



LEAD OR FOLLOW?

MISO Stakeholders Split over RTO's Role in CPP Compliance

Tx Developers Urge 'Proactive' Role; OMS: Respect State Jurisdiction

By Amanda Durish Cook

CARMEL, Ind. — MISO stakeholders are deeply split over how proactive the RTO should be in helping its 15-state region comply with the Clean Power Plan.

At an Advisory Committee "hot topic" discussion last week, some stakeholders cautioned MISO against taking policy positions, while others said the RTO should help guide

the states to the most economical compliance options.

"MISO is going to have to live with what the states decide," said Texas Public Utility Commissioner Kenneth Anderson, whose state is among 11 in MISO whose officials have joined in legal challenges to the EPA rule. "Until real decisions are made, you run the risk of running into political minefields. Whether we do rate-based or mass-based [compliance], there are going to be very dif-

ferent consequences."

No Advocacy Role

The Organization of MISO States also urged MISO to follow rather than attempt to lead the states. "Ultimately, MISO will be charged with incorporating the states' decisions on CPP compliance into its markets, planning and operations. If those decisions

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AEP Ohio Reaches PPA Settlement with PUCO Staff, Sierra Club

By Ted Caddell

AEP Ohio has reached a settlement with Public Utilities Commission of Ohio staff and others on an eight-year power purchase agreement, winning the support of the Sierra Club with a promise to double the state's wind generation and nearly quintuple its solar capacity.



AEP's Conesville power plant

The settlement provides guaranteed income for the output of American Electric Power's 2,671-MW ownership share of nine plants, as well as the company's 423-MW contractual share of Ohio Valley Electric Corp.'s generating fleet, until May 2024, the company announced Monday.

The Sierra Club, which had rejected a similar deal reached by FirstEnergy two weeks ago, is one of 10 parties that signed on to the settlement or agreed not to oppose it. (See [FirstEnergy, PUCO Staff Reach Settlement on PPA for Ohio Merchant Plants.](#))

AEP said the agreement, which still needs to be approved by PUCO, would raise a typical residential customer's bill by 62 cents/

month. But when coupled with its recently approved Electric Security Plan, rates will be \$9/month less than rates a year ago, the company said.

AEP also predicted that the settlement agreement would result in savings to consumers of \$721 million over its eight-year life.

Opponents say AEP's projections assume an unlikely increase in natural gas costs in the later years. The Ohio Consumers' Counsel (OCC) has predicted that the deal would cost consumers an extra \$2 billion.

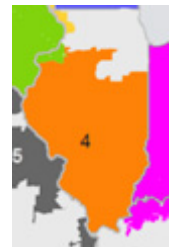
Minutes after AEP announced the settle-

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Stakeholders to ICC: MISO Resource Adequacy Fine — for now

By Michael Brooks

Resource adequacy in MISO's Zone 4 isn't a problem now, but it will be if the RTO doesn't reform its markets to encourage generation development and demand response participation, speakers told the Illinois Commerce Commission at a policy session last week.



The commission called the session to inquire into the status of resource adequacy in Zone

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NH Site Committee Rules Northern Pass Application Complete

By William Opalka

The New Hampshire Site Evaluation Committee (SEC) has turned aside protests and deemed the Northern Pass transmission line application complete.

The Dec. 7 decision means the licensing process for the 192-mile line to connect Canadian hydropower with the New England energy market can continue. The committee, which voted 6-0 to accept the application, is expected to rule in about a year.

Project opponents had maintained that the application was incomplete because developers had not shown they had property access along its entire route, especially at its northernmost point. State environmental officials and a group representing independent power producers had raised questions about site access. (See [Northern Pass Facing Challenges over Siting](#).)

But Commissioner Kathryn Bailey told a crowded hearing room that all the state

agencies with permitting authority had concluded the application is complete. "I have a ton of questions about the application," she said, according to a [report](#) by New Hampshire Public Radio, "but I'll start the discussion by saying I think that what they're required to provide in order for us to proceed is complete."

In its [letter](#) declaring the application complete, the state Department of Resources and Economic Development said that the project will use existing corridors to cross five state forests under the department's management. However, it cautioned that any "project-related impacts" to properties purchased through the Land Conservation Investment Program would require legislative action.

Also, under the federal Land and Water Conservation Act, any impacts outside of existing utility rights of way in Bear Brook State Park would require substitution of equivalent recreation properties, subject to the approval of the Interior Department.

Northern Pass Transmission, a subsidiary of Eversource Energy, was pleased with the panel's ruling. "We appreciate the hard work that the SEC and other state agencies have put into reviewing the contents of this lengthy application, and we are eager to begin the next phase of the state permitting process," it said in a statement.

The owner of the land alongside state highway rights of way that developers want to use said it was disappointed but not surprised. "As members of the SEC acknowledged, certain property rights are in dispute. The question is when and how those property right issues are taken into consideration by the SEC. The answer to that question is still unclear," the Society for the Protection of New Hampshire Forests said in a statement.

The society also has filed suit in Coos County Superior Court to stop the project.

Eversource hopes to begin construction in 2017 and begin importing power from Hydro-Québec in spring 2019.

Divided PURA Approves Utility Takeover

By William Opalka

A divided panel of Connecticut regulators on Wednesday gave final approval to Iberdrola USA's \$3 billion takeover of UIL Holdings.

The state's Public Utilities Regulatory Authority [voted](#) 2-1 in favor of the deal, which it had tentatively approved last month. (See [Connecticut Regulators Poised to OK Iberdrola Acquisition of UIL](#).)

In a dissenting opinion, authority member Michael Caron said the deal presents "too many unknowns" for regulators and the state's ratepayers.

"Iberdrola is a multi-national conglomerate that is currently engaged in regulated and unregulated activities," he wrote. "Consequently, parts of Iberdrola's business may be more inherently risky than its regulated utilities. These risks outweigh the minimal public benefits provided in the settlement agreement."

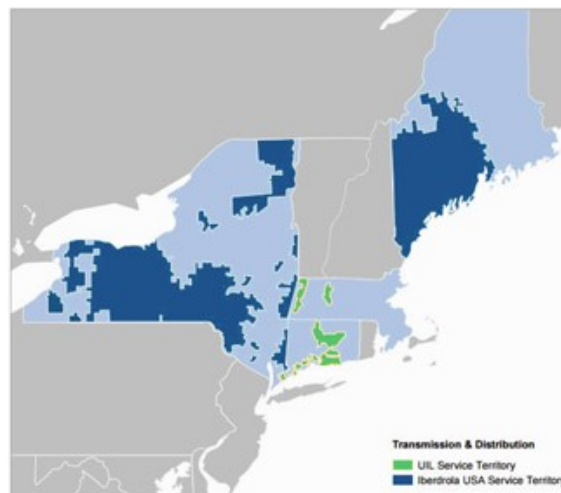
Iberdrola agreed to regulators' demand for "ring fencing" of the company's state opera-

tions from its other domestic and international holdings. But Caron said that the company's responsibilities to its shareholders overall would undermine those protections for Connecticut ratepayers.

Caron also said Iberdrola's previous ownership and sale of two Connecticut natural gas distribution companies showed a lack of commitment to the state.

In a statement, PURA Chairman Arthur H. House said the deal was in the public interest and overcame objections that officials had to the first proposal last summer.

"While their first proposal had many positive aspects, Iberdrola and UIL took to heart the message we sent in our preliminary ruling, measurably improving both the public benefit content of their proposal, and also making specific, measurable commitments that ensure the flow of benefits to utility ratepayers," he wrote.

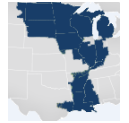


Source: UIL

PURA Vice Chairman John Betkoski joined House in approving the acquisition.

The deal had won the endorsement of the state's Consumer Counsel in September.

The deal must still be approved by UIL shareholders and Massachusetts regulators, who have jurisdiction over UIL's natural gas distributor Berkshire Gas. The companies have asked that state's Department of Public Utilities to rule by Dec. 18.



MISO Stakeholders OK Redesign, Begin Implementation

By Amanda Durish Cook

CARMEL, Ind. — The Advisory Committee unanimously adopted a sleeker stakeholder process last week, shedding a structure that MISO stakeholders have called cumbersome and hard to follow.

The redesign merges overlapping stakeholder groups and closes out completed task forces while re-evaluating existing meeting schedules. Seven groups were absorbed or consolidated in the redesign.

The model also puts an emphasis on holding joint meetings when two entities are addressing the same issue and reducing repetitive presentations through the use of MISO’s monthly informational forum. The new, pared-down process also calls for entities to cancel meetings when there is nothing pressing on the agenda.

Michelle Bloodworth, executive director of external affairs, said there was a surprising level of consensus among stakeholders. She said that it was “one of the most collaborative” interactions MISO and its stakeholders have had.

“I felt like we were on the same page,” said Bloodworth, who led the redesign effort after joining MISO in March from the American Natural Gas Association.

The undertaking launched in June with a white paper presented to the Steering Committee, including a straw man proposal as a starting point for discussions. The structure was finalized in a Nov. 3 stakeholder workshop. (See [MISO Straw Man: Eliminate 10 of 27 Committees](#).)

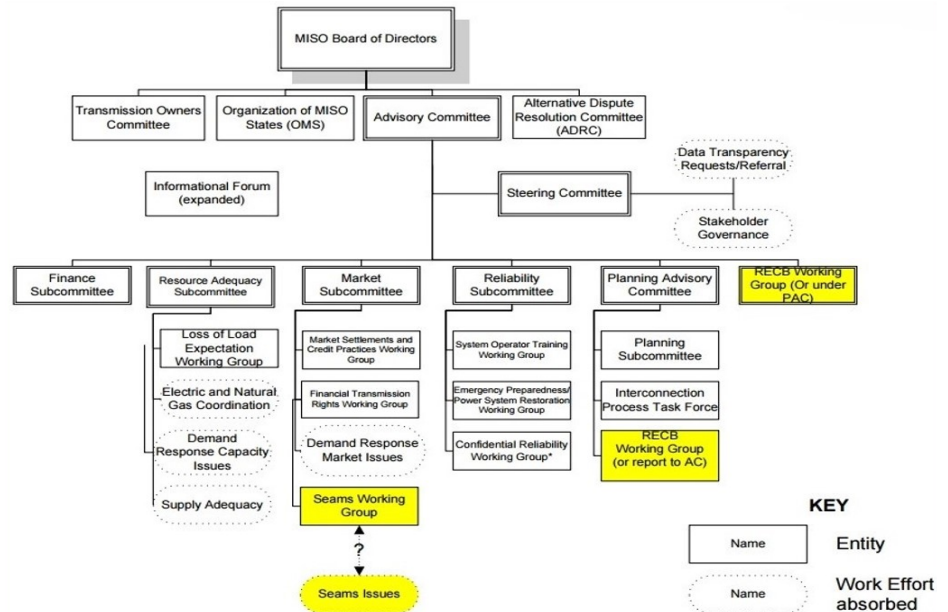
‘Not Doing Extra Work if You Don’t Have to’

“I think we’ve got things pointed in a better direction, from my perspective,” said Kevin Murray, chair of the Advisory Committee.

Libby Jacobs, president of the Organization of MISO States, said it was an example of “an excellent partnership among stakeholders and MISO.”

“As the environment has matured, it was a needed measure. It’s the first step of a program of continuous improvement,” Jacobs said.

Kent Feliks, Advisory Committee repre-



New MISO committee organization Source: MISO

sentative for the Power Marketer sector, said the redesign contained “pretty logical expectations of not doing extra work if you don’t have to.”

Three-Month Transition

The redesign is expected to be implemented over the next three months. The Steering Committee will handle the day-to-day transition and make reports to the Advisory Committee, which will oversee the implementation’s general progress.

The Advisory Committee has committed to having quarterly face-to-face meetings, as opposed to the near-monthly schedule it had been operating under. Other parent entities will assess and then settle on a meeting frequency.

