RTO Insider

Your Eyes and Ears on the Organized Electric Markets

ISO-NE ■ MISO ■ NYISO ■ PJM ■ SPP

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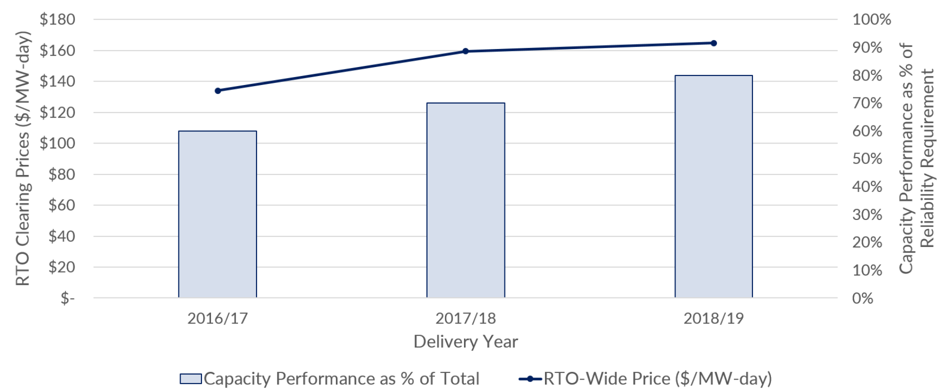
PJM Transition Auction Means Reprieve for Exelon Nukes

By Suzanne Herel and Rich Heidorn Jr.

VALLEY FORGE, Pa. — Capacity Performance resources cleared at $151.50/MW-day in the transition auction for the 2017/18 delivery year, PJM said Wednesday, calling the results "demonstrably competitive" at nearly $60/MW-day below the RTO's price cap.

The results meant at least a temporary reprieve for Exelon's Quad Cities and Byron nuclear plants, which cleared the transition auction after failing to clear in the Base Residual Auction for 2017/18. Exelon said Thursday morning that all of its nuclear plants in PJM cleared in the transition auction and that the company will defer any decisions about the future of Quad Cities and Byron for one year.



Capacity Performance prices increase with share of total needs. *Source: PJM Base Residual Auction 2018/19, Transition Auctions 2016/17 and 2017/18*

PJM held the auction Sept. 3-4 to obtain CP resources for 70% of the updated reliability requirement for 2017/18, procuring its target of about 112,195 MW, said Stu Bresler, senior vice president for markets. The clear-

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Enter GridLiance

Public Power Transco Makes First Acquisitions

By Tom Kleckner

GridLiance arrived on the RTO scene last year billed as the nation's first competitive transmission company focused on collaborating with public power entities. It came with a pedigree of experienced transmission executives from ITC Holdings and the deep pockets of private equity giant The Blackstone Group.

Now, the company has made its first two acquisitions — 420 miles of 69-kV and 115-kV lines in Missouri and Oklahoma — and announced plans to bid on SPP's first competitive trans-

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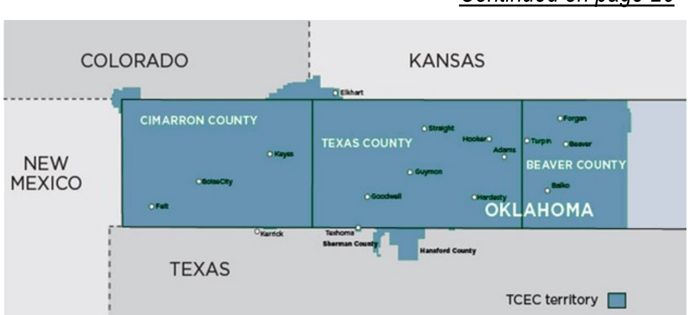

One of GridLiance's first acquisitions was Tri-County Electric Cooperative, whose service territory is situated on the Oklahoma panhandle. *Source: Tri-County Electric*

FERC ALJ Rejects $10 Million in PATH Transmission Project Recovery

By Rich Heidorn Jr.

The developers of the abandoned PATH transmission project would be denied recovery of more than $10 million of their $121.5 million claim under an initial decision by a FERC administrative law judge Monday.

Judge Philip C. Baten recommended that the commission deny the developers, American Electric Power and the former Allegheny Energy (now FirstEnergy), recovery of lobbying and

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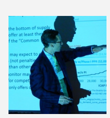
Also in this issue:



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EUCI Capacity Market Conference 2015

Capacity Market 'Holy Wars' Revisited at EUCI Conference

CAMBRIDGE, Mass. — Officials from PJM and ISO-NE were joined by consultants and market players in debating new performance incentives and the pros and cons of energy-only scarcity pricing at EUCI's Capacity Market conference early this month. Several employees of MISO, which runs a voluntary capacity market to supplement state resource planning, were in attendance.

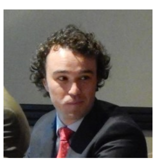
PJM Senior Economic Policy Advisor Paul Sotkiewicz (left) and Independent Market Monitor Joe Bowring. © RTO Insider

Below are some of the highlights.

PJM Senior Economic Policy Advisor Paul Sotkiewicz said he wishes consultant Roy Shanker had never invented the term "missing money" in describing the need for a capacity market.

"It makes it sound like it's only about money when really this is about reliability," he said. Capacity is less than 20% of wholesale cost, "yet we fight some of the biggest holy wars over it," he added.

One of the benefits of PJM's Reliability Pricing Model for capacity is that it is technology-, size- and age-neutral, he said. "I don't care if you put a hamster on a wheel. As long as you feed it lettuce and it runs, [PJM is] good with it."



Michael Borgatti, director of RTO Services for Gabel Associates, said PJM's Capacity Performance rules are more risky for generators than ISO-NE's Pay-for-Performance.

Borgatti said PJM officials have said that their limited *force majeure* rules would not have been declared in either the derecho or Hurricane Sandy in 2012.

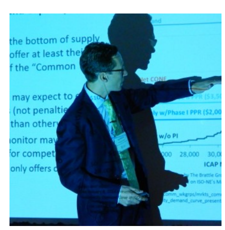
"We can show you the material where they tell you you would have been penalized, even though the transmission lines are laying on the ground," he said. "Now if the dispatcher calls you and says 'the transmission lines are laying on the ground, take your machine offline or you're going to blow a substation,' you're [absolved of] penalties. So this is the subjective nature of the PJM package. I would not count on simply the fact that the transmission system failed to excuse you from penalties."

William Hogan, research director of the Harvard Electricity Policy Group, said the new capacity rules in ISO-NE and PJM have worsened the "disconnect" between the energy and capacity markets.

"I understand the problem and I think trying to make sure the generators perform is a good idea. But I think this is a Rube Goldberg system designed to avoid the obvious," he said. "It does capture the marginal incentives for the generators … but it completely excludes load from this conversation."

PJM Market Monitor Joe Bowring responded to Hogan's criticism of PJM's capacity construct, acknowledging that other markets have gone different routes in ensuring resource adequacy: Alberta allows limited market power; MISO uses cost-of-service regulation; California uses bilateral contracts; and ERCOT uses scarcity pricing.

"But all of these solutions have one element or another of administrative oversight," Bowring said. "That is, none of them are some pure market solution."



Sam Newell, principal for The Brattle Group, noted that his company has been involved in the calculations of the cost of new entry (CONE), which are used to set the ceiling on capacity offers. PJM allows bids up to 85% of net CONE without review.

"The thing that makes me nervous is that we've been involved many times in determining what is net CONE for use in the auction. I think we do a great job of it. But I know better than anybody there's a lot of uncertainty in it. So, in effect, this very big

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NESCOE Director of Analysis Jeff Bentz (left) and Analysis Group Vice President Todd Schatzki. © RTO Insider

EUCI Capacity Market Conference 2015

Capacity Market 'Holy Wars' Revisited at EUCI Conference

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administrative parameter, net CONE, now takes on a lot more weight. But I don't know if it's that's the right level."

Jeff Bentz, director of analysis for the New England States Committee on Electricity, said the joint solicitation for clean energy resources by Massachusetts, Rhode Island and Connecticut was a response to the lack of progress on proposals to bring new transmission into the region. (See New England States Combine on Clean Energy Procurement.)

"The concept here is we would hope maybe a wind provider and a solar provider and a hydro provider could maybe team up as one bidder and team up with a transmission developer and builder, and those three or four entities could put one bid into the RFP. And then when the wind's blowing, the wind guy is providing the clean energy commitment. When the wind's not blowing or the sun's not out, the hydro guy can step in and fill the line. So we kind of wanted to leave this up to the market and let them prescribe how they best can meet the delivery commitment.

"[I have] no idea whether this is going to work or not. No idea whether the bids are going to be beneficial or not. But on the other hand we don't see anything else really coming in to New England to solve this infrastructure issue."

Andrew Gillespie, principal analyst for ISO-NE, said he hopes Pay-for-Performance will reduce the use of administrative pricing in future auctions. But he said they are unlikely to be eliminated because of political opposition to severe short-term price spikes.

"You could have price signals that in the long run provide the most efficient outcomes, but we don't live in the long run," he said. "The political reality is we live in the here and now. It is untenable to consumers for prices to go to $17, $18/kWh."

Scott Harvey of FTI Consulting said that forward capacity markets such as PJM's make procurement decisions based on often incorrect RTO load forecasts. "We're consistently over-forecasting demand. So we're constantly buying too much capacity. That's one of the consequences of contracting forward like this."

Todd Schatzki, vice president at the Analysis Group, said his company's research has found wide disparities between the best- and worst-performing generators during reserve shortages. That, he said, will be reflected in their offers into the PJM and ISO-NE markets.

"If I'm a good resource, I actually want to be in this market. This is a good market for me because I'm going to make more money when I get to the compliance period. If I'm a poor resource, I'm probably going to lose money when I get to the compliance period, but I'm going to be able to anticipate that and include that in my offer."

Debate over PJM Transition Auction

Wilson

PJM's 2016/17 transition auction results were released during the conference, sparking a debate between Sotkiewicz and James Wilson, a consultant to consumer advocates in the RTO. (See Timing of PJM Auction Announcement Sparks Real-Time Debate.)

— Rich Heidorn Jr.

ISO-NE NEWS

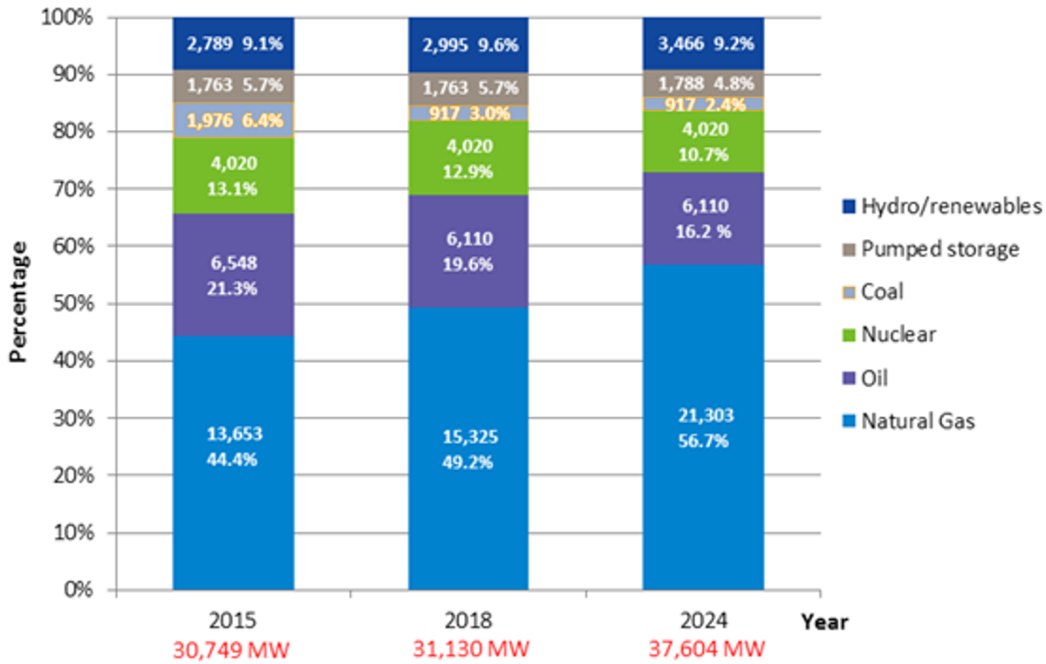
New England Sees Flat Load Growth, More Solar and Wind

By William Opalka

BOSTON – ISO-NE's draft Regional System Plan shows flat load growth through 2024 due to growing solar PV and energy efficiency but predicts challenges from generation retirements and integration of variable resources.

The plan, released at a presentation last week, also cites eastern Massachusetts and Rhode Island as having the greatest need for new generation.

Load is growing annually at about 1.3%, said Michael Henderson, director, regional planning and coordination for ISO-NE. "But you subtract photovoltaics and energy efficiency, it comes down to about 0.6%," he said.

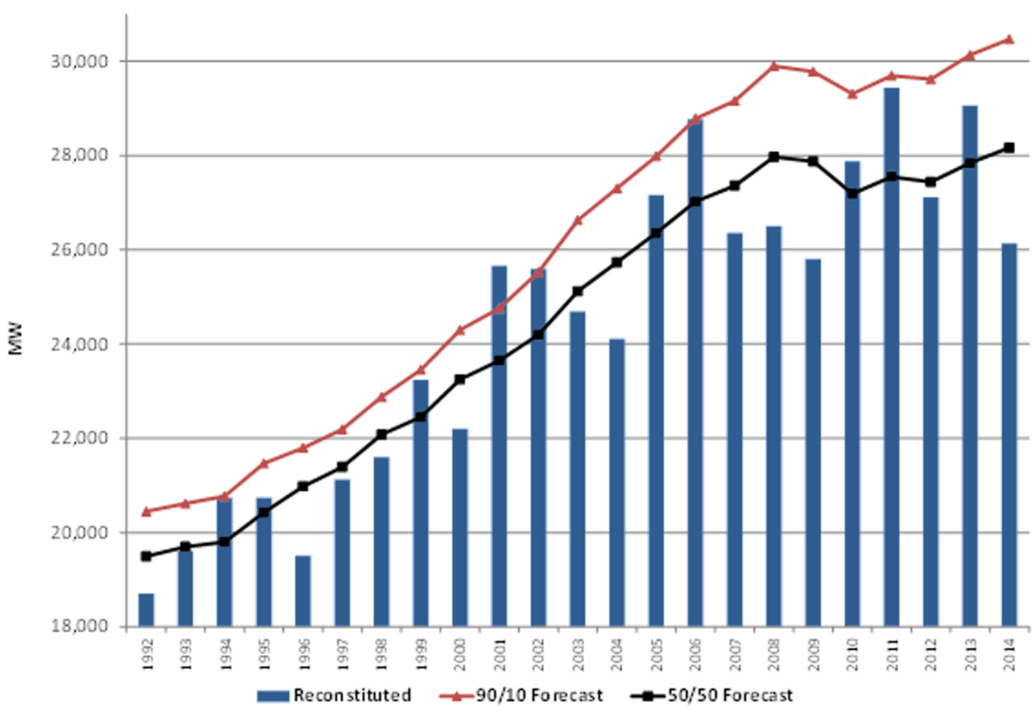


ISO-NE generating capacity by fuel type (summer capacity). *Source: ISO-NE draft 2015 Regional System Plan*

The net summer peak average forecast is 26,565 MW for 2015, which grows to 27,875 MW for 2024. Winter load is slowly growing, but that peak is at night, when PV is of no help.

