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Your Eyes and Ears on the Organized Electric Markets

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Ready or Not, Here Comes 2016

PJM and NYISO enter the year with new CEOs as New England seeks access to more gas and hydropower and MISO and SPP continue to integrate their expanded territories. Meanwhile, states consider their responses to the Clean Power Plan.

RTO Insider's correspondents provide a preview of the year to come.

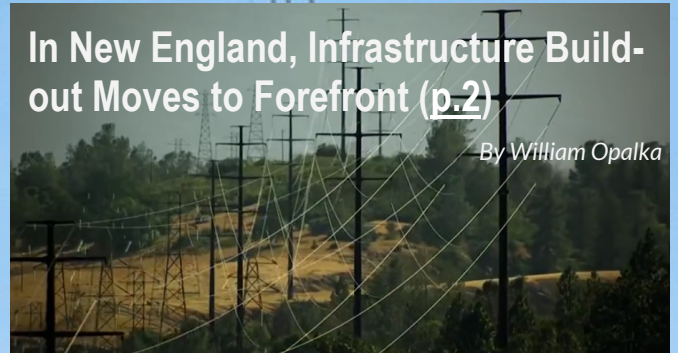
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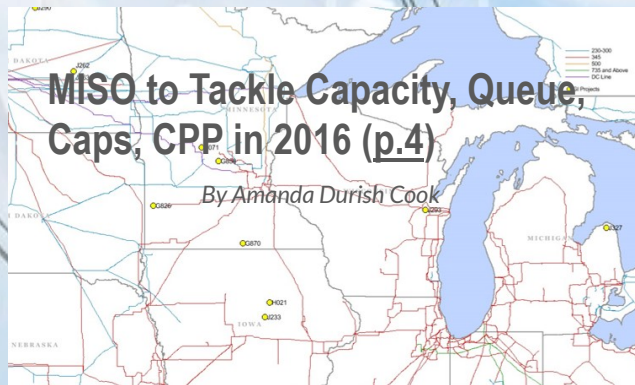
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By William Opalka



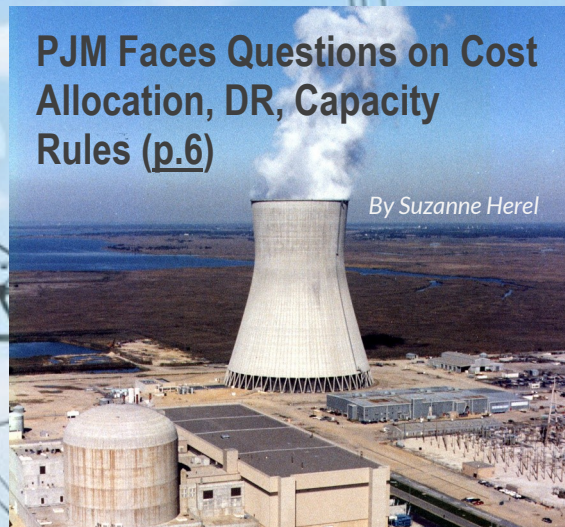
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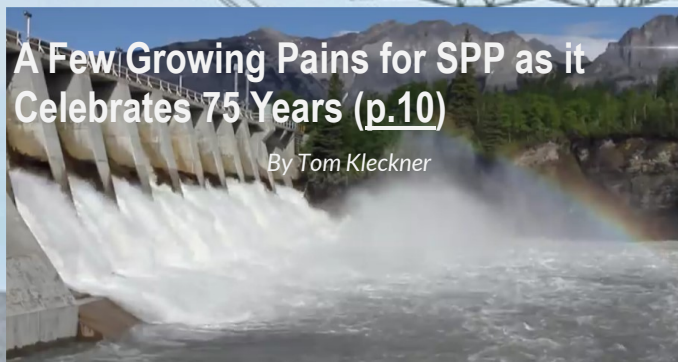
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Infrastructure Build-out Moves to Forefront

By William Opalka

Winter reliability, the forward capacity market and infrastructure expansion have been the dominant themes in New England in recent years, and 2016 appears to be no different.

