreed the video excerpt shared by Wellinghoff constituted nonpublic information.

"I have directed appropriate senior commission staff to explore whether further steps are available to address this situation and to share their findings on that issue with me by Sept. 1," Bay wrote.

Wellinghoff has stepped on toes within FERC previously since leaving the post. In 2014, commissioners criticized their former colleague for publicizing information from a FERC analysis on grid security. Wellinghoff was attempting to demonstrate more could be done to safeguard the nation's electrical infrastructure. (See [FERC Criticism of Ex-Chair Mounts](#).)

## EPA Signals Changes on Clean Power Plan (Originally published June 9)

### Wisconsin Officials Welcome EPA to MARC with Promise of Lawsuit

*By Rich Heidorn Jr.*

MILWAUKEE — A top Environmental Protection Agency official last week gave the most detailed hints yet about how the agency will revise its proposed carbon emission regulations on existing power plants when the final rule is released this summer.

**Janet McCabe**, acting assistant administrator for EPA's Office of Air and Radiation, indicated that the final rule will include relaxed interim goals and informal ways for states in the Midwest and elsewhere to combine their efforts to ease compliance.



McCabe made her comments at the opening session of the Mid-America Regulatory Conference, where Wisconsin officials promised that they will be among the states filing legal challenges to the Clean Power Plan.

McCabe has appeared frequently before gatherings of state regulators and also testified at the Federal Energy Regulatory Commission's technical conferences on the reliability impacts of the proposed rule. In previous appearances, McCabe made vague promises that the agency was listening to the feedback it has received on EPA's pro-

posal. (See [MISO, SPP Stakeholders Developing Trading Plan to Comply with EPA Carbon Rule](#).)

### Rule Sent to White House

With the final rule nearing release — it was sent to the White House for review the week before — McCabe was a bit more forthcoming.

She indicated support for the Midcontinent States Environmental and Energy Regulators (MSEER), which has been developing a mechanism that would allow utilities to trade emission allowances within and across state lines. McCabe said efforts by MSEER and others to create "trading ready" compliance plans that don't require time-consuming memoranda of understanding among governors have been "very instrumental in our thinking."

"What an excellent idea that is, and we're certainly pursuing that," McCabe said.

McCabe acknowledged the widespread opposition to EPA's proposal that states meet most of their 2030 emission targets by 2020, which critics have said would impede regional compliance and result in stranded costs for generators shuttered before the end of their economic lives. "We certainly, certainly heard that. We heard that loud and clear," she said.

She also acknowledged fears that the rule

might subject state energy efficiency and renewable portfolio standards to federal oversight, saying, "I think you'll see more thought on that."

### Wisconsin's Welcome

McCabe spoke after Mid-Atlantic Conference of Regulatory Utilities Commissioners attendees received a welcome from Wisconsin Lt. Gov. Rebecca Kleefisch, who warned that the EPA rule will dramatically raise electric prices, damaging the state's ability to use its lower rates to attract industry from Illinois and other states. Under the proposed rule, Wisconsin would be required to cut its carbon emissions by 32% from its 2012 levels.



Kleefisch introduced Attorney General **Brad Schimel**, who all but guaranteed that the state would be among those challenging the final rule. Schimel said

EPA's proposal had "serious legal flaws" and set unfairly harsh goals for the state, whose economy is dependent on energy-intensive industry.

McCabe acknowledged the Midwest's heavy reliance on coal, and promised that "affordability is very much on our minds as

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# In case you missed it ...

## FERC Enforcement Process Under Fire in House Hearing (Originally published June 5)

By Michael Brooks

WASHINGTON — The Federal Energy Regulatory Commission was the subject of intense criticism June 3 and 4 as members of a congressional subcommittee considered legislation to rein in the agency's Office of Enforcement.

The House of Representatives Energy and Commerce Committee is considering a legislative package that would institute a wide variety of changes to energy policy. That week's Energy and Policy subcommittee's hearing focused on Title IV, which would make changes to FERC's enforcement procedures, along with Department of Energy efficiency standards and the Public Utility Regulatory Policy Act (PURPA).

Under Section 4212 of the title, FERC would be required to disclose to investigation subjects "any exculpatory materials, potentially exculpatory materials, or materials helpful or potentially helpful to the defense" within a week of issuing preliminary findings.



