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FERC Seeks Supply Chain Protection Against Cyber Threats

By Michael Brooks

Two malware campaigns against vendors of industrial control systems have prompted the Federal Energy Regulatory Commission to propose the development of a new reliability standard.

FERC issued a notice of proposed rulemaking last week that directs the North American Electric Reliability Corp. to develop critical infrastructure protection (CIP) rules for supply chain management to respond to risks to communication networks and related Bulk Electric System (BES) assets (RM15-14).

"This new type of malware campaign is based on the injection of malware while a product or service remains in the control of the hardware or software vendor, prior to delivery to the customer," FERC said. The supply chain rules would be part of a revised standard, CIP-006-6 (Physical Security of BES Cyber Systems).

The NOPR seeks comment on that and six other updated CIP standards:

Trojan Horse Viruses

The two malware threats that prompted FERC's concern are Trojan horse viruses planted in industrial control systems, such as supervisory control and data acquisition (SCADA) and programmable logic control-

Continued on page 25

Talen Entering NYISO, Expanding in ISO-NE in $1.2B Deal

By Rich Heidorn Jr.

Talen Energy announced its first post-spinoff acquisition Monday, agreeing to spend $1.175 billion to purchase 2,500 MW of combined-cycle generation that expands the company's presence in ISO-NE and marks its entry into NYISO.

The company, which completed its spinoff from PPL and Riverstone Holdings on June 1, announced it will acquire three generators from MACH Gen: the 1,080-MW New Athens plant in Athens, N.Y.; the 360-MW Millennium plant in Charlton, Mass.; and the 1,092-MW New Harquahala plant near Tonopah, Ariz.

The key to the deal for Talen is the two plants in NYISO and ISO-NE, regions in which the company had previously said it was setting its sights. The acquisition will increase its geographic diversity, reducing PJM's share of its fleet from 83% to 71% while doubling ISO-NE's share to 2%.

It also reduces its dependence on coal and nuclear power, with coal's share of the fleet dropping from 40% to 34% while natural gas increases from 22% to 33%.

All of those numbers will change as a result of the company's need to divest 1,300 MW

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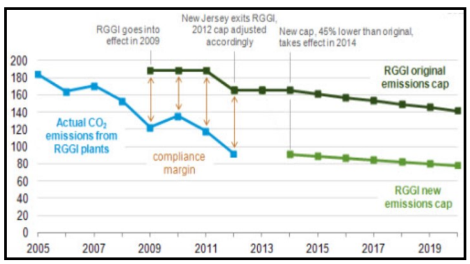

RGGI provides substantial economic benefits and has not raised prices or impaired reliability, according to an independent study. p.12
(Graphic source: EIA)

Also in this issue:

SPP Board, Members Frustrated over Tx Project Overruns

By Rich Heidorn Jr.

SPP Director of Planning Antoine Lucas makes a presentation to the Markets and Operations Policy Committee as board members Harry Skilton and Phyllis Bernard (front row) listen. (Source: SPP)

KANSAS CITY — SPP members approved four over-budget transmission projects and sent three others back to the drawing board last week amid widespread criticism of the process used to estimate project costs.

Of 30 committed projects resulting from the 2015 near-term (ITPNT) and 10-year (ITP10) planning processes, 23 are facing cost estimate increases exceeding 30%, SPP officials told the Markets and Operations Policy Committee last week. Three projects are coming in more than 30% below estimates with only four within the 30% "bandwidth."

Describing a 152% increase on the Hobart-

Continued on page 8

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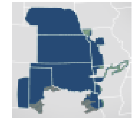
SPP NEWS



SPP Members Reluctantly OK Day-Ahead Change

By Tom Kleckner

KANSAS CITY — SPP's Markets & Operations Policy Committee voted to move the deadline for day-ahead market offers up 90 minutes to 9:30 a.m. CT, following a lengthy discussion about whether the benefits justified the change and its price tag.

The committee approved the recommendation by the Gas Electric Coordination Task Force by voice vote.

Assuming approval by the Board of Directors and the Federal Energy Regulatory Commission, SPP will post day-ahead results at 2 p.m. CT, up from 4 p.m. It also shortens the reoffer period to 45 minutes, with reliability unit commitment (RUC) offers due at 2:45 and results posted by 5:15.

The Tariff changes are a first step in complying with FERC's Order 809, which moved the timely nomination cycle deadline for gas to 1 p.m. CT from 11:30 a.m. and added a third intraday nomination cycle (RM14-2). The commission ordered RTOs to adjust the posting of their day-ahead energy market and reliability unit commitment process results "sufficiently in advance" of the revised gas cycles, or explain why it is not suitable for their markets.

'Very Little Gain'

SPP's northern members voiced their continued opposition to the recommendation, saying the adjustments did little to increase the knowledge of next-day gas prices.

"Most winter gas doesn't trade until 10 p.m.," said the Omaha Public Power District's Troy Via.

"I'm really surprised we went down this route," said Lincoln Electric System's Dennis Florom. "We see very little gain. We're making a lot of adjustments, but we're not getting the key benefit — a timely nomination. By making this adjustment, we are moving further away from the next operating day."

The Nebraska Public Power District's Paul Malone, the MOPC's vice chair, noted that while the GECTF's recommendation was approved by four lower stakeholder groups, the votes were far from unanimous. The Market Working Group, for example, voted 7-5 in favor with five members abstaining. (See SPP Moving to 9:30 Day-Ahead Close.)

Malone contended FERC's order was intended to address "critical" gas days.

"This is a change for all days," Malone said. "The real value we see is better pricing discovery. To get a half-hour change … we're just struggling with that."

The revised timeline would not provide day-ahead market results before the 1 p.m. CT nomination deadline, but it would provide 30 minutes before the Intraday 2 nomination. RUC results would be available 45 minutes before the 6 p.m. evening gas nomination.

Enhanced Combined-Cycle Project

In presenting the GECTF's recommendation, Oklahoma Gas & Electric's Jake Langthorne said the changes would provide an opportunity to use the evening gas nomination period and provide some price formation in the morning before the day-ahead market closes.

Langthorne also said the move would allow for continued progress with the enhanced combined-cycle project, an effort to provide more sophisticated modeling that captures such plants' flexibility. The board last year suspended work on the project until after the Integrated System entities join the RTO as full members in October, allowing time for a more thorough cost-benefit study. (See Combined-Cycle Model's Cost, Benefit Uncertain.)

SPP has estimated it will take approximately $1.5 million and 14 months to implement the schedule changes next year, which would require new software.

ISO/RTO	Time for Submission of Bids (CCT)	Publication of Day-Ahead Commitments
NYISO*	4:00 a.m.	10:00 a.m.
ISO-NE*	9:00 a.m.	12:30 p.m.
PJM	9:30 a.m.	12:30 p.m.
MISO	10:00 a.m.	1:00 p.m.
ERCOT*	10:30 a.m.	1:30 p.m.
SPP	9:30 a.m.	2:00 p.m.
CAISO*	12:00 p.m.	3:00 p.m.

Revised market timing. (*No change)
(Source: MISO)

SPP Director of System Operations Sam Ellis said "almost 100%" of the spending on the scheduling change would also benefit the ECC project.

"I think $1.5 million is more than enough money," Ellis said. "Both projects are investments in reducing the market-clearing engine's solution time."

Dogwood Energy's Rob Janssen, a member of the task force, seemed to sway some minds when he expressed a similar long-term view.

"I'm always concerned about costs, but I'm comfortable with this after discussions with staff," Janssen said. "The staff believes this will improve the market over time. While $1.5 million shows up as a red light, it would be hidden over time the next three to five years. We might as well make the investment and get some value for gas-electric coordination in response to FERC's order."

Midwest Energy's Bill Dowling suggested a shorter RUC process to get gas nominations in as early as possible for the next day. He added, "I do find it compelling to spend some of this money on the ECC project."

"I'm really surprised we went down this route. We see very little gain."

Dennis Florom, Lincoln Electric Systems

SPP NEWS

FERC Rejects Rehearing on SPP Congestion Rights; Accepts Compliance Filing

By Tom Kleckner

The Federal Energy Regulatory Commission last week rejected multiple requests for rehearing of its October 2014 order finding fault with SPP's interpretation of long-term congestion rights (LTCRs).

SPP had joined with Kansas City Power & Light to request a rehearing in November. Also requesting rehearing were five transmission-dependent utilities.

FERC did conditionally accept SPP's January compliance filing, saying the RTO had partially complied with the October order (ER14-2553).

In the October order, FERC ruled that SPP's response to Order 681 did not meet the order's requirement that long-term transmission rights made feasible by transmission upgrades or expansions must be available to any party that pays for the improvements under prevailing cost-allocation methods.

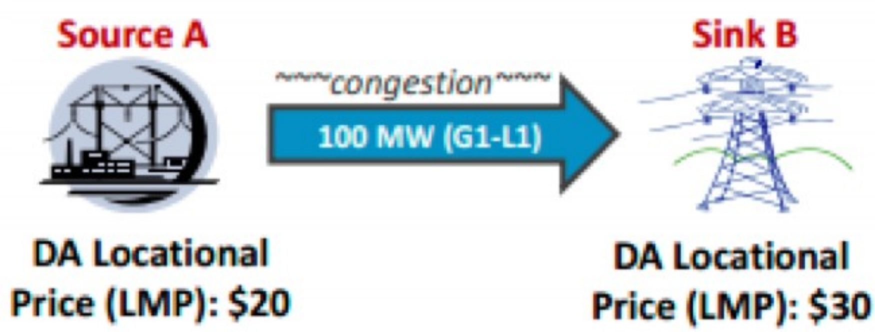
The commission said SPP's proposal did not grant LTCRs to "'any party' that funds upgrades," but instead awarded transmission-service revenue credits, "which are only available to transmission service customers and are not based on the value of congestion revenue."

FERC also found SPP's filing did not fully comply with Order 681's requirement that load-serving entities have priority over non-LSEs in the allocation of long-term firm transmission rights supported by existing capacity.

No Opportunity for Profit

In denying SPP's request for rehearing, the commission said it disagreed with the RTO's contention that Attachment Z2 credits are "reasonable equivalents to LTCRs for financial entities."

"SPP's Attachment Z2 crediting process awards transmission service revenue credits up to the cost of the facility, but the value of a LTCR could exceed the cost of the facility," FERC said. "Z2 credits up to the cost of the facility may be a reasonable incentive for some market participants to sponsor upgrades … However, the Attachment Z2 credits would not serve as an incentive for financial entities that fund transmission projects to sponsor any upgrades because the most they could receive is their initial investment with no opportunity to make a profit."



(Source: SPP)

The commission also denied SPP and KCP&L's claims that the October 2014 order questioned the justness and reasonableness of Attachment Z2. "SPP's decision to use Tariff language that already existed in a prior context" to satisfy Order 681's requirements, FERC said, did not absolve the commission of its responsibility to determine whether the proposed language is just and reasonable.

FERC also denied a rehearing request by the City of Independence, Mo., Kansas Power Pool, Missouri Joint Municipal Electric Utility Commission, Missouri River Energy Services and West Texas Municipal Power Agency (filing as TDU Intervenors).

The group expressed concern that adoption of a nomination process will not ensure LSEs obtain sufficient LTCRs. The commission said that SPP's use of a nomination process before the simultaneous feasibility test "addresses TDU Intervenors' concerns and render their proposed revisions unnecessary."

The commission added that the intervenors failed to demonstrate how SPP's process would result in their being unable to nominate LTCRs at a level equal to their "reasonable needs."

Compliance Filing

Boston Energy Trading and Marketing protested SPP's proposal to provide incremental LTCRs, in lieu of revenue credits, to entities that fund upgrades. SPP proposed network upgrades costs of $5 million or more be compensated with candidate incremental LTCRs, if elected, but Boston Energy said that inclusion is contrary to Order 681 and more restrictive than other ISOs and RTOs.

FERC conditionally accepted SPP's proposal for awarding incremental LTCRs but required it to remove the $5 million threshold.

FERC also directed SPP to separate the provision of incremental LTCRs from the proposed nomination process and to establish a new process providing incremental LTCRs when the sponsored upgrade goes into service.

The commission also asked SPP to inform FERC whether the LTCRs' initial allocation will be implemented in the 2016 ARR/TCR year, and to explain how its process will treat the provision of LTCRs and incremental LTCRs for network upgrades funded through a combination of rolled-in transmission rates and directly assigned charges.

The American Wind Energy Association and the Wind Coalition had requested clarification on how the LTCR process will affect future transmission in the RTO's planning and interconnection processes.

They also requested clarification on how incremental LTCRs resulting from transmission capacity created by upgrade sponsors would impact transmission service customers.

FERC responded by saying SPP's compliance filing showed its transmission-planning process "ensures the continued long-term feasibility of awarded LTCRs and incremental LTCRs, and therefore has complied with the transmission planning and expansion requirements of Order 681."

SPP NEWS

Z2 Project Team Still Grappling with Problem's Size

By Tom Kleckner

KANSAS CITY — SPP's Z2 credit project, years in development and the source of much member frustration, is on track to be completed in 2016. But those involved say they can't estimate the size of the bills SPP may be handing out as a result.

"We don't know if this is a bread box or a semi-trailer yet," said Dennis Reed, chair of the Regional Tariff Working Group, who briefed the Markets and Operations Policy Committee last week.

The purpose of the project is to create software that would properly credit and bill transmission customers for system upgrades under Tariff attachment Z2. The problem has been trying to avoid overcompensating project sponsors and include a way to "claw back" revenues from members who owe SPP money for other reasons. Accounting for transfers of reservations has also been a challenge.

"This policy decision was made 10 years ago … we didn't plan for [the bills] to build up over time," said Kansas Power Pool's Larry Holloway, one of several members expressing frustration. "I asked SPP at the time if they had enough Commodore 64s to get this done, and they said they did."

Reed, director of FERC compliance for Westar Energy, said his group and SPP staff are working to estimate the amount of crediting, but he noted an accurate number can't be made until the software is completed.

"We have to go through the bulk of the process before we know what the numbers will be," explained SPP Chief Operating Officer Carl Monroe.

