RTO Insider

Your Eyes and Ears on the Organized Electric Markets

ISO-NE ■ MISO ■ NYISO ■ PJM ■ SPP

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Exelon Appeals DC PSC Decision; DC Mayor Confirms Negotiations

By Suzanne Herel

Exelon on Monday asked the D.C. Public Service Commission to reconsider its rejection of the company's proposed $6.8 billion acquisition of Pepco Holdings Inc.

The filing came as D.C. Mayor Muriel Bowser's office confirmed that it is seeking to negotiate a settlement with the companies. "We are engaged in substantive discussions with the companies on a settlement agreement that would address, in a new application, the administration's concerns," City Administrator Rashad Young, who is leading the negotiations, said in a statement. "Any settlement agreement would be presented to the PSC for review, public

Bowser

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Consensus Near on PJM Offer Cap? (p.9)

Meeting	Date	Description
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*

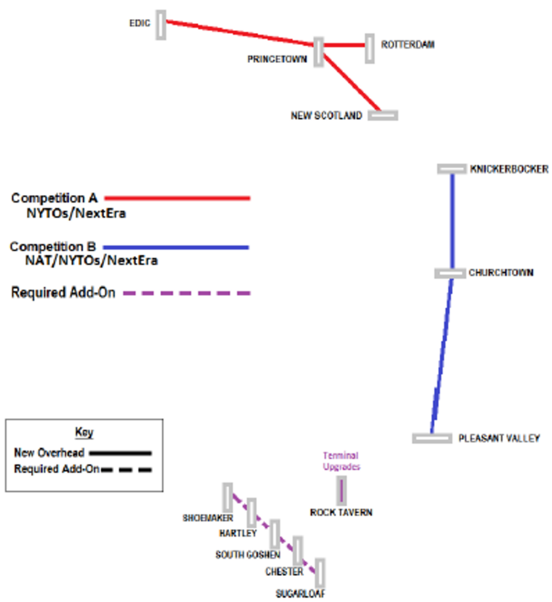
NYPSC Staff Recommends $1.2B in Transmission

3 Developers Cleared to Bid

By William Opalka

New York Public Service Commission staff on Tuesday recommended that three transmission developers move to the next stage in its initiative to eliminate bottlenecks for downstate load centers.

After evaluating 22 transmission proposals and several non-transmission alternatives from four developers, the staff recommended two main projects: the upgrade of the 91-mile, double-circuit 220-kV Edic-New Scotland-Rotterdam line to 345 kV and the upgrade of the 51-mile, double-circuit 115-kV Knickerbocker-Pleasant Valley line to a 115/345-kV double circuit.



Recommended transmission projects *Source: NYPSC*

The PSC is expected to vote in December on the projects, which have an estimated price of $1.2 billion (12-T-0502, *et al*).

The proposed routes would satisfy Gov. Andrew Cuomo's Energy Highway goal to bring 1,000 MW of power generated upstate to areas of high demand in southeastern New York and New York City.

"Many of the proposals and critiques were responsive to the governor's call

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Integrated System to Join SPP Market Oct. 1

Lubbock Announces Departure

By Tom Kleckner

SPP will welcome the Integrated System and its three primary entities as full members Thursday, extending its footprint into Big Sky Country.

The IS — comprised of Western Area Power Administration-Upper Great Plains, Basin Electric Power Cooperative and Heartland Consumers Power District — expands SPP's footprint to 14 states, adding the Dakotas and parts of Iowa, Minnesota, Montana and Wyoming.

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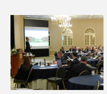
IPPNY Fall Conference 2015



More than 170 people attended the Independent Power Producers of New York's 30th annual Fall Conference at the historic Gideon Putnam resort in Saratoga Springs, a two-day affair of golf and industry talk. (p.6-8)

NEPGA: State Interventions Risk Market Development (p.2)

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ISO-NE NEWS

New England Generators: State Interventions Risk Market Development

By William Opalka

SARATOGA SPRINGS, N.Y. — Political leaders' urge to "do something" to combat high winter power prices risks undermining ISO-NE's power market just as it has begun adding new generation, the head of the New England Power Generators Association said last week.

"We've seen new investment come into the region for really the first time in a decade," NEPGA President Dan Dolan said in a luncheon address at the fall conference of the Independent Power Producers of New York.

He said ISO-NE's forward capacity market had spurred a "dramatic response," noting that 13,000 MW of generation is now in the RTO's transmission queue, up from 5,000 MW a year ago. (See Exelon, LS Power Join CPV in Adding New England Capacity.)


Dolan

"We're seeing the market do what it is designed to do," he said. "But the drive to do something is creating an unprecedented march to out-of-market interventions at the very moment that we're seeing billions of dollars in investment come into the region."

The polar vortex and massive snowstorms in Boston in recent winters has created the idea that an "energy crisis" exists that demands immediate action across the region, Dolan said.

He said generators are particularly troubled by two state initiatives.

The first is a drive to "subsidize" hydropower from Hydro-Quebec through transmission and long-term power contracts. Massachusetts Gov. Charlie Baker has proposed legislation to allow 2,400 MW annually of imported power, about one-third of the state's needs. NEPGA commissioned a study that claims such an arrangement would cost ratepayers $775 million annually in above-market prices, or $20 billion over the life of the 25-year contract.

The second proposal is to fund new natural gas pipelines through electric distribution rates. (See New England Governors Revise Energy Strategy.)

"It's a little baffling why we would do this potentially disastrous out-of-market intervention at this critical moment," Dolan said.

"It's a little baffling why we would do this potentially disastrous out-of-market intervention at this critical moment."

Dan Dolan, NEPGA

MISO NEWS

MISO Staff Recommends 3 Economic Projects

PJM to Share Cost on Indiana Fix

By Tom Kleckner

MISO staff said Friday they will recommend three economic projects be included in the 2015 MISO Transmission Expansion Plan. The projects in Southern Indiana, East Texas and Central Arkansas have a projected cost of $281 million, including $85 million that PJM will pay for its share of the Indiana project.

Digaunto Chatterjee, MISO's director of economic studies, told a special meeting of the Planning Advisory Committee that staff selected the Duff-Rockport-Coleman 345-kV project from among three under consideration near the RTO's eastern seam with PJM in Southern Indiana.

Chatterjee said the MISO portion of the project — the Duff and Coleman substations and a 28.5-mile single circuit between them — has a benefit-cost ratio of 16.1 based on MISO's estimated cost of $67.2 million.

The project, expected in service in 2021, should eliminate congestion around Newtonville and Coleman and provide slightly higher economic benefits than the Duff-Coleman alternative. MISO's cost will be the same as the $67.2 million Duff-Coleman because PJM will pay $85.3 million for improvements that will allow it to eliminate the special protection scheme at its Rockport substation.

"It's no difference to us whether it's one project or two projects connecting with each other," Chatterjee said.

The PJM portion of the project includes two 765/345-kV transformers in Rockport and a 14-mile double circuit between the substation and Duff-Coleman.

Reacting to concern that the PJM portion of the project could result in unexpected costs, Chatterjee said staff "will make it clear to the board MISO stakeholders don't want any issues from the PJM side to keep us from going ahead with the project."

"We fully expect Duff to Coleman will be connected to Rockport," he told the PAC, "but we won't let PJM's processes interfere with our portion of the project."

Chatterjee said he had received a commitment from PJM saying that it will approve the project and pay the incremental costs. (See "AEP Agrees to Pay Share of Market Efficiency Project" in *MISO Planning Advisory Committee Briefs*.)

East Texas Project

MISO is also recommending two economic projects in its South region, including a two-part construction/rebuild that would ease congestion around an East Texas load pocket.

MISO recommends constructing a new 230-kV transmission line between the existing Lewis Creek substation and a new 345/230-kV substation that will cut into the Grimes-Crocket 345-kV line. In addition, it will rebuild the Newton Bulk-Leach 138-kV line.

Chatterjee said the project cleared the benefit-cost ratio under two different future generation scenarios, with a B/C of 1.5 assuming future generation inside the load pocket and a 2.88 B/C with generation added outside the pocket.

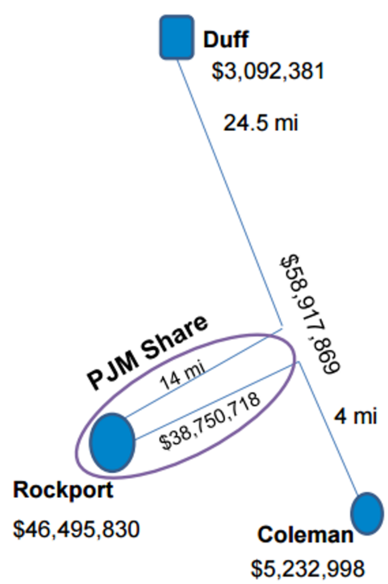
The project has an estimated cost of $122.5 million and a projected in-service date of 2021. It would ease congestion on three 138-kV lines.

Arkansas Project

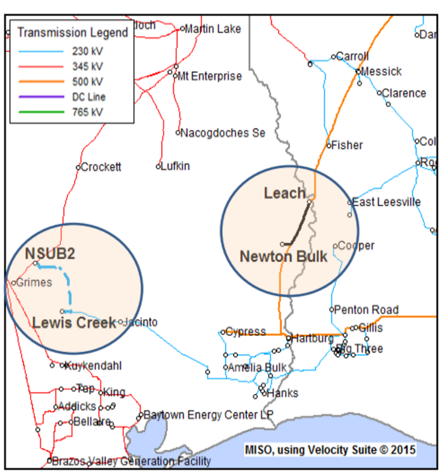
The third project, rebuilding the Mabelvale-Bryant South 115-kV line, would reduce congestion in the southwest Little Rock area. It has a projected cost of $6.1 million and a weighted B/C ratio of 5.88, with an estimated 2020 in-service date.

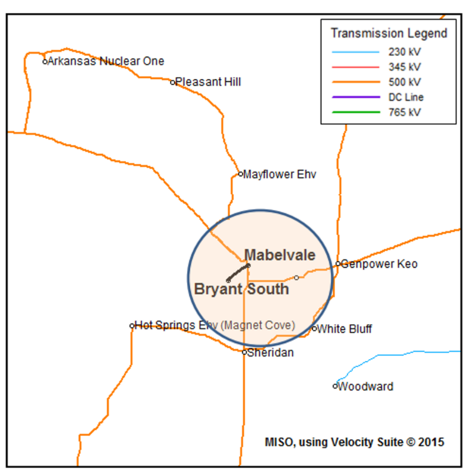
Staff will accept stakeholder input on the three projects through Oct. 2. Previous feedback and MISO's responses to the South projects have been posted in the Oct. 2 Market Congestion Planning Study meeting materials.

The PAC will consider MTEP 15 during its Oct. 14 meeting, before the plan goes on to the System Planning Committee in October and Board of Directors in December.



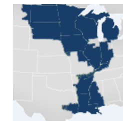
MISO will pay $67.2 million for the Duff and Coleman substations and a 28.5-mile single circuit between them. PJM will cover the cost of the $38.7 million double circuit line plus $46.5 million in upgrades at the Rockport substation. *Source: MISO*





MISO South will get projects in East Texas (left) and Central Arkansas (right). *Source: MISO*

MISO NEWS



MISO: Wind Generators' Complaint Mischaracterizes M2 Payment

By Michael Brooks

MISO told FERC last week that a group of wind generators alleging special treatment for external generators misunderstands the purpose of the M2 milestone payment in the RTO's interconnection process (EL15-99).