FERC Enforcement Director Larry Parkinson

### Brady Doctrine

The provisions are in response to criticism by defense attorneys — embraced by some congressional Republicans — that Enforcement has denied subjects due process. The allegations were highlighted in the Powhatan Energy Fund case, in which brothers Richard and Kevin Gates claim that FERC

withheld exculpatory evidence from them in violation of the *Brady* doctrine. (See [Gates, Powhatan Say FERC Enforcers Didn't Share Crucial Info.](#))

Responding to a question on June 3 from Rep. Jerry McNerney (D-Calif.) about the implications of the phrase "helpful or potentially helpful" in the section, FERC Enforcement Director Larry Parkinson called it "a pretty dramatic rewrite" of the *Brady* doctrine.

The doctrine, stemming from the 1963 case *Brady v. Maryland*, holds that the prosecution may not withhold evidence that could aid a defendant.

Under the proposed language, "essentially what it would end up being is an open-file discovery policy," Parkinson said. "If you say you're entitled to information in possession of FERC that is 'helpful or potentially helpful' to the defense, I don't know what wouldn't be, whether it's inculpatory, exculpatory or anything even neutral." He also noted

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## EPA Signals Changes on Clean Power Plan (Originally published June 9)

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well." She said the agency has proven that environmental regulation is compatible with economic growth, saying air pollution has been reduced by 70% since 1970 while the economy grew "by orders of magnitude."

She also responded to criticism that the proposed state targets — which require some states to cut emissions much more than others — are inequitable, saying "we're looking hard at that."

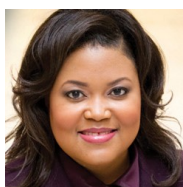
She rejected suggestions that the agency was overreaching, saying it was charged with enforcing laws enacted by Congress. She said the rule would withstand legal challenges, saying it was "very solidly based in the Clean Air Act."

"EPA is not an energy agency. We're not trying to be an energy agency," she continued. "We are an agency that protects the public health, and in this case that means addressing air pollution that contributes to climate change."

In a brief interview afterward, Schimel said he heard nothing from McCabe that made it less likely that Wisconsin will challenge the

rule. "She conflates clean air with climate change. That's not a good sign for where they're going," he said.

### FERC Commissioner Plays Peacemaker



Federal Energy Regulatory Commissioner **Colette Honorable**, who spoke after McCabe, urged state officials not to take absolutist stands.

She said states challenging the rule's legality should also be prepared to respond if it is upheld in the courts. Some opponents have urged states not to file compliance plans; EPA has said it will impose a federal implementation plan for such states.

"I don't want to do anything to harm jobs; I know you don't either. I don't want to do anything that harms reliability or ensuring just and reasonable costs; I know you don't either. Having said that, we have a job to do," Honorable said.

"There's a saying that metal sharpens metal. If we continue to stay engaged we will be in the best possible position to be prepared for

whatever happens with the Clean Power Plan. I'm ... convinced that we will be able to strike the right balance because of what we continue to hear from you."

### Rule Survives First Legal Challenge

The Clean Power Plan survived its first legal challenge on Tuesday. In a unanimous decision, the three-judge D.C. Circuit Court of Appeals found that a challenge to the rule by 12 states was brought too early, as it is still being finalized.

"Petitioners are champing at the bit to challenge EPA's anticipated rule restricting carbon dioxide emissions from existing power plants," Judge Brett Kavanaugh said. "But EPA has not yet issued a final rule. It has issued only a proposed rule."

"They want us to do something that they candidly acknowledge we have never done before: review the legality of a proposed rule. But a proposed rule is just a proposal. ... We do not have authority to review proposed agency rules."

The court's remarks in its ruling mirrored the skepticism it expressed when it heard oral arguments in April. (See [Federal Briefs](#), "Judges Appear Skeptical of Challenge to EPA Air Rules.")

# In case you missed it ...

## FERC Enforcement Process Under Fire in House Hearing (Originally published June 5)

*Continued from page 30*

that *Brady* doesn't apply to civil cases, even though FERC voluntarily adopted the doctrine in 2009.

These comments incensed Rep. Morgan Griffith (R-Va.), who flung his hands in the air and stood up in exasperation. When it was his turn for questioning the witnesses, he blasted Parkinson's remarks.

"I don't know how y'all did it wherever you worked, but the really good prosecutors ... they gave you the open file because it helped you reach a settlement," said Griffith, who referred to himself as a "simple country lawyer."

"So I don't understand the resistance. I'm having a real hard time sitting here listening to you talk about how this a problem."