Reed said possible methods of phasing in catch-up payments are also being developed.

Reed said installment payments would help "the smaller entities who don't have big budgets — say a small city — that all of a sudden [are] faced with a huge bill."

Reed said the RTWG would bring back some ideas to the October MOPC meeting that "may or may not require" a Tariff filing.

Accenture, which helped SPP implement the Integrated Marketplace on time and on schedule last year, has been hired to manage the Z2 project. The company expects to have a production-ready system built and tested by the end of January 2016.

Following the system's implementation, SPP will begin the process of calculating past billings and payments, billing customers and paying those who funded network upgrades. Monthly billing will be a change for current long-term service customers.

"The number is going to come out. We can't predict it, but the cloud of uncertainty is there," said Aundrea Williams of NextEra Energy Resources. "I need to get ready for the number and to start planning for it."

Markets and Operations Policy Committee Briefs

Members Back Change to ARR Allocations to Solve Underfunding

KANSAS CITY — SPP's Markets and Operations Policy Committee voted last week to change the annual auction revenue rights allocation system capacity to better match the annual transmission congestion rights (TCR) auction and reduce underfunding.

Acting on a recommendation by the Market Working Group, the MOPC changed the percentage for the ARR allocation from the original 60% of system capacity to 80% for the seasonal, or shoulder, months. The percentages are unchanged for June (100%) and July-September (90%). The modified revision request will now go before the Board of Directors for final approval.

Those pushing the 60% allocation for seasonal months said it was an aggressive number and would solve the TCR markets' underfunding problem, but they recognized it would cause problems for some market participants.

SPP "staff felt it was really struggling to get this change in," said Debbie James, SPP's manager of market design. "While 80% is an incremental improvement, we really need to get rid of the carry forward. We need to match them up." (Unsettled ARRs are carried forward to be settled in the monthly processes.)

In opposing the original 60% allocation, Xcel Energy's Bill Grant said, "We thought 100% to 60% was overkill. Eighty percent is probably a better number in our minds."

"I'm leery about making a change on the fly," said Bill Dowling of Midwest Energy. "Eighty percent will still mitigate the problem, but it's not a perfect fix."

An ARR is a financial right that entitles the holder to a share of the auction revenues generated in the TCR auctions or the right to convert them into TCRs. ARRs were originally designed to be allocated in the annual process, meaning the full system capacity was allocated and only new entitlements were offered in the monthly allocation. In 2012, however, FERC required the monthly process be available to all existing candidate ARRs. However, updates to the full annual allocation were not made after the FERC order, resulting in the mismatch between percentages of ARRs and percentages of TCRs.

Under the current market design, ARRs are allocated based on 100% of system capacity, while TCRs are primarily awarded at 60% to 90%. That has made annual ARRs infeasible, as less available capacity is carried forward to the monthly processes. Many of the previously infeasible annual ARRs are still infeasible in the monthly process. Infeasible capacity held by these ARRs is guaranteed through limit expansion and goes to either the ARR holder as an ARR self-convert or another TCR auction participant.

The MWG recommendation will settle or convert all annual ARRs during the annual process. No ARRs would be carried forward, and infeasible TCRs would be reduced. All

Continued on page 5

SPP NEWS

Markets and Operations Policy Committee Briefs

Continued from page 4

residual capacity would still be allocated and auctioned in monthly processes.

The MOPC had an easier time approving the MWG's Revision Request 93 (Market Registration and Timeline Changes), which cleans up Tariff language and makes it easier to dispatch generation in the SPP footprint, and RR 99 (STRUC With QS Carve Out), which provides more accurate operational information than the current intraday reliability unit commitment process.

The MOPC approved another nine RRs recommended by the MWG as part of the consent agenda, along with four RRs from other working groups.

2017 ITP10 Update

ITC Great Plains' Alan Myers, chair of the Economic Studies Working Group, updated the MOPC on the group's work on the 2017 Integrated Transmission Planning 10-Year Assessment, just two months into its 18-month cycle.

"Our original intent was to bring you the [assessment's] entire scope today, but we just have an update," Myers said. "We expect to bring you something in October with better quality and [that is] more formulaic than we have in the past."

Myers told members the ITP10 will implement new criteria for modeling future resources, defining bounds around specific resources stakeholders can submit for inclusion in ITP10 and ITP20 studies.

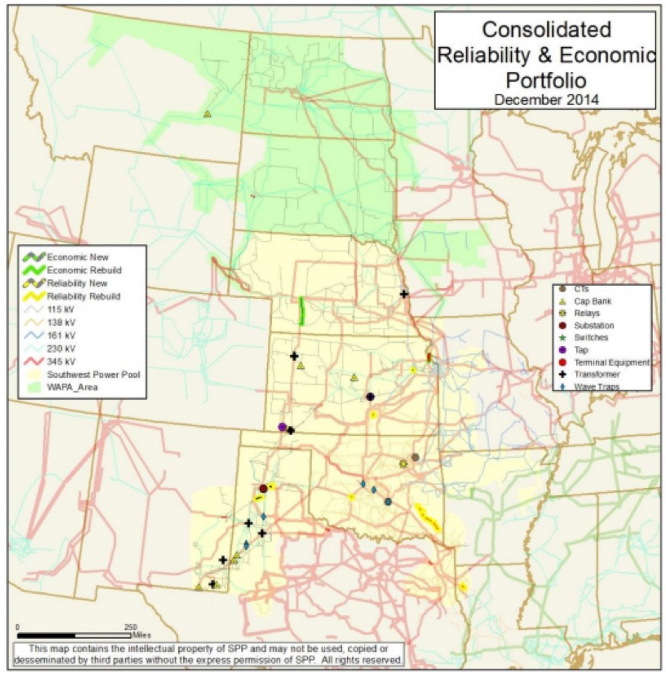
The 2017 study will also rank constrained flowgates' congestion costs. Up to 25 constraints — with a minimum of $50,000 in annual congestion each — will be identified as economic needs.

The study will use financial advisory firm Lazard's 2014 Levelized Cost of Energy Analysis, as well as other metrics such as 2012 hourly wind profiles; Department of Energy growth rates and NYMEX futures for natural gas prices; and ABB's North American Electric Reliability Corp. data for coal, oil and uranium prices.

The ESWG has completed a load and generation review and a survey of anticipated renewable energy mandates and goals. It is currently working on developing the ITP10's scope and futures, various resource plans and building an economic model.

The model will assume SPP's 13.6% reserve margin, and 5% and 10% accreditation for future wind and solar resources, respectively.

The study will use three futures revolving around a regional Clean Power Plan solution: one assuming the rule's regional implementation, a second assuming state-by-state implementation and a third assuming business as usual. Each future also assumes competitive wind, plentiful natural gas (due to hydraulic fracturing), normal load growth and large-scale solar generation development.



2015 ITP10 Transmission Plan (Source: SPP)

Prioritizing Revision Requests

The MOPC approved the creation of a more formal process for prioritizing RRs, including a scoring system and facilitated quarterly discussions open to all stakeholders. If approved by the board, the process would begin with the first two quarterly cycles of 2016.

"This will be transparency stakeholders have never had before," said Xcel Energy's Grant, the chair of the Stakeholder Prioritization Task Force, which recommended the changes.

Grant said the new prioritization process would not evaluate projects that don't clear the working group process. The process would use a standardized scoring tool to rate RRs and enhancements, including capital projects and RRs initially scored by SPP staff and working groups. The results would be tabulated in a portfolio report listing projects, RRs, enhancements, defects and associated data (priority scores, initial cost estimates and target implementation dates).

An open stakeholder meeting would be held each quarter to discuss the report; an updated portfolio and written meeting summary would be published for each MOPC meeting. The committee would review and discuss during its regular member forum.

The SPTF's proposal addresses a request for stakeholders' increased transparency and input into the prioritization process.

The MOPC also approved the task force's request to extend its charter an additional year. "We want to stick around long enough to make sure the process is providing the desired stakeholder input," Grant said.

RCAR Remedies

The Regional Allocation Review Task Force updated the MOPC on its work on a business practice to correct imbalanced cost allocations. Potential remedies would be added to the Tariff as part of SPP's Regional Cost Allocation Review (RCAR).

American Electric Power's Richard Ross, the task force vice chair, said the RCAR II analysis needs to be completed by October 2016. That requires, in turn, transmission topology updates to the RCAR models be completed by Oct. 1, 2015, and member commitment to provide the necessary help.

"We need creative solutions, because the

Continued on page 6

SPP NEWS

Markets and Operations Policy Committee Briefs

Continued from page 5

process is not working as well as it was intended," Ross said.

SPP staff has been developing a strawman business practice in coordination with SPP's Regional State Committee, documenting remedies and clarifying their implementation. Remedy requests and any changes to the business practice would go to the RARTF.

The business practice comes in response to FERC's rejection of a February 2015 filing that would have added remedies to Attachment J of the Tariff.

Xcel Energy protested the filing, asking the commission to reject the proposed remedies and have SPP develop modifications to the existing methodology for new transmission projects. Rather than refile, the RARTF directed SPP staff to create a strawman business practice.

Transmission Planning Improvement Update

The Transmission Planning Improvement Task Force reported good progress since its formation in the spring. The team has met four times, said Jason Atwood of Northeast Texas Electric Cooperative, with a goal of making transmission planning's model building, transmission assessment and engineering services "bigger, better and quicker." It will spend the next few months looking at futures, scenarios and sensitivities.

The task force is discussing whether to conduct the 10-year, near-term and transmission-planning assessment studies at the same time in an 18-month overlapping process, which would produce study results on an annual basis. Atwood noted an annual basis could provide more accuracy.

Wind, Solar Ratings Unchanged

The Generation Working Group recommended no changes to SPP's methodology for establishing net capability for wind and solar facilities. SPP currently requires that wind resources' ratings correspond to the load-serving members' peak hours. The GWG's data indicate that the value varies from 5% to more than 50%, dependent upon location and timing of peak load.

"This confirms the methodology that the wind resource's planning capability should be based both on location and tied to load," the GWG's report said. The report also confirmed the current default value of 5% used for facilities in commercial operation for three years or less "is reasonable."

Charter Revisions OK'd in Preparation for Integrated System

The MOPC approved charter revisions for five working groups, allowing them to add Integrated System representation when the IS joins SPP on Oct. 1. Business Practices will go from 10 to 12 members, Economic Studies from 14 to 18, Operating Reliability from 12 to 17, Operations Training from 11 to 15 and Reliability Compliance from 15 to 17.

The committee also approved a name change for the Reliability Compliance Working Group — subbing "regional" for "reliability" — accurately reflecting the group's purpose and scope. It also gave the go-ahead to a revised scope for the Economic Studies Working Group to allow for additional reviews and approvals of items that align with its knowledge base and current Tariff processes.

'Incredible Improvement' in Reliability

Noting a continued decreased trend in violations, Ron Ciesiel, general manager of SPP's Regional Entity, reported to the MOPC only one category 1 event — a loss of an hour or more of monitoring or control at a control center — was analyzed in the second quarter.

Ciesiel also said the SPP RE has completed its ninth consecutive quarter without a vegetation-contact report. SPP was the last region in the NERC to report a contact, in the first quarter of 2013.

Ciesiel also noted that there are some days in which NERC has no reportable incidents in all of North America.

"That is an incredible improvement from where we were eight years ago," he said.

— Tom Kleckner

SPP NEWS

Strategic Planning Committee Briefs

Initiative on Non-Competitive Studies Advances

KANSAS CITY — SPP's Strategic Planning Committee on Thursday endorsed a plan to make incumbent transmission owners responsible for providing cost estimates for non-competitive projects.

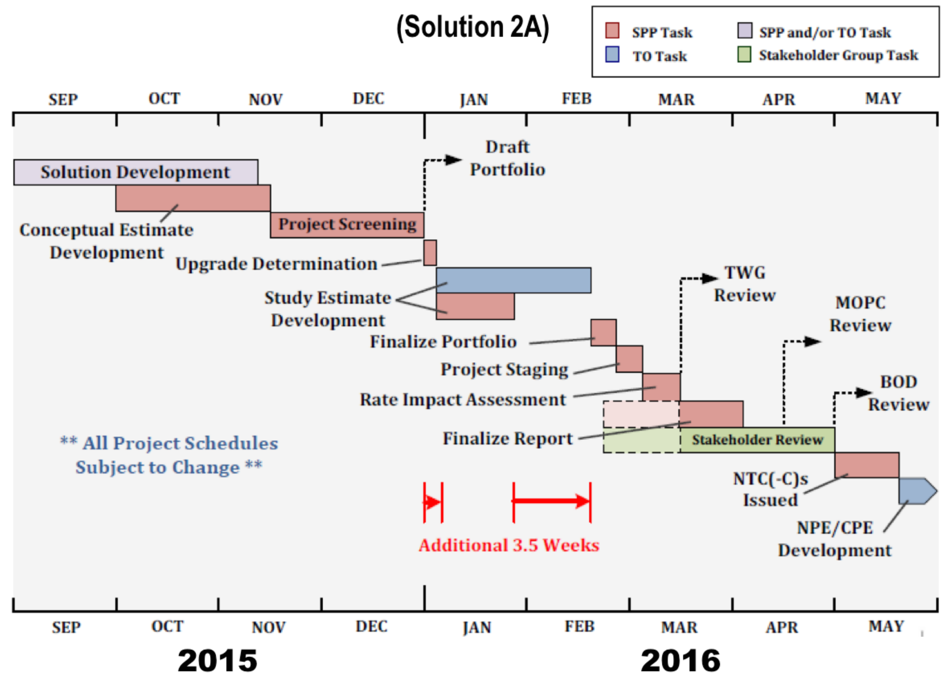
The plan recommended by the Competitive Transmission Process Task Force — Solution 2A — easily cleared the Markets and Operations Policy Committee earlier last week. It adds additional cost analysis of competitive-projects by transmission owners. SPP and third-party vendors would still evaluate competitive projects subject to Federal Energy Regulatory Commission Order 1000.