A day after last Wednesday’s Advisory Committee meeting, the Steering Committee voted to give parent committees authority to evaluate their subordinate groups under redesigned guidelines.

“From our perspective, this is a great step to making sure stakeholders are well positioned to address the big challenges our region faces,” Bloodworth said. “As you look at the Clean Power Plan and resource adequacy, it’s important that we’re able to have high-level policy discussions to map out what the challenges are and what MISO

needs to do to address those challenges.”

The Right People in the Room

Bloodworth said the redesign is intended to separate policy discussions from technical engineering reviews.

“It’s making sure the right people are in the room at the right time,” she said.

The redesign requires the leaders of top committees to undergo training on meeting rules of order, what issues require voting action and how to conduct a vote.

“It makes a big difference in the efficiency of the meeting,” Bloodworth said.

At its meeting, the Advisory Committee also unanimously approved a pair of motions related to the redesign. As a result, the Seams Management Work Group will be kept a free-standing work group under the Market Subcommittee and the Regional Expansion Criteria and Benefits Task Force will continue to report to the Advisory Committee rather than to the Planning Advisory Committee.

“We can’t solve every issue. What we hope is by setting priorities, we’re going to focus on the most important things, which is good for MISO and good for its stakeholders,” Bloodworth said.



MISO Monitor Auditing Tx Outages that Caused Price Spikes

Texas congestion caused by outages and Minnesota's under-scheduling of wind resources were the lone causes for concern in an otherwise stable quarter bolstered by mild temperatures, MISO's Independent Market Monitor reported at last week's Markets Committee of the Board of Directors.

Monitor David Patton said that at the beginning of November, gas prices were under \$2/MMBtu and remained consistently low

due to reported high levels of natural gas storage. Inexpensive gas contributed to lower overall instances of congestion.

"I believe that's the lowest average monthly price we've seen," Patton said.

Real-time energy prices were down 26% from 2015 at \$25.08/MWh.

However, the Texas Hub faced price spikes in October and November caused by a combination of forced and planned generation

and transmission outages. Hourly prices hit \$350/MWh on Nov. 3 and 5, rising to about \$500/MWh on Nov. 6, causing MISO to declare a local transmission emergency and recall a planned transmission outage.

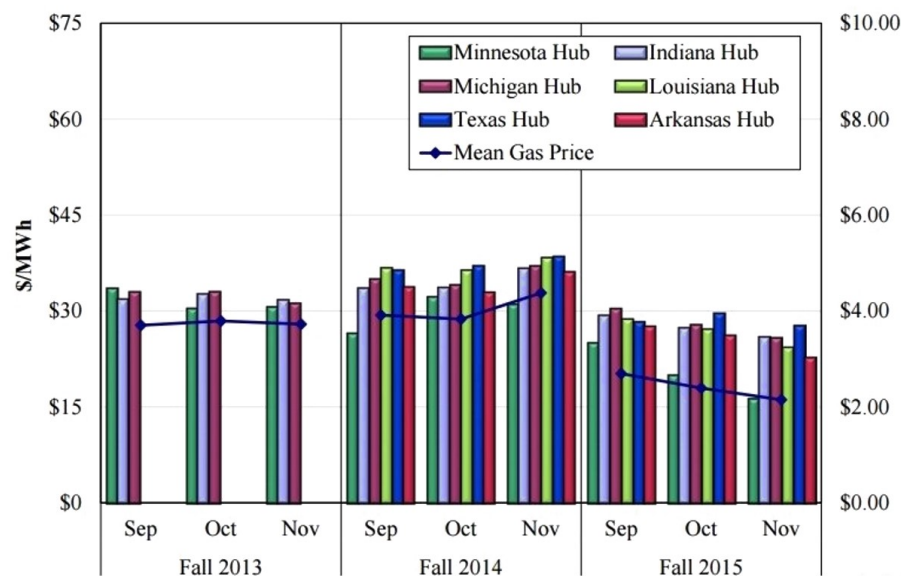
MISO said October's outages were examined and ultimately found legitimate but that it is continuing to examine the November outages.

"Because most of these price spikes are being driven by generation outages, we're going to audit some of these outages," Patton said.

Meanwhile, Minnesota Hub prices were driven down with high wind production, but a failure to predict all of the wind output created congestion. Patton reported that during high wind output, "congestion was frequently severe enough to generate negative real-time prices at the Minnesota Hub." Wind day-ahead scheduling in the Minnesota market was approximately 11% lower than real-time wind output.

Patton said wind under-scheduling remains a "persistent phenomenon."

Shawn McFarlane, executive director of strategy and enterprise risk management, said MISO's November load averaged 67.8 GW, down 7.7 GW from last November's colder-than-usual temperatures.



Day-ahead average monthly hub prices, fall 2013-15 Source: MISO

— Amanda Durish Cook

Board of Directors Briefs

With Board Approval, MTEP15's 345 Transmission Projects to Continue Through 2024

MISO's Board of Directors last week approved the 2015 Transmission Expansion Plan, which calls for \$2.75 billion in spending on 345 projects through 2024.

Board member Michael Evans said MTEP15 was shaped by more than 40 pages of stakeholder comments. "I think it got a thorough vetting and we're happy to see the level of interest from stakeholders," he said.

MTEP15 includes MISO's first competitively bid project, the Duff-Coleman 345-kV line in Southern Indiana. MISO will fund the \$67.4 million cost of the Duff-Coleman por-

tion while PJM be responsible for the \$85.3 million needed for the double circuit 345-kV tie-in to Rockport.

Evans said MISO's competitive bidding is "an impressive process, but it's also a new process so I expect we'll encounter some bumps along the way." He assured the room that the bidding, which begins next month, will comply with FERC Order 1000.

Evans added the projects that "slipped" and didn't make the final plan were typical of the process and won't affect reliability.

"Lest we forget, the volume of work that goes into this is huge. Some 60 meetings were held over the last 18 months to get this thing done," Evans said.

MISO South's share of approved projects represents \$1.4 billion, more than half of the total portfolio.



The board votes on MTEP15. © RTO Insider

It includes the \$122.5 million East Texas

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MISO NEWS



Board of Directors Briefs

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economic project, a 230-kV transmission line from Lewis Creek to a new 345/230-kV substation and the rebuild of the Newton Bulk-Leach 115-kV line.

Also of note in the plan are Louisiana's \$122 million Schriever to Bayou Vista 230-kV line, the \$114 million New Plains-National 138-kV line in Upper Michigan and the \$97.8 million construction of two 120/41.6-kV substations to serve load in Ann Arbor, home of the University of Michigan.

"There's an awful lot of good stuff in there. When your Christmas gifts are wrapped, you might want to read it," board member Judy Walsh said of the 429-page document.

"These investments in the region will continue to position MISO for future challenges and changes in the industry," said CEO John R. Bear. "As our region grapples with the Clean Power Plan and a shifting generation portfolio, MISO's transmission planning efforts are even more important. Ensuring a robust transmission system will allow us to meet these challenges in a way that protects

reliability."

With the addition of MTEP15, transmission investment in the footprint will increase to 863 projects totaling about \$12.9 billion since 2003.

Board OKs 2016 Budget; MISO Slightly Overspends in 2015

MISO will exceed its 2015 budget by as much as 1.3%, the Board of Directors was told last Thursday.

As of October, MISO had operating expenses of \$185.2 million, an overrun of \$2.4 million, reported Tonya Brown, executive director of finance and corporate services. The RTO is projected to spend an extra \$1.8 million to \$2.8 million by year-end.

During the first 10 months of 2015, spending on capital expenses came in under budget by \$1.6 million or 7.8%; MISO spent \$19.1 million instead of the allotted \$20.7 million. However, the grid operator is forecasted to spend \$24 million to \$24.2 million instead of the budgeted \$23.5 million by the end of the year.

The board unanimously approved the 2016 spending plan, a \$225 million operating budget and a \$31 million capital budget.

Cash reserves are predicted to drop over the next five years, reducing the expected \$79 million MISO will have at the end of this year to \$13.5 million in 2019 before rebounding to \$46 million in 2020. Factors contributing to the reduction are the conclusion of recovery of depreciation on ancillary markets and the 2016 start of principal payments on debt.

Board member Thomas Rainwater reported that MISO's costs have grown at a compound average rate of 3% while load has increased 30% over the past decade.

New Board Members Elected

MISO's board agreed to add two new members to its Board of Directors: former general manager of Pasadena Water and Power Phyllis Currie and former vice president of transmission operations for Pacific Gas and Electric Mark Johnson. Additionally, board member and former chairman and CEO of the Boston Stock Exchange Michael Curran was re-elected to another three-year term, and board member Eugene Zeltmann, whose term expired, announced he would not seek another term. With the new appointments, MISO's board expands from seven to nine seats.

— Amanda Durish Cook



NARUC Winter Committee Meetings

February 14 -17, 2016

Renaissance Washington Hotel

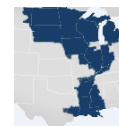


Register online at <https://wcm16.registerat.com/Home.aspx>.

Confirmed Speaker: FERC Chairman Norman C. Bay

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MISO Stakeholders Split over RTO's Role in CPP Compliance

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result in some states choosing to 'go it alone,' some choosing to be trading-ready, some choosing rate-based or mass-based compliance, or taking legal action against the EPA, such decisions are the states'," OMS said in its written comments. "MISO should focus on how to best operate a reliable system in these conditions."

The End-Use Customer sector agreed that MISO's role should "be limited to providing information and analysis on the cost and reliability impacts" of compliance options "rather than taking on an advocacy role."

But others urged MISO to help steer the states, with the Environmental sector saying the RTO should "encourage states to adopt consistent, complementary plans that include coverage of new sources and facilitate broad trading opportunities."

The Public Consumer sector said MISO should provide each state a comparison of rate-based and mass-based compliance "so the lowest-cost and lowest-risk compliance options are clearly identified."

The Competitive Transmission Developers sector also pushed for a proactive role, saying "it is time for MISO's role to shift from information dissemination to collaboration and active planning to facilitate state compliance efforts."

"Without a proactive and accelerated RTO planning effort to ensure necessary transmission infrastructure can be put in place across the region, the ability of each member state to meet compliance requirements could be heavily restricted (if not jeopardized) due to reliability concerns, in addition to the potential loss of efficiencies currently provided by the MISO market," it said.

Stakeholders also were divided on whether MISO should file comments with FERC on EPA's proposed federal implementation plan. "MISO has not made any decisions on if we will comment," said Kari Bennett, MISO's senior cor-



Bennett

porate counsel.

Bennett said MISO will not seek to advocate or condemn any state compliance plans and that modeling would be based on "dispassionate calculations."

But MISO Director Eugene Zeltmann said it might be difficult to entirely wipe out any public policy in CPP modeling. "There's going to be some very sterile modeling going on," he said.

MISO Role in Trading

Although there is wide agreement that compliance will be least costly if it includes a broad regional emissions trading program, MISO's role in trading is uncertain.

The Transmission Owners sector said MISO should look to existing programs such as the Midwest Renewable Energy Tracking System, rather than developing its own trading platform. "There are existing markets ... for trading allowances and credits," the TOs said. "These markets will perform very well."

The Independent Power Producers sector said MISO "should not have a role in implementing any multi-state implementation plans," saying both the Regional Greenhouse Gas Initiative and California's cap-and-trade program "require no interface with the RTO/ISOs beyond allowing suppliers to price the cost of emissions compliance into their offers."

Many Unknowns

Next month, MISO expects to release its near-term analysis, which will evaluate the implications of various compliance paths based on models used in prior analyses of the draft CPP, with updates reflecting the final rule.

The mid-term analysis, expected to run through June, will use new models based on the most relevant compliance paths from the near-term study to determine likely resource buildouts and their locations under three separate futures. It will be the foundation for transmission development under the 2017 MISO Transmission Expansion Plan.