Record warmth this winter has kept power prices tame and new reliability incentive programs are expected to ensure adequate fuel supplies. Capacity prices may also moderate because of the addition of new generating resources.

Capacity Prices Expected to Drop

Forward Capacity Auction revenues have almost quadrupled over the past two auctions, from just more than \$1 billion in 2013 to \$3 billion in 2014 and \$4 billion last year. About 1,000 MW of new generation entered the market for the 2018/19 capacity commitment period.

Morningstar says it expects 750 MW of dual-switching capability to be added for winter 2015/16 and 1,000 MW more by winter 2016/17. (See [ISO-NE: Little Room for Error in Winter.](#))

A lingering controversy to be cleared up before the coming auction is how solar resources should be calculated. (See [Generators Dispute ISO-NE on Solar Capacity.](#))

Moving Toward Renewable Energy

Massachusetts is expected to reconsider its net metering cap early this year after proposals to raise it got bogged down in the legislature in 2015. Utilities there are closing in on the 1,600-MW limit.

Massachusetts, Connecticut and Rhode Island have embarked on a joint effort to procure clean energy more cost-effectively. Bids on prospective projects are due at the end of January.

The shift to renewable energy is progressing, as New England continues to lose its nuclear generation fleet. Entergy last year announced its 680-MW Pilgrim nuclear station will close no later than mid-2019, but the final date is expected to be announced by the middle of this year.

Key Milestones

Meanwhile, several proposals for new transmission lines and two natural gas pipelines reached key milestones last year, with more significant decisions on their fates due by the end of 2016.

Spectra Energy's Algonquin Gas Transmission asked FERC in November for a pre-filing review of the proposed Access Northeast pipeline. The company expects to file a formal application in about a year and hopes to put the first phase of the project in service by November 2018. (See [Algonquin Submits Pre-Filing Request for Access Northeast Pipeline.](#))

Also in November, developers of the

Northeast Energy Direct pipeline through Massachusetts and southern New Hampshire filed certificates of need with FERC. The Kinder Morgan project would transport Marcellus Shale gas from Pennsylvania. The developers hope for FERC approval in the fourth quarter. (See [Northeast Energy Direct Files for FERC Certificate.](#))

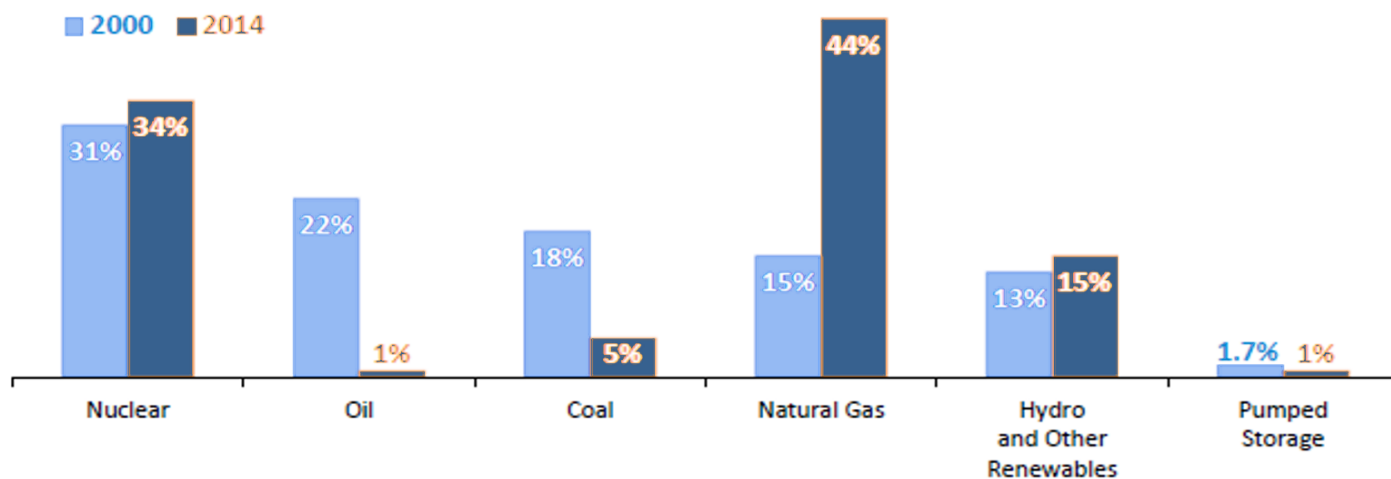
Hydropower Plans Move Forward

Two competing proposals to import Canadian hydropower into the region also advanced last year.