'Tremendous' Renewable Potential

The study says the region has "tremendous potential" for renewable energy, but it requires additional transmission, revisions to interconnection requirements and improved forecasting to ease their integration.



ISO-NE summer peak loads vs. forecasts. *Source: ISO-NE draft 2015 Regional System Plan*

The region had 908 MW of solar capacity (nameplate rating) at the end of 2014, which is expected to grow to 2,449 MW over the next decade.

"As these [interconnection] improvements are made, it can only act to promote distributed resources because they will then be interconnected in a more reliable way and the overall system will be more tolerant of distributed resources," Henderson said.

The region has almost 2,000 MW of wind capacity with another 4,100 MW in the interconnection queue. "Proposed onshore wind resources are predominantly in northern New England, and offshore resources are being proposed off the southeastern New England coast," the study says. "A num-

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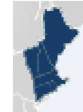
ISO-NE NEWS



Mass. Gov. Says States Must Sacrifice to Lower New England's Energy Costs

By William Opalka

BOSTON — New England's states may have to set aside their self-interests to overcome high energy prices that are slowing the region's economy, Massachusetts Gov. Charlie Baker told the 2015 ISO-NE Regional Plan meeting on Thursday.

Baker

The first-term Republican said the region's competitive advantages are at risk, citing a "sense of desperation" among his fellow governors over energy costs.

"One of the things that's going to be most fundamental to our ability to succeed is to develop strategies and plans that can get a lot of people who don't necessarily agree on things to come together and find a way to put the optimal success of the region above what might be the most optimal solution for any particular player," he said.

"We don't believe we can achieve the energy security, competitiveness, reliability and affordability ... alone. It's got to be a regional conversation," he said.

Massachusetts, Rhode Island and Connecticut agreed earlier this year to seek multi-state, long-term contracts to procure large-scale renewable resources. More problematic is building large, multi-state electric transmission and natural gas pipeline projects.

"I think it's pretty hard to look at the data and conclude that we won't need to increase our capacity over time," Baker said, referring to New England's increasing reliance on natural gas generation and the fuel shortages that occur in the winter months. (See *Dueling Studies Dispute Need for More Pipelines in New England*.)

He also endorsed exploring the feasibility of importing more hydropower, which would require expensive power lines. "Canadian hydro has potential to be a significant player in the region," he said, adding that the decision to proceed will depend on how the projects affect ratepayers. "If it doesn't make sense, we won't do it," he said.

Policy Mandates Sometimes at Odds with Market Forces, Panelists Say

Following the governor's address, a panel discussed whether the region's pursuit of public policy initiatives is incompatible with low-cost energy.

Over the past 16 years, panelists said, New England's energy strategy has often been at cross-purposes. The development of competitive markets, the transition from coal to natural gas generation, the integration of renewables and the need for expensive infrastructure all have made it difficult to keep rates affordable.

"In New England, our representatives have decided that renewable energy is really important, notwithstanding whatever preferences the market may have in its short-term, day-to-day interest," said Edward Krapels, founder of Anbaric Transmission.

"I see us going down two paths," he said. "The planning by the ISO to maintain reliability leads you down one path. Actions by the governors to create a clean energy economy take you down a parallel path and the two don't converge."

He said the three-state model for procuring renewables is the beginning of that convergence.

Public policy has had to contend with "the historical forces of technology and geology" — cheap natural gas — said Katie Dykes, deputy commissioner for energy at the Connecticut Department of Energy and Environmental Protection.

"This low gas price environment that we've had has done more for the fuel mix of this industry than the [Environmental Protection Agency] and the environmental advocates have been able to do over the last several years," said Bob Hayes, vice president of natural gas trading for Calpine.

But he cautioned that the region's dependence on liquefied natural gas "for the foreseeable future is a precarious one at best and one that I'd definitely be concerned about."

Tanya Bodell, executive director of research firm Energyzt, said EPA's initial draft of the Clean Power Plan was an example of policy ignoring reliability. EPA backed off from its proposed early deadline of 2020, delaying it by two years, after widespread criticism.

"That change was needed to show that your state plan is going to result in a reliable outcome," she said.

New England Sees Flat Load Growth, More Solar and Wind

Continued from page 4

ber of wind projects have interconnected to areas of the regional power system that have favorable wind conditions but are electrically remote and weak, and additional wind projects are proposed for these areas."

Capacity Additions

A bright spot is the additional generation resources attracted in the ninth Forward Capacity Auction. (See *Exelon, LS Power Join CPV in Adding New England Capacity*.) The report cites improved incentives for resource performance and the use of a sloped system demand curve in the Forward Capacity Auctions to reduce price volatility.

"The addition of natural gas pipeline capacity or the increased use of existing [liquefied natural gas] facilities also could improve fuel assurance and regional reliability," the study says.

The plan reiterates previous concerns about the north-south transmission corridor that starts north of Boston and runs through the metropolitan area into Rhode Island. New resources in the NEMA/SEMA/RI areas would provide the greatest reliability benefit.

Interregional Planning

The study calls for increased coordination of planning with other systems "particularly to provide access to a greater diversity of resources, including hydro and variable resources, and to meet environmental compliance obligations."

ISO-NE NEWS

FERC Overrides ISO-NE, Grants Waiver for Late Capacity Payment

By William Opalka

FERC granted a waiver to a New England power generator that missed the deadline for a payment to increase the plant's offer for the next Forward Capacity Auction.

The commission majority said Northeast Energy Associates had made a "good faith" effort to comply with ISO-NE rules once it discovered an administrative oversight (ER15-1934).

NEA sought a 25-MW increase in the capacity of its Bellingham Energy Center in Massachusetts but failed to make a $50,000 interconnection deposit for FCA 10 by the March 3, 2015, deadline.

It discovered the error that day but was unable to make a bank transfer before the Federal Reserve's 5:30 p.m. deadline. The funds were transferred the following morning.

Bellingham Energy Center *Source: NextEra Energy*

"We find that NEA acted in good faith by submitting its interconnection deposit as soon as possible after it discovered the omission ... [and] the request for waiver is limited in scope, because it allows a one-time, finite waiver of a procedural deadline under the narrow circumstances of this case," the majority said.

FERC said the company filed an otherwise valid request to increase its capacity and the delay in submitting its interconnection deposit would not affect the qualification process for FCA 10.

ISO-NE had opposed the request for relief, saying that it would be unfair to other project sponsors who submitted invalid interconnection requests and did not seek a waiver. The RTO also said NEA had not shown the resource would be needed in the newly proposed Southeastern New England capacity zone that will be created in the reconfigured zones in the 2018-2019 capacity commitment period.

Commissioner Philip Moeller agreed with the RTO, saying granting the waiver violates FERC precedent and will create future headaches.

"Such requests will present the commission with an enormous challenge to ensure that all market participants are treated similarly after missing [a Forward Capacity Market] or other deadline," he wrote.

Generation, Northern Pass, Net Metering on the Menu at NECA Legislative Update

By William Opalka

CAMBRIDGE, Mass. — Speakers at the Northeast Energy and Commerce Association's dinner meeting last week discussed pending legislation in Maine, the future of the proposed Northern Pass Transmission project and net metering.

Daniel Allegretti, a vice president of state government affairs for **Exelon**, spoke about the prospects for Northern Pass. Developers have proposed burying nearly one-third of the line to import Canadian hydropower, but critics, including New Hampshire Gov. Maggie Hassan, had been seeking to put even more of the 190-mile line underground. (See *Northern Pass Opponents Want More of Line Buried*.)

The state's Site Evaluation Committee has a 10-step process for approving such projects. "The governor has been clear that she is waiting for the site evaluation process to play out," Allegretti said.

Christopher Sherman, president of New Hampshire transmission for NextEra Energy, said investor-owned utilities in Massachusetts earlier this year reached the 4% limit on the integration of net-metered generation onto the grid.

"The governor's own bill [which would raise the cap to 6%, with future increases left to state regulators] will be considered at a hearing by the end of this month, with the possibility the legislature will pass a bill later in the fall," Sherman said.

Sandi Hennequin, vice president of U.S. public affairs for Nova Scotia-based **Emera Energy**, mentioned a bill backed by Maine Gov. Paul LePage that would allow local distribution utilities, which were divested after restructuring in 2000, to own some generation assets.

The bill would require the Public Utilities Commission to determine "that ownership is beneficial to the utility's ratepayers" and to "impose terms, conditions or requirements the commission determines are necessary to protect the interests of the utility's ratepayers."

Patrick C. Woodcock, director of the governor's energy office, said LePage saw the need for the legislation because of ambiguity about whether affiliates of local utilities can own generation. Woodcock said neither the state's restructuring law nor a recent court ruling provided clarity. The case involved a proposed $333 million joint venture by Emera and First Wind to finance wind farms in the state.

"The governor asked, 'Does it really make sense to have this iron-clad prohibition?'" Woodcock said in an interview after the dinner. He said limited utility ownership of generation could help the state modernize older hydro facilities.

"I think there's an opportunity there for some of the utilities to benefit from generating from solar," said Maine Rep. Larry C. Dunphy, who introduced the bill on the governor's behalf. "There's a number of motivations."

MISO NEWS

MISO Beats Challenge on Wind Exports; Faces New Complaint over Imports

By Rich Heidorn Jr.

MISO and its wind generators are having trouble getting along.

Just two days after FERC rejected allegations that MISO was blocking a wind farm from exporting power to PJM, the RTO was hit with a new complaint accusing it of giving special treatment to external generators seeking to deliver power into the Midwest.

The disputes have arisen as the RTO is attempting to close a capacity shortage that could arise as soon as 2020.

Acciona Wind Energy USA accused MISO in May of blocking it from selling power into PJM by improperly interpreting a process designed to streamline energy exports.

The company complained that MISO had excluded a portion of its 180-MW Tatanka wind farm's capacity from participating in its pre-certified path study process, which allows interconnection customers to avoid lengthier studies when MISO evaluates their transmission service requests (TSRs). (See *Acciona: MISO Blocking Access to PJM*.)

MISO Acted 'Reasonably'

But FERC ruled Sept. 2 that the claim was without merit, saying that MISO conducted Acciona's system impact study in accordance with its Tariff and business practice manuals. "We find that MISO reasonably concluded that it was appropriate to deny the TSRs given the lack of available transmission capacity absent upgrades," the commission ruled (EL15-69).

FERC also rejected the company's claim that MISO was requiring it to make "several hundred million dollars" of upgrades, saying the estimate appears to include all of the costs of the N. LaCrosse-N. Madison 345-kV multi-value project rather than the "but for" upgrades required for Acciona's service request.

Two days after FERC's ruling, three wind generators filed a complaint asking the commission to block MISO from enacting rules that would exempt external generation from having to provide "cash at risk" deposits to enter the definitive planning phase, the final stage of the RTO's study queue (EL15-99).

EDF Renewable Energy, E.ON Climate & Renewables N.A. and Invenergy said MISO's external network resource interconnection service (E-NRIS) protocol is unfair to internal generation, which is required to make the M2 milestone payments. MISO won FERC approval for the milestone payments in 2012, arguing that they were necessary to weed out speculative projects, whose withdrawal from the queue results in time-consuming restudies.

'No Safeguard'

The three companies sought fast-track status for their complaint, saying that MISO plans to add 7 GW of external generation into the queue, which it said could have an "enormous impact."

"There is no safeguard to protect MISO's queue management from further delay and restudies (and cascading restudies) if any of the 7 GW of [external projects] withdraws; nor is there any safeguard to protect interconnection customers from shifts in network upgrade costs if any [external] customer withdraws," the complaint said.

The companies called the M2 milestone payment, which is based on generating capacity and transmission voltage, an "extreme burden," saying a 150-MW project could be required to put up as much as $1 million.

They filed the complaint after MISO's Planning Advisory Committee delayed a vote Aug. 19 on a proposal by Wind on the Wires that would have imposed the M2 costs on external generators. (See *Interconnection Deposit Proposal Tabled*.)

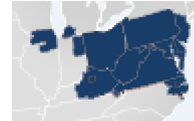
MISO and PAC members agreed to postpone the discussion to the Sept. 16 meeting, the companies said, but MISO later informed members that the E-NRIS protocol is final.

Capacity Worries

MISO is seeking to attract and retain capacity resources to offset retirements of coal-fired generation as a result of federal environmental rules and competition from low-cost natural gas.

In 2014, MISO projected it would face a 2.3-GW capacity shortfall beginning next year. In June, however, the RTO said its newest survey with the Organization of MISO States indicated it will have enough capacity to offset any zonal shortages until 2020. (See *MISO Survey: No Shortfall Until 2020*.)

PJM NEWS



Stakeholders Weigh 4 Options on Offer Cap; No Agreement in Sight

By Suzanne Herel

VALLEY FORGE, Pa. — Members debated four potential changes to the $1,000/MWh energy offer cap last week at a specially called meeting of the Markets and Reliability Committee, failing to agree on any one — or even which should be the main and alternate proposals.

Further discussion was deferred until Sept. 24, giving stakeholders only a few weeks to reach consensus before the Board of Managers takes the matter into its own hands before winter.

The proposals were presented by Direct Energy, Old Dominion Electric Cooperative, the Independent Market Monitor and — for the first time — Calpine and the PJM Power Providers Group (P3).

Supporters of an increase in the cap say it is necessary to ensure that gas-fired generators can recover their costs when fuel prices spike during periods of extreme temperatures, such as the 2014 polar vortex.

Direct Energy had kicked off the latest effort to reach agreement in July with its plan to raise the cap to $2,700/MWh for cost-based day-ahead offers and price-based real-time offers. The number is 50% more than the highest offers reported by PJM last winter. PJM said that it would support the Direct Energy proposal. (See *PJM Stakeholders Struggle for Consensus on Offer Cap*.)

Joe Wadsworth of Vitol reiterated his concern about potential unintended consequences inherent in applying different rules to the day-ahead and real-time markets. "We could be artificially creating arbitrage opportunities," he said, adding that such a scenario might invite increased scrutiny from FERC enforcement.