Although the overall timeline remains the same, Solution 2A adds three and a half weeks of study development, allowing for a better cost analysis, said Xcel Energy's Bill Grant, the task force's chair.

"For the projects that have been identified as non-competitive, we will receive the estimate from the transmission owner instead of the third-party vendor," Grant said. "At this point in time, the project has already been selected. We're just proving the estimate is non-competitive."

Carl Monroe, SPP's executive vice president and COO, said the additional screening "improves the estimating process, so we can give the [SPP] board better information" for selecting projects to build.

Because the process change could require revisions to the Tariff and governing documents, FERC approval will likely be required, along with the normal SPP approval process.



2015 ITPNT timeline (Source: SPP)

Load Responsibility White Paper

Golden Spread Electric Cooperative's Mike Wise updated the SPC on the Capacity Margin Task Force's Load Response Entity (LRE) white paper, which cleared the MOPC earlier in the week. The document is intended to ensure all load served by SPP's balancing authority has sufficient capacity.

"If an entity is not responsible for a load forecast or contract," Grant asked during the MOPC discussion, "should the customer be an LRE?"

"The first and most critical step is to make everyone adhere to the policy," said Richard Ross of American Electric Power. "Secondly, we need to transfer the responsibility obligation to those with wholesale contracts. … It's not my responsibility as a legacy BA."

Developing a policy to enforce the requirement will take additional time, Wise said.

The task force asked that its charter be extended for an additional year to July 2016, a request approved by the MOPC and endorsed by the SPC.

Wise told the SPC that SPP staff is developing a deliverability study process that will allow for non-firm transmission service for planning reserves. The study will analyze all generators registered in the Integrated Marketplace and determine whether they are deliverable to all loads within the SPP balancing authority.

Engaging Prospective Members

The SPC also reviewed the final report from its Task Force on New Members and approved a recommendation to improve the process of engaging prospective transmission-owning and load-serving members.

The task force was commissioned in 2014 to develop formal processes to be followed during negotiations with prospective members.

Michael Desselle, SPP's Chief Compliance and Chief Administrative Officer, said much of the task force's work centered on how to involve the regulators on SPP's Regional State Committee during the negotiation period. The task force tried to balance transparency with the need for confidential negotiations.

The report notes that SPP staff "remains solely responsible for the direct negotiations with the prospective member," while stakeholders provide input on policy and changes to the governing documents.

The SPC discussed the legal costs for smaller entities and the threshold for "triggering events" when a prospective new transmission-owning member formally requests changes to SPP's Tariff and governing documents or RSC bylaws.

The committee also considered the report's definition of stakeholders: "Stakeholders include existing transmission owner members, transmission-using members and RSC members and their staffs."

"Stakeholder means anybody and everybody in the world who feels affected in

Continued on page 8

SPP NEWS

SPP Board, Members Frustrated over Tx Project Overruns

Continued from page 1

Roosevelt Tap-Snyder rebuild in American Electric Power territory in Oklahoma, SPP Director of Planning Antoine Lucas said "it makes us question whether this was the right project."

"I find this really appalling," SPP Board Chairman Jim Eckelberger said. "We've taken a huge step backwards. We need a procedural adjustment."

A third-party engineer estimated the project — rebuilds of a 10-mile, 69-kV line from Hobart to the Roosevelt tap and an 18.7-mile, 69-kV line from Roosevelt to Snyder — would cost $14.3 million.

SPP now expects it to cost $36 million due to additional right-of-way acquisition; licenses and permits; additional substation work; and costs related to a crossing through Mountain Park Wildlife Management Area. SPP also cited AEP's recommendation that the project be designed anticipating an eventual conversion to 138 kV.

Fire the Engineer

SPP should fire the third-party engineer "and never use him again," Eckelberger said, drawing applause from many of the about 120 in attendance.

"I've seen this over and over again," Director Julian Brix complained. "This is not a 69-kV project [as originally approved by SPP]. It's a 138-kV project. This is not the first or second or third time we've seen this. This is why we get into trouble with the [Regional State Committee]," he said, referencing state regulators who must collect from ratepayers for transmission upgrades.

"I find this really appalling. We've taken a huge step backwards. We need a procedural adjustment.

Jim Eckelberger, SPP Board Chairman

AEP officials said the use of 138-kV standards was responsible for only $400,000 of the additional costs. "A no-brainer," AEP's Richard Ross said. AEP's Terri Gallup called complaints of "scope creep" unfair, saying the company had proposed the rebuild as a 138-kV project — that would initially be operated at 69 kV — to begin with.

Xcel Energy's Bill Grant noted that incumbent transmission owners would become responsible for providing cost estimates for non-competitive projects under a plan approved by the MOPC earlier in the meeting. (See related story, "Initiative on Non-Competitive Studies Advances" in *SPP Strategic Planning Committee Briefs*, p.7.) "I think we have a solution," Grant said.

Marguerite Wagner of ITC Holdings said transparency would improve the process, calling for release of cost estimates to stakeholders. "If a project is not competitive, how is releasing the cost estimate competitive information?" she asked.

Director Harry Skilton said the cost estimate increases represented a "lesson learned" as the RTO begins considering competitive projects. "We're going to need a feedback loop" regarding costs, he said.

NTCs Withdrawn

SPP planners recommended that notifications to construct (NTCs) for seven projects with the largest overruns be suspended and the projects restudied, including the Hobart-Roosevelt project. The projects, which had initial cost estimates totaling $62.8 million, are now projected at $147.7 million, a 135% increase.

But Gallup said Hobart-Roosevelt and two other AEP reliability projects on the list had in-service dates that might not be met if they were delayed for more study.

The MOPC ultimately voted to retain the three projects and one in Westar territory, suspending NTCs for only three of the seven recommended by planners: South Shreveport-Wallace Lake 138-kV rebuild (AEP); Martin-Pantex North-Pantex South-Highland Park 115-kV reconductor (Southwest Public Service); and Iatan-Stranger Creek 345-kV voltage conversion (Westar/KCP&L Greater Missouri Operations).

Strategic Planning Committee Briefs

Continued from page 7

some way," said SPP board member Phyllis Bernard, urging "SPP" be used as a modifier for "stakeholder" across all governing documents.

The task force will make several language modifications to the report before sending it to the SPP Board of Directors for its approval.

Behind-the-Meter Generation

Wise teed up a discussion on behind-the-meter generation by noting that the amount of such unaccounted-for energy is growing. "I know some market participants are not adding [behind-the-meter generation] back in[to the pool]," Wise said, "and it's not fair."

The Regional Tariff Working Group will take up the issue for further discussion during its Thursday meeting.

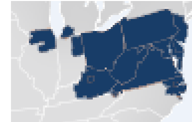
Integrated System

Monroe told the committee that SPP is continuing to incorporate members of the Integrated System and their facilities under the RTO's Tariff. He said the majority of the IS load that would be placed under the Tariff has already been accounted for.

Monroe said that while the Northwest Power Pool has suspended its solicitation for bids to manage its energy imbalance service market, SPP continues to consult with the pool on EIS markets.

— Tom Kleckner

PJM NEWS



Markets and Reliability Committee Preview

Below is a summary of the issues scheduled to be brought to a vote at the Markets and Reliability Committee on Thursday. Each item is listed by agenda number, description and projected time of discussion, followed by a summary of the issue and links to prior coverage in ***RTO Insider***.

RTO Insider will be in Wilmington covering the discussions and votes. See next Tuesday's newsletter for a full report.


pjm Agenda

Markets and Reliability Committee
The Chase Center on the Riverfront, Wilmington, DE
July 23, 2015
9:30 a.m. – 4:00 p.m. EPT

Administration (9:30-9:35)

Markets and Reliability Committee

2. PJM Manuals (9:40-9:55)

Members will be asked to endorse the following manual changes:

A. Manual 01: Control Center and Data Exchange Requirements — Major update and reorganization to Section 5 introducing definitions of two major data types: System Control and Monitoring (Instantaneous) and Billing (Accumulated). Also updates references to OASIS and adds requirements regarding synchrophasor data exchange.

B. Manual 13: Emergency Operations — Includes administrative changes, clarifications and updates. Adds reference to Manual 12 for member actions when PJM loads 100% synchronized reserves and a reference to the instantaneous reserve check process.

3. CAPACITY PERFORMANCE (9:55-10:45)

A. Manual 18: PJM Capacity Market — Updates the manual to incorporate Capacity Performance. Includes clarifications on non-performance assessments, acceptable replacement resources for CP and Base Capacity commitments, the CP effective date for Fixed Revenue Resource entities and the physical option for non-performance for FRR entities. (See *PJM Delays Vote on Capacity Performance Rules*.) Members endorsed an update to Section 4.8 of the manual regarding credit requirements at a special MRC meeting July 15. Relevant forms have been posted for member use.

B. Manual 20: PJM Resource Adequacy Analysis — Changes related to the determination of limited-availability resource constraints under Capacity Performance. Because Capacity Performance rules allow participation of limited availability resources for the 2018/19 and 2019/20 delivery years, constraints must be established on Base Capacity DR and Base Capacity generation to ensure reliability. Details of the constraint computation methodology were added as Section 6.

4. FERC Order 1000 Proposal Fee Update (10:45-10:55)

Members will be asked to approve a two-tiered fee schedule for proposed transmission projects. For greenfield projects or upgrades between $20 million and $100 million, PJM will assess $5,000 to cover its study expenses. Projects costing at least $100 million will be charged $30,000. Previously, a $30,000 fee for all projects greater than $20 million had been approved, but planners later realized they likely wouldn't need to collect that much. (See *PJM Lowers Proposed Tx Project Study Fee*.)

5. MERCHANT NETWORK UPGRADE (10:55-11:10)

New tariff language is being proposed to more accurately reflect how PJM processes requests for merchant network upgrades. The changes address definitions, queue entry, agreements and the capacity market.

6. TIMING OF REPLACEMENT CAPACITY TRANSACTIONS (11:10-11:25)

Manual changes would allow market participants to enter replacement capacity transactions earlier than Nov. 30 prior to the start of the delivery year if the need is linked to a physical reason that would prevent a participant from meeting its commitment. The changes prohibit generation that is replaced early from being recommitted for the delivery year. (See *Earlier Replacement Capacity Transactions Approved*.)

7. MARKET DATA CONFIDENTIALITY CLARIFICATIONS (11:25-11:40)

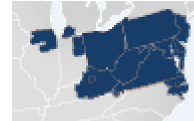
Members will be asked to approve a problem statement and issue charge designed to relax confidentiality rules regarding uplift payments and generator outages. Stakeholders have requested more granular data, especially following severe weather events. Current rules allow the release of aggregate market data only if it includes information about at least three market participants and it is no more specific than a PJM transmission zone. PJM also is prohibited from releasing data that already has been made public elsewhere. As a result, it's unable to be more specific about such issues as conditions surrounding weather events, closed-loop interfaces and transmission planning. PJM also is offering a proposed solution. (See *PJM Considering Release of Uplift, Outage Data*.)

8. REGULATION MARKET ISSUES (11:40-12:00)

The Independent Market Monitor will seek approval of a problem statement and issue charge on concerns that PJM is buying too much fast-responding RegD resources in the regulation market. The initiative also will consider changes to the marginal benefit factor that defines that substitutability between RegA and RegD megawatts, which the Monitor says is faulty. (See *PJM Market Monitor: Faulty Marginal Benefit Factor Harming Regulation*.)

Continued on page 10

PJM NEWS



PJM: Reject DR, EE in Transition Auctions

By Rich Heidorn Jr.

PJM told federal regulators last week they should reject requests to incorporate demand response and energy efficiency in upcoming transition auctions for the RTO's new Capacity Performance regime.

But the RTO also offered two alternatives for including DR and EE in the auctions, saying the "less risky" option would be to limit participation to previously cleared resources.

Consumer groups and others asked the Federal Energy Regulatory Commission earlier this month to compel PJM to allow DR and EE to participate in the auctions, which begin July 27. (See *Regulators, Generators, IMM Seek Changes to PJM Capacity Performance Order*.)

Load Forecast Challenge

On Monday, PJM also responded to a separate challenge by consumer advocates who asked FERC to order the RTO to use an improved load forecasting model for the transition auctions and the Base Residual Auction set for Aug. 10-14 (EL15-83).

PJM said the changes in the new model "are yet to be finalized and are not ready to implement."

"In essence, the complainants seek to utilize the complaint process to supplant a technical regional transmission organization process of testing and review of load forecasting enhancements [that is] still underway."

Glide Path

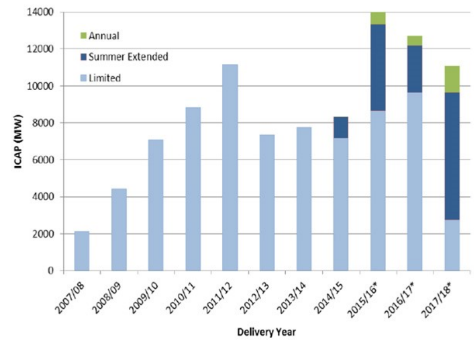
PJM said the transition auctions were designed to "provide a glide path" for generation resources that needed time to make investments to meet Capacity Performance requirements and were not necessary for other resources. PJM also said it was concerned about the continuing uncertainty following the D.C. Circuit Court of Appeal's *EPSA* ruling voiding FERC's jurisdiction over DR.

The RTO, however, offered what it called "constructive alternatives" should the commission grant the complainants' request.

Given the risk that *EPSA* could be upheld by the Supreme Court, "it is reasonable to limit participation of DR and EE to previously cleared Annual DR and EE for these transitional auctions," PJM said in its July 15 filing (ER15-623, EL15-29).

PJM said the 1,246 MW of DR and EE that cleared for the 2016/17 delivery year and the 2,828 MW that cleared for 2017/18 could submit sell offers in the transition auctions to convert to a Capacity Performance product.

"PJM cautions the commission from allowing more Annual DR and EE than that which has already cleared from being eligible to participate in the transition auctions. This limitation would allow previously cleared DR to become eligible as Capacity Performance without increasing the magnitude of any unwinding and replacement of DR should the Supreme Court's ruling be adverse to the commission," PJM said.