A long-term analysis, which will run through late 2018, will seek to develop transmission overlays needed to implement state compliance plans. (See [MISO Unveils CPP Study](#)

[Scope, Will Deliver Preliminary Near-Term Results Next Month.](#))

With state compliance plans unknown, there are limits to what MISO can model, said Clair Moeller, MISO executive vice president of transmission and technology.

Most states are expected to seek a one-year delay from EPA, meaning their compliance plans won't be filed until November 2017, when MISO will be in the middle of its long-term analysis. EPA will impose a federal plan on states that fail to present an acceptable plan of their own.



Moeller

Detailed modeling would have to wait "until the states start to tip their hand one way or the other," Moeller said. "We're going to run out of time like we always do. There's going to be a panic in 2017, but we're going to do all we can."

Challenges will arise to fit state plans into regional markets, stakeholders said. Several AC members pointed out that Wisconsin is the only state within MISO whose borders are completely within the RTO's footprint.

"I don't think we're going to model our way into quantitative comfort," Director Michael Curran said. "We may model ourselves to a level of frustration with each other."

More transmission will likely be needed under any compliance scenario, several stakeholders said.

"MISO should not wait for all state plans to be filed before beginning work on the transmission studies, including overlay studies," the TOs said, urging MISO to quickly identify "no regrets" transmission projects likely to be needed under a variety of scenarios.

MISO's Environmental sector pointed out that the Midwest is home to the nation's best onshore wind resources. "Planning to quickly, affordably and reliably tap into these wind resources and deliver them to market can be done more effectively if interregional planning processes are improved," it said. "More action is necessary to identify the transmission necessary to ac-

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cess and transport the energy to MISO and other regions.”

Modeling Priorities

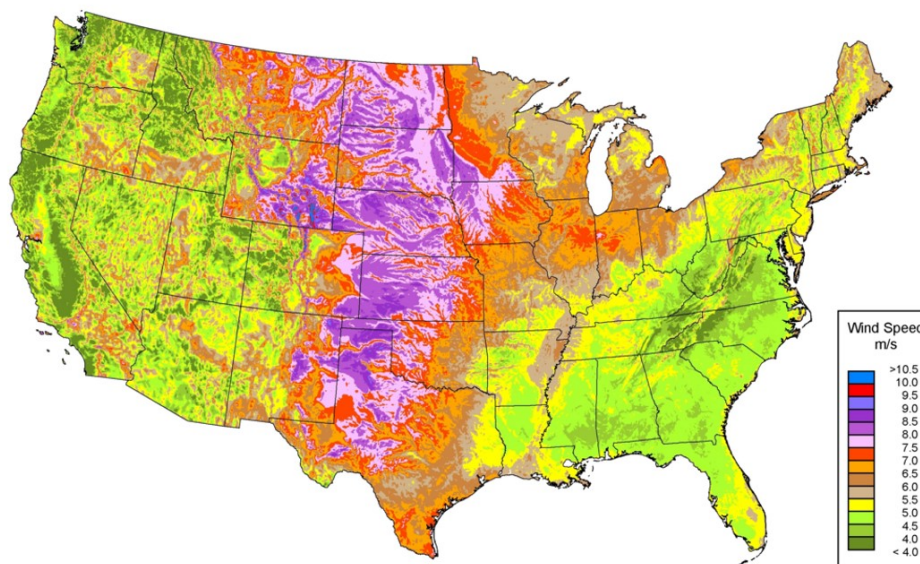
Some stakeholders expressed dissatisfaction with MISO's modeling priorities.

The TOs said MISO should focus on “providing an impartial comparison of the different means and approaches to full compliance and its impacts on reliability and efficiency of the grid.” They said that scenarios for partial and accelerated compliance would provide only “marginal” benefits.

“The accelerated compliance scenario, while still possible, is highly unlikely, even with technology breakthroughs, given the short timeline,” it said. “Even if, ultimately, more aggressive long-term goals for greenhouse gas abatement were to be adopted, they would likely be sought through steeper reductions in the outer years. Second, a partial compliance scenario may have some value, particularly if scoped as a delayed implementation scenario to account for legal challenges, but MISO should avoid spending too many resources and/or time on this.”

The End-Use sector said MISO should increase its coordination with neighboring SPP and PJM and “benchmark” the results of its analyses against those of the other regions. The sector said MISO should expand its modeling to include not only cost estimates for generation and transmission that may be needed, but also an evaluation of whether the region has sufficient natural gas infrastructure to accommodate the anticipated increase in gas-fired generation.

The Environmental sector said MISO should “more comprehensively model compliance strategies that rely on increasing energy



Average wind speed at 80 meters Source: National Renewable Energy Laboratory

efficiency (EE).”

“Without modeling high EE scenarios, states will not be able to understand the cost and emissions implications of expanding their EE programs as a strategy to comply with the CPP,” it said. “For example, in rate-based compliance approaches, excluding EE from the supply will artificially constrain the supply of emissions reduction credits (ERCs) and increase ERC prices. Modeling EE simply as lower demand growth would not allow for its incorporation into a rate-based plan in this manner, and thus would skew model results.”

Changes Coming

The Transmission-Dependent Utilities sector said MISO may need to change some market rules. It said a seasonal capacity construct, now under discussion, could aid compliance. (See [MISO Proposes Two-](#)

Season Capacity Market. Appoints Team to Address Ill. Zone.)

“Entities may choose to only run their coal-fired units during peak demand periods in the summer, and use natural gas as much as possible in shoulder periods,” it said.

It also said MISO should be prepared to replace spinning reserves, black start services and reactive power services provided by baseload units that may retire or limit operations.

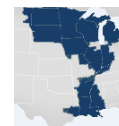
The shift from coal- to gas-fired generation argues for a move to a multi-day resource commitment, it said.

“The current next-day economic commitment process can lead to higher costs by not committing long-lead time resources, which are economical over longer periods. A longer commitment process will help to address this issue and improve the economic operation of gas-fueled generation by providing a longer lead time to procure fuel.”

The competitive transmission developers said MISO should “conduct accelerated discussions” with stakeholders on how the RTO will allocate costs of transmission improvements needed for compliance. “Currently, there is too little flexibility in the MISO Tariff to allow for sub-regional or state-based cost allocation for public policy projects, which could impede necessary development if left unaddressed,” they said.

“We’re going to run out of time like we always do. There’s going to be a panic in 2017, but we’re going to do all we can.”

Clair Moeller, MISO



Stakeholders to ICC: MISO Resource Adequacy Fine — for now

Continued from page 1

4, which comprises Illinois south of the Chicago area. But there was universal agreement among attendees that, at least in the short term, reliability in the area would not be a concern.

“I think it’s important that there’s an agreement today that Zone 4 has sufficient capacity for today and for the short term,” said Illinois Senior Assistant Attorney General Susan Satter. “That means we’re not in a crisis situation. That means there is time to consider policy responses to assure resource adequacy going forward.”

“There won’t be a resource adequacy issue in the long term if we do what we should do as a state,” said David Kolata, executive director of the Illinois Citizens Utility Board. That is, “doing everything we can to encourage demand response and energy efficiency, [and] doing what we can to maximize and encourage distributed generation.”

Zone 4 has been the subject of controversy since MISO’s Planning Resource Auction in April, when prices cleared at \$150/MW-day, compared with just \$16.75 a year earlier. The nine-fold price increase prompted complaints from Illinois officials and stakeholders, including Attorney General Lisa Madigan. In late October, FERC held a technical conference on MISO’s capacity market in response to the complaints. (See [MISO Stakeholder Process Under Scrutiny](#).) It’s also investigating

“There’s very little [demand response] in Zone 4. That would not be the case if it was in PJM.”

Greg Poulos, EnerNOC

whether market manipulation played a role in the jump in prices. (See [FERC Launches Probe into MISO Capacity Auction](#).)

The danger for Illinois, and the MISO footprint as a whole, is the retirement of generation because of market design flaws in the RTO, said Independent Market Monitor David Patton.

Dean Ellis, vice president of regulatory affairs for Dynegy, compared the current situation to standing on a peaceful beach with a tsunami in the distance. He cited the retirement of the 465-MW Wood River power plant, which was scheduled to lose \$20 million over the next five years. “Without forward price signaling, without an adequate price, it just can’t continue to lose that type of money,” Ellis said. Some market participants have criticized the scheduling of MISO’s capacity auction, which occurs just two months before the start of the delivery year.

Patton repeated his call for a switch to a sloped demand curve, a change supported by other stakeholders in attendance, including Ellis and Bill Berg, vice president of wholesale market development at Exelon.

“It’s well documented at FERC that a vertical demand curve produces binary prices: It’s either very, very high or very, very low,” Berg said. Those looking to develop generation in MISO will look at the prices produced by the vertical curve and wonder, “Am I going to get my money back, or would I be better off taking my money elsewhere?”

Zone 4 to PJM?

Illinois’ status as a retail-choice state — unlike the other states in MISO’s footprint — as well as the fact that northern Illinois is under PJM’s control, led some to call for Zone 4 to change RTOs.

Ellis called Illinois “the redheaded stepchild” of MISO. “It would be much more homogeneous in PJM,” he said. “There’s robust retail competition in the PJM states; there is not in the MISO states. There’s robust wholesale competition that fosters programs like demand response in PJM; it doesn’t exist in MISO. ... Southern Illinois belongs in a market like PJM. ... No other state is bifurcated so dramatically between two ISOs.”

Greg Poulos and Bruce Campbell, representatives for DR providers EnerNOC and EnergyConnect respectively, lamented that Zone 4 was an inhospitable market for their companies.

“There’s a lot of demand response in the MISO markets ... there’s very little in Zone 4,” Poulos said. “That would not be the case if it was in PJM.” Illinois being entirely in PJM would also make it easier for the ICC, as it would only have to deal with one RTO, he said.

“I would like my company to be active in [Zone 4], and that will not happen until we see the right pricing in that region,” Campbell said.

But Campbell also said that MISO could adopt some of PJM’s aspects, such as a sloped curve, without entirely becoming like PJM, such as having a mandatory forward capacity market.



Elizabeth McErlean (far right), legal policy adviser to ICC Chairman Brian Sheahan, speaks as MISO’s Jeff Bladen (second from right) and others listen at the Illinois Commerce Commission’s conference on MISO resource adequacy in Southern Illinois. Source: David Giltzow, Illinois Commerce Commission



Study: Loss of Upstate Nukes Would Cost \$1.7B Annually

By William Opalka

New York electricity customers would pay about \$1.7 billion more annually over the next decade if the nuclear fleet operating on Lake Ontario shuts down, according to a new [study](#) by The Brattle Group.

The report, released Dec. 7, was prepared for three unions representing utility workers and building tradesmen in western New York.

The backdrop is the proposed shutdown of Entergy's James A. FitzPatrick plant and the eventual closing of the R.E. Ginna plant, owned by Exelon, when a contract providing ratepayer subsidies runs out in 2017. (See [Entergy Rebuffs Cuomo Offer: FitzPatrick Closing Unchanged](#) and [Ginna Lifeline to End in 2017: Profits After 'Unlikely'](#).)

Also included in the study is Exelon's two-unit Nine Mile Point. The company has not indicated that the plant is in danger of clos-

ing but said its environmental attributes need to be recognized in the design of the wholesale market.

Nuclear supporters are trying to keep the plants running. Gov. Andrew Cuomo also has some ideas on how to keep the plants operating for the next 15 years for their air emissions benefits while New York transitions to more renewable and distributed energy in its power system. Details could be released at Cuomo's State of the State address in January.

The three plants, with four reactors, have a combined generating capacity of 3,345 MW. They represent 7% of NYISO's capacity but 15% of its electricity production.

The study said the plants lower wholesale electricity prices and mitigate the state's ever-increasing reliance on natural gas for power generation. Without upstate nuclear, natural gas' share of generation would rise from the current 40% to 54%, it said.