Northern Pass Transmission received its draft environmental impact statement from the U.S. Energy Department. The New Hampshire Site Evaluation Committee is expected to rule by the end of the year on the 192-mile transmission line to move 1,090 MW of hydropower from Quebec. (See [Committee Rules Northern Pass Application Complete.](#))

TDI New England's Clean Power Link received its final environmental impact statement, which recommended approval of a presidential permit. The cross-border project would transmit 1,000 MW of Canadian hydropower under Lake Champlain.

The first phase of the project's open season in December received expressions of interest from seven utilities on both sides of the border seeking 3,200 MW of capacity. Negotiation of the agreements will continue through this year.



ISO-NE fuel supply mix, 2000 vs. 2014 Source: ISO-NE

ISO-NE NEWS



FERC Again Rebuffs Brayton Point Union

FERC on Wednesday denied rehearing of its June decision certifying the ninth Forward Capacity Auction results in ISO-NE, dealing another blow to a utility union's claim that supply of the Brayton Point plant was illegally withheld to raise prices ([EL15-1137](#)).

The Utility Workers Union of America, which represents workers at the Massachusetts plant, in July asked FERC to void the auction results. (See [Fourth Time the Charm? Brayton Point Union Again Challenges ISO-NE Auction.](#))

Energy Capital Partners, former owner of the 1,517-MW plant, did not offer it in capacity auctions for 2017/18 and 2018/19 after announcing the plant would close in 2017. Brayton Point was sold last year to Dynegy, which said it would close the plant as scheduled.

FERC previously rejected the union's challenge to results of FCA 8 on similar

grounds. FERC said a non-public investigation by its Office of Enforcement failed to uncover any evidence of wrongdoing.

"This conclusion remains valid for FCA 9," FERC wrote.

The commission also reiterated its acceptance of the conclusion of ISO-NE's Internal Market Monitor that no anti-competitive behavior existed before the auction.

FERC also rejected the union's contention that the ISO-NE Tariff requires a determination that a unit is uneconomic before it is allowed to retire.

"The Tariff contains no provision requiring a resource to demonstrate that it is uneconomic before it is allowed to retire, and UWUA does not point to any such provision. There is no test as to whether the unit can economically provide capacity, nor is there a mechanism by which ISO-NE can



Brayton Point Power Station

compel the resource to continue operating under any circumstances," the commission wrote.

– William Opalka



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 to Tackle Capacity, Queue, Caps and CPP in 2016

By Amanda Durish Cook

It's been 15 years since FERC approved MISO as an RTO and, like a teenager, MISO is experiencing a growth spurt.

Last month, the board approved an annual Transmission Expansion Plan consisting of 345 projects valued at \$2.75 billion. With the exception of 2011, the plan represents the footprint's largest expansion since the annual process began in 2003.

This year's spending plan includes a \$31 million capital budget and a \$225 million operating budget, a 3% increase over 2015.

Busy Year Ahead

MISO expects a busy 2016.

This month, it will begin selecting a developer for its first competitively bid transmission project under FERC Order 1000, southern Indiana's Duff-Coleman 345-kV project.

In February, design review will begin on MISO's proposed two-season capacity market construct. Under a draft proposal, MISO would obtain capacity based on a June-September summer season and an October-May winter, with separate seasonal resource accreditations, reserve margins and capacity import/export limits. (See [MISO Proposes Two-Season Capacity Market](#).) FERC filings are expected in March.

MISO capacity auctions still won't be mandatory, as FERC struck down the RTO's

request for compulsory capacity auction participation in November.