"We need to ensure the day-ahead and real-time market parameters are the same whenever we can," he said.

Meeting	Date	Description
MRC	9/24	Discussion
MC Webinar	9/28	Discussion
MRC/MC	10/1	Vote on proposal – both committees
MIC	10/7	Additional discussion if necessary
Board Meeting	10/15	Board decision if necessary
MRC/MC	10/22	Feedback to stakeholders if necessary

Deadlines: Effective 1/1/16, File 10/30/15

Schedule for offer cap change. *Source: PJM*

Jim Jablonski, of the Public Power Association of New Jersey, said that whatever the proposed offer cap is, it's critical it be able to be supported by data. "We can't get to FERC and say, 'Oh, we just doubled the old one.'"

Jablonski asked Direct Energy's Jeff Whitehead if he could estimate exactly how much uplift a higher cap might eliminate. "I'd love for somebody to say, 'This is how much,'" he said.

Whitehead responded, "The higher the offer cap, the less uplift we'll have."

Steve Lieberman of ODEC called his plan "the only proposal that was a joint effort of load and supply."

It would allow cost-based offers of up to $1,800/MWh and allow them to set LMPs.

And, he said, "Old Dominion firmly believes in the need for a cap that is the same in both markets."

The Monitor's proposal would allow cost-based offers to exceed $1,000/MWh when a unit's short-run marginal costs exceed that cap. Price-based offers would have to be less than or equal to such cost-based offers. Monitor Joe Bowring said the approach addresses the issue of market power when the overall market is tight.

The P3 proposal was the only one that had not previously been presented.

In making the presentation, David "Scarp" Scarpignato of Calpine said that because generators have a must-offer requirement to enter into the day-ahead market, it's essential they be able to recover their costs.

"The uplift method is a bad idea," he said. "It's unhedgeable, and there's extra risks added to load prices. If you don't put them into LMP, you lose a very important market signal."

In allowing offers to set LMPs, according to the proposal, higher prices incent generators to perform.

Like Lieberman, Scarp said the day-ahead cap must equal the real-time cap. Under his proposal, cost-based offers for both markets would be capped at cost plus 10%; market-based offers would be capped at the higher of $2,700/MW or the cost-based offer.

The proposal also sets penalty factors of $1,350/MW for synchronized or primary reserves, and $750/MW for excess synchronized or primary reserves.

Operating Committee Briefs

Metering Requirements to Receive Overhaul

The Operating Committee last week unanimously agreed to create a task force to close the gap between PJM metering requirements and member practices.

The Metering and Metering Requirements Task Force will be tasked with revising Manual 1: Control Center and Data Exchange Requirements.

"Manual 1 is deserving of a rewrite; it's been too long," PJM's Ryan Nice said. "Metering is important because it's a large capital investment, and it feeds into a lot of settlement applications."

The changes will aim to address "long-standing clarity and readability issues" that have caused gaps between PJM's "intended meaning and member understanding" on metering requirements, according to the problem statement.

Among the topics to be considered are meter maintenance and calibration standards. The group will examine existing metering infrastructure and common practices, particularly among transmission owners.

The work is expected to take three to six sessions.

Members should send names of those interested in joining the task force to ryan.nice@pjm.com.

Continued on page 9

PJM NEWS

Transmission Expansion Advisory Committee Briefs

Candidates for AP South/AEP-DOM Fix Cut to 6

PJM has reduced the number of potential transmission fixes for the AP South/AEP-DOM constraints to six candidates.

Six other projects were eliminated following sensitivity analyses for changes in load forecasts and fuel prices.

The projects remaining cleared the 1.25 benefit-cost ratio under all sensitivities and also reduced both AP South and AEP-DOM congestion in combined 2019 and 2022 simulations.

The six proposals include three by Dominion Resources and one submitted by Dominion High Voltage Holdings and Transource Energy (itself a partnership of American Electric Power and Great Plains Energy).

The finalists also include one project each from LS Power and Duke-American Transmission Co. Costs of the projects range from $25 million to $301 million.

The fuel price sensitivity looked at natural gas costs $1/MMBtu higher and lower than the prices assumed in the base case. The load forecast sensitivity included an increase and decrease of 2% in load.

LS Power's Sharon Segner questioned the planners' screening. "There's nothing that puts any kind of weight on the cost side and cost containment," she said. LS Power's $48.6 million proposal includes a cost cap.

Paul McGlynn, PJM general manager of system planning, said planners will consider cost certainty in further pruning the list of finalists.

Planners hope to select a winning project in time to include it in the 2015 Regional Transmission Expansion Plan.

Last month, they announced the selection of 11 other market efficiency projects with a combined cost of $59.2 million to address congestion in other areas of the footprint. (See "11 Market Efficiency Projects Selected; 12 still in running for AP South/AEP-DOM," in *PJM TEAC Briefs*.) Those projects will be recommended to the PJM Board of Managers in October.

McGlynn noted that the RTO has done relatively few market efficiency projects in the past. "We're very pleased to be having on the order of a dozen [market efficiency] projects to be taking to the board," he said.

Planners also will reevaluate nine proposed projects to address constraints on the Loretto-Wilton Center 345-kV line, which caused the COMED locational deliverability area to bind in the 2018/19 Base Residual

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Operating Committee Briefs

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Proposal Would Curtail RegD Resources in Regulation Market

The Regulation Performance Impacts group has proposed a modified benefits factor curve and a situational cap on "RegD" megawatts to address the issue of PJM's regulation market purchasing too much of the fast-responding resources at times.

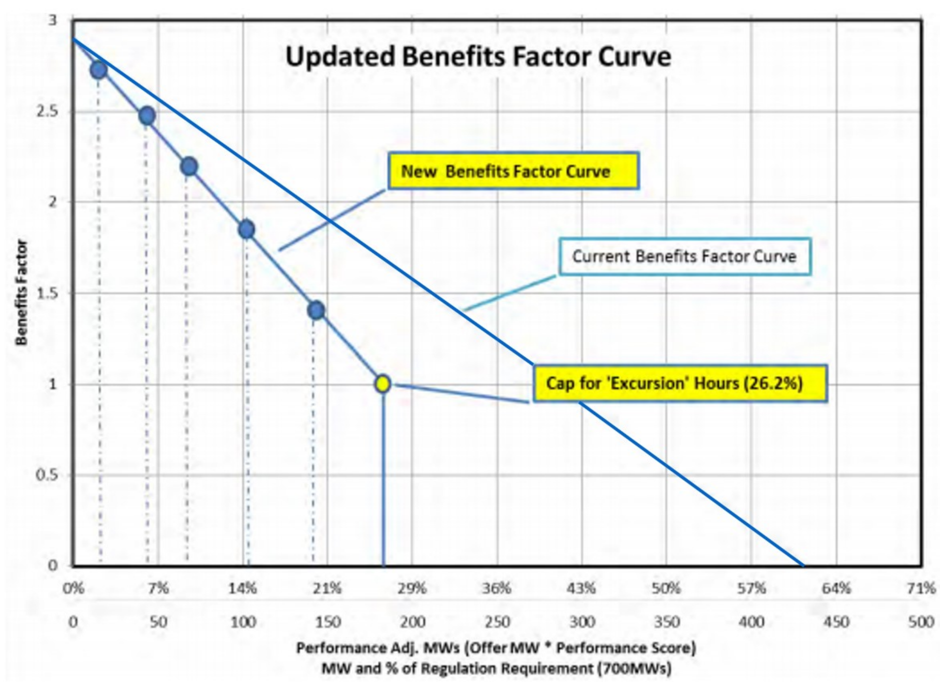
"We believe currently the benefit curve factor is not defined correctly," PJM's Eric Hsia said. "There is a need to change. This is a starting point." (See *PJM Market Monitor: Faulty Marginal Benefit Factor Harming Regulation*.)

The solution, which will be brought up for a vote at the group's Sept. 25 meeting, involves moving the benefits factor curve to the left so that it is at 0 at 40%. A cap of 26.2% also would be implemented during identified excursion hours — hours when dispatch frequently manually moves the regulation signal.

In addition, the group proposes a "tie-breaker logic" for the benefits factor ranking to address the issue of the adjusted total cost formation being ineffective when RegD self-schedules or is offered at $0.

"We want to review this quarterly," Hsia said. "Nothing's etched in stone."

— Suzanne Herel



To fix a problem with the way PJM is acquiring regulation resources, it is considering moving the benefits factor curve to the left so that it is at 0 at 40%. A cap of 26.2% also would be implemented during identified excursion hours — when dispatch frequently manually moves the regulation signal. *Source: PJM*

PJM NEWS

Transmission Expansion Advisory Committee Briefs

Continued from page 9

Auction in August. COMED cleared at $215/MW-day, $50 above the RTO price. (See PJM Capacity Prices Up 37% to $165/ MW-day.)

The projects, with costs ranging from $11.5 million to $290 million, fell short of the 1.25 benefit-cost ratio in the original analysis. But one or more could clear the threshold if the analysis shows they can increase COMED's capacity emergency transfer limit, McGlynn said.

Reliability Projects

The 2015 RTEP also will include reliability projects selected from among 91 proposals — 26 transmission owner upgrades and 64 greenfield projects — made in response to Window 1, which closed July 20. The window covered N-1 and N-1-1 thermal and voltage problems as well as generation deliverability and common mode outage and load deliverability issues.

The proposals range in cost from $13,000 to $167.1 million.

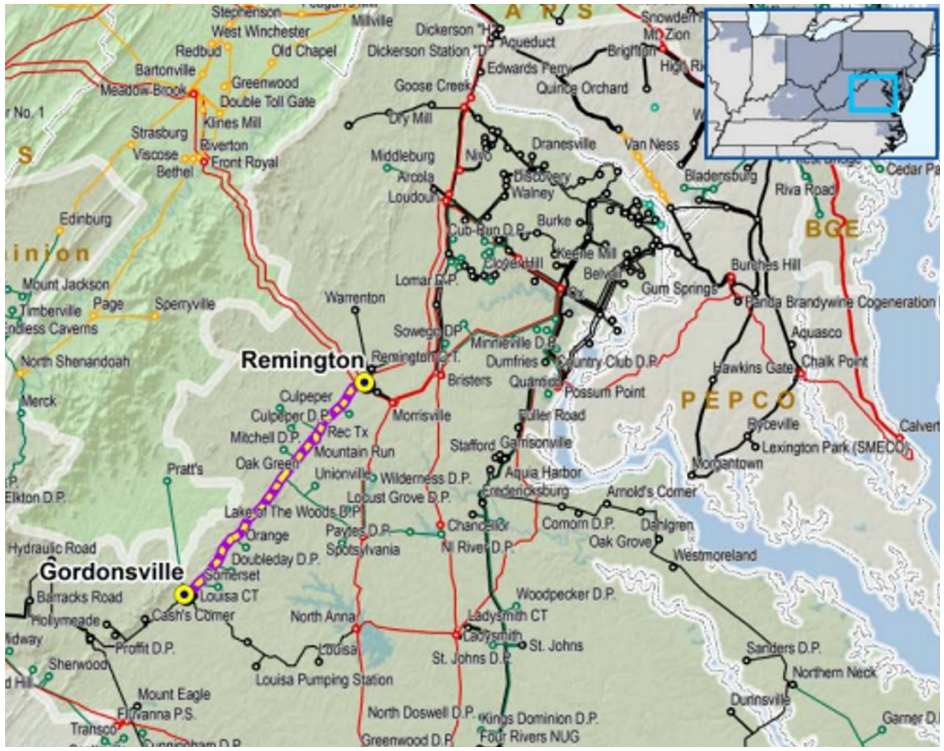
The RTEP recommendations also will include dozens of generation-related network upgrades (see pp. 34-68 of the PJM presentation).

Meanwhile, planners have begun reviewing proposals received in response to Window 2, which closed Sept. 4. The window sought solutions for transmission owner criteria and light load reliability criteria violations.

High Voltage Problem in AEP

Planners are considering more than $51 million in transmission upgrades to address a large increase in the number of high-voltage warnings in the AEP transmission zone and northeastern Mid-Atlantic regions. AEP also has seen a large increase in reactor switching for both low- and high-voltage conditions.

The problems, which generally occur during light load periods, are resulting from changes in dispatch due to new and deactivated generation, reactive support deficiencies and increased line charging from new transmission facilities.



Planners' recommended fix for reliability problems near Pratts, Va. *Source: PJM*

Planners are considering spending $51 million to install a 450-MVAR static VAR compensator at the Jacksons Ferry 765-kV substation and a 300-MVAR shunt line reactor on the Broadford end of the Broadford–Jacksons Ferry 765-kV line in southern AEP.

They're also planning six new shunt reactor installations in New Jersey, the cost of which is still being finalized.

Pratts Area Update

Planners said they will recommend selection of a Dominion project that requires no new right of way to address reliability problems near Pratts, Va.

Dominion will build a new 230-kV line from the Remington substation to the Gordonsville substation and install a third 230/115-kV transformer at Gordonsville at an estimated cost of $103.7 million.

PJM announced last month it was reconsidering its selection of the Gordonsville-Pratts-Remington transmission upgrade after learning that it will require about 18 miles of new rights of way, far more than initially believed. The proposal from Dominion Resources and FirstEnergy was estimated at $129 million to $164 million.

The Virginia State Corporation Commission, which would have to approve the project, says that existing rights of way should be given priority as the locations for transmission additions.

In response to a question, McGlynn said planners had not independently verified Dominion's assertion that the new line could be built in the existing 115-kV corridor. "We relied on the work of the entities that proposed the project," he said.

A representative from Madison County, Va., which had urged PJM to reject the original plan, praised the new solution, saying it was "symmetrical with the identified need and an appropriate fix." The county had complained that the original project was unnecessarily large for the rural county.

— Rich Heidorn Jr.

PJM NEWS

Market Implementation Committee Briefs

PJM to Consider Masking FTR Ownership

VALLEY FORGE, Pa. — DC Energy's Bruce Bleiweis appears to face an uphill fight in his effort to win a rule change to mask the ownership of financial transmission rights.

Bleiweis' problem statement won 61% support in a roll call vote of the Market Implementation Committee last week following protests from some members and the Independent Market Monitor.

Most problem statements are approved by acclamation, but members made clear there were too many differing opinions for such an endorsement in this case. Bleiweis would need to boost his support to a sector-weighted two-thirds majority to win approval at PJM's senior committees.

Currently, all RTOs publish the identities of FTR holders when posting auction results. However, PJM does not disclose the ownership of other products, according to Bleiweis. (See "PJM Asked to Consider Masking FTR Ownership" in *PJM Market Implementation Committee Briefs*.) ISO-NE has begun a process by which it will post FTR market data only in the aggregate, according to the problem statement.