"This alternative generation mix would mean higher average electricity prices in New York, driven in part by energy market effects, but perhaps more importantly by the effect on NYISO capacity markets," the study said. The power plants contribute approximately \$3.16 billion to the state's gross domestic product, account for nearly 25,000 full-time jobs (direct and indirect) and provide other benefits, such as avoiding 16 million tons of carbon dioxide emissions annually, according to the report.

The plants also contribute \$144 million in net state tax revenue annually, including more than \$60 million in state and local property taxes.

The report was prepared for the International Brotherhood of Electrical Workers' Utility Labor Council of New York, the Rochester Building & Construction Trades Council and the Central-Northern New York Building & Construction Trades Council.

NRG Seeks Change on Huntley Reliability Contract

By William Opalka

NRG Energy asked FERC last week to approve a revised reliability-must-run contract for its Huntley Power Station. The company said that it may only need to continue operating one of the two units at the 380-MW plant in Tonawanda, N.Y., to ensure grid reliability.

The company asked the commission to revise the cost-of-service agreement it filed Oct. 14, when it was anticipated it might need to keep both of its units running for up to four years until National Grid can complete transmission upgrades needed to address voltage issues.

Last week's filing said only one unit would be required and for as little as four months beyond its scheduled March 1 retirement ([ER16-81](#)).

NRG announced in August it would close the coal-fired units outside Buffalo on March 1.

Each of Huntley's units has a capacity of 190 MW. Under the NRG plan, Unit 67 would



Huntley Power Station Source: Institute for Energy Economics and Financial Analysis

close on March 1, and Unit 68 would run for another four months. NRG said NYISO has agreed to this timeline. If the system operator determines a reliability need, it can unilaterally keep the plant in service for up to another three months, or until Sept. 30.

"NRG is ready to engage with the NYISO, National Grid and the [New York Public Service Commission] to establish certainty around a reliability agreement for Huntley as necessary if National Grid's transmission upgrades are delayed," NRG spokesman David Gaier said.

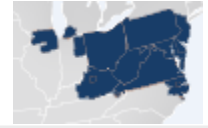
Under the proposed agreement, Huntley would be paid about \$8 million per month: \$3.56 million for one-twelfth of its annual fixed revenue requirement of \$42.7 million, plus \$4.46 million in monthly adjustments.

NRG said the plant has become uneconomical in NYISO's energy and capacity markets due to cheap natural gas.

For the 12 months ending July 31, 2015, the plant had a gross margin — total revenues minus variable costs — of only \$16.4 million compared with a cost of service of \$90.3 million, according to the company. "In fact, the

\$16.4 million was sufficient to cover a mere 31% of the facility's fixed operation and maintenance expenses, let alone any other component of the cost of service," NRG wrote.

In studies released at the end of October, NYISO and National Grid said the plant, along with a second stressed NRG facility in Dunkirk, could be closed on schedule if transmission upgrades were completed on time. (See [NYISO: Two NRG Plants Can Close as Scheduled](#).)



Markets and Reliability Committee Preview

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

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

2. PJM MANUALS (9:10-9:25)

Members will be asked to endorse the following manual changes:

- A. Manual 10: Pre-Scheduling Operations. The changes define a generator planned outage and restrict scheduling planned outages during peak maintenance season; define generator maintenance outage; define unplanned outage and clarify notification requirements; and correct the definition of non-synchronized reserve.
- B. Manual 11: Energy & Ancillary Services Market and Manual 28: Operating Agreement Accounting. Changes reflect Tariff revisions approved by FERC regarding the energy market offer cap that went into effect Monday ([ER16-76](#)). Cost-based offers for incremental energy are capped at \$2,000/MWh and allowed to set prices. Costs above that cap will be recovered through an after-the-fact review and make-whole payments. Market-based offers for individual units are allowed to rise with their cost-based offers. (See [PJM Members OK \\$2,000/MWh Energy Market Offer Cap](#).)
- C. Manual 14D: Generator Operational Requirements. Revisions reflect the annual review of the manual as well as revisions to the reactive testing process. Revises and renames the wind farm communication model, making it applicable to all jointly owned resources to avoid confusion among control room operators. Adds definitions of generator planned, maintenance and forced outages.
- D. Manual 39: Nuclear Plant Interface Coordination. Updates are the result of a three-year review and include safe shutdown

loading requirements developed by the nuclear generation owners user group.

3. LOAD FORECASTING ENHANCEMENTS (9:25-9:40)

The committee will be asked to approve changes to Manual 19: Load Forecasting and Analysis that will allow distributed solar generation to be included in the load forecast. (See "Distributed Solar to be Included in Load Forecast" in [PJM Planning and TEAC Briefs](#).)

4. LOAD FORECAST UPDATE (9:40-10:00)

Members will be asked to endorse amendments to Manual 18: PJM Capacity Market and Manual 18B: Energy Efficiency Measurement and Verification to accommodate the inclusion of energy efficiency resources in the capacity market when those resources are reflected in the peak load forecast. (See "Members Ask for More Time to Consider EE Resource Manual Changes" in [PJM Markets and Reliability Committee Briefs](#).)

5. UNDERPERFORMANCE RISK MANAGEMENT IN RPM/CP (10:00-10:15)

Bob O'Connell, representing PPGI Fund A/B Development, will present a problem statement and issue charge related to underperformance risk management in the capacity market. It would evaluate ways for generators to minimize such penalties by netting them against over-performing generators. (See [PJM Generator Risk Proposal Faces Resistance](#).)

6. DEMAND RESPONSE NON-SUMMER CAPACITY COMPLIANCE CLARIFICATION (10:15-10:30)

The committee will be asked to approve Tariff and manual revisions that clarify the process for establishing customer baseline load for non-summer demand response under Capacity Performance rules. (See "Members Endorse Method for Measuring Non-Summer DR" in [PJM Market Implementation Committee Briefs](#).)

PJM, MISO Seek to Scrap \$20M Threshold for Joint Tx Projects

As promised, PJM and MISO filed a request with FERC last week to eliminate the \$20 million threshold for interregional market efficiency projects from their joint operating agreement. The threshold was identified as an obstacle to transmission projects that could ease constraints along the RTOs' seam.

"Based on lessons learned from recently completed PJM-MISO joint planning studies, the RTOs jointly identified a number of items to address, including potential enhancements to metrics and thresholds used

for interregional coordination," the RTOs said ([ER16-488](#)).

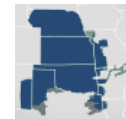
Responding to feedback at Interregional Planning Stakeholder Advisory Committee meetings, the RTOs identified "short-term reforms" and "long-term issues" aimed at eliminating "unnecessary hurdles" to projects straddling both regions.

Elimination of the \$20 million threshold was classified as a short-term change that could help PJM and MISO relieve market-to-market congestion. The RTOs requested the change become effective Feb. 8.

MISO also is considering eliminating its 345-kV minimum on such projects.

The RTOs are being pressured to take action by FERC and Northern Indiana Public Service Co., which filed a complaint in 2013 over its frustrations with the interregional planning process (EL13-88). In February, FERC said it was considering taking action "to improve the efficiency of operations" at the RTOs' seam ([AD14-3](#)). (See [Impatient FERC Hints at Action on PJM-MISO Seams Disputes](#).)

— Suzanne Herel



Briefs: Board Approves Budget, SPC Expansion

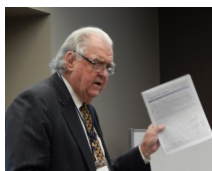
By Tom Kleckner

Board Approves Budget, 2-Cent Cut in Administrative Fee

LITTLE ROCK, Ark. — SPP's Board of Directors/Members Committee approved a \$280.3 million budget and a 2-cent reduction in the RTO's administrative fee during its year-end meeting here last week.

The board accepted the SPP Finance Committee's proposal of a 37-cent/MWh administrative fee rate for 2016, down from this year's 39 cents/MWh. It also accepted the committee's budget proposal, approving both measures with the unanimous support of the Members Committee on Dec. 8.

SPP Director and Finance Committee Chair Harry Skilton said a small increase in budgeted expenses and an increase in transmission load as a result of the Integrated System's incorporation were the two drivers behind the committee's recommendation to lower the fee that pays the RTO's administrative costs.



Skilton

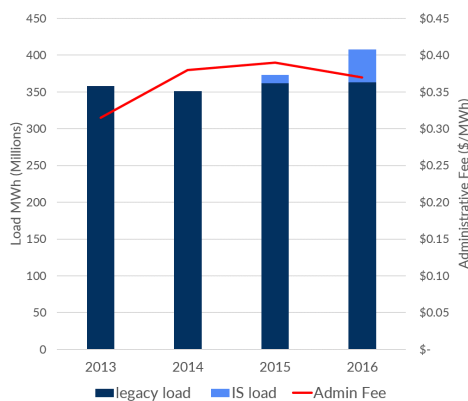
(See [Integrated System to Join SPP Market Oct. 1.](#))

"The legacy load has been dropping and is fairly flat," Skilton said. "If it continues to be flat or goes down, we'll have to address that."

SPP projects a 12% increase in transmission volume to 407.2 million MWh because of the addition of the IS. The 2015 budget forecast was 353.5 million MWh.

SPP is using that 407.2 million MWh figure as one of the inputs into future projections of the fee. The RTO said its models indicate a sharp increase in the fee in 2019-2021, when it could reach the high 40s in a worst-case scenario that envisions a decrease in load and "expense growth outpacing flat transmission-service usage." The fee is expected to gradually begin decreasing after 2021.

The 2016 budget comprises \$217.1 million in operating expenses — a 3.3% increase from this year's budget — \$24.2 million in debt repayments, \$17 million in FERC assessments and \$22.2 million in capital ex-



SPP administrative fee and load trends Source: SPP

penditures. Staffing will remain unchanged at about 600.

Fellow director Julian Brix questioned the committee's use of an incremental-based budget for operations expenses, instead of the zero-based budgeting that has been its norm in recent years.

"It's difficult to keep [conducting] a zero-based budget every year. It's become a little stale," Skilton said.

Skilton noted that SPP's budget is now linked to the operating plan. Ensuring the RTO's strategic initiatives are now "synched" to the operating plan requires additional time to build the budget, he said.

"We're going to give the incremental approach time," Skilton said.

The operating plan places SPP's 2016 activities into three categories: 1) major project investments, 2) major technology investments and 3) "keeping the lights on" (ongoing and incremental investments in its foundation activities).

SPP board Chairman Jim Eckelberger said information technology and keeping its organization "current and active" will drive future increases in the administrative fee. He suggested outside expertise be used to determine whether there are "cheaper alternatives" to IT maintenance costs.

"That's probably not a bad idea, to have an outside group look at [IT and technology costs]," Skilton said.

Board, Members Review Survey Feedback

The year-end board meeting also featured

SPP staff's annual review of its survey of the board and members.

In presenting the feedback to the board, SPP CEO Nick Brown pointed to a difference in perception between the board and members in two areas: the board's effectiveness in representing the organization to the stakeholder community, and the board's evaluation and development of the CEO. The board gave itself scores of 4.8 and 5 on a five-point scale, respectively, while members scored the board at 4.2 and 4.

Brown assured his audience his performance review by the board is "quite thorough."

"We debate the goals of the organization and whether we're achieving those goals," he said. "This year, we finished at 10 o'clock at night, which we're proud of, because we normally finish around midnight."

Of the 28 members of the Board of Directors/Members Committee, seven board members and 11 committee members submitted responses.

The board saw improved scores in 10 of its 12 metrics, with one rating dropping and another unchanged.

Stakeholder Survey

In addition to the board/members survey, SPP sent out 2,700 stakeholder surveys and received 410 responses, double the number received last year.

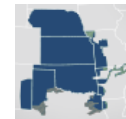
The score for the organizational groups' overall effectiveness was down from 4.4 to 4.2, just above the average for the survey's seven-year life. Individually, the 25 committees and working groups received scores ranging between and including 3.5 and 4.8.