The generators — EDF Renewable Energy, E.ON Climate & Renewables N.A. and Invenergy — complained to FERC earlier this month that revisions to MISO's rules would exempt generation outside the RTO's footprint from providing a cash-at-risk deposit in order to enter the definitive planning phase of the study queue. They argued this was unfair to internal generators, which are required to make the deposit, known as the M2 milestone. (See *MISO Beats Challenge on Wind Exports*.)

MISO said the complainants are asking that existing external generators seeking network resource interconnection service (NRIS) pay the M2 milestone, which is only required for new generation, regardless of its location. The RTO said the milestone isn't charged to existing internal generation that only seeks NRIS.

The payment, approved by the commission in 2012, is to discourage speculative projects from entering the queue; withdrawals from the queue result in time-consuming and costly restudies.

"The M2 milestone is a 'readiness' milestone, designed to demonstrate that projects are ready to proceed to commercial operation," MISO said. "External NRIS projects need not demonstrate 'readiness' because they must be 'existing' generators by definition under the MISO Tariff."

MISO also disputed the complaint's claim that not having to paying the M2 milestone gave external generators an unfair competitive advantage. Because it treats existing generation the same regardless of location, MISO said, "under complainants' theory, internal NRIS-only projects within MISO also would have an unfair advantage, and by extension, also should pay the M2 milestone. Such a position is a collateral attack on the commission-approved Tariff that provides for different payments for NRIS-only projects as just and reasonable."

'Unripe Complaint'

MISO also criticized the generators' decision to file an 'unripe complaint,' saying that the language of the revisions was not final. The RTO said such filings circumvent the stakeholder process and that FERC should continue to discourage them.

The generators said that their decision to file was based in part on an e-mail from MISO to Wind on the Wires that said the Business Practice Manual revisions concerning M2 milestone payments was final. The Planning Advisory Committee in August tabled WoW's proposal that all external generators seeking NRIS pay a portion of the M2 milestone.

The issue was to be taken up again at the PAC's Sept. 16 meeting but was struck from the agenda at the request of WoW's Sean Brady.

Brady said he asked to remove the item from the agenda because of MISO's email. "Making the BPM language effective immediately indicated that this matter was resolved and a vote on the M2 milestone payment was moot," he said.

MISO NEWS

MISO Monitor: Extended LMP Changes Minimal Thus Far

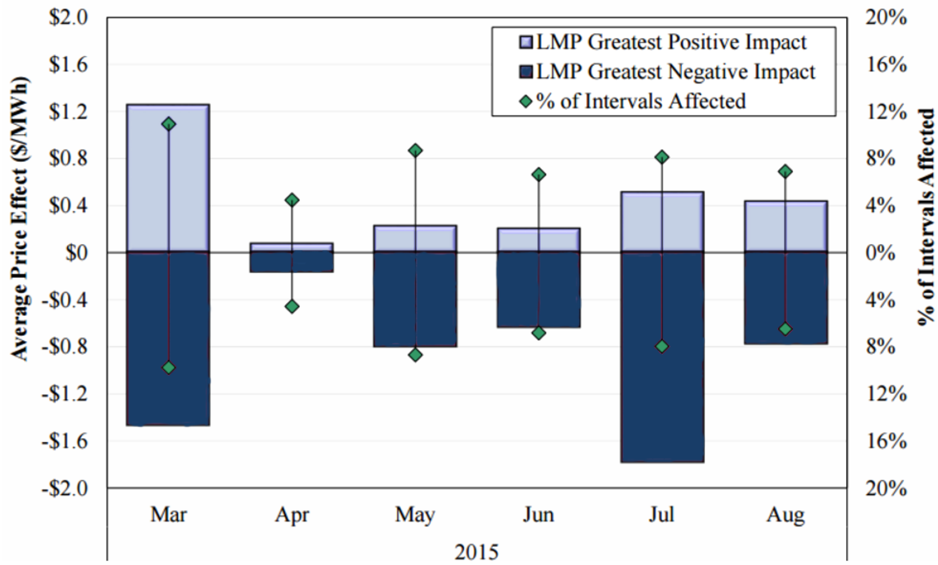
By Tom Kleckner

The MISO board's Markets Committee met at Potomac Economics headquarters in Fairfax, Va., last week to review the Independent Market Monitor's quarterly metrics report and its monitoring procedures.

Monitor David Patton, president of Potomac Economics, also provided a preliminary evaluation of extended locational marginal pricing (ELMP), which he said had resulted in very small price changes for most locations.

Patton recommended MISO use more online peakers under ELMP, which he said would increase their price impacts. Only about 1% of the resources are eligible to set prices under ELMP. The program, which was implemented in March, is designed to reduce uplift charges by incorporating all offer costs into the market clearing price.

"Real-time prices should fully reflect the cost of dispatchable resources, but ELMP allows offline units to set the price when you have congestion," Patton said. "This could be resolved by quick-starting offline units."



ELMP price effects at most affected locations. *Source: Potomac Economics*

Summer Performance Competitive and Reliable

Patton said the MISO market performed "competitively and reliably" during the summer, despite record peak loads in MISO South in July.

Considerably lower gas prices than a year ago drove down MISO's average systemwide energy prices for the June-August period. Real-time prices fell 17% from last year's $28.78/MWh, and day-ahead prices fell 19% to 29.26/MWh.

Congestion was typical for the summer, with both day-ahead and real-time congestion similar to last year. Patton said the market's price convergence was generally good, with the exception of congested areas in Texas and Louisiana.

"We're seeing people put in virtual load on one side of the constraint," he said, "and a virtual bid on the other side."

The market continues to respond slowly to congestion-related price differences in the day-ahead and real-time markets, Patton said.

The Monitor said "growing pains" in market-to-market coordination with SPP have resulted in some inefficiency and settlement disputes. When the non-monitoring RTO dominates the flows, MISO and SPP have seen swings in dispatch flows over M2M constraints.

"The SPP constraints move so fast," Patton said. "I'd like to see the two RTOs develop protocols to determine who is in charge of the constraint."

The summer's above-average temperatures in MISO South resulted in the extensive commitment of peaking units in the day-ahead and real-time markets.

Some day-ahead hourly commitments exceeded 700 MW per hour, three times the typical rates. Additional real-time commitments resulted in more than 1,100 MW of peaking units running each hour during the quarter, double the amount from last summer.

MISO Monitor's Procedures

Patton also reviewed with the committee Potomac's scope and processes as MISO's Monitor.

The Monitor downloads market data every 30 seconds to allow it to observe market participants' actions in the market, identify flaws in market rules and support the RTO's market power mitigation. Potomac develops and maintains the production software that does all the work, but that software is owned by MISO.

"You can only do efficient monitoring if you have highly automated systems," Patton said, noting Potomac's ability to run tests and screens in the background and to send automatic notifications. He said he partly attributes the costs between different markets to RTOs' varying reliance on automated systems.

Potomac also performs monitoring duties for ERCOT, ISO-NE, NYISO and the Regional Greenhouse Gas Initiative. Its 24-member staff includes four Ph.D. economists and a half-dozen software engineers.

Operations Report

MISO staff delivered a positive monthly operational report at the meeting, saying the RTO's reliability, markets and operational functions all performed well in August.

MISO South set a new peak load of 32.7 GW on Aug. 10, surpassing the previous record of 32.6 GW on July 29. However, systemwide average and peak loads declined 3.6% and 4.2%, respectively, compared to July's numbers.

Energy prices (based on the average of MISO's active hubs) for the summer months were below $30/MWh and were at the lowest levels in recent summer months.

Wind production — 2,362 GW in August — increased nearly 20% from July and 75% from August 2014 (1,348 GW). Though wind output typically is at its lowest levels in August, it reached its highest level as a percentage of total generation in five years, at 4.3%.

IPPNY Fall Conference 2015

Capacity Market, Clean Power Plan, REV Highlight IPPNY Conference

IPPNY President Gavin Donohue said generators are willing to work with New York regulators regarding the state's capacity market but said it's unclear what changes are being sought. "What problem are we trying to solve?" he asked. "We've had stresses on the system during the winter [and] during the summer the last few years and quite frankly the system has worked very well."

IPPNY Chairman John Reese, senior vice president of US Power Generation, called on state regulators to demonstrate "courage" by pushing for an increase in the cost of new entry. "Nobody believes you can actually build or enter the New York market for the current cost of new entry price," he said. "Upstate New York capacity prices are lower than PJM, are lower than New England. Those are not survivable."

Kenneth Daly, CEO of National Grid New York, speaks as James Gallagher, executive director of the New York State Smart Grid Consortium (left), and UBS Securities analyst Michael Weinstein (right) listen. Daly said the next five years of the state's Reforming the Energy Vision initiative will be transitional, as state regulators evaluate demonstration projects and determine which worked and which did not. "Ten years from now is when we'll start to see game changers. Battery storage is clearly the one biggest change that our industry will face. And if we go through another investment cycle these next five years of modernizing our grids we'll then have far greater capability in that second five-year period to integrate renewables, to give customers choice, to use more local demand response."

Richard Dewey, executive vice president of NYISO (left), and John Shelk, president of the Electric Power Supply Association (right), said EPA's final Clean Power Plan addressed problems with the draft rule. Dewey said the preliminary rule "would have left us with about one to three days of oil burn in New York state – which is about 100 less than we typically need [for] reliability." Shelk said the final rule fixed an "artificial" advantage for new gas plants. But he said it remains unclear how regions outside the Regional Greenhouse Gas Initiative will incorporate carbon costs in economic dispatch. "Clearly we're not going to have — certainly not on day one — a price on carbon in the rest of the states," he said.

IPPNY Fall Conference 2015

NYPSC Chair Acknowledges Costs Concerns

By William Opalka

Zibelman

SARATOGA SPRINGS, N.Y. — New York Public Service Commission Chairman Audrey Zibelman last week acknowledged legislators' concerns over the state's energy costs but gave no indication that the commission would relent on lawmakers' demands that it release data on generators' finances.

Forty State Assembly members and nine state senators signed a letter last week asking the commission to release in full the annual reports submitted by the state's generation owners.

Generators contend that the reports should be treated as trade secrets because they contain data on their revenues, expenses and profits.

"I understand that people are worried about price confidentiality; I can assure you that the commission takes very seriously its role around maintaining confidentiality and of course we're reviewing the [disclosure request] against the law," Zibelman told the fall conference of the Independent Power Producers of New York.

"But I think we can't disabuse ourselves of the fact that one of the things that's very important in our markets is to have public confidence and when you have 48 [sic] Assembly people saying 'We have some concerns,' we need to start talking about how do we allay those concerns and make sure that there is confidence throughout the state."

Legislators say the information is essential to determining whether electric competition has resulted in "just and reasonable" rates.

"For too long the industry has operated in secrecy, which is damaging to New Yorkers across the state, who are paying the third highest rate for electricity in the entire country," the legislators wrote. "In a time where the PSC is taking steps to lead New York into the energy future with [Reforming the Energy Vision], and it's proceeding to evaluate energy affordability for low-income utility customers, we ask that the PSC do everything it can to make sure that the industry is operating responsibly."