"This is not a hide-the-ball kind of process," Parkinson responded. "We lay out in extraordinary detail for the subjects of our investigations everything we've concluded, both factually and legally."



Rep. Morgan Griffith (R-Va.)

tween the commissioners and the investigatory staff of the commission."

Parkinson said that such a change would "impede the ability of the enforcement staff to regularly communicate with the commission or with others in the agency. It is simply unworkable to restrict the enforcement staff from those communications unless we ignore the fact that the commission itself owns and manages its enforcement program."

"I don't know how a commission effectively oversees an enforcement program if the enforcement staff isn't able to regularly communicate with them without having to put it in writing, or without having to give the investigative subject the opportunity to address the commission in the same way."

Griffith, however, criticized what he saw as the dual role of FERC commissioners as prosecutors and judges. Griffith compared this to a building code investigator going to the judge and asking how he should investigate and lay out his case against a potential violator.

Scherman noted that because Enforcement staff has regular communication with commissioners, "human nature would suggest that cannot be a fair adjudication. It has nothing to do with the integrity of the commissioners personally. But if you're told for five years that somebody is guilty of fraud, if you're told for five years that somebody has manipulated the markets, if you're told for five years that somebody has unjustly enriched themselves at the detriment of consumers, and at the very last part you then have to sit, where only one party has had access to you, where only one party knows what you're thinking and only one party has had a free exchange, that is a problem."

Griffith suggested allowing the commissioners to retain their power to settle cases but

said adjudication should occur in federal court "where you can have a legitimate, due process-filled trial."

Scherman thought it would be a good idea — if FERC recognized that *de novo* review meant a new trial. "The commission is taking the absurd position that the words 'de novo review' does not lead to a full trial, does not lead to discovery, does not lead to the right to confront witnesses," he said. "They're taking the position that *de novo* review is essentially no different than a court review, where the commission gets deference on the record that they built on a flawed process."

### 'Neutering' Enforcement

McNerney, who noted that California is still dealing with the aftermath of the Enron scandal, expressed concern that the section went too far in "neutering FERC's investigatory authority."

With no one from FERC on June 4's witness panel, Sue Kelly, CEO of the American Public Power Association, attempted to defend the agency.



"I would just note that what they're trying to do is protect consumers in these electric markets," she said. "And if you look at the orders that have come out, if you look at the entities that are being chastised, if you look at the behaviors that are being engaged in, I think a case could be made that it's really important to have a strong enforcement at the FERC because consumers are otherwise going to be taken to the cleaners."

Scherman countered that "It is easy to say 'don't do this' when your members are not subject to the very regulations that are violating due process. Ms. Kelly's members are not subject to these rules. They're not subject to this enforcement process."

Kelly interjected: "Not true."

"Well it is true, Sue. Other than [the North American Electric Reliability Corp.], what are you subject to?" Scherman replied.

Kelly noted that there was an enforcement case against an APPA member in ISO-NE. But "generally speaking, we don't engage in behavior that would require" the enforcement process, she said to laughter. Kelly, however, was not smiling.

On June 4, the subcommittee heard from **William Scherman**, a former FERC general counsel who has led the attack on the agency, making his case in a law review article, *Wall*

*Street Journal* op-ed and National Association of Regulatory Utility Commissioners conference. Senate Republicans quoted from his critique during the confirmation hearings for former Enforcement Director Norman Bay in May 2014. (See [LaFleur Cruises, Bay Bruises in Confirmation Hearing](#).)

Scherman told the subcommittee that it was "shocking" that Parkinson would say the language was not necessary. He suggested replacing "helpful" with "favorable."

"There is no possible way that [FERC] could object to that," Scherman said.

### Commissioners' Role

The proposed legislation would also allow investigative subjects "to communicate with the commissioners regarding the substance of settlement considerations to the same extent as such communications occur be-

# SPP Takes on Grid Management in Great Plains

*Continued from page 1*

Region (Western-UGP), based in Billings, Mont.; Basin Electric Power Cooperative in Bismarck, N.D. and the Heartland Consumers Power District in Madison, S.D.