Brown said the survey results will be reviewed by the Corporate Governance Committee before making any recommendations to the Oversight Committee to approve rosters.

"We're asking each organizational group to look at this information and make any recommendations," Brown said.

The average score went up in 2015 for all 10 services surveyed and three of four questions about SPP staff with one unchanged.

Continued on page 12



Briefs: Board Approves Budget, SPC Expansion

Continued from page 11

Michael Desselle, SPP's chief compliance and administrative officer, said when respondents were asked about SPP's performance in relation to other RTOs, the positive comments exceeded negative comments 132 to 100, though not all comments received in the negative category were actually negative.

"Some of the comments were the usual complaints," Desselle said, referring to the inability to schedule day-ahead tags, staff pushing an agenda and the inability to view online presentations during SPP's key committee meetings.

RE Survey

About half of the 88 Regional Entity compliance contacts registered in the SPP RE's compliance database participated in a third [survey](#) asking their assessments on seven RE programs. The 46 respondents rated all programs with average scores in the "meets expectations" range, between 3.2 and 3.6 on the five-point scale.

Of the 21 respondents who interact with other REs, 5% rated the SPP RE somewhat worse, 19% rated it about the same, 43% rated it somewhat better and 33% rated it much better.

CPP Task Force Readies Official Comments to EPA

The Strategic Planning Committee asked for board and member input on its proposed response to EPA's Clean Power Plan and the default federal implementation plan.

A task force reporting to the SPC is using a staff white paper on the proposed federal plan to formulate its response to EPA, which is due Jan. 21. Staff worked with the task force and other stakeholders to propose revisions that would mitigate the FIP's impact on grid reliability, should it be implemented upon any states.

The draft [white paper](#) calls for regional system operators to review compliance plans to mitigate the CPP's impact on regional planning and grid operations; EPA consultation with planning authorities and reliability coordinators in developing federal plans; a reliability safety valve in both federal and

state plans; yielding to regional or state preferences before considering a blanket mass-based or rate-based approach for FIPs; and resource owners being allowed to retain allowances for retired resources under the proposed mass-based plan.

SPC Chair Mike Wise, senior vice president of commercial operations and transmission for Golden Spread Electric Cooperative, said SPP staff is also drafting the formal comments, which the committee will approve.

"We're open to comments from everyone," Wise told the board and members. "You should be represented on this."

Lanny Nickell, vice president of engineering for SPP, said staff's comments on the FIP have "keyed on the impacts to the Integrated Marketplace and any reliability implications."

"We were able to achieve a high level of consensus on the comments," he said.

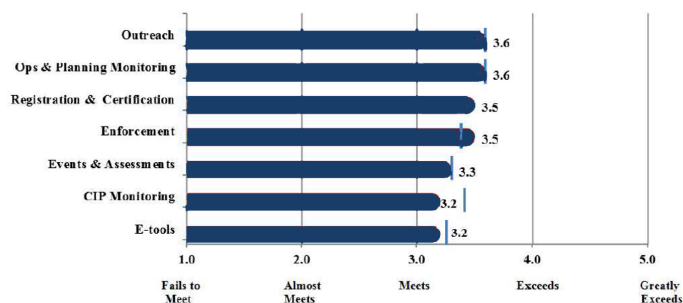
Expert Panel Begins Evaluations for Walkemeyer Project

Director and Oversight Committee Chairman Josh Martin said the 2016 industry expert panel is in place and ready to evaluate responses to SPP's first competitive solicitations under FERC Order 1000. The panel will evaluate bids for the 21-mile, Walkemeyer-North Liberal 115-kV project in Kansas. (See "Board Approves New Order 1000 Evaluation Panel" in [SPP Board of Directors/Members Committee Briefs](#).)

Martin said the panel has 90 days to do its work and is on schedule to present its results to the board and members during the April board meeting.

SPC Grows to 13 Members

The Board of Directors' consent agenda included two revisions to its bylaws and a membership agreement change, all of which received unanimous support from the Members Committee:



Regional Entity stakeholders: how well programs meet expectations. The vertical blue lines denote the 2014 ratings. "Registration & Certification" is a new category. *Source: 46 respondents to Regional Entity stakeholders satisfaction survey (of 88 registered compliance contacts)*

- The first revision expanded the SPC's membership to 13 seats, adding a transmission-owning and a transmission-using member each to ensure "appropriate geographical representation." The committee will now be composed of five transmission-owning members, five transmission-using members and three directors.
- The second revision includes an amendment clarifying that SPP should not credit assessment fees for network-integration or point-to-point service over and above the amount of members' monthly assessment. This over-crediting resulted in some members receiving credits against other portions of their transmission settlements statements, a \$1.5 million error the RTO caught in March. SPP will file the bylaw change with FERC, where it may face opposition from two members benefiting from the current rules — Nebraska Public Power District and Kansas City Power & Light — which contend the RTO is crediting correctly.
- The board also approved amendments to SPP's membership agreement for Central Power Electric Cooperative and Mountrail-Williams Electric Cooperative, two Basin Electric Power Cooperative members embedded within the Integrated System. The amendments, which address dispute resolution, withdrawal rights and the obligation to build, mirror previously approved amendments for Basin Electric.

All three agenda items were recommended for approval by the Corporate Governance Committee in October.

NERC: Tepid Demand, DR Growth Ensure Winter Readiness

By Ted Caddell

An increase in demand response, low load growth and market incentives have the nation's power system in good shape heading into the winter, NERC said in its Winter Reliability Assessment last week.

"NERC-wide, sufficient margins are in place. Most assessment areas experienced little to no load growth, and demand response programs ... continue to grow," Tom Coleman, NERC's director of reliability assessments, said during a conference call Thursday. "Winter of 2015 posed some challenges, but the system addressed these conditions, learning ... from previous years' lessons."

"Total internal demand continues to trend downwards and is significantly augmented by the advancement of new energy efficiency programs, distributed energy resources and behind-the-meter generation (BTMG) resources that are being incorporated into planners' load models and forecasts," the report said.

While total DR is increasing 2.6 GW to almost 25 GW, NERC reported, resources available in the winter have doubled from about 10 GW to 20 GW.

"The addition of new demand response programs continues to help address potential resource adequacy concerns for areas during their winter peak," according to the report. "These programs vary greatly in their availability and load reduction capability, but often provide the flexibility needed during extreme conditions."

The winter-peaking Midwest Reliability Organization-Saskatchewan Power region boosted its winter DR to 244 MW from 158 MW a year ago. PJM, which formerly had only summer DR, has added a year-round product and will have 525 MW available for the winter peak, versus last winter's 43 MW. Coleman noted the increased coordination between natural gas suppliers and generators this year is a big improvement over the past two winters, when some generators in ISO-NE and PJM experienced difficulty obtaining gas in times of high demand.

He cited FERC's approval of New England's 2015/16 Winter Reliability Program, which established incentives for generators to procure on-site fuel before winter and another program encouraging generators to sign contracts for LNG. A dual-fuel testing and commissioning program will also

SPP: Ready for Winter

SPP conducted a winter-preparedness workshop for its members last week, telling them its projections indicate it will be able to handle what few contingencies the RTO faces in the coming months.

Staff said winter operations within its balancing authority and reliability coordinator footprints are expected to be normal, with no forecast of extreme operational situations, and that transmission constraints and mitigations should be able to maintain "required reliable operating criteria."

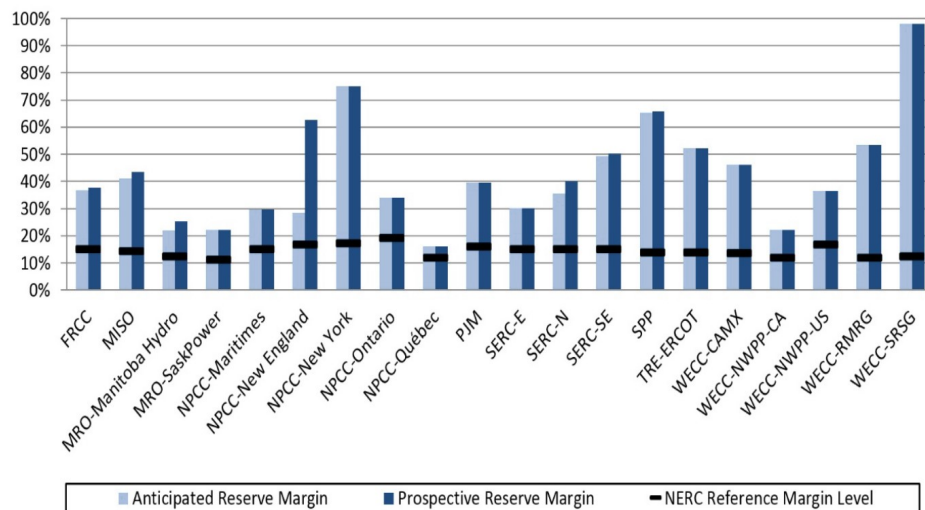
"Operating capacity is expected to be sufficient throughout the season," said SPP's Jon Langford. He said any short-term constraints are expected to be "manageable."

Staff is predicting a peak load of almost 42,000 MW and a 65% capacity reserve margin.

Attendees of the Dec. 10 workshop, SPP's third such readiness seminar, reviewed relevant emergency procedures and industry-wide lessons learned. The seminars are conducted twice a year, just before the peak winter and summer seasons.

A separate session was held recently for SPP's new Integrated System members, to help familiarize themselves with their new balancing authority.

— Tom Kleckner



Reserve margin by region Source: NERC

provide incentives for generators.

NERC also noted readiness improvements in PJM, including pre-winter generator testing and winter preparation checklists as well as better communication on fuel status and improved coordination with natural gas pipelines.

Despite a net loss of 6,163 MW of installed capacity since last winter, NERC said PJM is in good shape, with an anticipated reserve margin of 40%, well above its own 15.6% requirement. (See [PJM Prepared for Winter Load, Mild Temps Expected.](#))

"Because of the nature of the [three-year] forward capacity market in PJM," NERC said, the benefits of its Capacity Performance rules "will not be seen until the winter of 2016/17."

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COMPANY BRIEFS

El Paso City Council Rejects EPE's \$71.5M Rate Increase



The El Paso City Council last week voted unanimously to reject a \$71.5 million rate increase by El Paso Electric.

Unless the city and utility can negotiate a settlement by Dec. 15, which is the deadline for reaching an accord with the city, the dispute will head to the Public Utility Commission of Texas for a final decision.

The utility filed a rate increase request with the city on Aug. 10, asking for a 12% increase for residential and small commercial customers, a 24% rate increase for solar residential customers and large increases for government agencies and other classes of customers.

More: [El Paso Times](#)

Rockland Capital Illinois Plant \$2 Million Behind on Taxes



Rockland Capital, owner of the Grand Tower Energy Center power plant in Illinois, told *The Southern Illinoisian* in a statement last week that it is "not in the financial position to make tax payments based on the current assessment." The company has failed to pay more than \$2 million in property taxes on the 490-MW combined-cycle plant to Jackson County.

Rockland has argued for a 93% reduction in assessed value, from \$100 million to \$7 million. The company has been battling the county on the issue for two years. "Despite our repeated attempts to negotiate in good faith — including initiating mediation efforts with a well-respected retired Illinois judge of many years and making the assessor's office aware of the plant's difficult financial situation — our efforts have been rebuffed," the company said in a statement.

Jackson County Treasurer Sharon Harris-Johnson said the company has until Jan. 18

to pay the tax arrearage, which is accumulating interest. If it does not pay its back taxes by the deadline, she said, it will be subject to a tax sale.

More: [The Southern Illinoisian](#)

OCC Hearings Begin for PSO's \$169M Rate Case



The Oklahoma Corporation Commission is focusing on details of a settlement Public Service Company of Oklahoma entered into with EPA over compliance with emissions rules, which is at the heart of the utility's request to raise rates to pay for \$169 million in environmental upgrades.