Demand response capacity commitments. Note: future commitments may change based on replacement transactions and Incremental Auctions. (Source: PJM)

More Risky

The RTO said a "much more risky and less preferred option" would be to allow previously offered but uncleared Annual DR and EE to participate in the transitional auctions. That would allow participation of as much as 4,337 MW for 2016/17 and 8,981 MW for 2017/18.

The practicality of either option is questionable under the current schedule, however. The transition auction for 2016/17 is set for July 27-28 and that for 2017/18 for Aug. 3-4.

PJM said the resources would have to submit updated DR sell offer plans 15 days prior to the auction and EE measurement and verification plans 30 days prior to the auction, as they had to do for participating in the Base Residual Auctions. All of those dates have expired, PJM said.

Markets and Reliability Committee Preview

Continued from page 9

9. MARKETS RELATED GOVERNING DOCUMENTS UPDATE (12:45-1:00)

The PJM Law Department is proposing an initiative to clean up language in the RTO's governing documents that is "ambiguous, incorrect or requires clarification." PJM's proposed problem statement and issue charge would assign the task to the Market Implementation Committee, separating it from an effort already underway involving the Tariff Harmonization Senior Task Force. (See *PJM Law Proposes Cleaning up Language in Governing Documents*.)

10. FTR/ARR TASK FORCE (1:00-1:15)

Old Dominion Electric Cooperative will seek approval for a proposal that combines recommendations from PJM and the Independent Market Monitor in redesigning the financial transmission rights and auction revenue rights process. (See *ODEC Seeks Last-Ditch Vote on Deadlocked FTR/ARR Issue*.)

11. TARIFF HARMONIZATION SENIOR TASK FORCE (1:15-1:30)

Members will be asked to approve seven revised definitions, the first batch of changes from the task force. (See *Task Force Proposed to Resolve Inconsistencies in PJM Governing Documents*.)

NYISO NEWS

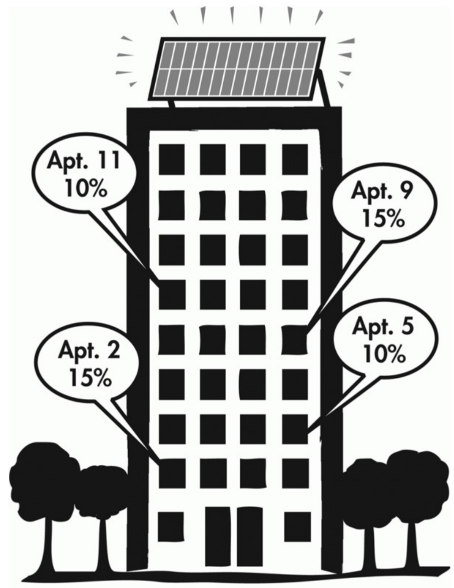
'Shared Renewables' Approved in New York

By William Opalka

The New York Public Service Commission on Thursday approved rules designed to allow low- and moderate-income apartment dwellers to own renewable energy projects (15-E-0082).

The program, also known as community distributed generation, is part of New York's Reforming the Energy Vision initiative to revamp the energy landscape with more clean and distributed generation resources. (See *New York PSC Bars Utility Ownership of Distributed Energy Resources*.)

"Shared Renewables places customers who do not own homes on an equal footing with traditional single-home customers and creates opportunities for low- and moderate-income families who don't have access to electricity generated from renewable resources," PSC Chair Audrey Zibelman said.



(Source: San Francisco Department of the Environment)

Customers can band together to form larger groups that share in the benefits of renewable energy projects, such as solar energy installations and wind farms.

The plan contemplates "community solar" projects, where solar panels are erected on a shared site, such as a vacant lot, with the economic benefits shared among its participants.

Under the first phase of the program, from Oct. 19 through April 30, 2016, projects will be limited to those that site distributed generation in areas where it can provide the greatest benefits to the power grid or support economically distressed communities (at least 20% participation by low- and moderate-income customers).

A second phase beginning May 1, 2016, will make shared renewable projects available throughout entire utility service territories.

The program was proposed in Gov. Andrew Cuomo's 2015 State of Opportunity Agenda. "This program is about protecting the environment and ensuring that all New Yorkers, regardless of their zip code or income, have the opportunity to access clean and affordable power," he said.

FERC Rejects Ginna Jurisdiction Challenge

By William Opalka

The Federal Energy Regulatory Commission reaffirmed its authority last week to regulate New York reliability support services agreements, rejecting a rehearing petition filed by the state Public Service Commission challenging its jurisdiction (ER15-1047).

The NYPSC had argued that it had sole jurisdiction over the rates and terms of an RSSA it had ordered between Exelon's troubled R.E. Ginna nuclear plant and Rochester Gas & Electric. (See *NYPSC Challenges FERC Jurisdiction over Ginna*.) FERC in April rejected the proposed rate schedule in the agreement and ordered hearing and settlement proceedings.

FERC rejected the contention that it would be setting retail rates, asserting that it was properly exercising its authority under the Federal Power Act to regulate wholesale markets.

"Preventing the exercise of market power through [reliability-must-run] agreements is important to ensure that wholesale rates are just and reasonable," FERC said. "Therefore, finding that the commission does not have authority to regulate such agreements — which keep RMR resources online, provide them out-of-market compensation and remedy a potential opportunity to exercise market power — would be inconsistent with the congressional intent behind the FPA."

The agreement, set to be retroactive to April 1 once approved, would cost about $175 million a year and be effective through late 2018. Ginna says it lost more than $150 million between 2011 and 2013.

FERC did, however, reverse its stance from April when it said it would not consider the issue of Ginna "toggling" between the RSSA and NYISO. In its original order, the commission said it would only reconsider how much Ginna would have to repay in the event the plant returned to the market after the agreement's expiration — saying that this provision was "a sufficient disincentive" to prevent toggling. (See *FERC Rejects Ginna Rates, Orders Settlement Proceeding*.)

"We find that the pleadings raise disputed issues of material fact concerning Ginna's incentive to toggle between RSSA compensation and the NYISO markets," FERC said. That issue has been added to the roster of items to be decided in the ongoing proceeding before a FERC administrative law judge.

In last week's order, FERC also rejected rehearing requests from several parties that challenged several aspects of the agreement.

The commission:

- Again accepted the NYISO Ginna Reliability Study that justified the RSSA;
- Upheld the September 2018 end date for the RSSA, saying early termination clauses in the contract are consistent with FERC policy to keep RMRs of limited duration; and
- Reiterated its stance that consideration of the "price-suppressive" effects Ginna's contract would have on the capacity market is beyond the scope of the proceeding.

Continued on page 12

NYISO NEWS

Study: RGGI Added $1.3B, 14,000 Jobs to State Economies

By William Opalka

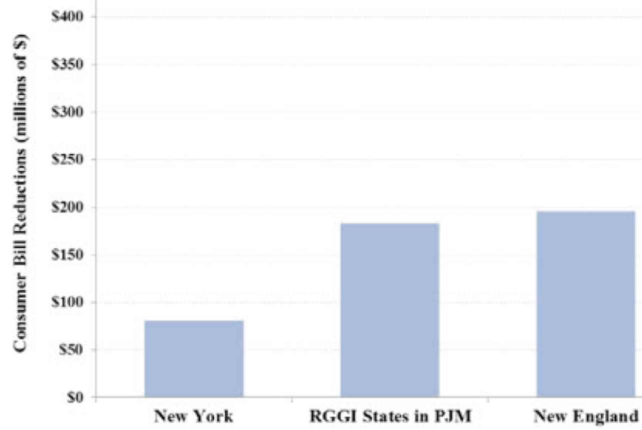
The Regional Greenhouse Gas Initiative provides substantial economic benefits and has not raised prices or impaired reliability, according to an independent study released at a meeting of state regulators last week.

The report by economic consulting firm Analysis Group said that RGGI added $1.3 billion in economic value, created more than 14,000 new jobs and saved consumers $460 million on electricity and heating bills from 2012 through 2014.

"Based on an analysis of years of hard data, RGGI shows that multi-state, market-based carbon control mechanisms work and can deliver positive economic benefits," Analysis Group Vice President Paul Hibbard said. "That's not to say programs designed to cut greenhouse gas emissions are economic development programs — their goals are different. But the data clearly show that cutting carbon emissions can be a net positive for the economy."

The report's authors said the findings "provide valuable lessons for states" preparing for the Environmental Protection Agency's proposed Clean Power Plan. The report was released last Tuesday at the summer meeting of the National Association of Regulatory Utility Commissioners in New York.

RGGI regulates carbon emissions from power plants in the six New England states, New York, Maryland and Delaware. The states have received about $2 billion in auction proceeds over its existence, investing those funds in energy efficiency programs, low-income assistance and clean energy development.



Consumer bill reductions by region (2015$) (Source: Analysis Group)

The report said initial costs are more than recovered in customer savings. "Although CO_2 allowances tend to raise electricity prices in the near term, there is also a lowering of prices over time primarily because the states invest so much of the allowance proceeds on energy efficiency programs," the report said.

The region also cut annual carbon emissions by about a third, from 140 million metric tons in 2008 to 90 million tons in 2014, according to the report. RGGI also reduced dollars used to pay for fossil fuels imported from outside the region by more than $1.27 billion in 2012-2014.

"The implementation of RGGI over six years has not adversely affected power system reliability in New England, New York or PJM. The pricing of carbon in Northeast and Mid-Atlantic electricity markets has been seamless from an operational point of view and successful from the perspective of efficient pricing of emission control in regional markets," the report said.

The report was funded the Barr Foundation, the Energy Foundation, the Thomas W. Haas Foundation and the Merck Family Fund.

FERC Rejects Ginna Jurisdiction Challenge

Continued from page 11

Meanwhile ...

In the concurrent proceeding before the administrative law judges of the NYPSC, RG&E last month requested a temporary rate surcharge to avoid rate compression over a shorter duration of the RSSA. Whatever rate increases it will eventually collect are being held in abeyance until the RSSA is approved by state and federal regulators.

RG&E estimates that its deferred collection will reach approximately $25 million from the effective date of the RSSA through July and will continue to grow, with interest. "By authorizing a temporary rate surcharge, the bill impacts resulting from the deferred collection amount would be mitigated," it wrote.

R.E. Ginna nuclear plant (Source: Exelon)

In a brief filed last week, RG&E said the commission "should find that the company's proposed temporary rate surcharge tariffs are in the public interest and authorize the company to immediately implement the surcharges, subject to refund."

PSC staff filed a brief last week that supports the move, proposing Sept. 1 as the effective date.

The Utility Intervention Unit of the state Division of Consumer Protection, a coalition of consumer and clean energy advocates and commercial and industrial users, opposed the move, calling the dollar amounts RG&E cites as "hypothetical."

"The RSSA is not in effect," the state consumer advocate wrote. "Neither the commission nor FERC have reached a final conclusion to accept the RSSA, so RG&E has not, and might never, incur any financial obligations to Ginna under the RSSA."

The administrative law judges said they will set a schedule to recommend a decision once reply briefs due July 20 are filed.

MISO NEWS

FERC OKs MISO Tariff Change on Remote Network Loads

By Chris O'Malley

MISO has won approval to revise its Tariff to provide common treatment for network customers seeking to serve network load not physically interconnected with the RTO.

The tariff mechanism sought by MISO and approved by the Federal Energy Regulatory Commission last week is expected to eliminate the need for filing specific non-confirming network integration transmission service agreements on a case-by-case basis (ER15-1745).

The change stems from two non-conforming NITS requests: a 2013 request to allow South Mississippi Electric Power Association to take network service to serve a network load pseudo-tied to SMEPA but not physically interconnected with a transmission owner or independent transmission company within MISO (ER13-2008), and a 2014 MISO request to allow Arkansas Electric Cooperative Corp. a similar right to serve pseudo-tied load (ER14-684).

A pseudo-tie is a mechanism for operationally transferring a resource from the balancing authority in which it is physically located to another BA, which becomes responsible for it for system reliability.

Some MISO transmission owners filed comments in those cases, raising concerns that the two utilities could be receiving special treatment. The transmission owners asked FERC to order MISO come up with a global solution to the issue through changes to its Tariff.

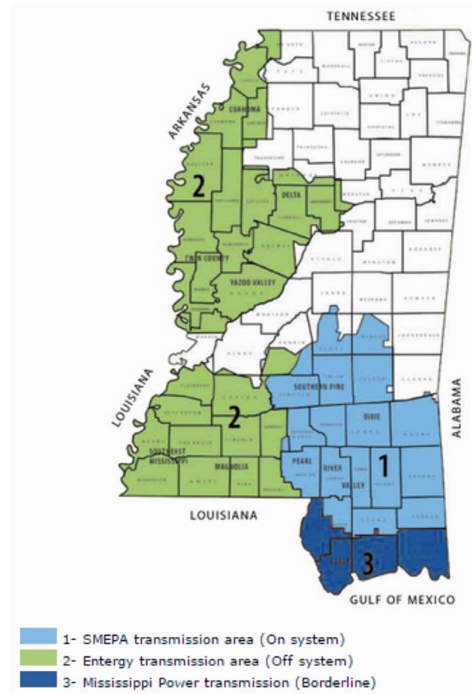
In response, FERC said it expected MISO to offer non-conforming service on a non-discriminatory basis to other transmission customers in similar situations.

After discussions with transmission operators, MISO proposed several changes to Section 31.3 of its Tariff, which required that network load be physically interconnected with a MISO transmission owner or independent transmission company.

The revised Tariff requires that the non-interconnected network load "be part of a pricing zone in MISO, so that the network customer is subject to a rate for network service."

One way to meet such eligibility requirements is if a non-interconnected network load is pseudo-tied into the MISO balancing authority. MISO stated that provision is necessary because otherwise there wouldn't be a mechanism to charge the network customer for network service, "meaning the network customer could receive this service for free."

MISO noted that in its NITS agreements with SMEPA and AECC, it required them to pay a rate for network service based on the MISO zone in which the physically interconnected portion of their load is located.