Cost-Benefit Analysis on REV

Durant

The REV initiative also came under criticism at the IPPNY conference from Michael Durant, New York state director of the National Federation of Independent Business.

Durant said he feared REV could result in a "bridge to nowhere" and that his organization will support legislation calling for a cost-benefit analysis for the initiative.

"For REV, we don't know what it's going to cost, we don't know how long it's going to take and nobody can predict what the end result is," he said, adding that energy costs are a top concern for his small business members.

Second Request for Release of Reports

Brennan

The release of the generators' reports was first requested by Assemblyman James Brennan (D-Brooklyn), who says consumers are being overcharged "billions" by power generators in a flawed market that needs to be "re-regulated" (13-01283 and 11-M-0294).

Brennan, chair of the Assembly Committee on Corporations, Authorities and Commissions, said much of the redacted information is available from other public sources.

"The wholesale electric power industry seeks to conceal its profits from the public by claiming that the bidding system would be undermined if rivals knew each other's costs," Brennan said in a statement. "But our evidence shows that argument is without merit because the bidder's identities are easily ascertainable and their costs are easily calculated from regular federal filings made by these companies."

The lawmaker's first Freedom of Information Law request in 2014 was rejected by the PSC's records access officer, who said the information consisted of protected trade secrets, and that disclosure would cause havoc in the operation of the power markets. Kathleen H. Burgess, secretary of the state Department of Public Service, agreed, rejecting Brennan's appeal.

Brennan filed a second request in May, which was also rejected by the records access officer. On Aug. 27, Brennan again appealed to the secretary.

This time around, Brennan's request included an affidavit from energy consultant Robert McCullough that said that heat rate information from power plants is publicly available in the Environmental Protection Agency's national electric energy data system database.

IPPNY responded with an affidavit that said the database contains estimates and not the actual heat rates that the PSC requires. The records officer agreed.

IPPNY and nuclear plant owner Entergy argued that the disclosure issue had already been decided. "No new facts or circumstances have developed over the past year to warrant a different result now," an attorney for Entergy wrote in response to the appeal.

Brennan had asked for decision by Sept. 11, but the commission will not rule on his demand for disclosure until Oct. 19. "In light, however, of the length of the appeal, and particularly the 190-page McCullough affidavit, and of the issues raised in the oppositions received thus far from IPPNY and Entergy, a decision on the appeal will require some period of time," Burgess wrote on Sept. 11.

IPPNY Fall Conference 2015

NYPA Head Pledges 'Most Advanced' Utility

By William Opalka

Quiniones

SARATOGA SPRINGS, N.Y. — New York Power Authority CEO Gil Quiniones says the state-run company will be the "most innovative and advanced utility in the U.S. in a very short period" due to massive investments and its commitment to facilitate the remaking of the industry in the state.

Addressing the fall conference of the Independent Power Producers of New York, Quiniones said NYPA expects to spend \$3 billion to \$4 billion on infrastructure over the next decade, with nearly half of that total — \$1.5 billion — in smart grid generation and transmission assets.

New York has embarked on the Reforming the Energy Vision initiative to transition to cleaner and more distributed generation. NYPA's five-year strategic plan was written in the context of REV, he said.

That means a revamping of operating procedures and technologies that can accommodate distributed resources. "As we move into this REV world, we have to be sure that all this generation and transmission infrastructure works in synchronicity with the advent of distributed resources," Quiniones said. "… Our grid has to be connected and smart and optimized and the only way to do that is to digitize it and use big-data analytics."

NYPA has 16 power plants and 1,400 circuit miles of transmission, including one-third of the state's high voltage system. It serves 51 small municipal and rural cooperatives.

One project now underway is the retrofit of the Massena substation, which Quiniones said will result in "the most advanced substation of its size in this country. It will be microprocessor-based, fiber optic-based; it will provide unparalleled situational awareness and operational flexibility."

Last year, NYPA built a 15-MW microgrid on Rikers Island in New York City, which captures waste heat from the facility and runs parallel and synchronous to the utility system. It can island in the event of another city-wide power interruption, such as during Superstorm Sandy. This is intended to be the first of several microgrids NYPA will build.

NYPA is acting as a facilitator with vendors SolarCity and SunEdison to install solar panels at the 698 school districts in the state. "I predict there will be a very fast ramp up of solar in our public schools," Quiniones said.

In October, six drones from different vendors will be tested to monitor the condition of power lines. The authority also is beginning to monitor power line conditions and operations with a robotic device from Hydro-Quebec.

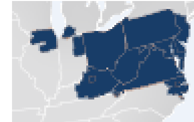
Much of the innovation is taking place in the North Country, home to most of the state's wind farms, whose variability stresses the system.

Other initiatives include:

- Installing dynamic line rating technology sensors and intelligence so the system can know exactly how much power is being carried through its lines. This aids efficiency by acting as a "fast switch" as it can transfer as much as 300 MW from one line to another in milliseconds to prevent system overload;
- Condition-based monitoring that would base equipment replacement on the condition of the asset rather than on manufacturers' recommendations;
- Transformer-testing software to prevent catastrophic events.

More than 170 people attended the Independent Power Producers of New York's 30th annual Fall Conference at the historic Gideon Putnam resort in Saratoga Springs, a two-day affair of golf and industry talk. © RTO Insider

PJM NEWS



Consensus Near on Energy Market Offer Cap?

By Suzanne Herel

The authors of four competing proposals to change the $1,000/MWh energy market offer cap have agreed to put forward one plan for consideration by the Markets and Reliability Committee on Thursday — the last chance stakeholders will have to come to consensus before the Board of Managers takes the issue into its own hands.

The proposal outlined during a special MRC meeting last week would cap cost-based offers at $2,000/MWh and allow them to set LMPs, with market-based offers allowed to equal cost-based. Generators with approved fuel-cost policies claiming costs above $2,000/MWh would be compensated through make-whole payments.

There would be no change to the treatment of the 10% adder, shortage penalty factors and start-up or no-load compensation. Cost-based offers would be considered to include the 10% adder.

The framework was hammered out during a conference call last week attended by Direct Energy, Old Dominion Electric Cooperative, PJM Power Providers Group (P3), the Independent Market Monitor — jokingly dubbed "the four horsemen"— and PJM staff.

"I think it's fair to say that none of the four proposers who participated in the call felt it was their home run," said committee secretary Dave Anders. "But it was something they looked at as a bridge that, should the stakeholders come to consensus on it or something close to it, it could work for this winter and until FERC" takes action.

Stakeholders already had been rushing to reach consensus after being told in July at the Liaison Committee meeting that the Board of Managers planned to take up the issue in time for winter.

Then, on Sept. 17, FERC announced its intention to take action on offer caps and other price formation issues. The commission made the statement as it issued a proposed rule requiring RTOs and ISOs to align their settlement and dispatch intervals (RM15-24). It gave no timeline for future action. (See NOPR Requires RTOs Switch to 5-Minute Settlements.)

"Is it perfect? Absolutely not. We shouldn't let that get in the way of an incremental improvement."

Steve Lieberman, ODEC

PJM Approves

PJM's Adrien Ford said the new framework "is something PJM staff can fully support" to the board.

Absent consensus, she said, staff is prepared to recommend a Tariff change similar to the waiver it filed last year, which allowed prices to rise as high as $1,800/MWh. PJM made it through the winter without having to invoke it.

Staff would recommend, however, that the increased cap remain beyond the winter and would clarify in its transmittal note that any FERC action would supersede the new language, Ford said. "We view it as an interim solution for a winter or two," she said.

PJM staff hasn't finalized exactly what it would recommend if consensus can't be reached, she said. One outstanding issue is whether to eliminate the cap altogether. Any solution supported by PJM would allow generators full cost recovery, she said.

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 extreme conditions such as the 2014 polar vortex.

On Thursday, ODEC, Direct Energy and the Market Monitor said they would withdraw their proposals to support the new framework. David "Scarp" Scarpignato of Calpine, which is a member of P3, said he hadn't had time to canvass the group to guarantee they would do the same, but he said initial feedback from the P3 members he reached during a break in the meeting pointed in that direction. (See PJM Stakeholders Weigh 4 Options on Offer Cap; No Agreement in Sight.)

"We see there are some areas we're not going to come to agreement in the time we have to do so," said Steve Lieberman of ODEC. "But we're probably not as far apart as we may have thought. Is it perfect? Absolutely not. We shouldn't let that get in the way of an incremental improvement.

"It's hard to argue that this is not an improvement. It does allow generators to recover their costs. It does offer load the security blanket of a cap, albeit higher than we otherwise would wish to support."

Susan Bruce, representing the PJM Industrial Customer Coalition, agreed. While noting that she had not reviewed the proposal with her clients, Bruce called it "a good-faith effort at compromise." She said she was pleased that market-based bids above $1,000/MWh must be below the cost-capped bids and that a hard cap will remain at $2,000/MWh.

"It addresses — maybe not ideally, but practically — many of the concerns that have been raised. While there are areas of this that would give customers pause, I think it's hard to view this as anything but a good workable framework around consensus," she said.

"It addresses my clients' particular concerns about our aggregate market power. … The 10% adder is problematic, but if we're looking for consensus, it will necessarily involve compromise."

Exelon, Maryland Balk

Not everyone was on board, however.

"It falls woefully short of correct market principles that PJM should be endorsing and has endorsed in the past," said Exelon's Jason Barker. Payments to individual units, recovered in uplift, fail to send clear market signals, he said.

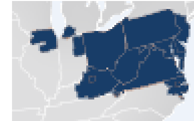
Walter Hall of the Maryland Public Service Commission said that the state would be unlikely to support an offer cap as high as $2,000.

"We have not been persuaded that there is a need at this time [for] a raising of the offer cap; however, we do agree that generator cost recoveries are important and would be willing to see some mechanism added to the PJM Tariff that would provide that, but without setting [LMPs]," he said. "We're willing to discuss some alternative to that, some higher level of offer cap, but unlikely to be willing to go as far as $2,000."

Hall also asked for more information regarding the generators most likely to be on the margin and setting the highest costs.

"We would have some concern that perhaps there are very inefficient units being maintained here that would be providing the last megawatt of electricity," he said.

PJM NEWS



MRC/MC Preview

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

RTO Insider will be at the PJM Conference and Training Center in Valley Forge, Pa., covering the discussions and votes. See next Tuesday's newsletter for a full report. (Note: The meetings were delayed by a week because of the pope's visit to Philadelphia and relocated to the CTC because facilities were not available in Wilmington on the new date.)

Markets and Reliability Committee

2. PJM Manuals (9:10-9:30)

Members will be asked to endorse the following manual changes:

- Manual 40: Certification and Training Requirements. Makes miscellaneous edits; clarifies concepts, roles and responsibilities related to PJM's systematic approach to training; updates the process for member training and PJM certification and reflects changes in terminology of operator titles.
- Manual M10: Pre-Scheduling Operations. Adds procedures for maintenance outages under Capacity Performance rules: the requirement for PJM members to provide estimated "early return time" for planned outages; ensures that PJM will coordinate rescheduling if it withdraws or withholds approval of a planned outage; references PJM's authority to withhold or withdraw approval of maintenance outages with at least 72 hours' notice; adds requirement that maintenance outages be submitted at least three days prior to the operating day of their commencement.
- Manual 14D: Generator Operational Requirements. Incorporates minor changes to the cold weather testing program for seldom-used generators. (See "Members Choose Status Quo on Winter Testing" in *PJM Operating Committee Briefs*.)
- Manual 14B and 14A: Generation and Transmission Interconnection Process. Changes document how PJM will oversee transmission projects that have benefits in at least two categories, including baseline reliability upgrades, market efficiency and public policy. (See *PJM Wins OK on Multi-Driver Tx Projects*.)