Steve Fate, PSO's director of business operations support, said the utility entered into the EPA settlement to resolve part of a federal plan imposed on Oklahoma for regional haze. The utility plans to retire one coal unit in 2016 and another coal unit in 2026 at its Northeastern Station plant to comply with the regulations.

The utility is seeking to boost customer bills by 14% next year to cover its compliance costs.

More: [The Oklahoman](#)

Xcel's SPS Labor Force Requesting Market-Equity Raise



More than 800 employees of Xcel Energy's Southwestern Public Service subsidiary are requesting a wage increase to keep pace with the pay of Xcel's other operating units, a demand the company called "unreasonable and unachievable."

Employees represented by the International Brotherhood of Electrical Workers say they are not being paid equal wages compared to employees at Xcel's other units, including Denver-based Public Service Company of Colorado.

"Workers in our area have not had an increase in two years," said Robert Melton, IBEW business manager. "Workers here just want to be paid equal to what everyone else with their skills are being paid." Negotiations are ongoing.

More: [Carlsbad Current-Argus](#)

Kemper Project Costs Continue to Climb



Mississippi Power has announced it will spend another \$62 million finishing construction on a coal-gasification power plant in eastern Mississippi, pushing the total cost to almost \$6.5 billion.

The company said ratepayers would not be liable for the new set of overruns, which were needed to finance changes and repairs after the Kemper County power plant underwent test runs. About \$4.2 billion of the project is eligible for recovery in rates. Southern Co., the utility's parent, will write down \$2.3 billion of the \$6.5 billion project.

More: [Associated Press](#)

Municipal-Owned Power Plant Shuttered after 100 Years



The municipally owned Peru power plant, a coal-fired generator that has stood since 1911 and was the sole supplier of electricity to the northern-central Indiana city until the 1970s, will retire on Jan. 1.

The Peru Utilities Service Board voted Dec. 4 to shut down the plant, saying it would have been too expensive to upgrade it to comply with regulations introduced under the Clean Power Plan. The plant has only operated for a few days a year since 2009.

Now Peru's utilities board needs to decide whether to demolish or mothball the facility. A study commissioned by the utility has estimated it would take \$4.8 million to raze the plant, while a mothballed facility would cost \$140,000 annually to maintain.

More: [Kokomo Tribune](#)

Continued on page 15

COMPANY BRIEFS

Continued from page 14

NRG to Shutter Illinois Coal Plant



One of the Illinois coal-fired plants that NRG Energy bought out of bankruptcy last year won't be bidding in PJM's upcoming capacity auction and will likely be shuttered in a few years. The company said its 510-MW Will County Unit 4 is struggling to be competitive in a wholesale market dominated by low-cost natural gas and an increasing amount of low-cost renewables.

The unit is one of two remaining at the plant. Unit 3, a 251-MW coal-fired unit, was closed by NRG earlier this year. At that time, NRG said it would continue running Unit 4 as long as it was profitable. But the notice that the unit would not be participating in the capacity auction in practical terms means a permanent closure is imminent. The unit has 70 employees.

"After analyzing forecast market conditions, NRG has determined that we cannot justify continued operation of Will County Unit 4 ... beyond May 2018," NRG spokesman David

Gaier wrote in an email.

More: [Crain's Chicago Business](#)

GE to Supply Turbines For Pa. Power Plant

General Electric will supply two gas turbines for the 1,029-MW Caithness Moxie Freedom power plant in Luzerne County, Pa., which will generate enough power for nearly 1 million homes when it becomes operational in 2018.

The combined-cycle plant is being jointly developed by Moxie Energy and Caithness Energy.

GE Energy Financial Services is offering \$592 million in senior secured credit facilities for the plant's construction and operation.

More: [Power Technology](#)

PPL Names Bergstein Vice President, Treasurer



PPL has named Joseph P. Bergstein its treasurer and vice president for investor relations, effective Jan. 1.

The 16-year veteran Bergstein was previously vice president for investor relations and financial planning. The move is part of a plan to consolidate functions within PPL's corporate finance organization.

Bergstein takes the place of Mark Wilten, vice president, treasurer and chief risk officer, who will be leaving the company Jan. 31.

More: [PPL](#)

GM Assembly Plant to Tap Clean Energy in 2016

The General Motors assembly plant in Arlington, Texas, next year will derive 40% of its electricity from wind power, enough to build up to 125,000 trucks a year.



GM announced Dec. 10 it has signed an agreement with EDP

Renewables of North America to purchase power from its Hidalgo Wind Farm in South Texas. Fifteen of the wind farm's 260-foot tall turbines will be dedicated to GM's energy needs, the company said.

More: [The Dallas Morning News](#)

FEDERAL BRIEFS

Paris Accord to Trigger Generation, Investment Shifts



PARIS2015
UN CLIMATE CHANGE CONFERENCE
COP21-CMP11

The landmark climate deal reached in Paris on Saturday will have wide-ranging impacts on utilities and other

industries, analysts say. More than 190 countries pledged to reduce their emissions of carbon and other heat-trapping gases following two weeks of negotiations.

Investment funds will move their portfolios from coal and oil to renewables — reflecting utilities' shifting generation mix — while inventors will seek breakthroughs in energy storage and carbon capture technologies, and automakers will have to expand production of electric cars.

Business leaders have long complained that the lack of a clear political message on global warming was hamstringing their investment decisions.

"We have an opportunity to build a new

economy, and business is poised to help make it happen," said Richard Branson, CEO of the Virgin Group. "The 'Paris effect' will ensure the economy of the future is driven by clean energy."

"It's very hard to go backward from something like this," agreed Nancy Pfund, managing partner of DBL Partners, a venture capital firm. "People are boarding this train, and it's time to hop on if you want to have a thriving, 21st-century economy."

The success of the Paris meeting was in stark contrast to the failure of the 2009 talks in Copenhagen. But the commitments made last week won't be enough to meet the agreement's goal of keeping global warming "well below" 2 degrees Celsius (3.6 degrees Fahrenheit).

More: [The New York Times](#); [Associated Press](#); [The Washington Post](#)

NRC Grants 20-Year Extension To FirstEnergy's Davis-Besse

Despite its own characterization of the



U.S.NRC

plant's history as troubled, the Nuclear Regulatory Commission issued a 20-year license extension to FirstEnergy's Davis-Besse nuclear plant in Ohio. NRC reviewed the plant's operational record for five years, substantially longer than most license-extension reviews.

"We had a couple of issues that took a little longer to understand the full ramifications," said Sam Belcher, FirstEnergy's chief nuclear officer.

Davis-Besse experienced a partial loss of coolant in 1985, cracks in its containment building and serious corrosion of the plant's reactor head in 2002, contributing to its becoming a target of anti-nuclear activists such as Terry Lodge, who called Davis-Besse "a contrivance of regulatory neglect and corporate welfare."

More: [Toledo Blade](#)

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FEDERAL BRIEFS

Continued from page 15

NRC Approves Continued Indian Point Operations



The Nuclear Regulatory Commission has told Entergy it can continue to operate the Indian Point nuclear power plant's Unit 3 under its existing license while its license renewal review continues.

Unit 3's 40-year license would have expired at midnight on Saturday had Entergy not applied for a license renewal eight years ago, the company said. Entergy can continue to operate the plant in Buchanan, N.Y., under the federal government's "timely renewal" provision and until NRC makes a final determination on the company's license renewal request.

The other operating plant at Indian Point, Unit 2, received a similar approval from NRC in September 2013 prior to it entering the period beyond its initial 40-year license.

More: [Entergy](#)

NRC Says Indian Point Trip Due to Bad Fan Breaker

A faulty electrical breaker controlling a roof fan caused last week's trip at Indian Point Unit 2, according to the Nuclear Regulatory Commission.

The commission said operators at the New York plant manually shut down the reactor Dec. 5 when the faulty breaker caused a drop in voltage to the mechanisms controlling about 10 of the reactor's control rods. That caused those rods to drop into the reactor, slowing the reaction and triggering a shutdown.

Operations at neighboring Unit 3 were unaffected.

More: [Cortlandt Daily Voice](#)

FERC Tells Atlantic Coast Pipeline To Find Alternate Routes

FERC has told the developers of the \$5.1 billion Atlantic Coast Pipeline project that they should look for alternative routes through the Monongahela and George

Washington national forests on the West Virginia-Virginia border.

"To ensure that a complete and thorough evaluation of the ACP is presented in the draft environmental impact statement, we request that Atlantic identify and assess an alternative pipeline route across the national forests," FERC said in a letter to Dominion Resources, the pipeline's developer. FERC issued the directive after consulting with the U.S. Forest Service.

Dominion said it was not surprised by the FERC notice. "Our goal from the beginning has been to develop a route that meets the critical energy needs of our public utility customers with the least impact on people, the environment and historical and cultural resources — including locations where it crosses the working forests," a Dominion spokesperson said. The 542-mile pipeline would deliver natural gas from Appalachian shale formations to North Carolina.

More: [Charlotte Business Journal](#)

FERC Turns Down Request For Further Pipeline Study



FERC has turned down a request by landowners, local governments and environmental groups in Virginia and West Virginia to conduct a cumulative impact study of several

proposed pipeline projects that would cross the region.

FERC said there was no precedent for such a study, which had been requested by the Blue Ridge Land Conservancy and other groups. Advocates say such a study could establish standards for multiple projects being cut through wilderness and farmlands.

"With the recent exponential increase in applications to FERC for new interstate pipelines to transport Marcellus Shale natural gas, FERC's traditional project-by-project [National Environmental Policy Act] review has proven increasingly ineffective," said the Water and Power Law Group.

More: [The News Virginian](#)

FERC to Consider NEXUS Ohio-Canada Gas Project

FERC is being asked to issue a certificate of convenience to a proposed natural gas pipeline that would deliver shale gas from Ohio to customers in Michigan and Canada.



The NEXUS Gas Transmission project would run 255 miles through Ohio and

terminate at the Dawn Hub in Ontario. Spectra Energy is working with other pipeline, gas storage and utility companies to develop the project.

"The NEXUS project will play a key role in helping the U.S. transition to cleaner sources for generating electricity — including new power plants fueled by natural gas — as coal plants are retired due to their age and environmental regulations," said David Slater, DTE Energy's president of gas storage and pipelines.

More: [Daily Jeffersonian](#)

NRC Allows Entergy to Shrink Vermont Yankee Emergency Zone



The Nuclear Regulatory Commission has agreed to allow Entergy to cease to maintain the 10-mile radius emergency planning zone around its retired Vermont Yankee nuclear generating station. Entergy applied for permission to shrink the emergency zone to just the plant and its perimeter.

NRC spokesman Neil Sheehan said the company had proved it was able to contain any radiological release from the on-site spent fuel storage at the plant, which shut down at the end of 2014.

"Once the reactor is shut down, you no longer have to worry about the sudden kind of event where there's a rupture of a steam line and there has to be immediate actions taken to protect the public," Sheehan said. "They had to be able to demonstrate to us that they would be able to do whatever is necessary to make sure that that pool maintains its integrity so that that pool is protected."

More: [Vermont Public Radio](#)

STATE BRIEFS

ARKANSAS

Congressional Delegation Meets with Moniz

All six members of the state's congressional delegation met on Dec. 10 with U.S. Energy Secretary Ernest Moniz to press for answers about the proposed Plains & Eastern Clean Line transmission project, which would deliver wind energy from the Oklahoma panhandle to Arkansas and Tennessee.



Boozman

Sens. John Boozman and Tom Cotton earlier this month placed a hold on a presidential nominee for a position at the Energy Department, saying they wanted more thorough answers to their questions about the 700-mile HVDC transmission line. A spokesman for Boozman said Thursday that the Republican senators were unsatisfied with Moniz's answers and were not ready to lift the stay.

"We continue to have serious concerns that this project erodes the rights of local communities and the state of Arkansas to have a seat at the table in the decision-making process," the senators said in a statement.