South Mississippi Electric Power Association delivers wholesale power to its cooperatives in three transmission areas. (Source: SMEPA)

The revised Tariff also requires network customers to have coordinating arrangements in place with the host transmission owner or independent transco for reporting network load.

The revisions are effective July 19.

DTE Electric Wins OK to Acquire Gas Peaker

By Chris O'Malley

DTE Electric has won federal approval to acquire a 320-MW natural gas-fired peaking plant from its parent company to help it meet MISO Zone 7 resource adequacy requirements.

The East China peaking station is an indirect, wholly owned subsidiary of DTE Energy, the parent of DTE Electric.

The Federal Energy Regulatory Commission last week asserted that the deal won't have an adverse effect on competition, saying it amounts to a transfer of generating assets between affiliated entities (EC15-138).

The East China facility was the only resource to respond to DTE Electric's requests for proposals for simple-cycle generating facilities to meet its reliability requirements.

FERC said the RFP satisfied any concerns over cross-subsidization. "In the context of an acquisition of affiliated generation, a competitive solicitation is the most direct and reliable way to ensure no affiliate preference," FERC said.

DTE Electric owns and controls about 13,479 MW of generating capacity, plus 4,000 miles of distribution lines. It is the provider of last resort for customer load in its territory.

The East China plant is authorized to make wholesale sales of energy and capacity at market-based rates.

Financial details of the acquisition were not specified.

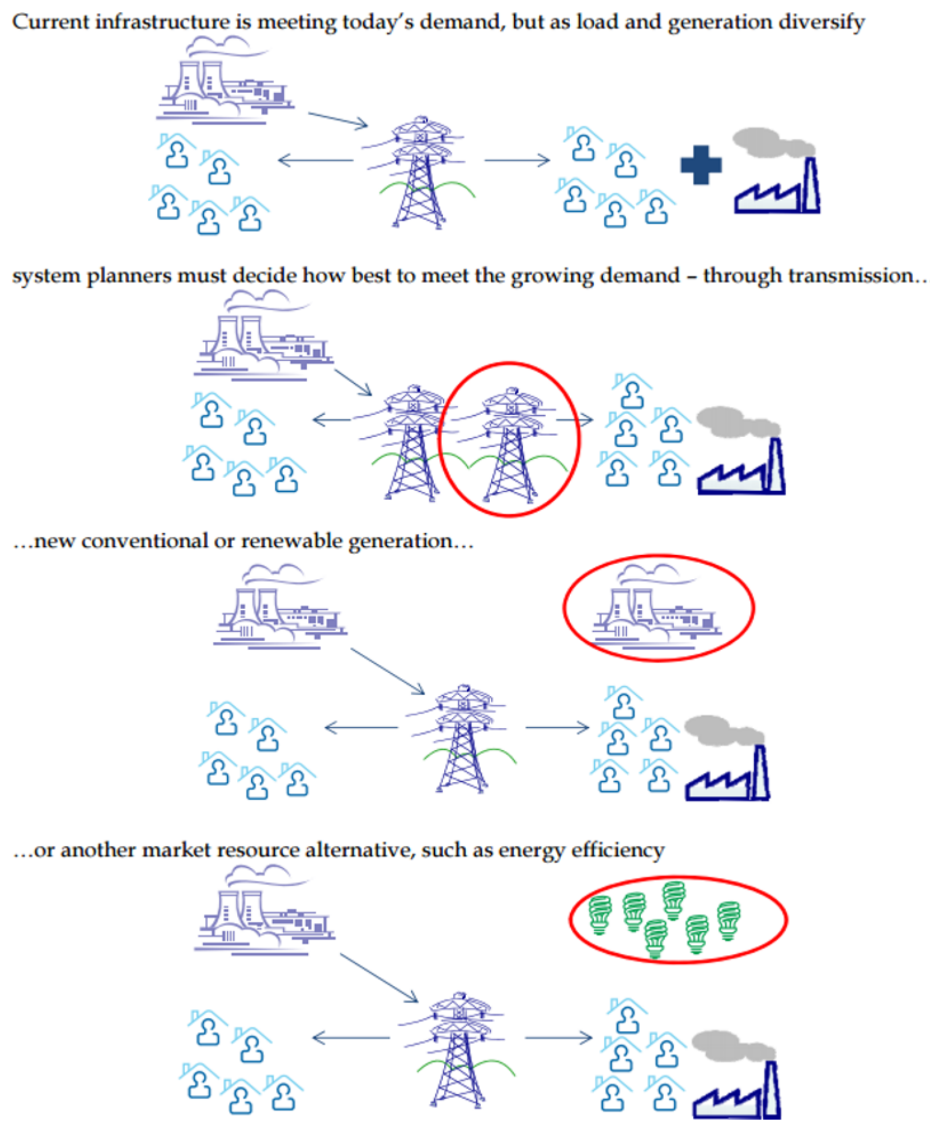
Last fall, DTE Energy and Consumers Energy warned of a shortage of generation reserves starting next year, noting nine coal-fired plants in Michigan are set for retirement ahead of tighter air pollution regulations.

Consumer groups have accused the utilities of fear-mongering, saying further deregulation of Michigan's electric market would help ensure the flow of additional power from elsewhere.

MISO News

FERC Rejects Claims that MISO Snubs Generation Alternatives

By Chris O'Malley



(Source: London Economics International)

The Federal Energy Regulatory Commission last week declined to rehear DTE Electric's contention that MISO rules put generation developers at a disadvantage in the competition for reliability projects.

DTE had sought review of FERC's September 2014 ruling approving MISO's requirement that a proposed generator must have filed an interconnection agreement to be considered as an alternative to a transmission solution. The agreement is due before the date MISO must initiate the transmission project to meet its required in-service date.

Comparable Treatment

The commission agreed with MISO that the requirement is comparable to those required for transmission solutions in its Transmission Expansion Plan process (MTEP). FERC also accepted MISO's compliance filing in response to the commission's Order 809 transmission planning requirements (OA08-53-005, ER15-133).

To allow generator proposals to progress through the interconnection process, DTE said more time is needed between when MISO identifies a system need and when it approves a transmission facility to meet the need. The time it takes MISO to complete interconnection studies "makes it more likely than not that a generation project could never even be considered by MISO as an alternative to a transmission project," DTE said.

The company said generation developers won't have the information they need regarding potential system needs until Sept. 15, when transmission owners must identify and submit new transmission projects within the MTEP process.

FERC said that developers should be able to identify system needs based on power flow models available in June. But DTE countered, "It is far-fetched to believe that a proponent of a generation solution would be able to use that data to determine that a transmission problem existed or even if it could, offer a generation solution to that problem in the allowed timeframe."

The commission was not persuaded. DTE "does not explain why a generation developer must wait until a transmission facility is proposed before it can identify potential generation solutions to the needs the transmission facility is meant to address," FERC said. "Just as the proponent of a transmission solution considers system needs to identify potential transmission facilities to meet those needs, so too can the proponent of a generation solution."

Catch 22?

Developers have until April to submit generation projects — including executed interconnection agreements — as alternatives to transmission projects that were proposed the preceding September.

DTE disputed the commission's finding that a generator that may mitigate a particular transmission need is likely being evaluated in the interconnection process long before the April deadline.

The company noted that generators in the interconnection process are considered operational. As a result, it said, any transmission projects identified in the MTEP process will be those needed *in addition* to generation in the interconnection process, and any new generation alternatives would be precluded from ever being evaluated against the newly identified transmission need.

Continued on page 18

ISO-NE NEWS

FERC Asked to Determine ISO-NE Winter Reliability Program

By William Opalka

Unable to reach consensus on a winter reliability program, ISO-NE and the New England Power Pool have asked federal regulators to choose between competing proposals in a "jump ball" proceeding that would cover the next three winters (ER15-2208).

The proposals were filed Thursday with the Federal Energy Regulatory Commission in an attempt to break a logjam that even a commission order couldn't weaken. (See *FERC Orders Market-Based Reliability Program Next Winter in ISO-NE*.)

ISO-NE has used a winter reliability program for the past two winters to create incentives for generators to secure fuel supplies during cold months until its Pay-for-Performance program, already approved by FERC, launches in late 2018 (ER14-1050).

Both ISO-NE and NEPOOL have proposed expansions of last winter's program, but neither has received adequate support among stakeholders.

"Both proposals are intended to address the well-documented reliability challenges created by New England's increased reliance on natural gas-fueled generation. Both are also intended to be stop-gap measures until revised incentives for capacity resources become fully effective in 2018," the filing states.

The primary difference between the two proposals is what types of resources are eligible to receive compensation. NEPOOL's proposal is based on the design of last winter's program, which provided compensation for unused oil or liquefied natural gas remaining at the end of the winter and adds demand response.

ISO-NE's proposal includes compensation for unused oil or LNG fuel and would also compensate nuclear, hydro, biomass and coal-fired resources but does not include DR.

FERC had ordered the RTO to develop a market-based approach for the 2015-2016 season in response to a complaint by the New England Power Generators Association. The commission in April reversed course when it determined the plan might not be finalized in time. (See *FERC Backtracks from ISO-NE Winter Reliability Order*.) It directed the RTO and its stakeholders to keep trying to develop a solution.

The petition asks FERC for an effective date for next winter's program of Sept. 14.

Plant Owner Responsible for Uncorrected Error, FERC Says

By William Opalka

The Federal Energy Regulatory Commission ruled Thursday that a power plant owner must pay unnecessary capacity charges because it failed to correct ISO-NE records before a deadline set by the RTO's Tariff (EL15-57).

GenOn Energy Management, a unit of NRG Energy, asked FERC in April to excuse it from buying replacement capacity to meet an obligation it was capable of fulfilling with its own resources.

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

Canal 2 plant (Source: NRG Energy)

ISO-NE said, and FERC agreed, that the Tariff requires participants to file restoration plans for any capacity shortfall within 10 business days after notification of the ARA results. "The provision also makes clear that *after* they receive notification of their qualified capacity from ISO-NE, the onus is on resources to provide a restoration plan, as necessary, and if they do not do so, ISO-NE will procure capacity on their behalf and charge them for it," the commission wrote.

ISO-NE also said it wasn't obligated to find out why no restoration plan was filed. (See *ISO-NE: Plant Owner's Responsibility to Flag Capacity Error*.) FERC concurred. "We agree with ISO-NE that it is not ISO-NE's responsibility to second-guess the market participant's failure to submit a restoration plan after being notified of its qualified capacity," it wrote.

The commission said reopening the auction as an alternative remedy would create market uncertainty.

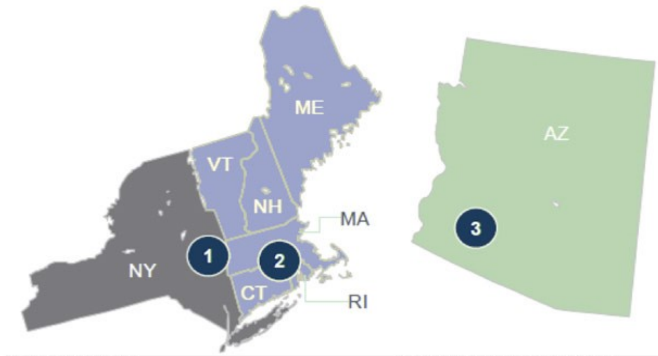
In order to administer the capacity market, "ISO-NE must ensure that the auction results are final, and that, once the auction is concluded, market participants are able to take actions and enter into transactions immediately, based on those auction results," it concluded.

"ISO-NE must ensure that the auction results are final and that ... market participants are able to take actions and enters into transactions immediately, based on those auction results."

FERC

ISO-NE/NYISO NEWS

Talen Entering NYISO, Expanding in ISO-NE in $1.2B Deal

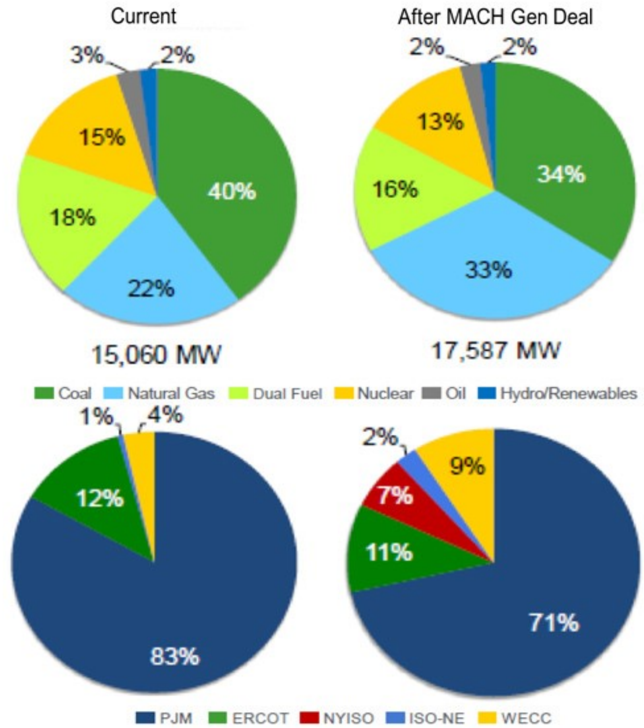


Facilities Overview

1	2	3
		

	Athens	Millennium	Harquahala
Capacity (MW)[1]	1,080	360	1,092
COD	June 2004	April 2001	September 2004
Facility Type	Combined Cycle	Combined Cycle	Combined Cycle
Equipment	Siemens 501G	Siemens 501G	Siemens 501G
Configuration	3-1 CT x 1 ST	1 CT x 1 ST	3-1 CT x 1 ST
Heat Rate (Btu/kWh)	7,100	6,975	7,100

(Source: Talen Energy)



(Source: Talen Energy)

Continued from page 1

to meet market power concerns. Pre-divestiture, the company's fleet would total 17,600 MW. (See PPL, Riverstone Accept FERC Mitigation Plan on Talen Spinoff.)

Immediately Accretive

Talen said the acquisition brings substantial tax benefits and will be immediately accretive to earnings despite poor "market dynamics" that have limited the Arizona plant to less than a 20% capacity factor, resulting in losses. All three plants are powered by Siemens 501G engines installed between 2001 and 2004.