3. PRICE FORMATION (9:30-10:30)

Members will be asked to vote on a proposal to change the $1,000/MWh energy market offer cap. The proposal, hammered out by Direct Energy, Old Dominion Electric Cooperative, the Independent Market Monitor and the PJM Power Providers Group (P3), would cap cost-based offers at $2,000/MWh and allow them to set LMPs, with market-based offers allowed to equal cost-based. Generators with approved fuel cost policies claiming costs above $2,000/MWh would be compensated through make-whole payments. (See related story, *Consensus Near on Offer Cap?*, p.9)

Members Committee

CONSENT AGENDA (1:20-1:25)

B. The committee will be asked to endorse Reliability Assurance Agreement revisions regarding external capacity rights. The rule change allows load-serving entities to meet their internal capacity requirements using historic resources under certain conditions: The percentage internal resource requirement is enforced only if the locational deliverability area has been separately modeled due to certain triggers; a fixed resource requirement entity is permitted to terminate its FRR alternative election prior to meeting the minimum five-year commitment period requirement under certain conditions; and first-time elections of the FRR alternative are due four months prior to a Base Residual Auction instead of the current two-month deadline. (See *IMEA Reaps Limited Relief from Capacity Rule Change*.)

C. New Tariff language reflects the switch from eMkt to Markets Gateway.

ENDORSEMENT (1:25-2:25)

Members will be asked to vote on a proposal to change the $1,000/MWh energy market offer cap. (See MRC agenda item 3, above.)

— Suzanne Herel

FERC Orders Hearing on PJM-TransSource Dispute

A FERC administrative law judge will attempt to settle TransSource's complaint against PJM concerning the costs of three network upgrades that the company says are being inflated by transmission owners (EL15-79).

TransSource alleges that PJM has refused to provide the company with files relevant to the system impact studies showing the underlying costs of the upgrades, which the company says is in violation of the RTO's Tariff. PJM maintains that it provided TransSource with all the necessary data and that it is under no obligation to provide the specific files the company is requesting.

The Independent Market Monitor last month requested that FERC settle the dispute. (See *PJM Monitor Asks FERC to Resolve TransSource Dispute*.) PJM responded by saying it was willing to informally meet with the Monitor, TransSource and the relevant transmission owners to discuss the studies. TransSource rejected this, supporting the Monitor and insisting on a formal process.

The commission said Thursday that it could not rule based on the record before it and set the case for hearing and settlement procedures.

— Michael Brooks

PJM NEWS

Exelon Appeals DC PSC Decision

Continued from page 1

comment and final determination."

In a radio interview Sept. 25, the day after opponents of the deal rallied outside her office, Bowser had declined to confirm whether she was engaged in negotiations. (See *DC Mayor Tight-Lipped on Exelon-Pepco Deal*.)

Exelon's appeal, submitted on the last day of the 30-day appeal period, takes issue with two of the PSC's findings: that the merger was not in the public interest and that it would not be in the public interest for the commission to identify additional conditions that could make it so.

The 43-page filing maintains the commission's ruling contained "various errors of law" and reiterated the benefits that the company said the district would receive, quoting at length from CEO Christopher Crane's direct testimony. (See *CEO Crane to DC PSC: Exelon Committed to Jobs, Ratepayers*.)

Exelon said the merger would "yield tremendous benefits by unlocking millions of dollars of synergy savings; facilitating the sharing of best practices; enhancing the reliability of service; ensuring the continuity of a skilled workforce; creating net positive job growth in the District of Columbia; guaranteeing Pepco's active participation in and support of the District of Columbia's many civic and charitable organizations; and providing Pepco and the District of Columbia with a partner uniquely well-suited to help the District of Columbia advance its sustainability goals quickly and effectively."

Crane referred to the negotiations with Bowser's office in a press release late Monday. "Since the Public Service Commission explained why it didn't approve the merger last month, we've worked to learn what's most important to the district — and we are responding," Crane said.

"Exelon's attempt to breathe new life into its takeover of Pepco should be rejected by the D.C. Public Service Commission," the opposition group Power DC responded. "The PSC unanimously rejected Exelon's attempt to buy Pepco in August for a very simple reason: the merger is not in the public interest. Nothing Exelon said today will change that fact. Exelon's business model is fundamentally at odds with the district's ability to control its own power supply."

In making its decision last month, the PSC said it weighed the proposal on seven factors of public interest, among them the effects on ratepayers and shareholders, market competition and preservation of natural resources and the environment. (See *DC Halts Exelon's Acquisition of Pepco Holdings; Pepco Stock Tumbles*.)

More than half of the Advisory Neighborhood Commissions and nearly half of the 12-member City Council remain opposed to the deal. The Office of People's Counsel and the attorney general's office also have advised against approval without significant concessions.

The acquisition was approved by regulators in all remaining jurisdictions: New Jersey, Maryland, Delaware, Virginia and FERC.

Talen Seeks Change in Divestiture Options

By Rich Heidorn Jr.

Talen Energy asked FERC on Friday to allow it to sell four generators totaling 1,351 MW in eastern PJM to satisfy divesture conditions the commission set in a December order approving the company's formation (EC14-122).

In their application to spin off their generation into the new company, PPL and Riverstone Holdings proposed two mitigation packages.

One involved divestiture of six Riverstone plants, and one PPL plant, in New Jersey and Pennsylvania totaling 1,315 MW. The second involved the same six Riverstone plants, plus the 399-MW Crane coal-fired plant in Maryland and two PPL hydro plants in Pennsylvania, for a total of 1,346 MW. (See *PPL, Riverstone Accept FERC Mitigation Plan on Talen Spinoff*.)

Talen now says it wants to replace the two divestiture packages with a third involving the Crane plant and three former PPL generators in Pennsylvania: the 660-MW Ironwood combined-cycle plant, the 248-MW Holtwood hydro plant and the 44-MW Wallenpaupack hydro generator.

Talen said its request was the result of its inability to negotiate a lease extension for its 158-MW combined-cycle plant in Bayonne, N.J., which was part of both previous divestiture options.

The Bayonne plant provides steam to a tank terminal storage facility, which owns the land beneath the generator. The storage facility is owned by a subsidiary of Macquarie Infrastructure Co., the Australian conglomerate.

Macquarie informed Riverstone last October of its intention not to extend the lease on the generator. (In February, Macquarie agreed to purchase the nearby Bayonne Energy Center, a 512-MW gas-fired generator, from ArcLight Capital Partners.)

Talen said efforts to negotiate an extension of the lease beyond its current expiration in October 2018 "proved futile," forcing it to retire the plant effective Nov. 1, 2018.

"Accordingly, divesting the Bayonne facility could prove challenging," Talen said. The proposed "Option 3" divestiture package will provide "the market more flexibility to identify the assets more highly valued by potential purchasers," it said.

Talen said the revised divestiture plan would have essentially the same reduction in the company's market power.

The company — which is required to complete its divestiture by June 1, 2016 — asked FERC to rule on its request by Nov. 30.

SPP NEWS

SPP Briefs

RSC Fails to Change Voting Structure

SPP's Regional State Committee failed to reach agreement last week on a change in its voting procedures.

During a conference call that stretched over two days, the committee considered three voting structures — simple majority, majority plus one and two-thirds — to be followed when the committee wants to intervene in federal regulatory or judicial proceedings. The seven-person committee voted 4-3 on a majority-plus one structure, falling short of the RSC's current two-thirds threshold.

The RSC will grow to 11 members Oct. 1 when it adds representation from the Iowa, Minnesota, North Dakota and South Dakota regulatory commissions, giving the committee another chance to revisit the issue. The committee is comprised of regulatory commissioners in SPP's footprint and provides collective agency input on matters of regional importance related to bulk electric transmission.

"My thought is to take no action and let the new states come in," said RSC President Dana Murphy of the Oklahoma Corporation Commission. "Maybe that will be the time to look at the language with the full group."

The previously divided RSC agreed with Murphy on that point.

Congestion Rights Tariff Filing Due

The RSC also reviewed SPP's progress in meeting an Oct. 30 filing deadline for Tariff changes required by FERC.

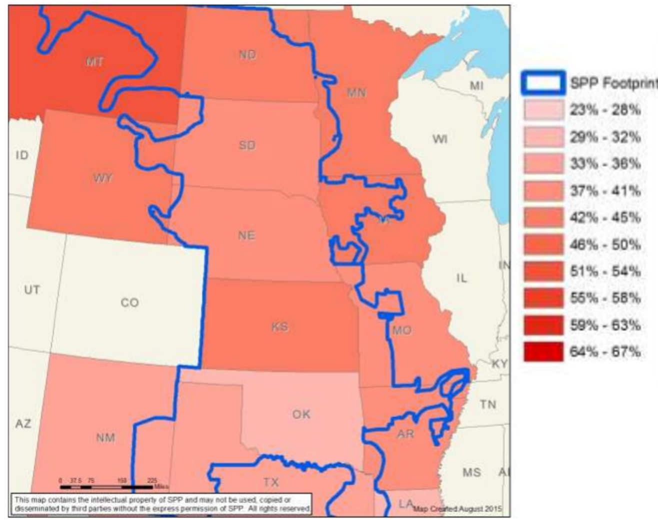
The commission conditionally approved SPP's rules on incremental long-term congestion rights (ILTCRs) last October, and then denied a rehearing request by SPP and intervenors in July (ER14-2553).

Staff told the RSC the language now clarifies that a party constructing an improvement has priority for LTCR capacity made available by the improvement. Short-term rights will be made available as soon as the improvement is in service, with long-term rights awarded during the next annual cycle.

The revised language also allocates LTCRs and ILTCRs for network upgrades funded through a combination of rolled-in transmission rates and directly assigns charges based on the ratio of each party's funding of directly assigned facilities.

As FERC requested, the proposed Tariff language eliminates the minimum $5 million investment requirement to be eligible for ILTCRs.

The changes, which have already cleared SPP working groups, will be considered by the Markets and Operations Policy Committee at its Oct. 13-14 meeting. The RSC will also vote on the final language before it goes to the Board of Directors in late October.



Emission rate reductions required by 2030 (% from 2005 rates)
Source: SPP

CPP Task Force Fills Out its Roster

The Clean Power Plan Task Force, which will recommend SPP's role in addressing the Environmental Protection Agency's carbon emission rule, has announced its representation.

The task force will be chaired by Mike Wise, vice president of transmission and operations for Golden Spread Electric Cooperative.

Other members of the task force include:

Burton Crawford, KCP&L Greater Missouri Operations Co.; Dennis Florom, Lincoln Electric System; Dale Niezwaag, Basin Electric Power Cooperative; Wayne Penrod, Sunflower Electric Power Corp.; Lauren Quillian, Xcel Energy; and Richard Ross, American Electric Power. Michael Desselle, SPP's chief compliance and chief administrative officer, will serve as the group's staff secretary.