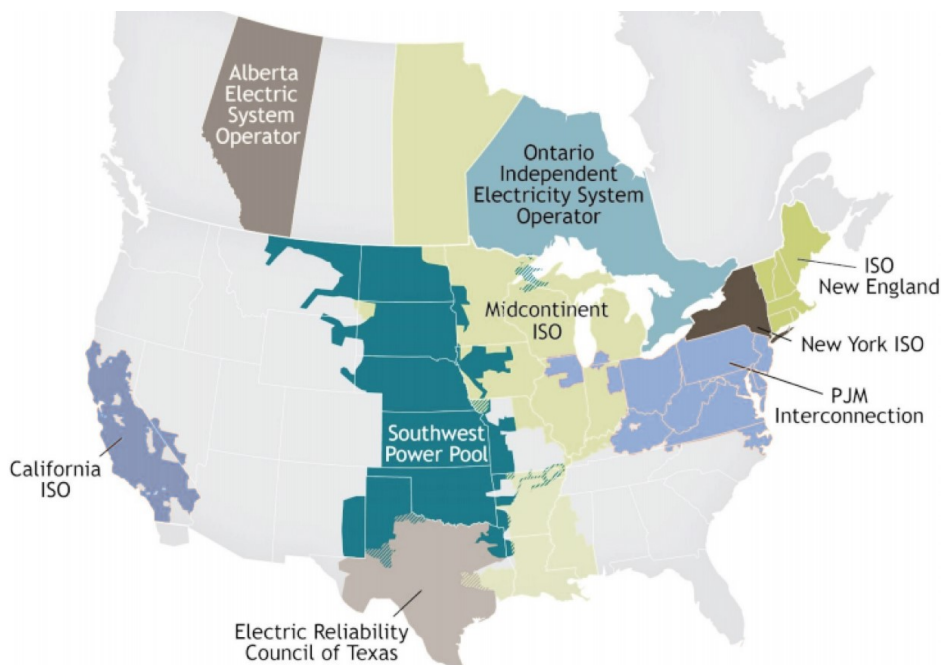
Western-UGP becomes the first federal power agency to join an RTO under the Federal Energy Regulatory Commission's Order 2000, which encouraged the voluntary formation of independent grid operators.

FERC approved SPP's incorporation of the Integrated System in November (ER14-2850). While its grid is now under SPP's control, the region won't take part in SPP's markets until October.

SPP COO Carl Monroe said Monday that the integration – which represents an increase of about 10 to 12% increase in peak load – has been seamless so far.

"The way we measure the success of the transition is if we hear no noise about it," he said. He said it's been quiet, and SPP is working on the next step of integrating the new organizations into the SPP tariff. He said Western-UGP, Basin Electric and Heartland Consumers are already participating in SPP's transmission planning process.

Basin Electric has 2.8 million customers and 2,100 miles of transmission lines. Heartland serves 28 municipalities, including Sioux Falls, S.D. Western-UGP covers 378,000 square miles of prairie and farmland. The



The new balance of RTO power. (Source: SPP)

Integrated System evolved from a 1962 agreement between the Bureau of Reclamation, Basin Electric and 103 cooperative and municipal preference customers in the region. The SPP Board of Directors approved the system's membership in June 2014.

It marks a significant increase in authority for SPP, which had shrunk after Entergy defected to MISO. The shifting of companies from one RTO to another spurred the need for settlement conferences overseen by FERC. Some issues are still in dispute, including MISO-directed transactions that flow across SPP territory.

The expansion will "enhance our ability to deliver value through transmission," SPP CEO Nick Brown said. "The Integrated

System's footprint is well connected to SPP's existing service territory and provides a logical expansion from a network configuration standpoint."

SPP says the expansion will result in stakeholder net benefits of about \$334 million. These include the increased ability to commit and dispatch generation into and out of Nebraska, and the availability of low-priced hydro generation out of Western-UGP.

Monroe thanked the Integrated System's efforts in easing the transition. "Coordinating the flow of power requires hard work and collaborative planning," he said. "We look forward to completing the Integrated System's full membership in SPP this fall, which will provide increased options for buying and selling power."

## RTO Insider

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### Correction

In a photo caption in the June 2 edition, *RTO Insider* incorrectly identified Deral Danis's company. He is director of engineering and transmission with Clean Line Energy Partners.

### Advertisement

## OMS Seeks Director of Member Services & Advocacy

The Organization of MISO States (OMS) is seeking candidates for a new position, Director of Member Services and Advocacy. The ideal candidate will utilize his or her energy industry experience to communicate OMS policies and positions to external entities such as MISO and the Federal Energy Regulatory Commission.

Resumes and salary and benefit requirements should be submitted to [colleen@misostates.org](mailto:colleen@misostates.org) by July 3. See the detailed job description at <http://www.misostates.org/images/JobOpening-Director-MemberServices-Advocacy.pdf>