"We think this is a terrible idea," said Market Monitor Joe Bowring, noting, as other speakers did, that members at the same time are being asked to consider relaxing some rules around data confidentiality. (See "Conversation Continues on Relaxing Confidentiality Rules".)

"Reducing transparency at a time we're talking about increasing transparency is a bad idea," he said.

Carl Johnson, representing the PJM Public Power Coalition, concurred. "We would not support this as a one-off proposition," he said. "It goes against transparency."

Steve Lieberman of Old Dominion Electric Cooperative agreed. "From where I sit, it's bad timing," he said. "We just don't view this as a problem."

Bleiweis said the ownership disclosure was a problem because it allowed people to analyze companies' positions, which can lead to unfair market advantages.

"We've spent 10 years advocating for more transparency. At this point, we just want parity because we haven't gotten any sense that membership will move toward more transparency with other products," he said. "We just want to be treated like everybody else."

The initiative was assigned to the MIC. The work is expected to take three to five months.

Security change timeline. *Source: PJM*

Conversation Continues on Relaxing Confidentiality Rules

Members weighed in with their concerns in a discussion over proposed manual changes that would relax PJM's data confidentiality rules.

The Markets and Reliability Committee approved a problem statement and issue charge on the subject in July. (See *PJM Considering Release of Uplift, Outage Data*.)

Under the proposed changes, PJM would be permitted to release data in six areas:

- Concluded individual generation outages, if it was determined to be relevant to an event on the grid, such as severe weather;
- Demand response reply available in localized areas;
- The identities — but not the offers — of resources committed in capacity market auctions;
- Uplift payments in an area no smaller than a transmission zone, for a time period no shorter than a single operating day;
- Aggregated statistics related to the execution and results of the Three Pivotal Supplier test, an addition requested by the Monitor; and
- Information already in the public domain.

Some members worried that details about generation outages during a severe weather event might allow competitors to calculate non-performance charges under the new Capacity Performance product. Others suggested that data in the public domain be restricted to information released by the affected company in order to ensure its accuracy. PJM also was asked to provide clarity regarding whom it would release such information to.

Changes Coming to Settlement Process?

PJM is considering changing rules governing how electric distribution companies correct settlement errors.

The Settlement C process allows EDCs to correct significant errors 60 days after an initial settlement is performed, but its efficacy is limited by a requirement that all affected parties must consent to the resettlement.

PJM introduced a problem statement and issue charge that would ask the Market Settlements Subcommittee to determine whether changes need to be made to the process.

The issue was brought to PJM's attention by Dayton Power and Light, Direct Energy and Pepco Holdings Inc.

Implementation of any accepted proposals is expected by the third quarter of 2016.

Tier 1 Compensation Manual, Tariff Changes Delayed

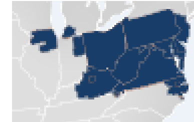
The MIC deferred until its next meeting consideration of manual and Tariff changes designed to reflect a Tier 1 compensation proposal that members approved in July. The delay was requested by Dave Pratzon of GT Power Group.

Enhanced Security Updates in the Works

PJM is updating its security rules for accessing the RTO's website, with changes to password length, security questions and timeout restrictions. Customer account managers and users will be able to start creating system accounts Sept. 15. The changes are expected to be complete in the second quarter of 2016.

— Suzanne Herel

PJM NEWS



Planning Committee Briefs

Proposed Increase in Reserve Margin Sparks Opposition from Load

Load representatives said Thursday they will oppose PJM's proposal to increase the installed reserve margin (IRM) to 16.6%, from 15.7%.

"There's going to be a lot of push back on this," said James Wilson, a consultant to state consumer advocates, who criticized what he called PJM's "arbitrary" choice of a load model. "There are a number of load models that would fit equally well" but result in lower reserve margins, Wilson said.

Ed Tatum said the proposal prompted a "fairly violent" reaction among his colleagues at Old Dominion Electric Cooperative and threatens to renew the "IRM wars" of previous years.

Tatum said the increase in the IRM was "counterintuitive" given the higher performance expectations of PJM's new Capacity Performance product. As a result, he said, load representatives will challenge the "overly conservative" assumptions PJM used in calculating the figure.

PJM's Patricio Rocha-Garrido said the increase resulted from changes in 2015 capacity and load models as well as a decline in the capacity benefit of ties (CBOT) — expected capacity imports.

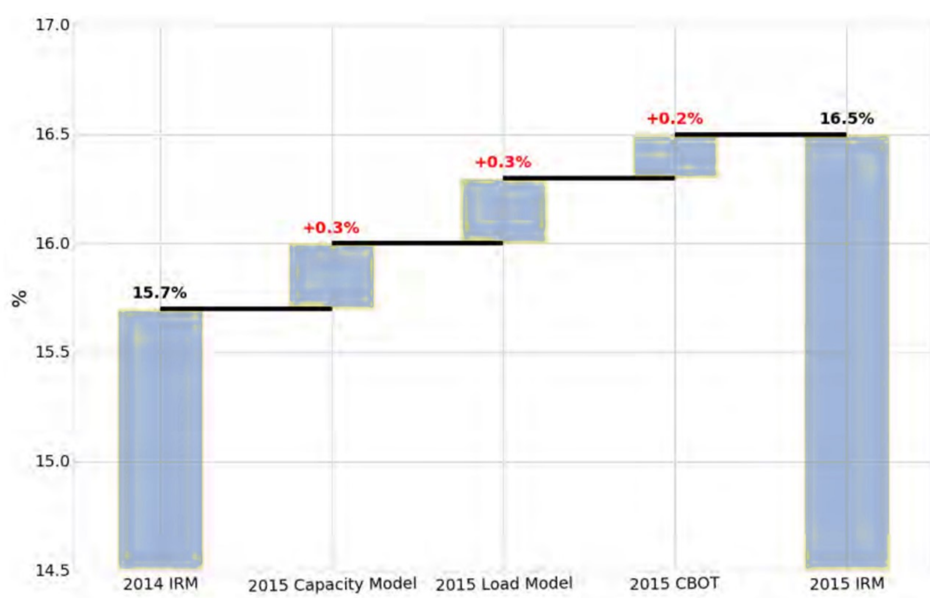
Rocha-Garrido noted that seemingly large increases in IRM may not have that much impact on the forecast pool requirement (FPR), which determines the amount of capacity procured in the annual Base Residual Auction.

The reliability requirement is calculated based on the 50/50 peak load forecast for the delivery year multiplied by the FPR. The FPR is increasing from 1.0847 to 1.0881 (from 8.47% to 8.81% above the peak load forecast.)

The increase is a result of a new load model (2003-2012) that better represents the coincident peak distribution in the 2015 load forecast, Rocha-Garrido said.

The CBOT was reduced because the "rest of world" peak demand is becoming more coincident with the PJM peak, he said.

PJM will seek members' endorsement of IRM and associated parameters for delivery years 2016 through 2019 beginning in October, with final approval by the PJM board expected in December or January.



Sources of proposed increase in PJM's installed reserve margin. (CBOT = capacity benefit of ties) *Source: PJM*

Action Delayed on Voltage Threshold for Competitive Projects

PJM delayed a vote on a plan to exclude transmission reliability projects below 200 kV from competition, saying it wants to refine the proposal in response to stakeholder comments.

PJM said reliability projects below 200 kV are almost always allocated to one zone and thus automatically assigned to the incumbent transmission owner. The "voltage floor" would allow the RTO to eliminate the cost of evaluating competitive proposals in cases where the likely solution is a transmission owner upgrade. It would not apply to market efficiency projects.

Competitive developers expressed reservations about the proposal at the August PC meeting. (See "Developers Wary of 'Voltage Floor' on Competitive Projects" in *PJM Planning Committee Briefs*.)

At last week's PC, PJM distributed an expanded chart for how the RTO would handle projects between 100 kV and 200 kV and those above 200 kV or below 100 kV. PJM's Sue Glatz said the chart "narrows the scope of discretion" for PJM in determining whether or not to open a project to competition.

ITC Holdings' John Kopinski said the chart made his company more comfortable with the proposal, which he said was consistent with the FERC-approved process for deciding which projects are competitive and which are reserved for incumbents. "You're not really changing what's competitive and what's not," he said.

Paul McGlynn, general manager of system planning, said PJM will modify the chart and proposed Operating Agreement language to reflect stakeholder comments from the meeting. PJM would like to implement the change in time for the 2016 Regional Transmission Expansion Plan.

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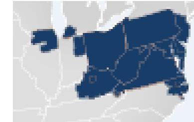
PJM NEWS



Planning Committee Briefs

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New Methodology Could Lower Summer 2018 Forecast by 2.6%; Winter down 1.8%

PJM could lower its 2018 summer peak load forecast by 2.6% as a result of new forecasting methodology that incorporates more recent economic data, a shorter weather simulation and the energy efficiency of air conditioners and electric appliances.

The new methodology also would reduce the winter 2018 forecast by 1.8% over the current official projection.

The forecast outlined to the PC last week will be finalized after an additional update to economic data, equipment index trends and any additional equipment "saturation" data by zones.

Manual language documenting the new methodology still needs to be developed and presented to the PC and MRC.

PJM said the new methodology will reduce the error rate for forecasts three years into the future to 1.5%, compared with the current method's 6.6%.

One significant change is the RTO's effort to improve its weather forecasts to reflect a trend of higher peak temperatures.

The RTO has based its forecasts on temperature and humidity data from 26 weather stations dating back to 1973. But a new analysis revealed that peak readings for 1993-2013 were higher than those for 1973-1993.

As a result, PJM's Andrew Gledhill said, the RTO plans to exclude the earlier data and rely on that from 1994/95. It will reevaluate the historical base about every five years. (See "Climate Change Impact? Higher Highs has PJM Adjusting Weather Forecasts," in *PJM Planning Committee Briefs*.)

ODEC's Tatum said PJM's plan to reevaluate the time sample for the weather forecasts could inject subjectivity into the mod-

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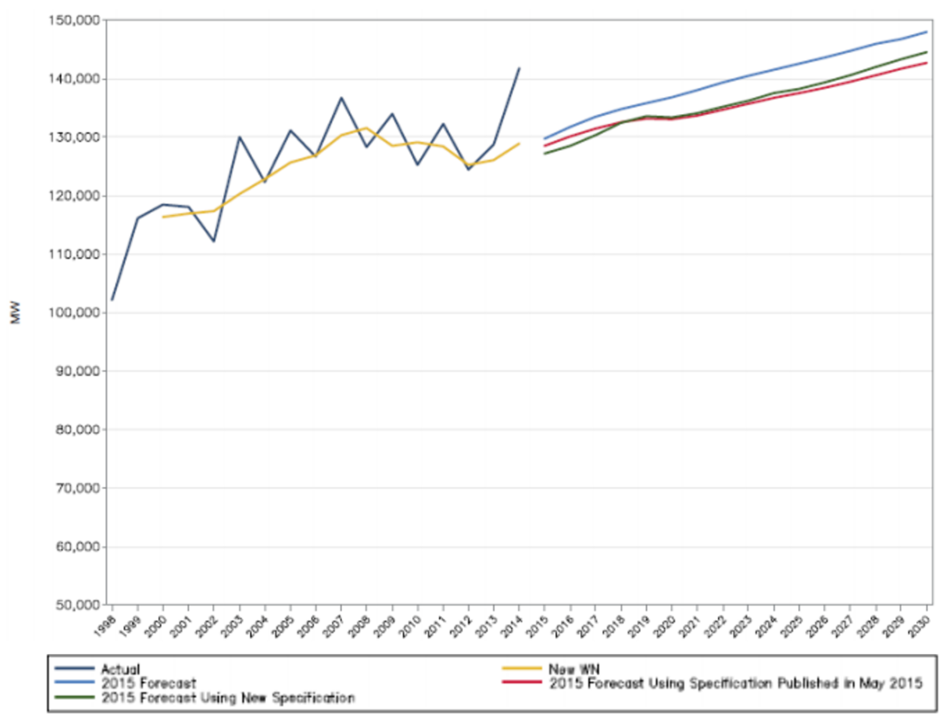
Proposed summer load forecast. *Source: PJM*



Proposed winter load forecast. *Source: PJM*

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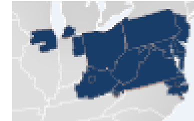

Planning Committee Briefs

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eling, creating a temptation to make changes "to get the answer you want."

But PJM's Tom Falin said the weather analysis will be done independently and not evaluated based on its impact on the forecast load.

At the Oct. 1 Markets and Reliability Committee meeting, PJM officials will discuss how they plan to incorporate the new methodology into its capacity auctions. Stu Bresler, senior vice president of markets, said adjustments will have to be made to ensure the RTO is not double counting energy efficiency, which can offer into the auction as a capacity resource.

Winter Peak Reliability Study

PJM planners last week outlined new rules for separately modeling winter reliability as part of the RTEP.

The changes to Manual 14B: PJM Region Transmission Planning Process would require planners to conduct a reliability analysis to ensure that the grid can deliver enough generation to meet the 50/50 winter peak. It will model generators by fuel class based on historical operation during winter peak loads. In the past, PJM has planned for reliability based only on its summer peak load.

The changes will be brought to an endorsement vote at the PC next month, with plans to incorporate the study in the 2016 RTEP.

At the Transmission Expansion Advisory Committee meeting later Thursday, planners presented the results of a "dry run" of the draft criteria. (See pp.11-24 of the presentation.)

The rules define winter as December through February.

The analysis looked at thermal and voltage violations both with and without consideration of gas contingencies. The North American Electric Reliability Corp.'s transmission planning standard (TPL-001-4), which takes effect Jan. 1, requires PJM to consider extreme system events such as the loss of a large gas pipeline serving significant generation.

PJM analyzed 30 gas pipeline and compressor failure contingencies that could result in the loss of 1,000 MW or more of generation.

Two contingencies, for pipeline outages in EMAAC, suggested the potential loss of 10,000 MW of generation, although officials said the generation would not go offline immediately because of the ability to burn "line pack" gas.

McGlynn said the results of the winter study did not suggest "the sky is falling" but reinforced the need for criteria to capture problems not seen in the light load or summer analyses.

Manual Language on Multi-Driver Projects OK'd

Members approved manual changes documenting how PJM will oversee transmission projects that have multiple benefits. The new rules on multi-driver projects are documented in manuals 14B and 14A: Generation and Transmission Interconnection Process.

Multi-driver projects have benefits in at least two categories, including baseline reliability upgrades, market efficiency and public policy.

States seeking to meet public policy objectives could sign on to projects after they have been approved. But once rights of way or equipment such as transmission towers have been acquired, states would be liable for costs "even if they didn't go forward with the solar farm or wind farm," said PJM's Fran Barrett.

Long-Term Firm Transmission Service Study

The PC approved the charter for a group considering changes to the way PJM conducts studies for long-term firm transmission service.