The task force has been charged by SPP's Strategic Planning Committee with reviewing the CPP and EPA's model federal implementation plan. It will recommend what role SPP should play in assisting states' compliance, and inform staff and member dialogue with environmental regulators.

In one of its first formal actions, the group and SPP staff hosted a webinar last week for members of the RTO's 14 states' air-quality regulators, utility commissions and key governmental contacts at its member utilities.

SPP's presentation noted its three assessments of the CPP indicate a regional approach to compliance is better than state-by-state approaches. State-by-state compliance would require 114% more generation retirements, a 9% increase in "generation at risk for retirement," 185% more new natural gas generation and about the same percentage of new renewables, SPP said.

States with multiple RTOs should be aware of the potential for "overlapping impacts that could require broader coordination," it said.

SPP RE Winter Assessment

SPP's Regional Entity (RE) shared its draft winter reliability assessment during a webinar last week, saying reserve margins are "adequate" for what is expected to be a normal winter.

The RE said SPP has 67,058 MW of capacity available, with another 761 MW to come online during the winter months. That should be more than enough to meet expected winter peak demand of up to 42,000 MW.

The SPP RE also expects about 162 miles of 230-kV transmission to be added during the

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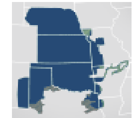
SPP NEWS



FERC Sides with SPP Monitor; Rejects Mitigated Offer Changes

By Tom Kleckner

FERC last week sided with SPP's Market Monitoring Unit in a long-running dispute with generators over what costs can be included in mitigated offers. The commission rejected SPP's proposal to change the definition of costs allowed under mitigated energy offer curves, start-up offers and no-load offers (ER15-2268).

The commission said SPP's proposal to describe mitigated offers in terms of variable cost rather than short-run marginal cost was "inconsistent" with the commission's directive in its 2012 conditional acceptance of SPP's Integrated Marketplace.

"We find that SPP's proposal to base mitigated offers on variable costs may lead both to inefficient dispatch outcomes, characterized by higher production cost, and to distorted locational marginal prices that do not reflect competitive conditions," the commission said.

Generators' Complaints

Generators subject to mitigation had complained to SPP that they weren't being paid enough because the Monitor refused to include certain expenses, such as long-term service agreements, in its definition of allowed costs. Generators subject to mitigation include those with local market power and those manually committed by SPP or a local transmission owner.

Among the complainants was Golden Spread Electric Cooperative, which said it was suffering losses under SPP's frequent dispatch of their quick-start units. (See *SPP Board Rejects Short-Term Study; Impact on Quick-Start Units Debated*.)

After more than a year of stakeholder meetings failed to reach consensus on the definition of short-run marginal costs, SPP in July filed proposed Tariff changes that would replace references to the term with the variable cost components of mitigated offers. The proposal would have set default variable operations and maintenance (VOM) costs that generators could include and listed the types of costs eligible under resource-specific offers.

SPP Monitor Protests

SPP's filing drew protests and interventions from nearly two dozen market participants and the SPP Monitor, which asked FERC to reject the change, saying it could result in VOM costs that exceed short-run marginal costs and lead to economic withholding.

The Monitor said short-run marginal cost is not a "nebulous term," but rather a common economic phrase describing the incremental cost of production — in this case, those that vary by megawatt-hour output.

It said SPP's proposal "attempts to fix a problem that may not exist," noting that mitigation had decreased significantly since the Integrated Marketplace's launch in 2014.

Independence Concerns

PJM's Independent Market Monitor filed a protest supporting the MMU, noting that PJM recently eliminated long-term maintenance from mitigated offers.

The IMM said that the proposed changes raised questions about whether SPP was protecting its MMU's independence. "When the SPP Market Monitor made interpretations with respect to mitigated offers that SPP market participants did not like, the response was that market participants initiated a stakeholder process to apply pressure on the SPP Market Monitor to compromise or change those interpretations," FERC said, paraphrasing the IMM's filing.

The New Jersey Board of Public Utilities also backed the monitors' arguments, saying approval of SPP's proposed changes would be "a regression from SPP's current mitigation rules" and could create an "adverse precedent that spills over to other regions."

Filing not Supported

In rejecting SPP's proposal, FERC said SPP failed to define the term "variable cost" or to "describe with specificity what costs may be included in mitigated offers as variable costs that were not previously regarded as short-run marginal costs.

"As such," the commission said, "SPP proposes to replace one phrase that SPP contends is undefined (short-run marginal cost) with another phrase that is not well defined (variable cost)."

The commission also rejected the proposed default VOM costs, saying SPP's decision to use the 80th percentile value of costs submitted by market participants would result in figures representative of high-cost units.

The commission said the PJM Monitor's call for an examination of whether SPP was protecting the independence of its Monitor was outside the scope of the docket. "We note, however, that the SPP Market Monitor's participation in this case demonstrates the importance of having an independent market monitor … to ensure that markets are competitive."

SPP Briefs

Continued from page 12

winter.

SPP engineer Chris Haley said fuel supply and wind integration remain concerns, but it has not identified any unique or unusual operational challenges for the winter.

Haley also noted SPP will assume planning coordinator functions Oct. 1 for the Integrated System (IS) entities registered with the Midwest Reliability Organization (MRO) Regional Entity: Western Area Power Administration-Upper Great Plains, Basin Electric Power Cooperative and Heartland Consumers Power District.

While Nebraska is still registered with the MRO, both Nebraska and the IS are part of the SPP RTO operational and planning area.

The winter assessment is created using data submitted by SPP reporting entities, which is validated by a peer-review process. The draft assessment will undergo additional peer review at the North American Electric Reliability Corp. before it is finalized.

The SPP RE will host its Winter Preparedness Workshop on Dec. 10.

— Tom Kleckner

STAKEHOLDER SOAPBOX

OPINION: Electric Market Offer Caps are a Vital Consumer Protection

By Christopher Hargett, Diana McNally-Barsotti and Joel Yu

The benefits of wholesale electric markets can only be achieved when competition is effective. FERC must not only provide for markets that benefit customers but must also not lose sight of the importance of protecting markets (and customers) against market power abuses. To this end, the focus on customer impacts must remain as FERC considers changes to existing electric market offer caps. Some organized markets have sought to increase offer caps to levels above $1,000/MWh because of the impact seen from high natural gas prices during the extreme weather events in the winter of 2013/14.

Such efforts are overly reactionary to one winter season experience and do not indicate that a change in policy and consumer protection is warranted at this time. Moreover, they are predicated on the misguided belief that increasing the offer cap is the only means to properly compensate generators for their performance. Since the advent of organized electric market operation, there has been no evidence that a change to this important offer cap is needed.

Protecting Electric Customers

Bids into wholesale electric markets and associated federal regulations are based on the premise that, absent market power, competitive market pressure should discipline offers to levels at or near suppliers' marginal costs required to cover short-run operations (including opportunity costs). However, because marginal suppliers may be limited during peak periods, and because the market demand-side load is generally not price responsive, a truly functional competitive market may not be present.

As a result, offer caps are necessary to protect customers from excessive prices as generation resources become scarce during high demand periods. Moreover, they take into account the fact that "prices are generally more sensitive to withholding and other anticompetitive conduct under high load conditions," when more costly supply is required.[1]

Due to the experience of the 2013/2014 winter, organized electric markets are seeking to promote resource availability and performance in ways that add competitive forces to the market's supply side during peak demand hours. While the organized electric markets have well developed mitigation measures in place, there is no substitute for the $1,000/MWh offer cap as a fail-safe protection to customers. Furthermore, energy market offer caps serve as a valuable incentive for generators to minimize fuel costs, which in turn translates into customer benefits through fair electricity prices.

Moreover, the existing cap encourages generators to limit their reliance on spot fuel purchases. This incentive is not only good for economics but also for the reliable operation of the electric system. And, under existing rules, individual generators are able to be compensated for documented increased fuel costs when incurred. Such provisions protect generators as well as consumers, and any change to the offer cap should consider the experience with such requests, as discussed below.

It is also inaccurate to claim that higher short-term price signals will result in better resource performance and help maintain reliability. This hypothesis was proven false in PJM's experience over the past two winters. In response to high natural gas prices in winter 2013/14, PJM temporarily increased its offer cap to $1,800/MWh for the 2014/15 winter but ultimately had no resource clear above $1,000/MWh.

In fact, while prices cleared below $1,000/MWh, generators boosted performance year-over-year. When PJM experienced its all-time winter peak in February 2015, the generator forced outage was 13%, compared to 22% in January 2014. In New York, historical data supports this conclusion as well, as no generator in NYISO has ever demonstrated that it incurred costs above the $1,000/MWh offer cap, including the 2013/14 winter when natural gas prices spiked to unprecedented levels.

Regional Coordination

FERC should not act on a generic basis to modify energy market offer caps across organized markets, nor should it allow differences in offer caps between regions. Contrary to FERC's goal, any difference in offer caps in neighboring regions would create unnecessary seams issues and could result in inefficient bidding behavior between regions. That's because suppliers could concentrate their offers into the market with the higher offer cap, forcing operators in the lower offer cap region to call on resources out-of-market to meet their system reliability needs.

This would unnecessarily increase costs to consumers in both regions. Such bidding incentives are an unjust application of market power and should be avoided. True price flexibility and differentiation between markets are, and should continue to be, a reflection of infrastructure constraints.

The Right Approach

Price signals are not the only tool available to compensate suppliers according to their cost of operation.[2] Out-of-market payments are the appropriately tailored solution when considering the precarious alternative. Taking this approach ensures that generators are compensated for their performance and for meeting customer needs in extreme conditions, without creating potential market vulnerabilities at all other times to the detriment of electric customers.

Out-of-market payments address these rare costs in a fair manner for generators and customers and should be transparent for all market participants. Trends should be monitored, and any changes, if considered in the future, should be based on information about such payments.

Christopher Hargett, Diana McNally-Barsotti and Joel Yu are senior policy advisors at Con Edison. Subsidiaries Con Edison Company of New York and Orange and Rockland Utilities are transmission owners within NYISO. A subsidiary of Orange and Rockland Utilities, Rockland Electric, is a transmission owner within PJM.

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[1] *2014 State of the Market Report for the New York ISO Markets*, Potomac Economics, May 2015, p 17.

[2] PJM recently received FERC approval for its Capacity Performance program, whereby units that perform under high demand conditions are rewarded. In New York, NYISO is undertaking several initiatives to bolster performance while ensuring compensation including clarifying market mitigation measures and fuel availability reporting.

(Editor's Note: This column marks the beginning of an occasional *RTO Insider* feature, **Stakeholder Soapbox**. If you'd like to contribute your own op-ed article, contact Rich.Heidorn@RTOInsider.com.)

COMPANY BRIEFS

Dallas Billionaire Buys Williams Co. for $37.7 Billion

Dallas billionaire Kelcy Warren's company Energy Transfer Equity is buying pipeline firm Williams Co., adding about 30,000 miles of pipeline to the 70,000 Energy Transfer already controls. Energy Transfer will pay $37.7 billion in a combination of stock and cash, with $43.50 for each share, about $2 more than the stock's Friday closing price.