Talen also said it expects the economics of the Athens plant to improve with the completion of pipelines that will give the plant access to low-cost Marcellus shale gas and electric transmission improvements expected to reduce congestion in NYISO's Zones F and G.

'Powder' for Future Deals

Importantly, said CEO Paul Farr, the deal will retain flexibility to make additional acquisitions. "We still have dry powder given the mitigation process underway," Farr said in a conference call with stock analysts.

The purchase will be financed with a combination of debt and cash but the precise mix would depend on interest rates and the status of its divestiture efforts, Talen said. The company said earlier this month that it had a $1 billion "war chest" for future acquisitions.

The company is believed to be considering the acquisition of American Electric Power's merchant fleet in Ohio and Indiana, which AEP announced in January it was putting on the block. (See AEP Considering Sale of 8,000 MW in Ohio, Indiana.)

UBS Investment Research says there is a 50% probability Talen will purchase AEP's assets. It said Talen could swallow AEP's assets even after the MACH Gen deal because an AEP deal is not likely to occur until late 2015 or early 2016 because of pending Ohio regulatory proceedings.

Arizona Plant a Throw-in

It appears that taking on the money-losing Arizona plant was a condition for acquiring the assets Talen did want. Talen, which has no other assets in the region, said it may move the plant elsewhere or sell it for parts.

MACH Gen, which was owned by affiliates of Credit Suisse Group and Bank of America among others, filed for Chapter 11 bankruptcy protection in March 2014, saying it had assets of $750 million and liabilities of $1.6 billion. The company said it had a net loss of $120 million on $350 million in operating revenue in 2013.

The company said the Federal Energy Regulatory Commission's rejection of its plan to sell the Harquahala plant had undermined its efforts to cut its debt. FERC said the sale — to investors that also owned two of the four natural gas generating units in Gila Bend, Ariz. — would have harmed competition within the Arizona Public Service balancing authority area (EC13-11).

The company said most of its creditors had agreed to a prepackaged reorganization that would give its second-lien debt holders 93.5% of the restructured company and reduce about $1 billion of debt. FERC approved the restructuring in April 2014 (EC14-46).

FERC NEWS

FERC Rejects Bid to Broaden Scope of Gas-Electric Info Sharing

By Suzanne Herel

Federal regulators last week rejected a request by a natural gas distributor to relax restrictions on its sharing of non-public information received from electric utilities.

The Federal Energy Regulatory Commission dismissed National Fuel Gas Distribution's request in two rulings. In one, FERC rejected the company's request for clarification on communication allowed under Order 787, saying it was beyond the purview of its rulemaking (RM13-17-002). The other dismissed NFG's rehearing request on rules adopted by PJM under the order (ER14-1469-002).

With Order 787, the commission in 2013 opened up the sharing of non-public operational information between interstate natural gas pipelines and public utilities, saying that increased coordination would benefit reliability. (See *Talk among Yourselves: FERC Urges Gas-Electric Coordination*.)

Impact on Local Distribution Companies

It did not codify, however, how utilities could share such information with local distribution companies, leaving the issue to RTOs and ISOs to address individually through tariff changes. Subsequently, FERC received filings from PJM and NYISO amending their rules. (See *FERC OKs Gas-Electric Talk*.)

NFG is an LDC serving western New York and northwestern Pennsylvania.

FERC ultimately approved a PJM Operating Agreement change requiring LDCs and intrastate pipeline operators to promise not to disclose non-public, operational information received from PJM to third parties "or in an unduly discriminatory or preferential manner or to the detriment of any natural gas or electric market." It also barred sharing of the information through a "conduit."

No intervenors opposed PJM's proposal, which was approved by FERC in July. But a month later, NFG came forward to say that a blanket restriction forbidding LDCs from disclosing such information to any third party "may inhibit appropriate sharing of operational data and discourage LDCs and intrastate pipelines from maximizing use of the data to improve reliability."

It pointed out that "third parties" would include pipelines already qualified to receive information under Order 787 and others with whom LDCs need to coordinate to increase reliability.

For example, it said, if an expected increase in a generator's use of natural gas in one part of the pipeline could affect a load pocket of the LDC, the company would want to be able to warn large customers in that area of an imminent capacity constraint.

NFG also took issue with the notion of requiring LDCs to guarantee their use of data would not be "to the detriment of any natural gas or electric market," contending that "changing capacity use inevitably affects some retail customers negatively just as changing upstream supplies may affect market participants negatively."

'Very Broad'

In denying NFG's request, FERC said it intentionally made the scope of information-sharing under Order 787 "very broad." Quoting from the order, FERC added, "The commission is intentionally permitting the communication of a broad range of non-public, operational information to provide flexibility to individual transmission operators, who have the most insight and knowledge of their systems, to share that information [that] they deem necessary to promote reliable service on their system."

It said that the potential for competitive harm under that broad scope warranted limiting it with a blanket authorization.

When Order 787 was announced, several commenters called the no-conduit rule too restrictive and offered modifications, including exclusions from the third-party restriction. FERC denied those requests.

"PJM states that it intended its restrictions on LDCs and intrastate pipelines to be an extension of the commission's no-conduit rule to non-FERC jurisdictional facilities, applied in a manner that mimics, as closely as possible, those restrictions," it said.

'Untimely'

As for NFG's request for a rehearing, FERC determined it "untimely and thus statutorily barred."

It also noted that nothing in PJM's Tariff precluded NFG or any other entity from sharing non-specific information needed to ensure the reliability of system operations.

"As long as NFG Distribution does not reveal, directly or indirectly, the non-public, operational information shared by PJM (e.g., information concerning a particular electric generator), NFG Distribution can request or direct its customers and operational counterparties to perform specific actions based on such information," it said.

FERC NEWS

FERC Eliminates Form 566 for Most Filers. So Why Does it Still Exist at All?

By Rich Heidorn Jr.

RTOs, ISOs and exempt wholesale generators will no longer have to file Form 566 (Annual Report of a Utility's 20 Largest Customers), a minor but annoying requirement.

The Federal Energy Regulatory Commission eliminated the requirement for 82% of the current 1,082 filers in an order last week (RM15-3).

The commission noted that the report is intended to capture sales to end-use customers as opposed to those purchasing for resale. As a result, RTOs and ISOs have had to report only that they had no applicable sales. The same goes for exempt wholesale generators, which by definition cannot make retail sales.

FERC's order computes down to the dollar the impact of the changes. Eliminating the requirement to provide the name and address of any residential customers will save 29 utilities 15 minutes each a year. In total, the rule change will save $390,312, FERC estimates.

FERC-566 Annual Report of a Utility's Twenty Largest Purchasers (OMB No. 1902–0114)

Filing Public Utility Name	Filing for Calendar Year
Lumens Energy Inc.	2015

Customer Name	Customer Principal Business Address
260-261 Madison Avenue LLC	261 Madison Ave 27th Floor, New York NY 10016
Jewish Museum of New York	1109 5th ave, New York NY 10128
United Charities Corp	105 E 22nd St, New York NY 10010
J&J Garment Knit Inc	80-50 Oitkin Ave, Ozone Park NY 11417
Clean City Bruckner LLC	1979 Bruckner Blvd, Bronx NY 10472
CHEF-AH GLATT INC.	4810 13 Ave, Brooklyn NY 11219
Kolombos Rest Inc	339 1 Ave rest, New York NY 10003
Meal Mart 13 Ave Corp	5421 New Utrecht Ave STO, Brooklyn 11219
JT Stores Inc	1905 3rd ENT, New York, NY 10029
390 BERRY ST REALTY	390 Berry St, Brooklyn NY 11249
Williamsburg Kosher	159 Penn St, Brooklyn NY 11211
GBLS LLC	97 Broadway, Brooklyn NY 11249
ANTHONY SALIMENIY	847 E 52 St, Brooklyn NY 11203
PARK AV FIRE DOOR	1069 38 St, Brooklyn NY 11219
ROMA IRON WORKS	884 E 52 St, Brooklyn NY 11203
Blue Sky Development	461 Flushing Ave, Brooklyn NY 11205
99-101 DIVISION AVE	99 Division Ave, Brooklyn NY 11249
PARK AVENUE MGMT	97 Broadway, Brooklyn NY 11249

(Source: FERC)

But why did this rule exist in the first place? And what purpose does it serve today? Those answers are nowhere to be found in the 25-page order, which notes only that the form is the result of Section 305(c) of the Federal Power Act, dating to 1935.

FERC's Frequently Asked Questions provides limited guidance, saying that the commission uses the form along with Form 561 (Annual Report of Interlocking Positions) to "determine whether public or private interests will be adversely affected by the holding of officer or director positions of both a public utility and its customers."

Have the two forms ever uncovered any problems or resulted in enforcement actions? A FERC spokeswoman couldn't say Monday.

FERC's action exempts all but 196 of current filers, who are expected to spend a total of 1,071 hours annually on the paperwork at a cost of $77,094 (assuming an hourly cost of $72/hour).

FERC rejected the Edison Electric Institute's request to extend the exemption to qualifying facilities or utilities participating in RTO and ISO markets. The commission said utilities participating in organized markets "may well also make sales 'for purposes other than for resale.'"

"Adopting EEI's suggestion would virtually eliminate the filing requirement, contrary to the statute," FERC said.

The commission also declined to exempt transmission-only companies, but it said they may escape filing requirements because the commission is eliminating the reporting obligation for public utilities that make no reportable sales for the preceding three years.

It did, however, adopt EEI's suggestion that it eliminate the requirement that utilities notify the 20 largest purchasers that their names are being reported.

FERC Rejects Claims that MISO Snubs Generation Alternatives

Continued from page 14

FERC saw it differently. "If a generation solution that goes through the interconnection process and has an interconnection agreement filed with the commission does in fact address the need, MISO will not identify a transmission facility to meet the need and the generator alternative will have successfully replaced a transmission facility," the commission said.

Not Viable

FERC agreed with DTE that MISO is unlikely to replace an approved transmission facility with a generation solution if the transmission developer has already begun right-of-way acquisition, completed design and engineering, ordered material and obtained permits.

"That means only that the generation solution did not have the necessary contractual commitments for MISO to consider it a viable alternative to the transmission solution before the transmission solution had to begin being developed," the commission said.

COMPANY BRIEFS

Alliant Switching from Coal to Gas At Five Iowa Plants in Settlement

Alliant subsidiary Interstate Power & Light is retiring or switching five Iowa power plants from coal to natural gas and upgrading two other Iowa coal-fired plants as part of a settlement with the Environmental Protection Agency and the U.S. Department of Justice.

Plants in Cedar Rapids, Dubuque, Burlington, Clinton and Marshalltown will be switched to burn natural gas or retired, and new emissions controls will be installed at its two largest coal-fired plants, in Lansing and in Ottumwa. "The terms we negotiated in this settlement are consistent with our long-term plan for clean energy," said Doug Kopp, Alliant Energy president. "We settled with the EPA to avoid unnecessary delays and ongoing uncertainty associated with litigation."

The settlement closes out litigation in which the EPA said Alliant upgraded plants in 2006 and 2009 without installing required emissions controls. The upgrades will cost about $620 million, the company said, on top of the $6 million it will spend on environmental mitigation projects and a $1.1 million civil penalty.

More: The Gazette; Journal Sentinel

Kinder Morgan Board Gives Go-ahead for $3.3B Pipeline

The Kinder Morgan Board of Directors approved the $3.3 billion Northeast Energy Direct natural gas pipeline that will run from Wright, N.Y., to Dracut, Mass. But the pipeline will have a smaller capacity than originally estimated.

The 30-inch diameter pipeline to be constructed by Kinder Morgan's Tennessee Gas Pipeline Company will carry up to 1.3 billion cubic feet per day, down from initial estimates of 2.2 bcf per day. The company said it would amend its application with the Federal Energy Regulatory Commission if circumstances dictated the need to increase capacity.

The project is designed to deliver Appalachian shale gas to New England utilities and power plants. The company said the lack of pipeline capacity caused customers of ISO-NE to pay $7 billion more for electricity during the past two winters than they did during the winter of 2011-12.

More: BusinessWire; MassLive

NRG to Switch Sandwich Plant to Natural Gas

NRG's Canal Generating Station in Sandwich, Mass., will be returning to service, fueled by natural gas, according to Sandwich town officials.

Town manager Bud Dunham said NRG confirmed that the plant would switch from fuel oil to natural gas. The 1,112-MW plant, formerly a Mirant asset, has been inactive for several years. The repowering project is expected to be completed in 2019.

"After many years of anticipation, NRG let us know they are formally announcing plans for a repowering project in Sandwich," Dunham said. NRG has not yet made a formal announcement.

More: Wicked Local

Birds Block High-Voltage Project in Wisconsin

Xcel Energy, Dairyland Power Cooperative and WPPI Energy will have to submit a new construction plan to Wisconsin regulators for a high-voltage transmission line under construction near La Crosse to halt activity during a sensitive bird nesting season.

Construction stopped last month in an area where state-protected birds were nesting. The Wisconsin Department of Natural Resources said that a 1-mile section of the project must halt during nesting season, but work in areas outside of the nesting zone will be allowed to continue.

The $500 million, 345-kV line will run between La Crosse and Rochester, Minn.

More: Milwaukee Journal Sentinel

Emera Investing $80 Million In Tiverton Power Station

Emera Energy is investing $80 million to upgrade its 265-MW Tiverton power station in Rhode Island, boosting the output of the combined-cycle gas plant by 22 MW and improving its efficiency.

The upgrades to the plant's gas turbines will save an estimated $1 million per month in fuel costs, allowing it to be dispatched more often by ISO-NE. The project will be completed during a planned maintenance outage in April.

More: Businesswire

Another Coal Company Falls Victim to Low Prices

Alpha Natural Resources, a Bristol, Va.-based coal producer, says its shares will be delisted from the New York Stock Exchange because its stock price is too low.

The company said the exchange suspended trading of its shares, which were priced last at 24 cents. Alpha recently announced it was cutting 800 jobs.