The group, which resulted from a problem statement approved in April, has met twice, with a third meeting set for Sept. 24.

It will determine if changes are needed to:

- Modeling practices for long-term firm transmission service requests (TSRs) in RTEP power flow cases;
- Study methods used in RTEP and new service queue studies; and
- Cost allocation requirements associated with long term TSRs.

PAR Transmission and Withdrawal Rights

Planners gave stakeholders the first read on rules governing how phase angle regulators (PARs) that redirect energy flows can qualify as controllable AC merchant transmission facilities.

The proposal resulted from a problem statement proposed last November by PSEG Energy Resources & Trade. PJM currently awards withdrawal and injection rights to controllable AC and DC merchant transmission facilities using only variable frequency transformer (VFT) technology, which excludes PARs. (See "PSEG Seeks Injection Rights for PARs" in *PJM Planning Committee Briefs*.)

The task force appointed to review the issue endorsed a PJM staff recommendation after staff determined through flow control analyses that PARs "did not show any significant deviation from other controllable AC or DC type installations."

The task force said that PARs did not harm holders of existing injection and withdrawal rights "assuming reinforcements identified for PAR installations were made."

PAR owners will be required to comply with rules governing allowable deviations for all resources that are self-scheduled. The operators must be able to control their flows automatically, with the ability to manually adjust.

PJM will allocate costs for PAR facilities consistent with the methodologies used for HVDC and VFTs.

The new rules will be added to Manual 14E: Merchant Transmission Specific Requirements; no Tariff change is required.

— Rich Heidorn Jr.

PJM NEWS

FERC ALJ Rejects $10 Million in PATH Transmission Project Recovery

Continued from page 1

advertising costs as well as part of their legal costs and losses on the sale of the property they acquired (ER09-1256-002, ER12-2708-003). The commission can accept the recommendations in whole or in part.

The proposed 765-kV "coal by wire" Potomac-Appalachian Transmission Highline project was approved by PJM in 2007 to run from AEP's John Amos coal generator in St. Albans, W.Va., to New Market in Frederick County, Md.

By 2011, however, PJM said the need for the line had moved several years beyond 2015 due to reduced load growth following the recession. The PJM Board of Managers ordered transmission owners to suspend work on the line pending a more complete analysis in 2011 of all upgrades in its regional transmission plan and terminated it in 2012.

Victory for *Pro Se* Interveners

Although the developers would recover most of their request, the judge's ruling was a victory for two PATH opponents from West Virginia, Keryn Newman and Allison Haverty, who filed a *pro se* intervention challenging the companies' request for recovery of $6 million in spending on lobbying and advertising campaigns intended to win political support for the project. The judge denied recovery of any of the expenses.

Baten also said $3.6 million in losses that the companies incurred on past land sales are not recoverable and that recoveries from any future land transactions "must be accomplished by commercially reasonable procedures."

Proposed PATH transmission line. *Source: PJM*

The judge also denied recovery for part of $3.9 million in legal expenses, for which the companies' failed to provide documentation, and cut the companies' proposed 10.4 % return on equity for the abandonment costs to 6.27%.

But Baten approved recovery for the purchase of property for a planned substation in Maryland and rejected a request by state consumer advocates to reject $29 million in spending incurred in 2010-2012 as imprudent.

The advocates said that the PATH companies should have recommended to PJM that the project be terminated by the beginning of 2010 and that expenses between that point and the actual termination should be denied.

The judge ruled that the expenses were recoverable because the PATH companies had a contractual obligation to construct the transmission projects as assigned by PJM. "The PATH companies did behave as a prudent utility by proceeding with their assigned obligations until otherwise instructed by PJM," he wrote.

First Impression

Baten said that the case "presents significant issues of first impression" on FERC Order 679, a 2006 initiative that sought to accelerate transmission investment through incentives.

"This case addresses some new issues and gives the commission a unique one-stop opportunity to review and set policies for the comprehensive litigation scheme arising from Order No. 679," Baten wrote.

The PATH project was initiated with PJM's 2007 Regional Transmission Expansion Plan, and in 2008 FERC accepted a formula rate that entitled the developers to recover all prudently incurred costs if the project were cancelled.

In 2012, the companies filed for recovery of $121.5 million in abandonment costs. After settlement attempts with opponents failed, hearings in the case were held in March and April.

Lobbying Campaign

The *pro se* interveners contested spending on public relations agencies, advertising and public coalitions intended to influence public officials during the zoning and certificate of public convenience and necessity (CPCN) proceedings in Maryland, Virginia and West Virginia.

"When utilities are seeking selection or CPCN approvals from governmental entities, the utilities should rely on the established governmental approval processes to persuade the officials and not indulge in collateral efforts such as public education, outreach and advertising activities," the judge ruled. "… If the selection or CPCN application has merit, the governmental selection process provides a sufficient vehicle for the utilities to present their engineering, marketing and economic studies and thereby hope to merit the vote of approval from these officials. In this regard the PATH companies spent over $8 million on attorney fees to prosecute the CPCNs before the respective governmental bodies, which begs the need for these collateral expenses."

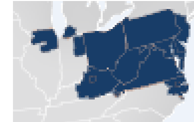
Among the spending rejected was $332,000 on a public opinion poll, $2.7 million in advertising and $94,000 paid to the then head of the West Virginia Democratic Party, Larry Puccio.

The judge said that the "nature and origins of the PATH companies' business relationship with Puccio are somewhat amorphous" and that the companies paid him $31,000 "before his assignments were even formulated."

"The invoices of record provide little description of his services. When the PATH companies were asked in discovery to provide additional details, their response was that such records are not available.

"While the PATH companies make protestations that Puccio's services were not to lobby and instead were to educate the public and public officials, without proper documentation the only factual inference that can be drawn is that his services were to influence public officials, and the PATH companies have failed in their burden of proof to show otherwise."

PJM NEWS



FERC Again Denies Polar Vortex Make-Whole Payments

By Michael Brooks

The cold weather temperatures produced by the polar vortex of January 2014 continue to haunt FERC.

The commission has denied another generator's request for $1.3 million in make-whole payments for natural gas it purchased that was never used during the event, citing rules against retroactive ratemaking (ER15-952).

New Jersey Energy Associates, which owns the 290-MW South River combined-cycle plant, said PJM asked that a planned outage for the plant be canceled so it could be available for dispatch on Jan. 27, 2014. The plant purchased $2.7 million worth of gas, having been assured by PJM that it would be compensated for its fuel costs, according to NJEA. The RTO, however, repeatedly canceled the plant's scheduled start time, forcing it to sell the gas at a $1.3 million loss.

The claims are similar to those of Duke Energy and Old Dominion Electric Cooperative. During the same week as NJEA's claim, Duke purchased gas for $12.5 million when PJM said that its Lee plant in Illinois would be needed. The plant was never called on, however, and Duke was forced to sell the gas at a loss of $9.8 million. ODEC complained that PJM canceled multiple dispatches that left gas it had purchased unused and that it was due $15 million. (See Duke, ODEC Denied 'Stranded' Gas Compensation.)

FERC, however, remained steadfast on its assertion that these kinds of complaints constitute retroactive ratemaking.

"Ratepayers had not received any prior notice of NJEA's requested relief, which was sought roughly 12 months after the events in question," the commission said. "We therefore conclude, as we did in the similar Duke and ODEC cases, that the relief sought by NJEA is prohibited by the filed rate doctrine and rule against retroactive ratemaking."

FERC, however, did find that NJEA was entitled to recover its start-up costs under PJM's Tariff. The Tariff allows market participants to recover costs related to the start-up of resources offered in the day-ahead energy market if PJM cancels its selection of those resources. While NJEA did not specify how much they would be allowed to recover under this provision in its complaint, it said "this would only be a fraction of its actual unrecovered costs."

As he did in the Duke and ODEC cases, Commissioner Philip Moeller dissented. He once again noted that PJM is the only grid operator that does not allow its participants to vary their day-ahead energy market offers by hour or update their offers in real time.

As a result of the Duke and ODEC complaints, FERC found that PJM's Tariff was potentially unjust and unreasonable in this regard and ordered the RTO to make Tariff changes by Nov. 1. While PJM agreed that changes were needed, and it began the stakeholder process to do so, the RTO told the commission in July that it would need until Nov. 1, 2016, to resolve the numerous questions raised by the changes (EL15-73).

"In light of this delay in reforming PJM's markets," Moeller argued, "the majority's repeated failure to guarantee cost recovery for generators acting in good faith to ensure system reliability may regrettably impact reliability during the approaching winter of 2015-2016."

PJM Transition Auction Means Reprieve for Exelon Nukes

Continued from page 1

ing price cap was $210.83/MW-day, or 60% of the net cost of new entry.

Bresler said the results showed "a very steady, very rational progression of clearing prices given the steadily increasing proportion of our reliability requirement that we procured as Capacity Performance for these three delivery years."

The RTO-wide clearing price was $134/MW-day for the 2016/17 transition auction, which obtained 60% of total requirements as CP. (See *PJM 2016/17 Transition Auction Clears at $134/MW-day*.)

The transition auction for 2017/18, which cleared $17.50/MW-day higher, procured 70% of total requirements. Neither transition auction had locational restraints.

In the Base Residual Auction for 2018/19, where 80% of resources were CP, most of the RTO cleared at $164.77.

New Generation in COMED, ATSI Zones

Total capacity offered into the 2017/18 transition auction was 133,769 MW. Of the capacity that cleared, 102,178 MW represented resources committed in previous auctions that now will be converted to the new product at a higher price.

About 10,000 MW of the CP that cleared were from resources that did not clear in the Base Residual Auction in 2014, less than 9% of the total.

Bresler said most of the newly cleared generation was in the COMED (almost 4,000 MW) and ATSI (more than 2,300 MW) zones.

"I think it was fairly well publicized after the Base Residual Auction for '17/18 the resources that did not clear," he said. "It just speaks to those that were available to do so in this particular auction from those zones. And I think that's what we saw."

PJM reported that 4,339 MW of nuclear cleared for the first time in the transition auction.

Exelon confirmed that Byron Units 1 and 2 (2,336 MW) and Quad Cities Units 1 and 2 (1,737 MW) in Illinois, which did not clear the BRA for 2017/18, were among the winners this time around. (See *How Exelon Won by Losing*.)

The company said Thursday that it will continue operating Quad Cities through at least May 2018. Byron is already obligated to operate through May 2019. It said it will bid all its eligible nuclear plants, including Quad Cities, Byron and Three Mile Island into the 2019/20 PJM BRA next year.

Continued on page 17

PJM NEWS

PJM Transition Auction Means Reprieve for Exelon Nukes

Continued from page 16

"While Quad Cities and Byron remain economically challenged, we are encouraged by the results of the recent capacity auctions. The new market reforms help to recognize the unique value of always-on nuclear power, while preserving the reliability of our electric system," Exelon CEO Chris Crane said in a statement.

"However, these plants are long-lived assets with decades of useful life left, and today's decision is only a short-term reprieve. Policy reforms are still needed to level the playing field for all forms of clean energy and best position the state of Illinois to meet [the Environmental Protection Agency's] new carbon reduction rules."

The company said it will "continue its dialogue" with Illinois policymakers for state support for the nuclear units.

New Coal Also Clears

Some 4,165 MW of coal-fired generation also cleared for the first time in the transition auction.

In total, coal cleared 37,455 MW; gas 35,298 MW; and nuclear 29,970 MW.

Higher percentages of energy efficiency (almost 28%) and demand response (65%) came from new rather than previously cleared resources. Of 700 MW of DR acquired, 455 MW represented new commitments.

"I can't really speculate on the drivers there," Bresler said. "My hypothesis, I guess, would be that these demand response providers have since the Base Residual Auction for '17-18 found additional resources that could provide the Capacity Performance level of reliability and therefore offered those resources into the auction."

$1.7 Billion Increase

The Base Residual Auction for 2017/18 — held in 2014, before the introduction of the tougher CP requirements — cleared at $120/MW-day in most of PJM, with the PSEG locational deliverability area at $215. (See Capacity Prices Jump Following Rule Changes.)

The incremental cost of the transition auction was $1.7 billion, below the estimate of $3.1 billion to $4.2 billion PJM and the Market Monitor had predicted, Bresler said.

Independent Market Monitor Joe Bowring declined to comment on the results aside from saying that they were consistent with the rules. He said his office is working on a comprehensive report on all three CP auctions.

Walter Hall, of the Maryland Public Service Commission, said his agency is keeping an eye on how the prices will affect consumers. "Obviously, it's going to increase prices somewhat," he said. "That is a negative. It is a problem, but it's a problem we knew was coming."

Dan Griffiths, executive director for the Consumer Advocates of PJM States, said he still had to review the numbers.

But, he said, "I don't think our position has changed, that this was an extremely excessive solution to the problems we faced."

PJM, he said, "never considered the impact on consumers."

Higher Risks, Rewards

The Capacity Performance construct allows capacity resources to receive higher prices in exchange for taking on stiffer penalties for non-performance.

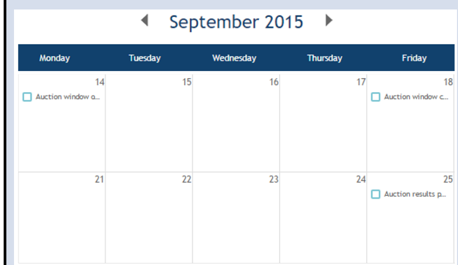
The transition auctions, part of a five-year shift leading to 100% CP for the 2020/21 delivery year, had been delayed in order to allow DR and energy efficiency resources to participate, per a FERC order.

Under the rules of the transition auctions, participation is optional, and market participants may offer all or part of resources that were committed under the Base Residual Auctions for those years as Capacity Performance resources.

The RTO's 2018/19 Base Residual Auction, the first BRA under the CP rules, saw prices rise 37% to $164.77/MW-day in most of the RTO, while the COMED zone broke out at $215 and Eastern MAAC hit $225.42.

CP resources were priced at a $15/MW-day premium to base capacity in most of the RTO. In the winter-peaking PPL LDA, the premium was $90. (See PJM Capacity Prices Up 37% to $165 /MW-day.)

Transition Auction Capacity not Included in Incremental Auction



None of the 10,017 MW of additional capacity committed in the 2017/18 transition auction will be calculated in this week's incremental auction for the delivery year, PJM said.

"Originally, we said yes, the new commitments — the incrementally additional committed megawatts — would be rolled into capacity," Stu Bresler, PJM senior vice president for markets, told the Market Implementation Committee. However, he said, "The Tariff will not allow us to do that. It's very specific in the calculation of how many megawatts we procure or release."

But, he said, PJM believes that incorporating new capacity into the incremental auctions is "the right thing to do" and will be introducing a Tariff change at the Oct. 1 meeting of the Markets and Reliability Committee.