Warren and Energy Transfer have been pursuing Williams since the beginning of the year. Energy Transfer offered Williams $53.1 billion in June, but the offer was rejected by Williams. At the time, Williams said the offer "significantly undervalues Williams." Since then, however, crude oil prices have plummeted, buffeting the industry.

Those conditions made this the right time to move on Williams, Warren said in an interview with *The Dallas Morning News* last week. "You try to guess the bottom, and you're always wrong," he said. "So you buy a little before or a little after. We believe the time is now."

More: *The Dallas Morning News*

Alliant Plans Solar Field Atop Coal Ash Dump

Alliant Energy plans to build a 2-MW solar facility atop a closed 20-acre coal ash landfill in Wisconsin. Alliant said the 7,600-panel complex near the shuttered Beloit coal-fired power plant will be the largest utility-operated solar site in the state.

Using a brownfield site like the coal ash dump makes sense, according to Geoffrey Underwood of South Korea-based Hanwha Corp., which is developing the solar installation for Alliant.

"Solar projects in general are an excellent re-use for landfill Superfund sites, brownfield sites, in that, one, the length of the projects and the long life of these projects in the 20- to 40-year range give the land additional time to settle and cure," Underwood said.

More: *Wisconsin Public Radio*

Duke Plans $1.9B Investment To Modernize Its Indiana Grid

Duke Energy plans to invest about $1.9 billion over seven years to improve the reliability of its transmission and distribution systems, Duke Indiana President Melody Birmingham-Byrd said.

Birmingham-Byrd, who took over Duke's Indiana operations in June, said the electric utility plans to file an investment request with the Indiana Utility Regulatory Commission at the end of the year. The upgrades will replace aging equipment and modernize the grid.

"We have very detailed programs and project plans that have been developed so that we can begin those projects almost immediately after being approved," she said. Duke serves 810,000 customers in 69 of Indiana's 92 counties.

More: *Tribune Star*

NextEra Missouri Wind Project Back from the Dead?

NextEra Energy could be reviving its Osborn Wind Energy Center, a 97-turbine 200-MW wind farm in northwest Missouri that was fully permitted in 2010 but went unsold and was put on hold.

NextEra last week received regulatory approval to build two 197-foot meteorological towers. The company says it is re-verifying wind data with the aim of starting construction in summer 2016.

Over the 30-year project life, NextEra said it would invest about $350 million, which should generate $35 million in local property taxes.

More: *St. Joseph News-Press*

PSE&G Plans Switching Station at Newark Airport

Public Service Electric & Gas' $1.2 billion plan to improve reliability in northeastern New Jersey includes a new switching station at Newark Liberty International Airport.

The switching station is an integral part of the utility's Bergen-Linden Corridor transmission line project. The line will more than double the capacity of the existing 138-kV system, replacing it with a double-circuit 345-kV system.

More: *NJ.com*

Duke Energy Shows off Dan River Coal Ash Project

Duke Energy last week showed off a new rail yard and loading dock it has put into place to remove coal ash from the grounds of the retired generator where 39,000 tons of coal-combustion byproducts fouled the Dan River two years ago.

The utility's system will excavate a mountain of coal ash stored on the plant grounds and transport the waste by train to a privately owned landfill in Amelia County, Va. The company is removing the waste under a state mandate to safely store coal ash from its power plant sites.

"Our first phase is to get rid of that whole mountain of coal ash," said Jim Malloy, project manager at the Dan River site. "The stuff will not see the light of day again."

More: *Greensboro News & Record*

DTE's Fermi 2 Staying Shut Down for Refueling

DTE Energy's Fermi 2 nuclear generating station will remain shut down after an unplanned Sept. 13 outage caused by a problem with an auxiliary cooling system. The company says it now plans to move up a planned refueling outage that was scheduled for later.

Vito Kaminskas, site vice president, said it was decided to accelerate the schedule for the refueling outage to take advantage of the plant being offline already. DTE shuts down the unit about every 18 months for refueling.

More: *Monroe News*

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COMPANY BRIEFS

Continued from page 15

3 Hurt in Steam Leak At SC Nuclear Fuel Plant

Three workers were injured Friday from a steam leak at Westinghouse Electric's nuclear fuel production plant near Columbia, S.C., forcing a section of the plant to shut down.

Plant officials said there was never a public or environmental threat during the incident and that there was no leak of radiation. They said a "mechanical issue," rather than an explosion, caused the steam leak. The three men, who were not identified, were taken to a burn center at an Augusta hospital.

The leak happened in a wash tank in an area where nuclear fuel assemblies are prepared. Fuel assemblies are hollow rods that are filled with radioactive pellets. When completed, the fuel rods are shipped to nuclear generating stations around the country.

More: *The State*

Crown Hydro Tries Again to Amend License

Crown Hydro is making a third attempt at building a hydroelectric project at St. Anthony Falls in downtown Minneapolis.

The company is seeking to amend the federal hydropower license it was granted in 1999 but never put to use. This time it wants to install its powerhouse at the upper end of a lock complex owned by the U.S. Army Corps of Engineers, then tunnel underground to release water downstream. Two previous proposals fizzled.

Nearly 70 Minneapolis residents told FERC they think the firm should be required to obtain an entirely new license for the 3.4-MW project. City officials agreed. A FERC official also advised Crown Hydro in 2013 to seek a new license, calling the latest proposal "essentially a different project" that needs new engineering and environmental analysis.

More: *Minneapolis Star Tribune*

FEDERAL BRIEFS

FERC Announces 2016 Meeting Dates

FERC on Monday announced its 11 open meeting dates for 2016. As in past years, the commission will not meet in August.

More: *FERC*

FERC Accepts W.Va. Pipeline For Pre-Filing Review

FERC has agreed to a pre-filing review of Columbia Gas Transmission's proposed 165-mile natural gas pipeline in West Virginia. Columbia said the formal application of the $2 billion Mountaineer Express Project will be filed in April. If approved, construction will begin in the second half of 2017.

The proposed pipeline is designed to give producers in the Marcellus and Utica shale regions a new gateway to markets in the east. The pre-filing process, which involves a series of public scoping sessions, allows the pipeline operator to modify its design before submitting a formal application.

More: *Associated Press*

Senate Democrats Ask Obama To Block Arctic Drilling

A dozen Democratic U.S. Senators last week sent a letter to President Obama asking him to block any more drilling in the Arctic Ocean. The senators had previously opposed Royal Dutch Shell's drilling program in the Chukchi Sea, which Obama allowed.

"You have stated many times that America must reduce our greenhouse gas emissions and build our capacity for clean, renewable energy," the letter reads. "Allowing Shell to expand fossil fuel drilling in the Arctic is incompatible with this imperative and with your commitment that the United States will lead the global effort to address climate change."

The letter was signed by Sens. Sheldon Whitehouse (R.I.), Jeff Merkley (Ore.), Patrick Leahy (Vt.), Ben Cardin (Md.), Bernie Sanders (Vt.), Al Franken (Minn.), Richard Blumenthal (Conn.), Brian Schatz (Hawaii), Martin Heinrich (N.M.), Ed Markey (Mass.), Cory Booker (N.J.) and Gary Peters (Mich.).

More: *The Hill*

NRC Inspecting Failure of Control Valves at Callaway

The Nuclear Regulatory Commission is conducting a special investigation into the failure of three of four steam generator water-flow control valves at Ameren's Callaway nuclear plant in Fulton, Mo.

The failures were noted in three separate instances: one in August 2014, one in December 2014 and a third at an unspecified date. The 2014 incidents were related to a system modification. The third instance was also related to the same system and has since been corrected.

"The purpose of this special inspection is to better understand the circumstances surrounding the valve failures, determine if the licensee's extent of condition review was sufficiently comprehensive and review the licensee's corrective actions to ensure that the causes of the failures have been effectively addressed," NRC Region IV Administrator Marc Dapas said. Callaway is a 1,190-MW single-unit station that went commercial in 1984.

More: *POWER Magazine*

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FEDERAL BRIEFS

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EPA Hears Criticism of Proposed Methane Emission Rule

Representatives of the oil and gas industry told the Environmental Protection Agency that its proposed rules controlling methane emissions could kill the incentive to produce natural gas.

Industry representatives shared their views at a meeting in Colorado hosted by EPA to hear feedback on the proposed rule, which would cut emissions by 40 to 45% by 2025 compared with 2012 levels. The agency said the rule could add $420 million annually to the cost of energy extraction but would reduce health care costs by up to $550 million a year.

But Kathleen Sgamma of the Western Energy Alliance said the rule would push up the price of natural gas and maybe convince industrial consumers to switch back to dirtier fuels, such as diesel. She and other industry officials noted that while the rules only target the oil and natural gas industries, other industries, such as agriculture, produce significant amounts of methane emissions but would remain unregulated.

More: Associated Press

PennEast Files FERC Application For Marcellus Shale Gas Pipeline

A group of New Jersey and Pennsylvania utilities filed a formal application with FERC to move forward with the controversial $1 billion PennEast Pipeline project to tap into Marcellus Shale natural gas production, saying the new pipeline would deliver low gas prices, stable electricity rates and a manufacturing renaissance to the region.

The 118-mile pipeline, which is fiercely opposed by environmentalists and adjoining landowners, will deliver 1 billion cubic feet of gas a day from the Marcellus Gas region in Pennsylvania to markets in that state and New Jersey. About 72% of the capacity is committed to local distribution companies, including UGI Utilities in Pennsylvania and Public Service Electric & Gas, South Jersey Gas, Elizabethtown Gas and New Jersey Gas in New Jersey. Power plant operators and gas producers have locked up the rest of the capacity.

More: The Philadelphia Inquirer

Northern Pass Tx Line Review Period Extended

The Energy Department has agreed to reopen the environmental study of the Northern Pass transmission line, which would import hydroelectric power from Canada.

Developer Eversource Energy made enough changes to the transmission line's route to warrant preparation of a supplement to the draft Environmental Impact Statement, the department said. Political leaders and environmental groups asked the department to reopen the environmental review of the project in light of the new tower heights, configuration and locations.

The department is also extending the public comment period on the draft EIS to Dec. 31, 2015, and postponing the public hearings to a date to be determined before the end of the new public comment period. Eversource said it does not expect the changes to the schedule will delay the project.

More: New Hampshire Union Leader

Feds Plan Auction of Offshore Leases for Windmills

Federal officials will seek bids to lease nearly 344,000 acres of ocean floor off of New Jersey on Nov. 9. If fully developed, the area could provide enough power for 1.2 million homes, according to the Interior Department and the Bureau of Ocean Energy Management.

Thirteen companies have qualified to bid on the leases in an area that runs roughly from Long Beach Island to near Cape May. Gov. Chris Christie's administration would have to approve the projects.

More: Associated Press

STATE BRIEFS

ARKANSAS

Entergy Gets PSC Approval for 20-Year PPA with NextEra Solar

The Public Service Commission has approved Entergy Arkansas' request to enter into a 20-year power purchase agreement with NextEra Energy, which is building an 81-MW solar plant near Stuttgart. The facility, which will cover more than 400 acres, will be the largest solar project in the state.