Coal mining companies are under stress, especially those in the East, because of low coal prices, low natural gas prices and competition from other states. Patriot Coal in May filed for bankruptcy for the second time in three years.

More: Casper Star Tribune

Newly Crowned Utility King Yet to Find Castle

WEC Energy Group, the newly created $9 billion merger of Wisconsin Energy Corp. and Chicago-based Integrys Energy, appears to be in no hurry to set up new corporate headquarters.

WEC hasn't narrowed down a location nor has it hired commercial real estate brokers to assist in the search, WEC spokesman Brian Manthey told the *Milwaukee Business Journal*. For now, WEC's center of gravity remains in Milwaukee, the home of the former Wisconsin Energy Corp.

Most of the management in the new WEC Energy consists of Wisconsin Energy executives, including CEO Gale Kappa. WEC said its new headquarters will be in the Milwaukee area but it will retain separate offices for operating units. Wisconsin Public Service Corp., which was owned by Integrys, will keep offices in Green Bay. Integrys' former Peoples Gas unit will retain divisional offices in Chicago.

More: Milwaukee Business Journal

Continued on page 20

COMPANY BRIEFS

Continued from page 19

Xcel's Monticello Nuclear Plant Running at Increased Output

The Nuclear Regulatory Commission has granted permission for Xcel Energy's Monticello Nuclear Generating Plant to operate at a higher capacity following upgrades that cost $748 million.

The permission allows the plant in Monticello, Minn., to operate at 671 MW, up 12% from 600 MW.

The NRC action also means Xcel can include the upgrade costs in its next rate case. The cost of the project ballooned from $320 million to $748 million. The Minnesota Public Utilities Commission blamed the problems on Xcel's "imprudent management" and didn't allow the company to receive a return on its investment. Xcel wrote off $125 million, nearly half of its first-quarter profits.

More: Star Tribune

Help Wanted At Dynegy

Dynegy is on the hunt for corporate employees following a flurry of acquisitions over the last year. The company said it was looking to fill 113 jobs, with some of them needed at its Houston headquarters where about 300 people now work.

Dynegy has made a total of $6.25 billion in acquisitions in the last year. They include the purchase of EquiPower Resources and Brayton Point Holdings. It also snapped up $2.8 billion in commercial generating assets from Duke Energy.

More: Houston Business Journal

Invenergy to Build 200-MW Wind Project in Minnesota

Invenergy announced plans to build a 200-MW wind energy facility near Albert Lea, Minn. The company has been working to obtain landowner agreements for seven years. Invenergy said the 29,000-acre site would have about 100 turbines.

At the same time, MISO is looking at plans to construct high-voltage transmission lines to deliver the power from southern Minnesota to markets.

Invenergy also owns and operates the 357-MW Cannon Falls Energy Center, a natural gas-fired plant that went into operation in 2008.

More: Midwest Energy News

PSEG Long Island Remains Last In Customer Service Ranking

PSEG Long Island remains last in the country among major electric companies in residential customer satisfaction, but it managed to increase last year's score by 10%, according to a J.D. Power survey.

PSEG Long Island scored 584 out of a total 1,000 points in the survey, which reviews factors such as power quality, billing, affordability and communications. The utility's score was 52 points higher than in 2014, when Public Service Enterprise Group took over the Long Island Power Authority. In 2013, LIPA scored 519.

Daniel Eichhorn, vice president of customer services at PSEG Long Island, said the figures showed the utility was the most improved among a list of utilities with more than 750,000 customers. "The numbers tell us we're very focused on customer satisfaction. We are trying to create a better customer experience, to make it easier to do business with us, and improve reliability."

More: Newsday

ISO-NE says June Saw Lowest Monthly Prices in 12 Years

Wholesale power prices in New England fell in June to under $20/MWh, according to ISO-NE. The regional grid operator said it was the lowest monthly price in the 12 years of the competitive power markets and nearly half of the $37.92 price last June.

"It's supply and demand," said Matthew White, chief economist at ISO-NE. "With June's mild weather, demand for natural gas and electricity were both low, and the pipeline capacity was available to deliver a plentiful supply of exceptionally low-priced natural gas."

White noted that the dip in prices illustrates the seasonal volatility of prices in the New England market, which he attributed almost entirely to natural gas pipeline constraints.

More: ISO-NE

FEDERAL BRIEFS

Obama Admin Cracks Down on Coal with Stream Regulations

The Obama administration on Thursday toughened rules to protect waterways from coal mining by requiring mining activity to take place at least 100 feet from streams.

The administration said the updated regulations, which clarify earlier rules, require mines to monitor streams near their operations and call for companies to restore areas impacted by earlier operations. The Interior Department estimates that the rules will safeguard 6,500 miles of streams in the next 20 years.

Industry supporters denounced the new mandate. "It's no secret that this overreaching rule is designed to help put the coal country out of business," said Sen. John Barrasso (R-Wyo.). He called the regulation "job-crushing" and "anti-coal."

More: National Journal

EPA Watchdog Says Agency Should Track Fracking Chemicals

The Environmental Protection Agency's Office of Inspector General recommended the agency improve oversight of chemicals used in hydraulic fracturing. The OIG said the agency needed to crack down on the unlicensed use of diesel fuel in fracking and figure out whether to mandate public disclo-

Continued on page 21

FEDERAL BRIEFS

Continued from page 20

sure of fracking chemicals.

Although EPA's oversight on fracking is limited by a 2005 law, it does have control over the use of fuels and chemicals that could affect the quality of drinking water. The agency has approved the use of diesel fuel in some fracking operations, but the OIG said there are instances where "EPA and primacy states have not been fully successful in their efforts to effectively control the use of diesel fuels for well stimulation."

The OIG also said the agency should also address calls for the mandatory disclosure of chemicals used in fracking. "To date, however, the agency has not addressed the comments or developed a plan of action for the next steps," the report said, adding that EPA "needs to develop an action plan with a timeline to address the public comments and determine whether to propose a rule to obtain information on chemical substances and mixtures used in hydraulic fracking."

More: *The Hill*

Former DOE Official Tapped For NRC by Obama Admin

The Obama administration nominated a former Bush administration official to fill an empty seat on the five-member Nuclear Regulatory Commission.


Roberson

If confirmed by the Senate, Jessie Hill Roberson, who served in the George W. Bush administration as an assistant secretary for environmental management, would be the third new commissioner on the NRC since September.

Roberson has been vice chairwoman and a member of the Defense Nuclear Facilities Safety Board for the last five years. She has held positions with several utilities, including nuclear-power giant Exelon.

More: *Washington Examiner; Nuclear Energy Institute*

NOAA, Others Say Oceans Hot and Getting Hotter

An annual report by the National Oceanic and Atmospheric Administration and the American Meteorological Society said the world's oceans are warm and getting warmer.

According to the report, the ocean surface temperatures are the warmest in the 135 years that records have been kept. One reason: About 93% of the heat from burning fossil fuels goes into the oceans, which serve as giant heat sinks. The seas are holding record levels of thermal energy as deep as 2,300 feet below the surface.

The trapped heat in the oceans provides energy that feeds into tropical cyclones, according to NOAA oceanographer Greg Johnson. The report was compiled by more than 400 scientists.

More: *Associated Press*

Federal Judge Dismisses 2nd Okla. Lawsuit Against Clean Power Plan


Egan

A federal judge on Friday dismissed Oklahoma's second attempt to block the Obama administration's climate rule for power plants, saying the state cannot challenge the Environmental Protection Agency's regulation until it becomes final.

"The court finds no exceptional circumstances that would warrant judicial intervention at this time, and plaintiff's claims should be dismissed for lack of subject matter jurisdiction," ruled U.S. District Court Judge Claire Egan of the Northern District of Oklahoma.

It is the second time in two months a federal judge has dismissed an Oklahoma challenge to the Clean Power Plan, both for similar reasons. EPA is expected to issue its final rule next month.

More: *The Hill*

STATE BRIEFS

Which State is the Most Energy-Expensive?

Personal finance website WalletHub has released a study that ranks the states and D.C. based on the average monthly cost of energy, with breakdowns by electricity, natural gas, vehicle fuel and home heating oil.

D.C. ranked lowest overall, followed by Colorado and Washington state. Connecticut, Wyoming and Massachusetts had the highest overall energy bills. D.C. residents also pay the least for electricity, followed by Illinois and New Mexico. Electricity costs are highest in Hawaii, South Carolina and Alabama.

Lower prices don't always equate to lower bills, the study shows. Its authors used the states' average monthly energy consumption in each category and multiplied it by the average price, adding each category to find the total cost. In Southern Louisiana, for example, where the summers are hot but the electricity is cheap, residents will pay more than in Northern California, where customers consume less because the weather is temperate.

DELAWARE

State Offers Rebates To Spur Electric Car Sales

The state has earmarked $2.7 million to fund the new Delaware Clean Transportation Incentive Program, which aims to encourage residents to buy electric, propane and natural gas vehicles.

The initiative will provide three rebate programs for consumers and two grants for the development of infrastructure to support alternative fueling. Rebates will run up to $20,000, and developers may qualify for grants up to $500,000.

More: *NewsWorks*

Continued on page 22

STATE BRIEFS

Continued from page 21

DISTRICT OF COLUMBIA

District to Buy Output of Pa. Wind Farm in Record Deal

The district plans to purchase the entire output of Iberdrola Renewable's 46-MW South Chestnut wind farm in Pennsylvania, which will provide 35% of the municipal government's renewable power portfolio.

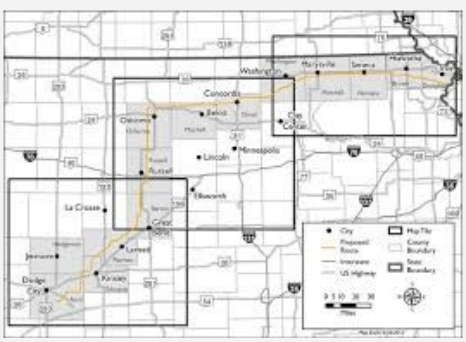
The 20-year power purchase agreement is the largest of its kind to be entered into by a U.S. city and is expected to save taxpayers $45 million over the next two decades. The district has a goal to meet half its government's demand by 2032 with renewable energy.

The wind farm contains 23 turbines on private property in three townships in southwestern Pennsylvania.

More: *Executive Office of the Mayor*

ILLINOIS

State Sets Public Forums For Power Line Project



The Commerce Commission is planning three public forums this month about the proposed Grain Belt Express direct-current transmission line. The line would run through the Illinois counties of Pike, Scott, Greene, Macoupin, Montgomery, Christian, Shelby, Cumberland and Clark.

Clean Line Energy seeks a certificate of public convenience and necessity for the 780-mile-long project, which would deliver wind power from Kansas to Indiana. Hearings are set for July 28-29 at various sites.

More: *Illinois Commerce Commission*

INDIANA

State Claims Global Domination In Airport Solar Generation

© RTO Insider

Indianapolis International Airport says it now operates the world's largest airport solar farm.

Contractors recently completed a second phase of the airport's solar farm, bringing total output to 17.5 MW, or enough to power 3,200 houses. Indianapolis Power & Light is buying the power from what now looks like a sea of blue-colored solar panels near the end of runways on the southwest corner of the airport.

The 161-acre site is to expand farther this year, with an additional 22 acres designated for solar generation. When all three phases are completed, the solar farm will consist of 87,000 panels.

More: *Solar Power World*

IOWA

Wind Could Meet 40% of State's Energy Needs by 2020

An American Wind Energy Association report said the state could produce enough wind energy to meet 40% of its power needs by 2020 and all of its electricity demand by 2030.

The report acknowledges that a fuel mix will always be necessary, but it said wind, solar and energy-storage technologies are improving at a rapid rate. "Iowa is already a leader in wind energy, but this report shows the Hawkeye State has just scratched the surface of wind power's benefit to the state," said Tom Kiernan, AWEA's CEO.

The report said the wind energy industry employs 7,000 in Iowa at 13 factories and assembly plants. Lease payments to landowners by wind energy companies could increase from the $17.1 million a year now to $55 million by 2030.

More: *Des Moines Register*; *AWEA*

KENTUCKY

Report: State's CO2 Emissions Highest in the Country

A new report looking at air pollution from the country's power plants found that the company that emits the most carbon dioxide per megawatt-hour is Big Rivers Electric. Also in the top 10: East Kentucky Power Cooperative.

The study considered how much electricity the plants generate along with sulfur dioxide, nitrogen dioxide, carbon dioxide and mercury. Seven of the 10 companies with the highest emissions per megawatt-hour were energy cooperatives.

Kentucky's ranking is largely due to the portion of coal in its energy portfolio, said Dan Bakal of Ceres, a sustainability advocacy group.

More: *WFPL*

MAINE

Study: Supply Boost to Cost More than it Saves

An initiative to boost the region's natural gas supply would cost consumers more than it would save them, according to a study commissioned by the state Public Utilities Commission.

A cost-benefit analysis of the Maine Energy Cost Reduction Act, which was approved by the Legislature in 2013, shows the act may be counterproductive. Boston-based consultant London Economics International said the state's plan to augment natural gas supply would be costly. "Maine simply does not use large amounts of gas and electricity," it said.

The 2013 law is designed to lower energy costs for consumers by having the state enter into contracts to purchase up to 200 million cubic feet per day of natural gas at a cost not to exceed $75 million annually. Ratepayers in the state would foot the bill.

More: *Portland Press Herald*

Continued on page 23

STATE BRIEFS

Continued from page 22

Power Marketer Draws Complaints

Texas-based Clearview Energy is attracting complaints for alleged aggressive sales tactics by its door-to-door teams in Central Maine Power's service area. CMP and the Maine Public Utilities Commission say customers have complained that Clearview's salespeople sometimes ask customers to show them their monthly bills.

The company says it's doing nothing wrong and last week responded to a PUC request for information with details about its training and sales protocols. The company also blames CMP for stirring up trouble, charging that the utility's staff is anti-competition.

The PUC, which licenses electricity suppliers, said it is evaluating the information submitted by Clearview and deciding what, if any, steps to take. It said that Clearview appears to be the first electricity provider using door-to-door sales in Maine, and it's the first time the PUC has received complaints about the practice.