If a load forecast changes between a Base Residual Auction and the corresponding delivery year's incremental auction, PJM adjusts its reliability requirements, Bresler said.

"Conceptually, if the reliability requirement goes up, PJM could buy more capacity. If it goes down, which has been the trend, the requirement drops, and PJM could sell off previously committed capacity in the incremental auction," he said. "Participants could buy that as replacement."

Bresler said that if the Tariff change is approved, PJM expects to include additionally committed capacity in the third incremental auction for the 2016/17 year, to be held in February. The transition auction for that year procured 4,246 MW of additional capacity.

— Suzanne Herel

SPP NEWS

Briefs

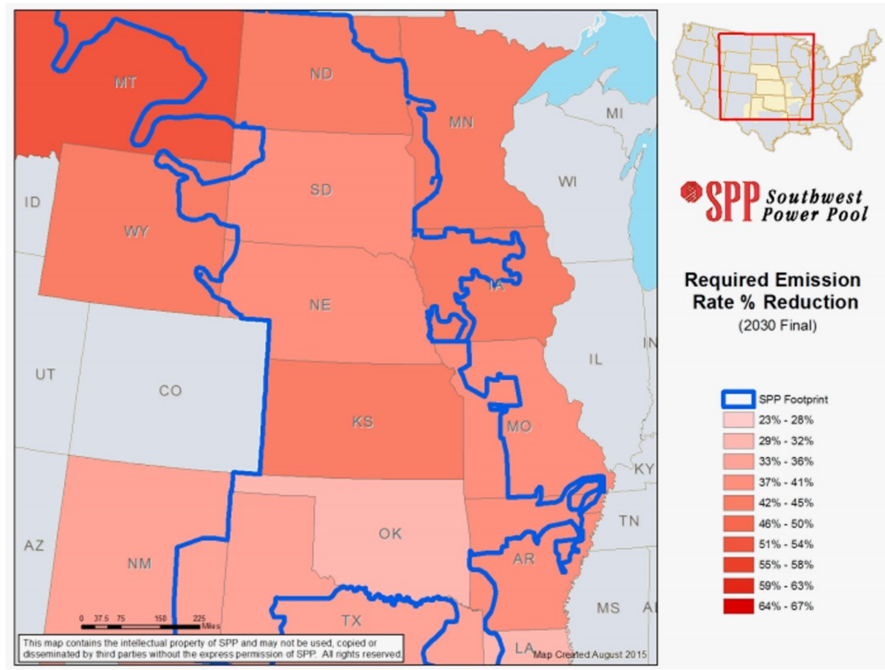
SPP Ramping Up for EPA Carbon Rule

SPP is preparing for the Environmental Protection Agency's Clean Power Plan by beginning outreach to state officials and planning to form a task force under its Strategic Planning Committee.

The RTO scheduled a two-hour webinar to kick off the effort on Friday, Sept. 18. Lanny Nickell, SPP's engineering vice president and point man for CPP compliance, told the SPC during its August meeting that all 14 states in the RTO's footprint have been invited.

While there have been no requests for SPP to develop a plan or trading rules, the RTO says a regional approach would be easier to implement.

The SPC tabled a motion to form a CPP task force and instead asked staff to work with Golden Spread Electric Cooperative's Mike Wise, the committee chair, to draft a scope document to better understand and pursue the regional-trading issue.



Emission rate goals under final Clean Power Plan for states in SPP footprint. *Source: SPP*

Nickell said SPP will include modeling futures based on the final EPA rule in its 2017 Integrated Transmission Plan's 10-Year Assessment to determine how it impacts the RTO's transmission needs.

SPP's regulatory staff is currently meeting with key state legislators, according to an update given to another task force responsible for gas-electric timeline coordination.

SPP-MISO Settlement to be Filed Oct. 9

David Kelley, SPP's director of interregional relations, told the RTO's Seams Steering Committee last week that SPP and MISO plan to file a settlement agreement with FERC on Oct. 9 that could bring an end to their dispute over the latter's use of a 1,000-MW contract path between its North and South regions.

"There's not a lot I can share publicly," Kelley said, "but I can discuss the schedule."

The proposed settlement also was discussed by MISO members at meetings last month. (See "Settlement with SPP over 1,000-MW Limit Will Eliminate 'Hurdle Rate'" in *Markets Committee Briefs*.)

SPP RE Reliability Assessment Webinar

SPP and the SPP Regional Entity have scheduled a 30-minute webinar on the 2015 winter reliability assessment for Sept. 23. SPP RE staff will present an overview of the draft assessment and solicit feedback before it is finalized with the North American Electric Reliability Corp.

Registrants will receive the draft assessment and presentation for review.

— Tom Kleckner

Fitch Affirms SPP's Ratings; Outlook Stable

Fitch Ratings affirmed SPP's long-term debt rating at A (third-highest) and its short-term grade at a top-ranked F1. Fitch said approximately $267 million of SPP debt was affected by the rating action, which came with a stable rating outlook.

Fitch said the ratings reflect SPP's predictable cash flows as a result of its FERC-approved Tariff, which provides for the full recovery of all costs. It also cited the low business risk of its transmission operations, the investment-grade credit worthiness of its members and FERC's "supportive federal regulatory environment."

Fitch found SPP's current liquidity position to be "sufficient," with a $30 million unsecured revolving line of credit and approximately $43 million of unrestricted cash and cash equivalents.

Fitch said SPP's voluntary membership remains "a modest credit concern," which is mitigated by exit fees "equal to its share of SPP's outstanding debt and other committed expenses." Fitch also noted SPP's exposure to a market participant's payment default "is minimized by the collateral requirements as well as bylaws that allow for costs of the default to be spread among the remaining market participants."

— Tom Kleckner

COMPANY BRIEFS

SunEdison Buying a Third Of Dominion's Solar Assets

SunEdison will pay $300 million for 33% of Dominion Resources' solar assets, which are rated at 425 MW.

The deal, announced last week, gives SunEdison the option of acquiring the rest of Dominion's solar portfolio, which includes 24 projects in California, Connecticut, Georgia, Indiana, Tennessee and Utah. Fifteen of the facilities went into service in 2013 or 2014. The rest are scheduled to go into service this year. All have long-term power purchase agreements in place. The agreement needs the approval of FERC.

Dominion CEO Thomas Farrell II said the company is not getting out of the solar business, but is "shifting from constructing contracted solar to constructing utility solar in Virginia, where we expect 400 MW of generating capacity by 2020."

More: *MarketWatch*; *NASDAQ*

Energy Storage Market Showing Signs of Record Quarters

The price for energy storage is coming down, with the median price for utility-scale battery systems in the $900/kWh range in the first and second quarters.

GTM Research reported that the low price declined from $800/kWh in the first quarter to $750/kWh in the second. The decline was partly attributed to improvements in energy-storage technology, as well as competitive pressure from Tesla, which announced it aimed to turn out batteries for about $250/kWh.

Meanwhile, battery deployment continues to rise, with 40.7 MW of capacity installed in the second quarter, six times the amount reported in the previous quarter and nine times more than the previous year.

More: *GTM Research*

Solar Capacity Hits Record Of Almost 1,400 MW Installed

The second quarter of 2015 saw solar power capacity installation of 1,393 MW, pushing the market total to about 20 GW. Most of the new capacity was from utility installations.

Residential solar, too, set a record, with 473 MW being installed in the same quarter, a 70% increase over the same period the year before, according to the Solar Energy Industries Association quarterly market report.

SEIA President Rhone Resch urged government to maintain the momentum by renewing the investment tax credit set to expire next year. "The demand for solar energy is now higher than ever and this report spells out how crucial it is for America to maintain smart, effective, forward-looking public policies, like the ITC, beyond 2016," he said.

More: *The Hill*

Duke Energy Adds 30 MW of Solar to Fleet, 132 MW more Coming

Duke Energy Renewables reported that it has completed construction of four solar farms in North Carolina, adding 30 MW of capacity to its solar stable. All four facilities are in Eastern North Carolina, and all are under contract to provide their output to Dominion NC Power.

Duke said it has three more facilities — totaling 132 MW — under construction, including one that will produce 80 MW, which it billed as the largest solar project east of the Mississippi.

Duke Energy Renewables already has 105 MW of solar generation in North Carolina.

More: *Charlotte Observer*

GE Gets European Regulators' OK for Alstom Acquisition

European regulators approved General Electric's $13.5 billion acquisition of the power generation portion of French company Alstom. Regulators said GE had addressed all antitrust concerns. GE wants to use Alstom's power generation and power grid equipment business to boost its presence in those industries.

GE CEO Jeffrey R. Immelt said the acquisition would bring the company back into the industrial equipment business and away from its previous foray into financing, which is seen as riskier. As a condition of the regulatory approval, GE has agreed to divest some of the Alstom power generation business to Italian company Ansaldo Energia.

More: *The New York Times*

Golden Spread's 'Beast,' Gas CTs Supplies SPP, ERCOT Grids

Golden Spread Electric Cooperative last week unveiled the first of three 191-MW natural gas turbines it is constructing at its Antelope Elk Energy Center north of Lubbock, Texas. The site is strategically located at the intersection of two major power grids.

The project incorporates General Electric's latest 7FA.05 combustion turbines, which can reach 70% capacity within 10 minutes, making them ideal to use in conjunction with the region's intermittent wind and solar production. Golden Spread is also installing grid-switching equipment that will allow the units to supply power to either SPP or ERCOT, the two electric grids in which Golden Spread serves its 16 distribution cooperative members.

ERCOT CEO Trip Doggett and SPP president and CEO Nick Brown were among those attending the power plant's debut. Brown applauded Golden Spread for having the vision to construct the Antelope Elk Energy Center at a crossroads between two major power grids, and to embrace a strategy to integrate quick-fire generation technology with renewable energy sources.

More: *Plainview Herald*

Ameren Targets Investments In Illinois over Missouri

After several failed attempts to change Missouri's utility laws, St. Louis-based Ameren is shifting capital away from Missouri and into federally regulated transmission lines and its electric and natural gas holdings in neighboring Illinois. It says it plans to invest far less into its larger Missouri utility's infrastructure over the next five years.

Ameren says Missouri's regulations governing monopoly utilities make the state less attractive for investment. It said Illinois changed its electric utility laws in 2011 to give utilities more certainty during rate cases in the hopes of spurring more investment in electric infrastructure.

Illinois' framework is similar to the ratemaking process at FERC, which governs transmission lines. Along with a more favorable ratemaking process for utilities, FERC lets

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COMPANY BRIEFS

Continued from page 19

them earn a higher return on investment than allowed by state regulators in order to encourage a build out of the electric grid.

More: St. Louis Post-Dispatch

Exelon Names Linda P. Jojo To New Seat on Board of Directors

Jojo

Exelon notified the Securities and Exchange Commission that it increased the number of board seats to 14 and that it named airline executive Linda P. Jojo to the new seat effective Sept. 1.

Jojo is chief information officer and executive vice president of United Continental Holdings. She previously held similar positions with United Airlines, Rogers Communications and Energy Future Holdings.

Exelon said she will serve until the 2016 annual meeting. She will serve on the board's finance and risk committee.

More: Bloomberg; SEC

Duke Energy Settles with Feds On 15-Year-Old Clean Air Violations

Duke Energy will pay a penalty of nearly a million dollars and invest $4.4 in environmental mitigation projects to settle charges that it violated clean-air laws 15 years ago by modifying coal-fired generating stations without emissions control equipment.

The proposed settlement was reached with the Environmental Protection Agency and the U.S. Department of Justice. The company has already shut down 11 of the 13 units at the North Carolina coal plants that were cited for violations. The shutdowns become permanent as part of the settlement. Duke must continue to operate emissions control systems and meet emissions limits at the two remaining units at its Allen power plant in Belmont. The settlement calls for the company to retire those units by the end of 2024.

"After many years, we've secured a strong resolution, one that will help reduce asthma attacks and other serious illnesses for the people of North Carolina," said Cynthia Giles, assistant EPA administrator for enforcement.

More: Associated Press; EPA

Westar Wants to Build 'Subscription-Based' Solar

Westar is planning to build a community solar garden of up to 10 MW and is seeking help in getting it built.

The Kanas utility issued a request for proposals from qualified solar developers. It hasn't decided yet whether it will be a ground-based or elevated solar facility. It wants the facility to be completed by the end of 2016.

Developers have to file a notice of intent with Westar by Sept. 25 and submit their final proposal by Oct. 19.

More: Topeka Capital-Journal

SolarCity Signs Hawaiian Utility For Solar, Energy Storage Project

A Hawaiian utility has signed a power purchase agreement with SolarCity to buy stored solar-generated power during the evening, when demand is higher. SolarCity said it is able to generate electricity during the day, store it, and release it during the night.

The 52-MW battery system is joined with a 13-MW solar facility. The Kauai Island Utility Cooperate said the arrangement will make it less reliant on diesel generation, saving money and reducing greenhouse gas emissions.

KIUC already operates two 12-MW solar farms.

More: Pacific Business News

New SPP Connections Lead Xcel to Offer Refunds to Texas Customers

Xcel Energy is refunding $18.6 million to Texas retail customers in the Panhandle and South Plains, thanks to lower fuel and purchased-power costs that were made possible by new transmission line connections with SPP.

David Hudson, president of Xcel Energy's Southwestern Public Service, said new transmission lines connecting Xcel with SPP have expanded the purchase of competitively priced power. Xcel's ability to import from SPP increased from a little more than 400 MW two years ago to as much as 1,700 MW today. In addition, natural gas prices remained very low through the first part of this year.

Texas residential customers using 1,000 kWh/month will see a one-time credit of $34.42, prorated over two billing cycles.

More: Xcel Energy

Manitoba Hydro Names CFO Interim Chief Executive Officer

Rainke

Darren Rainke, Manitoba Hydro's chief financial officer, has been named interim chief executive officer of the public power company. He will take the place of Scott Thompson, who announced he was stepping down in June to take a position in the private sector.

Rainke will continue to be CFO while the company looks for a permanent chief executive.

More: CBC News

Pipeline Company Moves Ahead Without Regulatory Approval

Although it still needs regulatory approval from four states, Energy Transfer Partners is moving ahead with construction preparations for its Dakota Access Pipeline. The Texas company is stockpiling the pipe it will need for the $3.8 billion, 1,130-mile crude oil pipeline. The project is designed to move crude from North Dakota to a terminal in Illinois, from where it will be sent to markets in the East and Southeast.

But it is a gamble. The pipeline still needs approval from North Dakota, South Dakota, Iowa and Illinois. "What the company does is at their own risk," said North Dakota Public Service Commission Chairwoman Julie Fedorchak.

Energy Transfer Partners has pipeline and other materials stockpiled at storage yards in North Dakota, South Dakota, Illinois and Iowa.