Environmentalists applauded. "The Sierra Club is excited to welcome this large, homegrown, clean energy project to Arkansas," said Glen Hooks, director of Sierra Club of Arkansas. "As Entergy is moving toward clean energy, they have also proposed shutting down one of its largest dirty coal-fired plants."

The new solar production will reduce Entergy's carbon footprint. "Both nuclear and solar provide emissions-free power and a natural hedge for energy price fluctuations due to uncertain environmental regulations and natural gas volatility," Entergy Arkansas President and CEO Hugh McDonald said at the project's announcement in the spring. The project is expected to be completed in 2019.

More: Sierra Club; Law360 (subscription required)

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STATE BRIEFS

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DELAWARE

Delmarva Customers to Save on Natural Gas

Delmarva Power and Light says its customers are getting a break on natural gas costs for the fifth straight year. Under new rates taking effect Nov. 1, the average residential customer will save nearly $17/month, it said.

According to the Energy Information Administration, the residential cost of natural gas in the state hasn't been this low since 2004.

More: Delaware Public Media

INDIANA

Watchdog Group Says Utilities Scaling Back Efficiency Standards

The Citizens Action Coalition says that utilities are scaling back their energy saving and energy efficiency programs in response to the state's more relaxed conservation standards.

The state's energy efficiency standard was replaced by Senate Bill 412, which calls for utilities to establish their own energy efficiency and demand-side management programs rather than meet strict state targets. CAC says the plans for Duke Energy Indiana and Northern Indiana Public Service Co. have set substantially lower targets. It says NIPSCO's target has dropped from 339 GWh of energy savings to 114 GWh.

"Our fears are coming true or being confirmed," CAC Executive Director Kerwin Olson said. "The legislation allows the utility companies to establish their own goals. It puts the utilities in the driver's seat in terms of how much energy efficiency they're going to do."

More: Midwest Energy News

KANSAS

KCC Approves Westar Energy $78 Million Rate Hike

The Corporation Commission has approved a 4% rate hike for Westar Energy that will increase a typical monthly residential electrical bill by $5 to $7.

The Topeka utility fashioned an agreement with KCC staff, many of its largest industrial customers and the Citizens' Utility Ratepayers Board. Last week, the commission voted unanimously to approve it.

The increase will generate an additional $78 million a year for Westar. The consumer board acknowledged that Westar was entitled to make customers pay for power plant upgrades to meet environmental mandates.

More: Associated Press

MANITOBA

Manitoba Hydro Unveils Minnesota Tx Line Route

Manitoba Hydro has revealed the planned route for a proposed $350 million transmission line that will link it to the Wisconsin Public Service Corp. grid. The line would run from northwest of Winnipeg to the Manitoba-Minnesota border.

Called the Manitoba-Minnesota Transmission Project, it is part of a deal in which Manitoba Hydro is selling 308 MW of hydro power capacity to WPSC.

More: CBC News

MARYLAND

Baltimore Customers Might Get Hit with Higher Rates

Baltimore's Board of Estimates has more than tripled the rate for using city-owned underground conduit. The system's largest user, Baltimore Gas & Electric, says it will try to pass those costs on to customers in higher rates.

Beginning Nov. 1, companies will have to pay an annual usage charge of $3.33/foot, up from 98 cents. BGE has said it will try to raise residential rates by $7 or $8 per month, and from $15 to $3,350 for businesses, depending on how much electricity they use.

The Baltimore Department of Transportation said the rate increase was necessary to repair the crumbling system, which was built in the early 1900s.

More: Baltimore Business Journal

Solar Co-ops a Growing Choice for Residents

A growing number of residents are joining solar cooperatives, which allow them to save money by buying their rooftop solar systems in bulk.

Central Maryland is home to at least nine such groups, and 150 homeowners from the Baltimore area joined Retrofit Baltimore's first co-op, leading it to open a second round of requests from residents in the City of Baltimore and Baltimore, Arundel and Howard counties.

According to the Community Power Network, which builds solar energy projects, a 9-kW system that normally would cost a homeowner about $31,000 can be purchased by a co-op for $13,000.

More: ABC2

BGE Natural Gas Leak Suspected in House Explosion

A suburban resident and a Baltimore Gas & Electric worker responding to a reported gas leak were injured after a house exploded and five other houses burned in Howard County on Wednesday.

The utility worker, who was responding to a suspected gas leak in an unoccupied house in Columbia, ordered the evacuation of surrounding homes moments before the vacant home exploded. The BGE employee was treated for minor burns and released. Fire officials said a resident of one of the damaged homes suffered respiratory problems and was taken to a nearby hospital.

"I've never seen anything like it," said Ira Gershman, who lives in an adjacent house. "It was like a bomb." The cause of the explosion is under investigation.

More: The Baltimore Sun

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STATE BRIEFS

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MASSACHUSETTS

Attorney General Blasts DPU For Approving Pipelines too Quickly

Healey

State Attorney General Maura Healey is criticizing the Department of Public Utilities for approving three contracts for the Northeast Energy Direct pipeline "without knowing all the facts."

In a letter to FERC, Healey complained that the agency approved requests by Boston Gas, Columbia Gas and Berkshire Gas for long-term capacity on the 188-mile pipeline without considering "the interrelationship of gas and electric markets" and conducting a "factual analysis of future demand."

Meanwhile, advocacy group Northeast Energy Solutions has asked the Supreme Judicial Court to set aside a DPU order denying the organization's ability to intervene as a full participant in hearings over the project. The group said the state agency failed to conduct a "fair and comprehensive" hearing. It joins the Pipeline Awareness Network of New England and the Conservation Law Foundation in taking legal action against the DPU.

Kinder Morgan subsidiary Tennessee Gas Pipeline wants to build the pipeline, which would run from Wright, N.Y., to Dracut, Mass. It is undergoing FERC review.

More: *MassLive*; *Berkshire Eagle*

MICHIGAN

3-Year Fracking Study Completed

A three-year look at fracking in the state shows that the public isn't wholly convinced the practice is a good one.

Researchers from the University of Michigan say the oil and natural gas industry, and lawmakers and regulators, have a large job on their hands to convince voters to allow the practice to continue. There is a movement to ban fracking because of environmental and health concerns.

Officials from the Department of Environmental Quality said they will review the report and use it to help make decisions going forward.

More: *Associated Press*

Senators Want to Ban Oil Shipments on Great Lakes

Stabenow

The state's U.S. senators, expressing concern about oil pipeline spills, have proposed legislation that would ban all crude oil transport vessels on the Great Lakes and would increase scrutiny of existing underwater pipelines.

Sens. Gary Peters and Debbie Stabenow, both Democrats, introduced the Pipeline Improvement and Preventing Spills Act, citing concern over the operation of the 62-year-old Enbridge pipeline under Lake Michigan, the site of a 2010 oil spill.

"This common-sense legislation will help us prevent an oil spill in the Great Lakes, whether it's a tanker accident or a pipeline leak in the Straits of Mackinac," Peters said. In addition to banning tanker transport on the Great Lakes, it would also designate the Great Lakes a "high consequence" area, calling for increased federal review and safety requirements for existing pipelines.

More: *MLive*

MINNESOTA

Utilities Try to Keep up with EV Owners' Charging Needs

The number of electric vehicles in the state has more than doubled to 3,200 in recent years, and local communities are trying to figure out how to serve and capitalize on the growing market.

Governments are following retailers' lead and locating electric vehicle charging stations at public facilities such as libraries, regional parks and transit stations, triggering a debate about how much to charge car owners to plug in.

"A lot of private agencies and local governments are struggling with that right now," said Taud Hoopingarner, Dakota County's operations management director. "The jury's still out on what the appropriate rate is."

More: *Minneapolis Star Tribune*

MISSOURI

Regulators Say New Data Gives Ameren Time to Model SO2

State regulators say they can't tell if Ameren Missouri's Labadie coal plant is violating air pollution standards and gave the utility more time to measure air quality before deciding whether to take action.

The Department of Natural Resources disclosed new data gathered by Ameren that caused the department to second-guess its models, which had suggested the plant was violating sulfur dioxide limits. Because of the discrepancy between Ameren's data and state models, the department recommended calling the area "unclassifiable," meaning that data might need to be collected for years before determining if the area is in violation of federal rules.

The Air Conservation Commission unanimously adopted DNR's recommendation at its Sept. 24 meeting.

More: *St. Louis Post-Dispatch*

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STATE BRIEFS

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NEW HAMPSHIRE

Lower Electricity Prices this Winter

Electric distribution companies have started setting their winter energy service rates, and the first company out of the gate, Liberty Utilities, has proposed a residential rate of 9.2 cents/kWh from Nov. 1 to July 31, a 40% reduction from last winter's rate of 15.4 cents.

Liberty serves about 6% of the retail customers in the state, mostly in the Salem-Derry area and Upper Valley. The lower rate means a Liberty residential customer using an average of 500 kWh in November will pay $46, compared to $77 in November of last year.

Eversource Energy, which serves 75% of the state's residential customers, had the lowest rate of the state's three regulated utilities last winter, at 10.56 cents/kWh.

More: *New Hampshire Union Leader*

Slowdown Urged for Eversource Plant Sale

The staff of the Public Utilities Commission says that the divestiture of Eversource Energy's power plants would cost ratepayers money and should be put off for at least five years. An agreement earlier this year resolved several issues that have been pending between the PUC's Electric Division and the state's largest utility, such as who pays for $425 million worth of upgrades to the Eversource coal-fired plant in Bow. But changing conditions in the electricity market led the technical staff to suggest the projected savings have been overstated.

"We find that the customer savings as anticipated by Eversource and the settling parties are by no means clear and that the sale of Eversource generation assets at this time may actually burden ratepayers to a greater degree than maintaining the status quo," according to an analysis by the PUC staff.

More: *New Hampshire Union Leader*

NORTH DAKOTA

Regulators Give Energy Industry 10 More Months to Cut Flaring

Recognizing that economic pressures have made it difficult to meet a strict deadline on capturing natural gas that is flaring from wells, regulators and the governor have given the energy industry another 10 months to cut their gas emissions from wellheads and other parts of the drilling and collecting apparatus by 85%.

Industry officials had argued that widespread adoption of the infrastructure needed to capture the escaping gas was almost impossible to complete by the original deadline. The new deadline is Nov. 1, 2016.

More: *Reuters*

OHIO

AEP Building 3.6-MW Solar Plant for Clyde

AEP Energy is building a 3.6-MW solar plant and has secured a 20-year agreement to sell the output to the municipal power system of Clyde.

The American Electric Power subsidiary said the Clyde Solar Energy Center will generate enough power to supply 550 residences. The plant, which will be built on 20 acres of city-owned land, is scheduled to be completed by the first half of 2016.

"The City of Clyde has been pursuing this zero emission project since 2011," city officials said. "This is another major step toward that goal."

More: *AEP*

PENNSYLVANIA

Bill Would Give Lancaster Farmers a Break

Zimmerman

State Rep. David Zimmerman has proposed a bill that would prevent the Public Utility Commission from limiting how much power derived from methane systems could be sold to offset the cost of such systems.

The move stemmed from a debate over whether a state net-metering law requiring utilities to purchase excess power generated by small-scale wind and solar units is fair to the agricultural companies and their customers.

Utilities have complained that paying retail price for wholesale power will drive up the price of electricity. Energy companies also say that getting the power distributed onto the grid shifts costs from one consumer class to another. About 97% of the state's net metering facilities are solar.