More: *Portland Press Herald*

MARYLAND

Pepco, SMECO Pair with Energesco in Efficiency Program

Pepco and Southern Maryland Electric Cooperative are partnering with Energesco Solutions to provide energy and water efficiency for multifamily buildings in the state under a new rebate initiative, the Commercial Multifamily Program.

Multifamily properties within Pepco's 566 square miles of service area can apply for rebates for energy efficiency projects like LED lighting upgrades and HVAC enhancements.

Energy costs in such communities represent 25 to 35% of expenses and are highly controllable. Previously, multifamily owners and operators were restricted to rebates for upgrades in common areas.

More: *EnergyEfficiencyMarkets.com*

MASSACHUSETTS

Online Marketplace Would Allow Comparison Shopping for Rates

The state is planning to build an online marketplace where consumers can shop for competitive suppliers.

The Department of Public Utilities soon will begin soliciting ideas to build the website. Under the DPU proposal, companies initially would be allowed to offer only fixed-rate plans so consumers would be shielded from hidden charges and confusing contracts.

Several other states, including Ohio, Texas, Connecticut and Pennsylvania operate similar marketplaces. The state experienced a growth in customers shopping for suppliers after last year's bone-chilling winter sent electricity prices soaring.

More: *Boston Globe*

MICHIGAN

Legislators Eye Energy Market Regulation

The Senate has begun hearings on a comprehensive energy plan governing how utilities and alternative suppliers may operate in the state and how renewable power and energy efficiency programs will figure into the equation.

Among other things, the Senate's plan would offer incentives for utilities that already have met a renewable energy mandate to increase their energy efficiency programs.

The most controversial aspect of the plan would make it more difficult for electricity customers to opt in or out of the competitive retail supply market.

More: *Detroit Free Press*

Straits of Mackinac Pipeline Report Shows 'Gaps' in Enbridge Info

A state report on the twin pipelines running under the Straits of Mackinac said operator Enbridge's assurances that the pipelines are safe and don't need replacement were unsupported by data.

The report said the yearlong inquiry by the state Department of Environmental Quality and the Attorney General's Office was hampered by "gaps" in information provided by Enbridge. Dan Wyant, DEQ director, said Enbridge failed to provide comprehensive information in many areas, including inspections and the nature and result of heavy mussel encrustations that could be hiding significant corrosion.

"Substantial questions remain and can only be resolved by full disclosure of additional information and rigorous, independent review by qualified experts," the report concludes. The report was spurred in part by the rupture of another Enbridge pipeline in 2010 that spilled oil into the Kalamazoo River.

More: *MLive*

MONTANA

Renewable Advocates Say Utility Blocking Small-Scale Solar, Wind

Montana-Dakota Utilities wants to assess customers with wind and solar generators a demand charge, but renewable advocates say the utility is using the fee to block small-scale generation.

MDU built the fee into a 21% rate increase it has proposed for about 26,000 customers in the state. The company said it needs the $1.50/kW demand charge to cover the cost of providing power to wind and solar customers when their self-generation isn't sufficient to meet their needs. The fee would also pay for the costs of installing emissions controls at plants in Montana and South Dakota.

A Public Service Commission spokesman says it was the first time a utility has asked for a special fee for net-metering customers. The Montana Renewable Energy Association said the utility ignores the assertion that customers who generate their own power allow the utility to reduce transmission and distribution costs across the system as a whole.

More: *The News Tribune*

Continued on page 24

STATE BRIEFS

Continued from page 23

NEW HAMPSHIRE

Kinder Morgan Starts Promotional Website

Kinder Morgan has launched a website aimed at New Hampshire residents along the 80-mile proposed route of the Northeast Energy Direct natural gas pipeline.

The pipeline would deliver natural gas from the shale formations of Pennsylvania through New York and into New England to ease supply shortages. The new website is part of a public outreach campaign by Kinder Morgan to communicate the need for the project.

EnergymattersNH.com includes videos on the project, an up-to-date project blog, as well as a running list of upcoming project-related meetings.

More: *New Hampshire Union Leader*

Another Electricity Supplier Pulls Out

Gulf, which entered the competitive electricity market with much fanfare in 2013, has quietly pulled out, the latest departure from a business sector that one competitive supplier says is on life support.

Competitive suppliers are having a hard time beating the utility prices for residential power supply. Bart Fromuth, a Republican state representative from Bedford and head of Resident Power, one of the earliest brokers to enter the residential space in 2012, said the pullback mostly affects the retail residential market.

"Commercial competition remains at healthy levels," said Fromuth. "The regulatory environment for residential is absolutely suffocating. In the interests of beefing up consumer protection, the legislature and the PUC are quickly cementing New Hampshire's position as the most unattractive place to do residential supply in all of New England."

More: *New Hampshire Union Leader*

NEW YORK

Transmission Policy Requirement Adopted

The Public Service Commission has adopted a public policy requirement related to the potential need for additional transmission capability in Western New York. The decision stems from a proceeding the commission initiated last year to establish procedures that it would use to identify any transmission needs driven by public policy requirements that would be referred to NYISO. The Federal Energy Regulatory Commission's Order 1000 requires public policy be considered in system planning.

The commission determined transmission projects in Western New York that fulfill such public policy requirements will now become eligible for cost recovery through NYISO's Tariff if they are selected by the RTO as the most efficient or cost-effective solution. Designating Western New York congestion relief as a public policy requirement will enable NYISO to solicit potential project solutions and undertake an initial analysis of the project's viability. The PSC did not adopt other proposed public policy requirements for other regions.

More: *NYPSC*

NORTH CAROLINA

Amazon to Build Major Wind Farm

Online retail giant Amazon plans to power its cloud-computing division with the $400 million Amazon Wind Farm US East, set to be built on 34 square miles in the eastern counties of Perquimans and Pasquotank.

The project will start with 104 turbines and will be built by Spanish wind farm developer Iberdrola Renewables. It is expected to begin generating power for Amazon's data centers late next year.

The project has sidestepped obstacles that have felled such proposals in the past. The 208-MW farm is sited in isolated scrubland locally knows as The Desert where there are no homes, minimizing its impact on tourist areas, military flight paths and bird migration routes.

More: *News and Observer*

OHIO

Study Shows Utica Oil and Gas Play Much Larger than Thought

A study by West Virginia University shows that the amount of recoverable oil and natural gas in the Utica Shale formation is much larger than first thought. The geologic formation, which includes parts of Pennsylvania, West Virginia, Kentucky, New York and Ohio, has about 782 trillion cubic feet of natural gas and about 2 billion barrels of oil, about 20 times the U.S. Geological Survey's estimate from three years ago.

"This is a landmark study that demonstrates the vast potential of the Utica as a resource to complement — and go beyond — what the Marcellus has already proven to be," said Brian Anderson, director of WVU's Energy Institute. The study leans heavily on research conducted by the Appalachian Oil and Natural Gas Consortium.

"The revised resource numbers are impressive, comparable to the numbers for the more established Marcellus Shale play, and a little surprising based on our Utica estimates of just a year ago," said Douglas Patchen, director of the consortium. The announcement came as low oil and natural gas prices continue to curtail new production.

More: *Columbus Business First*; *National Research Center for Coal and Energy*

WISCONSIN

Enbridge Pulls Its Appeal of Pipeline Insurance Regulation

Lawmakers amended the state budget to prohibit local governments from imposing higher insurance demands on pipeline operators, a move that handcuffs Dane County, which had demanded Enbridge boost its liability coverage. Enbridge immediately dropped an appeal of the local mandate.

Dane County officials were irked. "Enbridge filed an appeal properly, and we were set to hear that appeal and make a decision," said Dane County Board Chairwoman Sharon Corrigan. "That's how it's supposed to work. But apparently Enbridge sent some lobbyists to make a different kind of appeal to the Legislature and the governor, and got some special treatment slipped into the budget."

More: *Wisconsin State Journal*

FERC Seeks Supply Chain Protection Against Cyber Threats

Continued from page 1

lers (PLCs). One, called Havex, was identified in June by cybersecurity firm F-Secure and was used to conduct espionage against several industrial companies in Europe.

Last fall, the Department of Homeland Security's Industrial Control Systems Cyber Emergency Response Team (ICS-CERT) issued a warning that a Trojan horse virus dubbed BlackEnergy had been found on Internet-connected human-machine interfaces (HMIs) from vendors including GE Cimplicity, Advantech/Broadwin WebAccess and Siemens WinCC. ICS-CERT also cited public reports of a BlackEnergy campaign against overseas targets that took advantage of vulnerabilities affecting Microsoft Windows and Windows Server 2008 and 2012.

The virus is believed to have been planted as early as 2011 but only activated recently by government-backed hackers in Russia.

Third Time

Highlighting the seriousness of FERC's concern, Commissioner Cheryl LaFleur noted that the NOPR represented only the third time the commission has ordered NERC to initiate a standard. FERC previously ordered standards addressing geomagnetic disturbances and physical security.

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"The work that NERC, the industry and the commission do on cybersecurity must obviously continually evolve to meet the changing nature of the cybersecurity threat, which we all see in the news practically daily," LaFleur said in a statement. "Understanding the evolving threats and how best to respond to them is of critical importance."


Alert (ICS-ALERT-14-281-01B) More Alerts
Ongoing Sophisticated Malware Campaign Compromising ICS (Update B)
Original release date: December 10, 2014

SUMMARY

This alert update is a follow-up to the original NCCIC/ICS-CERT Alert titled ICS-ALERT-14-281-01A Ongoing Sophisticated Malware Campaign Compromising ICS that was published October 29, 2014, on the ICS-CERT web site.

ICS-CERT has identified a sophisticated malware campaign that has compromised numerous industrial control systems (ICSs) environments using a variant of the BlackEnergy malware. Analysis indicates that this campaign has been ongoing since at least 2011. Multiple companies working with ICS-CERT have identified the malware on Internet-connected human-machine interfaces (HMIs).

(Source: DHS)

The NOPR only gave NERC general directions as to what the new standard should include. The commission suggested it could be based on the National Institute of Standards and Technology's supply chain risk management controls (SP 800-161). The Department of Energy also has offered guidance on cybersecurity procurement for energy delivery systems.

"It's too early in the process to say what a standard might say or what the terms of it might be," FERC Chair Norman Bay said.

The order is intended to protect against malware and other supply chain risks including counterfeits and tampering or theft of data.

The new standard would only apply to registered entities subject to NERC jurisdiction, not vendors supplying them. "At this time we aren't seeking some sort of broader statutory authority," Bay said.

"While the commission's CIP standards don't specifically cover … supply chain vendors, there is undoubtedly a gap and vulnerability there that's been identified now for some period of time that I think all of us take very, very seriously," Commissioner Tony Clark said. "I suppose the main idea is that we're trying to ensure that security becomes effectively baked into the cake, as it were, from the ground up in the systems that the electric utilities use."

The commission asked for comment on the proposed standard, including what would be "a reasonable time frame" for its completion. Comments are due in 60 days from publication of the NOPR in the Federal Register.

Transient Devices

While FERC accepted most of the CIP standards as proposed, the commission ordered NERC to provide additional justification for its rules regarding risks posed by "transient" electronic devices such as USB flash drives and laptops.

The commission said it was concerned about NERC's decision not to include rules regarding use of transient devices on "low-impact" cyber systems, including low-impact control centers.

"Malware inserted via a USB flash drive at a single low-impact substation could propagate through a network of many substations without encountering a single security control under NERC's proposal," FERC said. "In addition, we note that low-impact security controls do not provide for the use of mandatory anti-malware/antivirus protections within the low-impact facilities, heightening the risk that malware or malicious code could propagate through these systems without being detected."

Nonprogrammable Components

The commission also said it was concerned that NERC's standards provided limited protection for nonprogrammable components of communication systems, such as cabling.

NERC has proposed physical access restrictions and encryption as protections against physical attacks on nonprogrammable equipment, session hijacking attacks within a BES control center and man-in-the-middle attacks — in which an attacker intercepts and may alter data between two parties who believe they are directly communicating with each other.

But it "does not extend protections to real-time data passing between control centers outside of a facility," FERC said.

The commission ordered NERC to modify CIP-006-6 to require protection of all communication links and sensitive data communicated between all BES control centers.

The other standards tentatively approved by FERC were: CIP-003-6 (Security Management Controls); CIP-004-6 (Personnel and Training); CIP-007-6 (Systems Security Management); CIP-009-6 (Recovery Plans for BES Cyber Systems); CIP-010-2 (Configuration Change Management and Vulnerability Assessments); and CIP-011-2 (Information Protection).

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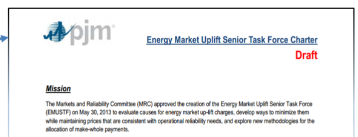
MRC/MC Preview

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

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

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

See *PJM Proposes Operating Reserve Changes to Cut Uplift*



Energy Market Uplift Senior Task Force Charter

Draft

Mission

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

PJM Proposes Operating Reserve Changes to Cut Uplift

April 30, 2013

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

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

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

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OHIO

Industry Likes Efficiency Rule, Wants Spending Cap

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

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

More: *Columbus Business First; The Columbus Dispatch*

Columbus Biz Insider

Sep 26, 2013, 3:41pm EDT

Ohio Manufacturers' Association says fix energy mandates, but don't dilute them

Jeff Bell
Staff reporter-
Business First
Email | Google+ | Twitter | LinkedIn

The Ohio Manufacturers' Association says the state's hotly debated energy efficiency standards are saving its members money on their energy bills and should not be unraveled.

Courtesy AEP

The OMA says energy efficiency standards put in place in Ohio are saving manufacturers money.

The Columbus Dispatch

Velocity rises in wind-power debate

Both sides digging in over bill to change Ohio renewable-energy requirements

- **Voting summaries**

Trading Limits

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

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

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

PJM Likely to Limit Capacity Imports
September 17, 2013
PJM will seek to set a limit on capacity imports before next year's Base Reliability Auction under a problem statement approved Thursday by the Planning Committee. -more-

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

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