More: Quad City Times

FEDERAL BRIEFS

Appeals Court Turns Down Requests to Block Climate Rule

A federal appeals court panel rejected the first effort of a collection of states to block the Obama administration's power plant climate rule, deciding the states can't ask for the plan to be killed before legal challenges are complete.

The D.C. Circuit Court of Appeals issued a two-paragraph order Wednesday evening, ruling that more than a dozen states and a coal company cannot be granted a stay of the Environmental Protection Agency's Clean Power Plan, which aims to cut carbon emissions by 32% in 15 years.

The panel ruled that legal challenges can only be mounted after the final rule is published in the Federal Register, which is expected in October.

More: *The Hill*

AP Study Finds Waste Spills Follow Oil and Gas Drilling Booms

An Associated Press analysis shows that more than 175 million gallons of wastewater were spilled in more than 21,000 individual incidents at oil and natural gas drilling sites between 2009 and 2014. The report says that even more incidents go unreported.

The wastewater spills can be even more damaging to the environment and agriculture than oil spills. AP reported that in seven of 11 states examined, the amount of wastewater released was at least twice as much as the amount of oil spilled. It said that spilled oil can be absorbed and broken down by microbes, but briny wastewater can be deadly and long lasting to crops, trees and livestock.

"Oil spills may look bad, but we know how to clean them up and ... return the land to a productive state," said Kerry Sublette, a University of Tulsa environmental engineer. "Brine spills are much more difficult."

More: *Associated Press*

API and ANGA Eying Merger, Sources Say

The American Petroleum Institute and America's Natural Gas Alliance, two of the country's largest oil and gas industry groups, are considering a merger, according to Politico.

The news site says the move may be spurred by the low prices of oil and natural gas, and the feeling by some of the groups' members that membership in both organizations is costing too much. The story also noted that the positions and strategies of both groups are growing ever closer, especially in the areas of oil exportation and natural gas production in shale-field regions.

API Chief Jack Gerard is one of the lobbying industry's highest paid members. Federal disclosure forms show he received $13.3 million in compensation in 2013.

More: *Politico*

NRC Ends Study of Cancer Risks Near Nuclear Plants

The Nuclear Regulatory Commission, citing budget constraints, is ending a National Academy of Sciences study of cancer risks near nuclear generating stations.

"We're balancing the desire to provide updated answers on cancer risk with our responsibility to use congressionally provided funds as wisely as possible," said Brian Sheron, director of the NRC's research office. "The NAS estimates it would be at least the end of the decade before they would possibly have answers for us, and the costs of completing the study were prohibitively high."

The study was started in 2010, and the first phase was completed in 2012. It consisted of recommendations for the second stage of the study, which was estimated to cost $8 million and could take an additional 10 years.

More: *The Hill*

Poll Finds 73% of Americans Favor Greater Limits on Ozone

A poll commissioned by the American Lung Association has found that 73% of Americans want the Environmental Protection Agency to set stricter limits on ozone pollution. The EPA proposed stricter limits in November that would restrict ozone levels in the air to between 65 parts per billion (ppb) and 70 ppb. The current limit is 75 ppb.

"Millions of Americans are breathing polluted air and suffering from asthma attacks, increased risk of respiratory infections, and even premature death," said Harold Wimmer, ALA's national president.

Manufacturing groups oppose changing the limits. "While western states have cut their production of smog-causing ozone by over 20%, studies show that pollution from China has offset much of that progress," an advertising campaign by the National Association of Manufacturers says. "These rules won't hurt China, but they could cost our country more than $1 trillion."

More: *The Hill*

FERC Names Carmen Cintron Administrative Law Judge


Cintron

FERC has named Judge Carmen Cintron as deputy chief administrative law judge. She will assist FERC Chief Administrative Law Judge Curtis Wagner Jr. with the Office of Administrative Law Judges and Dispute Resolution.

Cintron has been with FERC since 1999. She was a hearing-office chief of the Social Security Administration's Atlanta North Office of Hearings and Appeals, overseeing an office of 11 administrative law judges and a staff of 50. She previously worked as an administrative law judge in the administration's San Jose, Calif., office. She worked 14 years with the Federal Communications Commission as an attorney before that.

More: *FERC*

Feds Eyeing Future Open Ocean Leases off SC

Officials with the federal Bureau of Ocean and Energy Management have identified two areas offshore of South Carolina as possible sites for wind power facilities.

The next step would be an environmental assessment of the sites. One is off Myrtle Beach; the other is off Cape Romain, toward the state's southernmost area.

Federal officials spoke to members of the South Carolina Renewable Energy Task Force, saying it would probably be seven years before an operating wind farm is anchored off South Carolina's coast.

More: *Penn Energy*

STATE BRIEFS

REGIONAL

RGGI Allowances Clear at $6.02

The nine Northeastern and Mid-Atlantic states participating in the Regional Greenhouse Gas Initiative last week said the 29th auction of CO_2 allowances on Wednesday sold at a clearing price of $6.02. The price is 23% higher than the clearing price from a year ago.

Proceeds for the auction were $152 million, which brings the cumulative total for the program to $2.26 billion for investment in clean energy and energy efficiency programs in the member states.

Bids for the CO_2 allowances ranged from $2.05 to $10 per allowance.

More: *RGGI*

IOWA

FERC Ruling Could Clear Way For School District's Solar Project

A recent FERC ruling may clear the way for a local school district to generate solar power and sell its excess production to its host city.

The Rudd-Rockford-Marble Rock Community School District wanted to install a 750-kW system, which would produce twice the energy it needs. It proposed to sell the excess to the city of Rockford. But the Rockford municipal utility has a contract with wholesaler Municipal Energy Agency of Nebraska (MEAN) and argued that it would be violating the terms of its contract if it bought power from the school district.

A recent FERC case regarding a similar situation in Colorado ended in favor of a new solar generator, citing the Public Utility Regulatory Policies Act. Another utility has asked FERC to clarify its ruling, and the school district and MEAN are awaiting that review.

More: *Midwest Energy News*

MARYLAND

Low-Income Residents Can Receive Help with Bills

The application period is open for state residents who are having trouble paying their energy bills to get some help from the federal Low Income Home Energy Assistance Program.

John Allen, Delmarva Power and Light regional vice president, said the block grant program doesn't pay anyone's entire bill.

But, he said, "The financial assistance can help someone get through a crisis, a really cold winter or a dangerously hot summer."

More: *The Star Democrat*

MASSACHUSETTS

North Adams Boasts Largest Solar Farm

North Adams is now generating more solar power than the entire state did in 2007.

A 3.5-MW facility atop a former landfill, which feeds electricity into the power grid and is purchased back by the city at a reduced rate, is expected to produce most of the energy consumed by the city's buildings, streetlights and other operations.

Combined with two other smaller solar projects with which the city has agreements, North Adams expects to offset all of its electricity usage with solar power. The city expects to save more than $400,000 a year now that the landfill solar facility is up and running.

More: *Berkshire Eagle*

MINNESOTA

Minnesota Power's IRP Forecasts Move from Coal

Minnesota Power has told the Public Utilities Commission it will continue to move away from coal-fired electricity over the next 15 years and generate more power from natural gas, wind and solar sources.

The company's 15-year integrated resource plan, which is filed biennially, lays out a pathway to comply with the Environmental Protection Agency's Clean Power Plan. Minnesota Power pledged to add 200-300 MW of natural gas generation over the next 15 years, but the 500-page plan does not say where and when that will happen, or which of its coal-fired generators it will retire.

Environmental groups have pressed for a faster reduction in coal generation. Minnesota Power says that it needs to maintain a base of coal-fired plants to supply its large industrial customers.

More: *Duluth News Tribune*

PUC Revokes Licenses For 2 Wind Projects

The Public Utilities Commission has revoked licenses for the Sibley Wind Substation and Comfrey Wind Energy project.

Sibley Wind, a 10-turbine farm rated at 20 MW, asked for its construction permit to be withdrawn to address ongoing opposition based on bird- and bat-death concerns. The project's management said it would try to meet with opposition members and attempt to "find a solution to answer their concerns."

Comfrey Wind began construction before the end of 2014 to qualify for the federal Production Tax Credit without completing full compliance filings. Comfrey Wind President Pete Samuelson urged the PUC to show some compassion. "Comfrey asks that the commission understand and empathize that Comfrey had no choice but to perform minimal construction work, without holding a pre-construction meeting, prior to the end of 2014 to qualify for the PTC." Comfrey is rated at 31.5 MW and includes 17 turbines on nearly 4,000 acres.

More: *The Free Press*

NEBRASKA

NPPD Offering Lower Rates For Long-Term Commitments

Nebraska Public Power District is considering offering lower rates in 2016 for cities, power districts and other wholesale customers that sign new 20- or 25-year commitments. A proposal during the August board of directors meeting sets the potential wholesale rate increase at just 0.6% for entities that enter into a new agreement. Customers who don't commit themselves would get a 3.8% increase.

NPPD's contracts with wholesale customers — including 51 communities and 25 public power districts and cooperatives that resell electricity to their retail customers — do not expire until the end of 2021. NPPD has been working on a plan to extend those contracts and improve its long-term financial stability.

The board is expected to vote on the 2016 rates in November. NPPD has raised its wholesale rates about 60% in the past nine years.

More: *Columbus Telegram*

Continued on page 23

STATE BRIEFS

Continued from page 22

NEW HAMPSHIRE

Northern Pass Funds Rejected

The North Country Community Recreation Center's board of directors has voted to return a $10,000 grant from a fund created by the owner of the controversial Northern Pass project.

"We can't just take a payoff," said John Fothergill of the NCCRC board of directors. "We look to partner with our funders. We're unclear about the Northern Pass Fund partnership intentions except that this seemed like an award for their own immediate public relations needs."

The money came from the Coös County Jobs Creation Association, which was created by Northern Pass developer Eversource Energy. John Gallus, a former state legislator who chairs the association, said there were absolutely "no strings attached" to the award, other than that it be used to create or keep jobs in Coös County.

More: New Hampshire Union Leader

NEW JERSEY

PSE&G Pilot Program Donates EV-Charging Stations

Public Service Electric & Gas has donated 35 electric car charging stations at seven sites as part of pilot program aimed to help spur the market for EVs.

"The lack of convenient charging stations remains an impediment that keeps potential EV drivers from going all electric," said Joe Forline, vice president for customer solutions.

PSE&G plans to donate 150 units under the $400,000 program, particularly to companies, colleges and hospitals.

More: NJ Spotlight

NEW MEXICO

PRC Commissioners Refuse to Recuse from San Juan Hearings

Two members of the Public Regulation Commission have said they will not disqualify themselves from hearing Public Service Company of New Mexico's (PNM) plans for the controversial San Juan Generating Station, despite an environmental group's call for them to recuse themselves because they are allegedly too chummy with the utility.

Commissioners Sandy Jones and Patrick Lyons filed responses to a motion by the nonprofit New Energy Economy seeking to disqualify four of the five PRC members from ruling on the utility's plans for the coal-fired power plant near Farmington. PNM aims to close two of the San Juan plant's four coal-fired units and replace the lost capacity with more power from another unit at the plant, as well as power from a proposed new facility and third-party sources.

The activists contend that emails between PNM executives, as well as public statements by some commissioners, show the regulators are too cozy with the utility and should excuse themselves from voting on the issue.

More: Santa Fe New Mexican

PNM Asks for 15.8% Rate Increase In Return for Lower Fuel Costs

Public Service Company of New Mexico (PNM) has filed for a rate increase that would boost residential rates by 15.8%, generating about $123.5 million in additional revenue.

PNM said the rate increase would be lower if the state's Public Regulation Commission also approves its plan for the San Juan Generating Station. The company arranged a new coal-supply contract as part of the San Juan proposal, which would reduce the increase to 8.3% for the average residence, or about $6.07 a month on residential electric bills.

The five-member commission in May rejected PNM's previous rate request. The new request no longer includes a new fee for solar customers to connect to the grid, which would have ranged from $21 to $26.

More: Santa Fe New Mexican

NEW YORK

Solar Farm Proposed In Monroe County

The Monroe County legislature is considering authorizing the installation of two solar farms on about 28 acres of vacant county-owned land. County Executive Maggie Brooks said the project would be the largest solar installation in the state outside of Long Island and save the county $7.3 million in energy costs over the next 20 years.

The farms would encompass five parcels of vacant land and house 42,000 solar panels, totaling 11 MW. Under the terms of the agreement, the county would lease the land to Buffalo-based Solar Liberty, which would install and operate the solar farms. In exchange, the county would buy electricity from Solar Liberty and sell it to Rochester Gas & Electric for transmission and delivery credits that county officials and Solar Liberty executives estimate would be worth about $366,000 annually.

Solar Liberty estimates the project would be complete by the end of 2016.

More: Rochester Democrat & Chronicle

NORTH DAKOTA

Clean Power Plan Presents Dilemma for Utilities

The coal-fired Coal Creek Station, the largest power plant in North Dakota. Coal generates 80% of the state's electricity. *Source: Great River Energy*

The Environmental Protection Agency's Clean Power Plan is hitting close to home in the state, where the final rule requires power plants to cut their carbon dioxide emissions almost in half. Democratic Sen. Heidi Heitkamp has called EPA's plan a "slap in the face."

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STATE BRIEFS

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Utility executives wonder how they can meet the EPA targets in the coming years without raising electricity rates and affecting system reliability, given that much of the electricity in the state's west-central region is generated from brown coal. Some executives are considering closing coal plants to meet the emissions target, but they say they're still working to understand the implications of the regulations.

"What is a fear on my part is that we'll make irreversible or irrevocable decisions, and you might look like a hero or you might look like an idiot," said Robert "Mac" McLennan, president and CEO of Grand Forks-based Minnkota Power Cooperative.

More: Grand Forks Herald

OKLAHOMA

OG&E Customer Bills Lowered Due to Lower Natural Gas Prices

Oklahoma Gas & Electric says lower natural gas prices and SPP's Integrated Marketplace will mean lower bills for its customers. OG&E said the typical residential customer should see a monthly bill reduction of $5 starting this month.

OG&E, however, is also waiting on a final decision from the Corporation Commission on the utility's $1.1 billion environmental compliance and replacement generation plan. The plan would increase customer bills 15 to 19% by 2019.

More: The Oklahoman

Solar Customers to See Changes Under OG&E's New Billing Structure

Oklahoma Gas & Electric last month filed a new billing structure with the Corporation Commission that will add a demand charge for customers who install solar panels on their roofs. About 200 OG&E customers have installed rooftop solar.

The new rate structure for distributed generation customers would have four parts: a demand charge, an energy charge, a fuel charge and a customer charge. That's a change from current bills, which are comprised of an energy charge, a fuel charge and a customer charge.