More: *Lancaster Online*

TEXAS

Austin City Council in Fight Over Purchasing 600 MW of Solar

The Austin City Council is debating how Austin Energy will pay for 600 MW of solar power by 2017, nearly triple the amount of solar energy currently in the utility's solar portfolio.

Austin Energy recommends that it should buy 200 to 300 MW of solar power this year through a power purchase agreement with a West Texas solar farm developer. That agreement could cost between $22.5 million and $33.2 million per year for a period between 15 to 25 years, and is paid for through a fuel charge on its customer's bills.

After it adds 600 MW, Austin Energy would generate more of its power from the sun than any other utility in the state. The utility is set to generate 55% of its power from renewable sources by 2025.

More: *Austin American-Statesman*

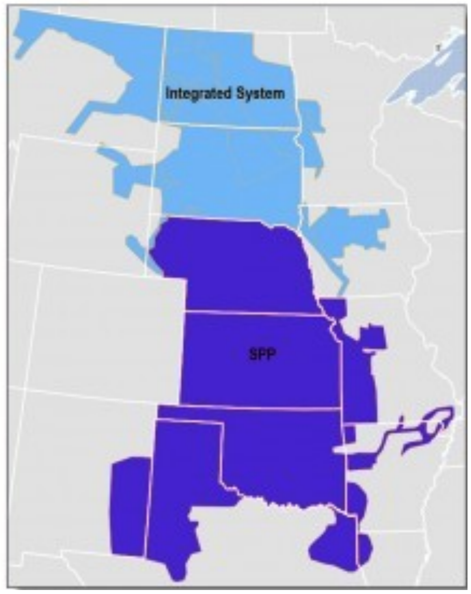
Integrated System to Join SPP Market Oct. 1

Continued from page 1

It will add more than 5,000 MW of peak demand and 9,500 miles of transmission infrastructure to SPP's responsibilities, while increasing its territory by 55% to 575,000 square miles.

"It's a significant change for SPP, considering the amount of area we're responsible for and the parties we're responsible for as members," Executive Vice President Carl Monroe, SPP's chief operating officer, told *RTO Insider*. "We're extending our footprint and ensuring SPP's members will get the benefits of our services."

While it expands with the IS, indications are it will lose another member with Lubbock Power & Light's announcement last week that it will join ERCOT in 2019.



Source: SPP

Reliability Coordination Began June 1

SPP has been providing reliability coordination for the IS since June 1, monitoring power flow and managing congestion while WAPA, Basin Electric and Heartland dispatched their generating resources. The three entities will transfer functional control of their facilities to SPP at midnight Wednesday night and become active participants in the Integrated Marketplace, forming the new Upper Missouri transmission zone.

Other entities will become full SPP members Thursday, including the East River Electric Power Cooperative, Northwest Iowa Power Cooperative and Corn Belt Power Cooperative. It will be SPP's first major membership additions since 2009, when Nebraska's major utilities joined the RTO, and boosts its membership to 92.

"We're really looking forward to Oct. 1," Monroe said. "We have very good relationships with those parties, and some are already participating in SPP's working groups."

SPP prides itself on being a stakeholder-driven organization and its governance model was a major reason the IS joined. Heartland CEO Russell Olson cited the RTO's "collaborative process" in a statement announcing the move last year.

"They felt they would have a voice," Monroe said, "and that made a difference in their decisions."

Joining SPP gives IS members access to the RTO's markets. Several current members have already credited market savings with allowing them to reduce the size of rate increases or providing additional pricing efficiencies through a broader pool of resources.

"I would guess that would be able to happen again from expanded footprint," Monroe said. "Savings in the energy market will reduce the cost of wholesale energy. Depending on how each entity handles its customers, it could be a reduction in costs."

Monroe said SPP's increased membership also will reduce RTO service fees for existing members. "Everyone will be paying less as a ratio than they would have paid before," he said.

WAPA, Basin Electric and Heartland began discussing joining an RTO four years ago to increase their options for buying and selling power. All three conducted public hearings and assessments before determining last year that SPP was the best fit. FERC ap-

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NYPSC Staff Recommends $1.2B in Transmission

Continued from page 1

for transmission solutions that maximize the re-use of existing rights of way so as to minimize impacts on the sensitive landscapes of New York. ... Staff's recommended portfolio successfully avoids the opening of new transmission rights of way and also avoids a new crossing of the scenic Hudson River," the report said. (See Tx Plan to Open NY Choke Points Without New ROWs.)

The developers are NextEra Transmission, North American Transmission and a coalition of utilities and the New York Power Authority known as the New York Transmission Owners. Another private developer, Boundless Energy, was disqualified because its projects, while environmentally sound, did not provide a positive cost-benefit ratio, according to the report.

The Edic-New Scotland-Rotterdam line runs through the Mohawk Valley from Oneida County, near Utica, to Albany County. The Knickerbocker-Pleasant Valley line in the Hudson Valley runs from Rensselaer County to Dutchess County.

Following approval by the PSC, NYISO would be directed to issue a request for proposals to build the two segments. PSC staff said the two upgrades would provide more benefits if other developers were given an opportunity to bid on the project rather than solely selecting the NYTOs.

"The NYTOs and NextEra should be invited to apply to build both segments, and NAT should be invited to build the … Knickerbocker to Pleasant Valley segment," staff wrote.

Staff said that while "other developers will be able to participate in the NYISO process" and potentially win the contracts, only the three companies will be reimbursed for the costs of participating if they are not selected.

To operate at full capacity, the Knickerbocker-Pleasant Valley project also would require upgrades to Orange and Rockland Utilities' Rock Tavern terminal and increasing the 11-mile 69-kV Chester-Shoemaker-Sugarloaf line in Orange County to 138 kV.

In an interim report filed in July, PSC staff said that a spring announcement that a 720-MW power plant project had secured financing led to additional study of the Hudson Valley alternatives. (See NYPSC Staff Narrows Transmission Alternatives.)

The additional capacity would allow wind power generation, mostly sited in the northwestern part of the state, to more easily gain access to downstate New York markets.

Integrated System to Join SPP Market Oct. 1

Continued from page 21

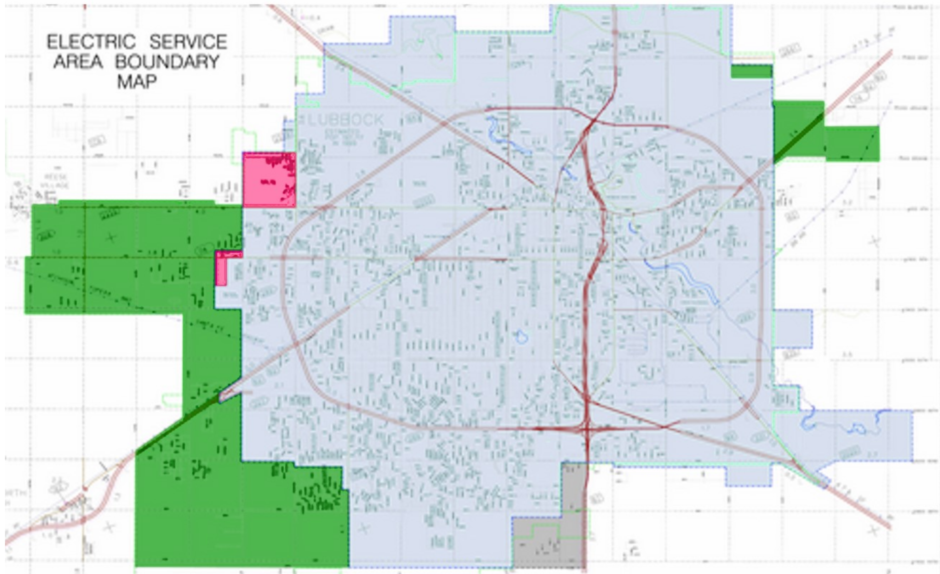
proved the move in November.

"We felt that SPP was a solid philosophical match for our cooperative," said Paul Sukut, Basin Electric's CEO and general manager.

WAPA will become the first federal power marketing administration to join an RTO. WAPA spokesperson Lisa Meiman said joining SPP "alleviates the marketing restraints" the agency was facing in delivering firm power to its customers.

Because the Energy Policy Act of 2005 placed conditions on power marketing administrations joining RTOs, SPP did have to "accommodate" WAPA's "unique needs," Meiman said. SPP modified its Tariff to exempt WAPA from regional cost-sharing charges. WAPA also is exempt from congestion and marginal loss charges when it is marketing and delivering federal hydropower to its federal load, she said. FERC issued an order Monday approving SPP Tariff changes accommodating WAPA (ER15-2350).

WAPA will merge its Eastern Interconnection balancing authority into SPP's balancing authority, and its Eastern and Western Interconnection transmission facilities will be incorporated into the new Upper Missouri Zone. Meiman said WAPA will remain a transmission operator and develop transmission rates, revenue requirements and other necessary rates for use in SPP's Tariff.



Lubbock Power & Light service territory *Source: Lubbock Power & Light*

WAPA's Western Interconnection BA will not become a part of SPP's BA, nor will UGP's Western Interconnection generation and load become part of the Integrated Marketplace.

Lubbock Sees Savings in ERCOT

Excitement over the addition of the IS was tempered last week when Lubbock Power & Light said it will move to ERCOT to reduce its energy and capacity costs.

The LP&L Electric Utility Board met with the Lubbock City Council on Sept. 24 to outline its transition to ERCOT, which manages 85% of the Texas grid. LP&L is the third-largest municipally owned electric company in the state, after San Antonio and Austin.

"That's their decision," Monroe said. "We're a voluntary organization. If that's what they intend to do, they make those choices that are best for their organization."

LP&L says significant transmission infrastructure will be needed to interconnect with ERCOT, and that approval, certification and construction will likely take four years. The process began with a feasibility study, which was approved by the Public Utility Commission of Texas last week.

The utility says taking advantage of smaller, cheaper contracts in the ERCOT market will save it $20 million annually over what it currently spends in a long-term wholesale contract with Xcel Energy. LP&L's three old, small power plants are seldom committed by SPP.

Lubbock also will be freed of about $40 million in annual capacity fees in ERCOT's energy-only market.

LP&L also said it will benefit from Texas' diversified energy portfolio and a simplified regulatory environment.

Monroe said SPP hasn't had any conversations with LP&L or Xcel or looked at the implementation plans. "I'm not sure what [the announcement] means," he said.

In a press release, Xcel expressed disappointment and said the city's proposal will increase costs for members of both SPP and ERCOT. Noting the "significant investments" it has made in the area's high-voltage network, Xcel said "Lubbock's portion of the annual cost of these investments will be added to the costs Xcel Energy customers in Texas and New Mexico already pay."

Xcel also said its long-term power supply agreement for a portion of Lubbock's power needs through 2044 could be "impacted" by the utility's move to ERCOT. According to LP&L, it will honor the contract by purchasing 170 MW from Xcel after June 1, 2019, which means it will remain interconnected with SPP.

By joining ERCOT, the city says it would also escape FERC regulation. As a Texas-only grid operator, ERCOT is regulated by the PUCT and the state legislature; FERC governs SPP and other interstate providers.

The PUCT and ERCOT would both have to approve LP&L's move.

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