More: [Arkansas News](#)

Wind Farm Developers Lack Proper Utility, SPP Connections

The developers of a proposed 80-MW wind farm haven't taken some fundamental steps to connect to the region's grid, utility representatives said last week.

Dragonfly Industries International, which for the past year has pushed to build a wind power facility in Elm Springs, has had only fleeting discussions with the nearest electric utilities that are potential buyers of the power, Arkansas Electric Cooperative Corp. and Southwestern Electric Power Co. "We talked to them a few times, and what we have done primarily is direct them to the Southwest Power Pool," said SWEPCO's Peter Main.

But Dragonfly also has not applied to SPP, an essential step to make sure the region's grid can accept whatever power the wind plant might generate.

More: [Arkansas Democrat-Gazette](#)

ILLINOIS

Peoples Gas Files New, Lower Estimate on Pipe Replacement



Peoples Gas has reduced the estimated price of its proposed Chicago gas main replacement project in a new filing with the Commerce Commission that pegs the cost at \$6.8 billion instead of the \$8 billion it earlier reported. The new price, however, is still more than double the original \$2.6 billion.

The utility, which said the lower price was possible because of cost controls, is the target of an ICC investigation to determine whether the utility's owners concealed the project's escalating price tag before regulators approved the recent merger between Wisconsin Energy Corp. and Integry Energy Services, the parent company of Peoples Gas.

The new estimate failed to win over Attorney General Lisa Madigan, who has threatened an investigation as well. "Peoples' report is simply more of the same," she said. "It does not address concerns we and the independent auditor raised. Instead of a complete overhaul of the program, they've decided to forge ahead with little regard for the consumers who are on the hook for this massive cost overrun."

More: [EnergyBiz](#)

Ameren Rates to Increase, ComEd's to Decrease



The Commerce Commission last week approved new delivery rates for Ameren's electric and gas customers. A typical monthly electric bill will increase in January by \$2 to \$7, while gas bills will increase \$2 to \$6.

The revenue will help pay for Ameren's modernization program. The utility expects to spend \$67 million on natural gas line infrastructure and \$100 million on its electrical grid next year.

The commission also approved a \$67 million rate decrease for ComEd that reflects efficiencies from ComEd's smart grid rollout. That will translate to about \$1 in monthly savings on the average residential bill beginning next month.

More: [Belleville News-Democrat](#); [Chicago Tribune](#)

INDIANA

Duke Edits Wish List in \$1.8 Billion Grid Rework



Duke Energy Indiana has revised its seven-year \$1.83 billion plan to revamp the state's aging electric grid, hoping to avoid a full-blown rate proceeding. Duke's 800,000-plus electricity customers in the state are expected to pay about 6% more from 2017 to 2022 to pay for the upgrades.

The Utility Regulatory Commission forced the utility to revise its plan after a court rejected the commission's approval of an infrastructure improvement plan for Northern Indiana Public Service Co. Utilities in the state are able to recover infrastructure investments using a rate mechanism called a tracker, avoiding a costly rate-increase proceeding. The court's ruling has forced regulators to review its previous approvals of the tracker surcharge.

Duke's modernization proposal includes features such as energy-efficient transmission lines, smart meters and a "self-healing" smart grid system that can reroute power during storm outages. Duke has estimated that its grid modernization will create or sustain more than 5,000 jobs. The IURC is expected to make a decision by mid-2016.

More: [Indianapolis Star](#)

KENTUCKY

Governor Appoints Coal Exec to Energy Cabinet

Gov. Matt Bevin, a Republican, has named a veteran coal-mining executive as the state's secretary of energy and environment.

Charles G. Snavelly, a 35-year industry veteran who most recently was president of eastern U.S. operations for Arch Coal, holds a mining engineering degree from Virginia Tech.

"Charles understands the balance we must maintain between the commonwealth's need for low-cost, reliable energy and the need for clean water and air for all Kentuckians," Bevin said.

More: [Lexington Herald Leader](#)

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STATE BRIEFS

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MAINE

Portland Considers Solar Projects

Portland is considering building a solar energy farm at a capped landfill and installing solar panels on several municipal buildings.

The move would follow in the footsteps of neighboring South Portland, and it would help Mayor Ethan Strimling fulfill a campaign promise to procure 25% of the city's power from renewable sources in a decade.

A city-backed proposal by ReVision Energy, a New England solar contractor, would install 2,916 solar modules at the city's old Ocean Avenue landfill and mount photovoltaic panels on the roofs of schools, airport and library facilities.

More: [Portland Press Herald](#)

MARYLAND

Legislators: Increase Renewables, Green Jobs

Three Democratic legislators are proposing to increase the amount of electricity that state utilities must obtain from renewable resources and to spend \$40 million on green job training.

The legislation would set a renewable portfolio requirement of 25% by 2020. The current goal is 20% by 2022.

Supporters say the moves would create 2,000 jobs and reduce carbon emissions by the equivalent of 563,000 cars per year at a small cost to ratepayers.

More: [The Baltimore Sun](#)

MASSACHUSETTS

Net-Metering Cap Inaction Threatens Solar Installations

Solar advocates say the legislature's failure to raise net-metering caps could stymie several Berkshire solar projects. State Sen. Benjamin Downing, a Democrat, holds out hope that a compromise can be still be reached that would allow solar developers to take advantage of federal tax incentives that expire at the end of 2016.

Customers who qualify for net-metering are

currently capped at 4% of peak electrical usage for private installations or 5% for public installations. The caps have been met in towns served by National Grid, but not in towns served by Eversource Energy.

Solar supporters say that several projects are unable to move forward without a guarantee they will be net-metered, meaning they will be paid the full retail price for any power they send out to the grid. In order to take advantage of federal tax credits, projects have to be fully operational before Jan. 1, 2017.

More: [Berkshire Eagle](#)

NEW HAMPSHIRE

Conference Predicts Tougher Project Siting Challenges



new energy projects approved in the state, business leaders lamented at the 2015 New Hampshire Energy Symposium, hosted by the New Hampshire Business and Industry Association.

"Applicants are not only facing additional administrative and legal hurdles, but significant financial hurdles to do business in New Hampshire as an energy provider," said Susan Geiger, an energy lawyer with the Concord firm Orr and Reno.

The legislature has devised new rules for the Site Evaluation Committee to evaluate as it considers an unprecedented push for new pipeline and power transmission projects. The nine-member SEC usually has the final say on such projects, even if they receive the necessary federal permits.

More: [New Hampshire Union Leader](#)

NEW MEXICO

Judge Hears Arguments in Farmington-Bloomfield Dispute

A district court judge is considering a motion to dismiss a City of Bloomfield lawsuit alleging breach of contract in connection to the municipality's attempt to take over part of the electric system that is owned and



Downing

operated by a neighboring municipality, the City of Farmington.

Bloomfield argues that under a 1960 agreement, in which Farmington acquired its electric system from a private owner, Bloomfield also had the rights to acquire the power system within its city limits.

At a hearing, a Farmington attorney argued that Bloomfield would have had the rights to infrastructure within its boundaries if it had sought to acquire the utility within 14 years of the agreement. But she said Bloomfield's rights expired in 1974 under the statute of limitations.

More: [Farmington Daily Times](#)

NEW YORK

Utilities Deploy Drones For Line Inspections



New York State Electric and Gas and Rochester Gas & Electric began drone inspections of 36 NYSEG substations in an effort to evaluate the effectiveness of the remote-controlled aircraft.

The utilities, both owned by Iberdrola USA, had previously used helicopters for the inspections. The evaluation of the drone experience is expected to be complete in the coming weeks.

The drones are being flown only in the immediate vicinity of the NYSEG substations and at a maximum altitude of 300 feet. The contractor has also inspected static wires at a substation owned by Central Maine Power, another Iberdrola subsidiary.

More: [NYSEG](#)

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STATE BRIEFS

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Green Bank Joins Global Network



The state's Green Bank has joined a new international network of public entities to facilitate financing for clean energy initiatives.

The Green Bank Network, an alliance of six of the new public clean energy banks, is aimed at accelerating the deployment of more than \$40 billion into clean energy projects around the world, according to Gov. Andrew Cuomo. Initial funding is provided by the ClimateWorks Foundation, whose founders include the William and Flora Hewlett Foundation, KR Foundation, the John D. and Catherine T. MacArthur Foundation, the Oak Foundation and the David and Lucile Packard Foundation.

The state's bank, which was created as part of the Reforming the Energy Vision plan, will be joined in the network by the UK Green Investment Bank, the Connecticut Green Bank, the Green Fund of Japan, Malaysian Green Technology Corp. and Clean Energy Finance Corp. of Australia. The banks appointed the Natural Resources Defense Council and the Coalition for Green Capital to create the network.

More: [New York Green Bank](#)

NYISO Unveils Website Enhancements



NYISO has enhanced its website to offer more user-friendly information for consumers as well as detailed information about the state's wholesale electricity markets and high-voltage electric grid.

New sections of the website include value metrics that provide ongoing measurements of NYISO's performance relating to reliability, markets, planning, authoritative information, financial responsibility and customer satisfaction.

The site includes a new real-time view of the fuel mix being used to generate electricity in New York as well as real-time data on the amount of electricity being used by consumers, dynamic price data and information on power flows to and from the grid.

More: [NYISO](#)

NORTH CAROLINA

Industrial Customers to Get Power Bill Price Break

The Utilities Commission has approved a special electric discount for industrial power users aimed at stemming the flow of jobs from the state.

The qualifications for companies to apply for the corporate subsidy, known as a "job retention tariff," won't be spelled out until Duke Energy proposes a discounted rate and related details, possibly next year. Such a proposal would need to be approved by the commission.

The subsidy is something Duke has been seeking for favored customers for at least four years. For a utility company, the loss of an industrial customer could be equivalent to disconnecting several large neighborhoods and shopping areas.

More: [The News & Observer](#)

NORTH DAKOTA

Landowners Speak out Against NextEra Wind Project



About 50 people gathered recently in Scheffield to argue against the proposed 87-

turbine Brady Wind Energy Center in southern Stark County.

"I think we need to let the Stark County commissioners know that there's a lot more people out there that are against the wind farm than people who are for, or who are going to benefit from it," said Tom Reichert, who lives south of Dickinson. He said his view will be obstructed if the project is built.

NextEra Energy Resources, which operates six wind farms in the state, did not have a representative at the Dec. 5 meeting. The second phase of its Brady project could include up to 60 turbines.

More: [The Dickinson Press](#)

PENNSYLVANIA

Suit: Chesapeake Energy Engaged In Deceptive Business Practices

The attorney general is suing Chesapeake Energy following an investigation into the company's dealings with landowners to se-

cure oil and gas leases.

"These alleged deceptive business practices occurred as part of a rush to lock up acreage in the Marcellus Shale region," said Attorney General Kathleen Kane.

The suit asks for restitution and civil penalties under the Unfair Trade Practices and Consumer Protection Law.

More: [Pittsburgh Business Times](#)

SOUTH DAKOTA

PUC Approves Dakota Access

The Public Utilities Commission has approved a construction permit for the Dakota Access oil pipeline project. The proposed 1,134-mile pipeline would deliver Bakken crude from North Dakota to Illinois. The \$3.8 billion project awaits approval from North Dakota, Iowa and Illinois.

The 2-1 vote came with a list of 49 conditions aimed at protecting landowner rights.

"If this pipeline is constructed, it is imperative and non-negotiable that construction and reclamation be conducted in a manner that allows farmers and ranchers impacted by the pipeline to very quickly get back to their business of producing food for the world in a manner uninhibited by the pipeline," said PUC Chairman Chris Nelson, who added the conditions before the vote.

More: [The Bakken](#)

TENNESSEE

Project Would Convert Sewage Gas to Electricity



Chattanooga Wastewater Resources officials want to build a facility to generate electricity from the 300,000 cubic feet of methane produced each day by a sewage treatment plant.