OG&E said the new billing structure will eliminate any subsidization of distributed generation customers by other customers.

More: The Oklahoman

PENNSYLVANIA

Customer Fees Coming for New Smart Meter Program

The Public Utility Commission has approved PPL Electric's plan to upgrade its smart maters. Installations are expected to start in 2017.

The meters will replace earlier devices installed in 2002 that are reaching the end of their useful life, according to the company.

The affected 1.4 million customers will soon begin paying a fee on their monthly bills expected to fluctuate from 58 cents in the beginning to $6.69 in 2019, the final year of installation.

More: The Morning Call

PECO Reliability Work Will Raise Rates

PECO Energy customers will see their rates rise next year as the utility continues replacing equipment and upgrading infrastructure.

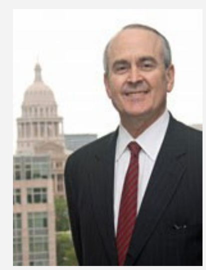
Under an agreement reached with the Public Utility Commission, the average monthly bill increase for residential customers will be $4.17. Small businesses will see their bills rise $17.02; for large businesses, the increase is $432.32.

The rates will translate to $127 million in increased annual income for the company.

More: Philadelphia Business Journal

TEXAS

PUC Commissioner Concerned Over Hunt's Oncor Acquisition


Anderson

Public Utility Commissioner Ken Anderson has filed a memo saying the agency must determine whether Hunt Consolidated's bid to take over bankrupt power distributor Oncor gives "tangible and quantifiable benefits to ratepayers." Anderson said the commission raised similar concerns in 2008 about the $45 billion leveraged buyout of

Continued on page 25

Ginna Agreement Reached; to be Filed by Sept. 23

The operator of the R.E. Ginna nuclear plant in western New York has reached an agreement to keep the financially stressed generator operating.

Administrative law judges for the New York Public Service Commission said Wednesday that a joint proposal for the PSC-ordered reliability support services agreement between Constellation Energy Nuclear Group and Rochester Gas & Electric is expected to be filed by Sept. 23.

The judges posted a revised schedule calling for comments on the agreement by Sept. 30, with an evidentiary hearing to be held on Oct. 14 (14-E-0270).

Parties to the agreement in principle include the PSC staff, the New York Division of Consumer Protection and a group of interveners representing commercial and industrial customers.

Entergy Nuclear, which has plants in western New York and the Hudson Valley, and NRG Energy have opposed the RSSA throughout the 14-month proceeding. The companies will neither support nor oppose the agreement, the filing said.

Environmental groups Alliance for a Green Economy and Citizens' Environmental Coalition will oppose the agreement in part, but the objectionable sections were not identified.

The out-of-market contract is expected to raise rates for customers in the Rochester area. The PSC recently adopted a temporary rate surcharge to lessen rate shock when a final agreement is sent to the commission. (See NYPSC Approves 5.2% Ginna Rate Surcharge.)

— William Opalka

STATE BRIEFS

Continued from page 24

TXU, which created Energy Future Holdings — whose bankruptcy is setting the stage for the Oncor sale.

Dallas-based Hunt filed a proposal with a federal court in August to split EFH into two companies as part of EFH's $40 billion bankruptcy proceedings. Hunt and a group of creditors would raise $12 billion to take over Oncor, Texas' largest power distributor with more than 119,000 miles of power lines. EFH's power-generating division Luminant, which owns coal-fired power plants, and its retail electricity unit TXU Energy would be owned by a different set of creditors.

Anderson's concern is that Oncor would become part of a real estate investment trust largely to avoid being hit with a big tax bill. Observers say a transaction of similar size has never been attempted.

More: Fort Worth Star-Telegram

VIRGINIA

Appalachian Power Plans Upgrade Project

Appalachian Power is seeking regulators' permission to upgrade a transmission line serving Bland and Wythe counties as well as a small portion of Mercer County in West Virginia.

The Bland Area Improvements Project would upgrade 20 miles of existing line, add about 5 miles of new line and create a new substation.

Construction on the $80 million project would begin late next year, with a projected in-service date of December 2018.

More: SWVA Today

WISCONSIN

County Gives up Efforts to Force More Money out of Enbridge

Officials in Dane County are giving up their attempts to force pipeline company Enbridge Energy to pony up money to be held in case one of the company's pipelines breaks and spills oil.

"It's just fruitless," lamented county zoning administrator Roger Lane, who said his county's efforts were blocked by state lawmakers.

The county wanted to make a $25 million bond a requirement for its approval of a zoning permit for a pipeline pump station. But Gov. Scott Walker signed a state budget that, as a provision, forbade local entities from requiring pipeline insurance. The county wanted the provision because of perceived issues getting Enbridge to pay for damage related to a Michigan spill.

More: Wisconsin State Journal

ERCOT Expects Sufficient Generation for Fall, Winter

By Tom Kleckner

ERCOT's seasonal assessments of resource adequacy (SARA) for the fall and winter predict enough generation available to serve forecasted peaks.

The Texas grid operator's fall SARA shows 77,289 MW of generation available this October and November, more than enough to meet its expected peak of 49,709 MW.

According to the preliminary winter SARA, ERCOT will have 78,253 MW available to meet a projected peak demand of 57,400 MW from December through February 2016. A final winter assessment with an updated weather forecast is scheduled for release Nov. 3.

ERCOT said it expects reserves to range from about 3,600 MW — should peak demand be significantly higher than expected — to nearly 15,000 MW under expected conditions.

"We've captured a wide range of scenarios," said ERCOT's Pete Warnken, manager of resource adequacy, in response to *RTO Insider*. "Based on our most recent scenarios, we feel very comfortable with our forecasts."

ERCOT said it will "continue to monitor the potential effect of Texas' future drought conditions on generation capacity and ongoing changes to environmental regulations."

ERCOT control room *Source: ERCOT*

850 MW Additional Capacity Online

ERCOT has added 850 MW of installed capacity since its preliminary fall assessment was published in May, thanks to a combined-cycle generator and three wind projects. Another 1,058 MW of wind projects have been delayed beyond Oct. 1, and will no longer contribute to the fall's expected capacity.

ERCOT senior meteorologist Chris Coleman said he expects average fall weather despite unusual weather patterns associated with warm ocean temperatures.

Coleman said El Niño this year could be the strongest since 1997, leading to colder, wetter and cloudier winter weather. He said it could also lead to more wind power generated. ERCOT generates about 1,000 MW of wind power during the winter and exceeds 4,000 MW during the summer.

The peak forecast is based on normal weather conditions for 2002-2013 during peak maintenance periods.

ERCOT's all-time winter peak of 57,265 MW, set in February 2011, was nearly matched in January 2014. The 2014 conditions are reflected in the extreme scenarios included in the winter assessment.

One megawatt powers about 500 homes in Texas during mild weather conditions and about 200 homes during summer.

GridLiance Makes First Acquisitions

Continued from page 1

mission project.

Incorporated last year, the company unveiled its business plan in March with the announcement that it and its affiliates had entered into 30-year development agreements with the Missouri Joint Municipal Electric Utility Commission (MJMEUC) and the Oklahoma Municipal Power Authority (OMPA), giving them the exclusive right to jointly plan, construct and operate the agencies' transmission infrastructure in SPP and MISO.

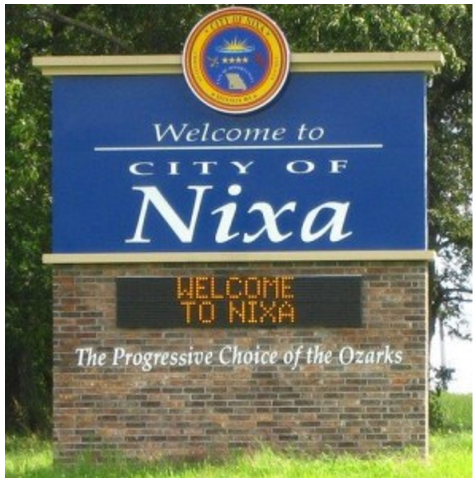
On Sept. 1, GridLiance announced a pair of acquisitions that will give it ownership of the transmission assets of Nixa, Mo., a member of MJMEUC, and of Tri-County Electric Cooperative in the Oklahoma panhandle. Both acquisitions are expected to be completed by year's end.

ROE Request

On the same day as the announcement, GridLiance subsidiary South Central MCN filed a request with FERC seeking a return on equity of 11.4%, including a 50 basis points (bps) adder for RTO participation and a 100 bps adder as a standalone transmission company (ER15-2594). The company asked for approval of an initial capital structure of 60% equity and 40% long-term debt.

South Central said FERC should grant the incentives to the company, "given its unique business model, which will provide benefits to current and future customers of the wholesale electric grid, including its public power partners."

The company said it intends to submit a bid to SPP to build the North Liberal-



Walkemeyer 115-kV project and requested commission approval to collect construction work in progress if it wins the solicitation. (See *SPP Issues RFP for 115-kV Transmission Project*.)

South Central will be the operating company for GridLiance in SPP. In MISO, the company will operate under the Midcontinent MCN.

Investment Opportunities, Reliability Benefits

In announcing the acquisitions, GridLiance president and CEO Ed Rahill said the deals allow Nixa and Tri-County to shift their operations and regulatory risk to GridLiance while gaining access to investment opportunities and funding for previously unaffordable transmission projects, including access to — and delivery of — wind energy.

Participating systems will see reliability benefits, according to Rahill, because public power systems are often excluded from regional planning models, leaving many served by a single radial feed, vulnerable to outages if that connection is lost.

"Operating and maintaining transmission infrastructure is expensive without scale, often taking valuable resources away from other core municipal responsibilities," Rahill said.

Experienced Team

Rahill is one of several transmission and public power veterans who comprise the leadership team of the company, which has offices in Chicago, Kansas City and Austin, Texas.

Rahill was part of the of the management team that acquired ITC Transmission from DTE Energy in 2003 and managed its initial public offering in 2005. As president of ITC Grid Development, he oversaw ITC Great Plains' greenfield start-up and the development of $500 million in transmission in SPP.

Noman Williams, GridLiance's senior vice president of engineering and operations, is former vice president of transmission policy and compliance for Sunflower Electric Power, which runs six rural electric distribution cooperatives in central and western Kansas.

He has filled several key leadership roles within SPP, and currently serves as chair of the RTO's most important member body, the Market and Operations Policy Committee.

Like Rahill, Senior Vice President of Business Development Carl Huslig comes from ITC, where he was president of ITC Great Plains. He has worked extensively with SPP and MISO stakeholder groups during his 20-plus years in the industry, leading an SPP task force that paved the way for independent transmission companies.

General Counsel Beth Emery held the same titles at CAISO and San Antonio's CPS Energy, the nation's largest municipal utility. (Emery was joined in the company's Sept. 1 filing to FERC by former Commissioner William L. Massey, now with Covington and Burling.)

Blackstone

The company is being financed by Blackstone Energy Partners, which has invested more than $8 billion of equity globally across a broad range of energy industry sectors. Blackstone Senior Managing Director Sean Klimczak, who oversees the firm's

Left to right: Rahill, Williams and Klimczak *Sources: GridLiance, Blackstone*

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Bay Replaces FERC General Counsel

FERC Chairman Norman Bay named a longtime associate from New Mexico as FERC general counsel, replacing David Morenoff.

Max Minzer, who served as Bay's special counsel in 2009-10 when the latter headed FERC's Office of Enforcement, joined the chairman's staff as an advisor in June.

Minzer's appointment means Morenoff, appointed general counsel by former Chairman Cheryl LaFleur last September, will return to his former post as deputy general counsel. (See *LaFleur Puts Stamp on FERC with Appointments*.)

Minzer met Bay while working as a law clerk at the U.S. Attorney's Office in New Mexico almost 20 years ago. Bay was U.S. Attorney for New Mexico in 2000-01 after serving as an Assistant U.S. Attorney in D.C. and New Mexico from 1989 to 2000.

Like Bay, Minzer is a former professor at the University of New Mexico School of Law, where he won the university's 2013-2015 Presidential Teaching Fellowship, an award recognizing teaching excellence. He previously taught at the Benjamin N. Cardozo School of Law in New York. A graduate of Brown University and Yale Law School, Minzer has been published in the Harvard Law Review, the Texas Law Review and the William & Mary Law Review.

Bay praised Morenoff even as he moved him aside. "It is a testament to the high regard in which David is held that he is one of the few general counsels who has served three different chairmen as either the acting general counsel or as general counsel," Bay said in a statement.

Morenoff, who joined FERC from Troutman Sanders, formerly served as a legislative aide to U.S. Sen. Jack Reed (D-R.I.). He is a graduate of Brown University and Harvard Law School. In addition to his work in the general counsel's office, he also served as senior legal and policy advisor to former Chairman Jon Wellinghoff.

— Rich Heidorn Jr.

Minzer *Source: Cardozo School of Law*

GridLiance Makes First Acquisitions

Continued from page 26

investments in the transmission and power sectors, said the company saw an opportunity to fill an underserved market for 40 million public power customers.

Public power has "been largely excluded from participating in the planning of and investment in new transmission infrastructure as well as the financial and service reliability benefits they provide to customers," Rahill said at the announcement of GridLiance's incorporation in March 2014.

GridLiance's partnerships with public power allow it to compete with investor-owned utilities that are building most transmission in MISO and SPP, the company says. About 90% of transmission projects in MISO have been awarded to ITC, Xcel, MidAmerican Energy, Ameren and American Transmission Co., the company says. In SPP, IOUs have been responsible for all but a few projects.

Meanwhile, public power rates have been increasing, with MJMEUC's rates doubling under SPP's highway-byway cost allocation. And 70% of public power transmission lines and transformers are at least 25 years old.

"Working together, we will have the necessary scale and resources to more effectively invest in, develop and construct new transmission infrastructure," Rahill said.

Outsourcing

The deals announced Sept. 1 will give GridLiance operational responsibility for Tri-County's 410 miles of transmission and Nixa's 10-mile, 69-kV transmission line between Springfield and the Southwest Power Administration.

Jack Perkins, CEO of Tri-County, which has about 23,000 customer meters in the Oklahoma Panhandle, said the deal will allow the co-op to complete transmission reliability projects that it could not have otherwise afforded while outsourcing transmission operations. "Additionally, we will be able to reallocate funding and resources to upgrade our distribution system," he said.

Doug Colvin, public works director for Nixa, said it no longer makes sense for the city of 21,000 to own its transmission infrastructure.

"As regulatory requirements became increasingly complex, the city evaluated a number of options to protect our residents against rising costs and, at the same time, maintain our high reliability standards," he said.

"The GridLiance transaction ensures that we can meet these important requirements, as well as opens the door for our involvement in new transmission projects that can offset rate increases and provides us a much needed seat at the planning table."

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