The city's Department of Public Works says it will apply for a Tennessee Valley Authority grant to cover more than half the cost of the \$6.1 million project, which would burn the methane to fuel a steam turbine.

The grant would come from a 2011 settlement between the TVA and EPA committing the authority to reduce pollution in its service area.

More: [Chattanooga Times Free Press](#)

'Connected Entity' Proposal Too Broad, Burdensome, Market Participants Tell FERC

By Rich Heidorn Jr.

WASHINGTON — Electric industry officials told FERC last week that its proposal for identifying connections between companies and individuals engaged in trading in RTO markets is too broadly written and will create significant reporting burdens.

The commission's Notice of Proposed Rule-making (RM15-23) would require RTOs and ISOs to register market participants through common alpha-numeric identifiers, with lists of their "connected entities" and a description of their relationships. FERC said the change would help it unravel complicated market manipulation schemes. (See [Are You Two Related? FERC Wants to Know.](#))

Speakers at a technical conference last

Tuesday called on FERC to narrow its definition of a trader and to increase the 10% ownership threshold for determining whether entities are connected.

"The proposal in its current state is vague, would create burdensome and duplicative filing requirements, and would add material operational and compliance risks for markets participants and others without providing meaningful tangible benefits," said Matthew J. Picardi, vice president of Shell Energy North America, speaking on behalf of the Electric Power Supply Association.

David Louw, director of the Macquarie Group's risk management unit, said the rule could reduce participation in the markets, particularly for those "who are price takers



Brandon Johnson of Berkshire Hathaway (left) and Matthew Picardi of Shell

and all those for whom the sale of electricity at wholesale is not part of their core business."

Brandon Johnson, an attorney for Berkshire Hathaway Energy's NV Energy representing

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AEP Ohio Reaches PPA Settlement with PUCO Staff, Sierra Club

Continued from page 1

ment agreement, the OCC issued a release criticizing it.

"It's a sad day for AEP's consumers when, 16 years after the 1999 deregulation law, the government is being asked to impose charges on consumers for a bailout of deregulated power plants," said Consumers' Counsel Bruce Weston, who also opposed the FirstEnergy agreement. "Consumers should not be charged a penny more than the cost of power in the market."

Many of the same companies and associations who are denouncing the settlement also criticized a similar agreement with FirstEnergy. Dynegy and Talen Energy have threatened to sue over the FirstEnergy deal, a warning repeated by Dynegy CEO Robert Flexon on Monday. "Dynegy will continue to fight for market-based policies that treat all forms of power generation equally through advocacy and litigation, if necessary, to prohibit these power purchase agreements from being enacted," Flexon said. (See [Merchant Generators Lead Opposition to FirstEnergy-Ohio Settlement.](#)) The PJM Power Providers Group (P3) and the Electric Power Supply Association also blasted the agreement.

"It just doesn't make sense that in the face of overwhelming testimony that competitive markets are working to push electricity rates to historically low levels in Ohio that the PUCO staff would yet again agree to a misguided proposal that will not improve reliability, will not reduce volatility, will force consumer to pay more for power and will drive innovation out of the state," P3

President Glen Thomas said.

Environmental Support

Part of the AEP agreement is a commitment to retire or convert some of its coal-fired generators to natural gas. It also includes commitments to develop 900 MW of wind and solar projects, continued support for energy efficiency programs and up to \$100 million in customer credits.

It was this combination of sweeteners that brought the Sierra Club into the fold. While the group was harsh in its criticism of the FirstEnergy deal — saying "PUCO's staff decision to move forward with a backroom deal to bailout FirstEnergy's aging power plants is insulting to Ohio utility customers" — it came out in support of the AEP plan.

"The proposed stipulation reflects a very difficult yet pragmatic discussion between AEP and Sierra Club," senior campaign representative Daniel Sawmiller told *The Columbus Dispatch*. "While nobody will call this deal perfect, we're proud of what it accomplishes toward reinvigorating Ohio's clean energy economy and moving beyond coal."

The group was swayed by AEP's commitment to develop 500 MW of wind generation and 400 MW of solar within five years.

Ohio's current installed wind capacity of 435 MW ranks 26th in the nation and contributes less than 1% of its in-state generation, according to the American Wind Energy Association. Another 259 MW is under construction.

The state has 106 MW of solar, ranking it 20th in the country, according to the Solar

Energy Industries Association.

The nine AEP generating stations covered by the agreement are: Cardinal Unit 1 in Brilliant; Conesville Units 4-6 in Conesville; Stuart Units 1-4 in Aberdeen; and Zimmer Unit 1 in Moscow.

The environmental commitments to its plants cover converting Conesville Units 5 and 6 to co-fire natural gas by Dec. 31, 2017, and retiring, refueling or repowering Conesville Units 5 and 6 and Cardinal Unit 1 to only use natural gas by the end of 2029 and 2030.

In addition to PUCO staff and the Sierra Club, AEP said Ohio Partners for Affordable Energy, Ohio Energy Group, Ohio Hospital Association, Mid-Atlantic Renewable Energy Coalition and three competitive retail energy suppliers had agreed to sign or not oppose the settlement.

"This agreement addresses many of the concerns raised by a diverse group of parties including advocates for low-income customers, environmental organizations, industrial and commercial customers and competitive energy suppliers," said Pablo Vegas, CEO of AEP Ohio.

The Ohio Environmental Council was among those not swayed. "We're still very much opposed to this idea that consumers are being forced to pay for dirty energy," Trish Demeter, the council's managing director of energy and clean air programs, told *The Columbus Dispatch*.

As of press time Tuesday, AEP's stock price was up by almost a point.

'Connected Entity' Proposal Too Broad, Burdensome, Market Participants Tell FERC

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the Edison Electric Institute, added: "We don't think that FERC has adequately justified and explained the need for this rule."

The proposal would use Legal Entity Identifiers (LEIs), which are already used by the Commodity Futures Trading Commission and Securities and Exchange Commission to track swaps trades. FERC said the new requirements will help the Office of Enforcement police market manipulation by providing a "more complete view of the relationships between market participants and the incentives underlying their trading activities." The initiative would also help RTO market monitors in probes of cross-market manipulation, FERC said.

'Control' Definition Risks False Positives

Picardi complained that the NOPR overreaches by presuming a company has control even under passive ownership or debt financing arrangements and provides no means for participants to rebut the presumption.

"The final rule should recognize the Chinese walls that exist between marketing and trading firms and their transmission company affiliates pursuant to commission rules and the codes of conduct in order to exclude these independently managed entities from the definition of connected entity," he said. "The connections that are more remote and will pose an unnecessary burden for no benefit include fuel supply and asset management agreements or bidding and scheduling coordination service agreements that do not afford the supplier an opportunity to control the bidding or operation of its generator customer."

Picardi cited as an example three market participants that each own one-third of a generator. The operating company, responsible for bidding and scheduling the asset into the markets, should be considered a connected entity, he said. "The other passive owners do not have any control over the operation of the plant, so they could not engage in behaviors for the benefit of other positions or entities they hold," Picardi said.

FERC Response

In a [response](#) to some of the most frequent questions on the NOPR, FERC said it proposed the 10% threshold as a way to determine scienter, or knowledge of wrongdoing — a necessary element to proving market manipulation.



FERC Commissioners Cheryl LaFleur and Tony Clark

"It is not necessary to have a controlling interest in an entity to have a motive to favor that entity. A significant financial interest could provide such a reason, even if it did not confer control," the commission said. "Ten percent is a customary cutoff for this purpose and is used in many affiliate definitions."

FERC said passive investors were included because it is concerned with benefit to an entity, as well as control over it. "However, we are sensitive to concerns about the burden this might impose, and welcome comments with specific examples to help us assess whether the burden might outweigh the benefits," it said.

Fuel arrangements, tool sharing arrangements, physical maintenance arrangements and standard power purchase agreements would not be included, it said.

No Safe Harbor



Bowring

PJM Market Monitor Joe Bowring said that whatever threshold FERC chooses should not be a safe harbor protection against enforcement actions. He cited the example of a company marketing power for multiple generators in which it has no equity.

"We're actually concerned — not that the 10% threshold is too low — but it's too high," Bowring said. "Exact thresholds, I would agree, are difficult to calculate. Exact thresholds are subject to gaming. A company could limit its ownership, if they wanted to game, to 9.9%. There's no magic about 10% or 11 or 8."

Bowring also said FERC should give market monitoring units authority to audit connected entity filings to determine their accuracy, as it has proposed for RTOs and ISOs. "We live and breathe with this data. We know it pretty well and I think we could be helpful to you if we had that authority," he said.

Reporting Logistics

Picardi and Duke Energy's Matthew Jones said the filings should be with FERC or a single designee rather than to individual RTOs and ISOs.

"Based on our experience with minimum participation requirements pursuant to FERC Order 741, RTOs/ISOs will not be able to standardize the information collection process enough across markets for there to be any benefits for entities that transact in multiple markets," Picardi said. "The basic requirements were set out by the commission in Order 741, but each RTO/ISO has implemented the order differently, and periodically each makes changes to their respective requirements that must be reviewed and confirmed each year."

Trader Definition

Jones, managing director of analytics for fuels and system optimization for Duke, also challenged the proposed definition of a trader.

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'Connected Entity' Proposal Too Broad, Burdensome, Market Participants Tell FERC

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Duke "views traders as employees who make short-term trades of power. ... Duke Energy does not consider individuals who enter offer curves into the RTO/ISO as engaging in trading activities nor considers individuals negotiating long-term power purchase agreements as 'traders,'" he said.

In its response, FERC said a trader "is the person who makes the decisions, or devises the strategies, for buying and selling



FERC Enforcement Director Larry Parkinson

Committed Capacity

Duke suggested the rules apply only to market participants that have committed capacity into an RTO or ISO. "Market participants of an RTO/ISO who have generation assets that are committed outside of an RTO/ISO rarely sell specific capacity to the RTO/ISO. The transactions done by these market participants are energy transactions and are normally done at the 'border' without a specific resource named," Jones said.

Comments due Jan. 22

Comments on the NOPR are due January 22.

Commissioners Cheryl LaFleur and Tony Clark attended part of the two-hour session, which was chaired by Director of Enforcement Larry Parkinson.

The commission approved the NOPR unanimously in September, but LaFleur issued a concurring statement saying she might oppose the final rule if she concludes that the reporting burdens outweigh the benefits.

Corrections

Articles on new NYISO CEO Brad Jones in the Sept. 22 and Dec. 8 newsletters suggested that ERCOT had not yet chosen a successor for CEO H.B. "Trip" Doggett. ERCOT named General Counsel Bill Magness as Doggett's successor in August.

An article in the Dec. 8 newsletter, MISO Proposes Two-Season Capacity Market, Appoints Team to Address Ill. Zone, contained an incorrect link to the draft proposal. The correct link is here.

physical or financial products [that] are or may be traded in the organized electric markets. It would not include a person who simply 'pushes the button' to make a trade, if that person has no control over or input into the decision-making process."

Jones also said the 15-day deadline for reporting new agreements and changes to existing ones is too short. "It would be a much easier task to align the contract reporting with the [electronic quarterly report]. The same internal processes for managing compliance for EQR reporting could be used for the RTO/ISO reporting."

Stakeholder Soapbox

If you'd like to contribute an op-ed article, email the editor at rich.heidorn@rtoinsider.com.

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PJM CEO Emeritus Terry Boston, a 43-year electricity industry veteran, was honored last week with a lifetime achievement award at the Platts Global Energy Awards in New York City. Platts noted Boston's accomplishments as CEO of PJM for the past eight years as well as his long career at the Tennessee Valley Authority. "Terry is well deserving of this honor," said PJM Chairman Howard Schneider. "It is the richness of his lifetime experience in this industry that drew us to him. He has led PJM through an unprecedented major fuel shift, the integration of new technologies and innovation in markets — all while fortifying the grid and making it more reliable and resilient."

Source: PJM