Resource adequacy will continue its presence on MISO agendas in 2016. In the first six months, MISO will consider recommendations from a task team appointed by its Supply Adequacy Working Group on how to accommodate merchant generators in Illinois' Zone 4, where retail choice is permitted. The move followed an October FERC technical conference and two policy sessions of the Illinois Commerce Commission on problems in the area.

"I think what's been identified in Illinois is a gap," Jeff Bladen, MISO's executive director of market design, said in early December. "It is a very targeted, surgical matter that needs to be tackled." (See [Stakeholders to ICC: MISO Resource Adequacy Fine – for now](#).)

MISO also will continue its modeling of the potential impacts of the Clean Power Plan. According to initial results released last month, compliance costs could vary widely in the footprint, with the price of natural gas a major variable. (See [MISO: Coal Retirements, Gas Prices, Flexibility Key to CPP Compliance Costs](#).)

MISO's new interconnection queue rules will begin Feb. 20. Following a transition, projects will move through a reformed queue that includes a non-refundable \$5,000 study deposit and two "off-ramps" where owners can choose to withdraw projects for a refund. (See [MISO Unveils Queue Reform Transition as Wind Advocates Seek Delay](#).)

SPP Dispute Settled

In October, MISO settled a grid-use dispute with neighboring SPP regarding the 1,000-MW transfer limit in their joint operating agreement. The settlement replaced the RTOs' operations reliability coordination agreement and the resulting \$9.57/MWh hurdle rate that had been in place since 2014. (See [SPP, MISO Reach Deal to End Transmission Dispute](#).)

Late 2015 also saw the adoption of a new stakeholder redesign. The changes, which include closing out completed task forces, merging redundant groups, emphasizing joint meetings and re-evaluating meeting schedules, will take effect over the next three months. (See [MISO Stakeholders OK Redesign, Begin Implementation](#).)

The redesign absorbed or consolidated seven groups. MISO's Advisory and Steering Committees will oversee the transition.

Michelle Bloodworth, executive director of external affairs, said the redesign was "a great step to making sure stakeholders are well positioned to address the big challenges our region faces."

Meanwhile, a mild winter so far has made it easy to live with MISO's October decision to delay raising its energy offer cap. Instead, the RTO asked FERC to approve another waiver allowing recovery of generators' costs above \$1,000/MWh through uplift payments. MISO says it plans to put together a "permanent solution" in time for next winter. (See [MISO: No Change to Energy Offer Cap this Winter](#).)

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Transmission, Aging Plants and REV Dominate New York's Landscape

By William Opalka

Bradley Jones, who stepped in as CEO of NYISO late last year, recently told *RTO Insider* that his three top initiatives “have always been transmission, transmission, transmission.”

He came to the right place. Transmission upgrades dominated activity in the NYISO footprint in 2015 and promise to occupy headlines in 2016.

The improvements are occurring amid a changing energy landscape. State officials and regulators are deciding how to handle aging and unprofitable power plants in western New York. Meanwhile, the Reforming the Energy Vision initiative seeks to encourage the growth of distributed and renewable resources throughout the state.

The New York Public Service Commission last month declared a public policy need for an expected \$1.2 billion in upgrades to move 1,000 MW of power from upstate generation sites to load centers in and around New York City. The project has been discussed for more than three years; now, NYISO will seek bids on the projects. The PSC hopes to evaluate siting proposals by the end of the year, with approvals anticipated in 2017. The upgrades are expected to be in service in 2019. (See [NYPSC Declares Public Policy Need: Directs NYISO to Seek Tx Bids.](#))

Future of Nuclear Uncertain

Will the transmission projects come too late to save aging and unprofitable nuclear and coal-fired power plants in the western part of the state? Or, as environmental and consumer advocates might ask: Are those plants even worth saving?

In his State of the State address on Jan. 13, Gov. Andrew Cuomo is expected to announce details of a plan to shift the state to 50% renewable energy by 2030, along with a strategy to keep the nuclear plants open until then by offering some financial recognition of their carbon-free emissions. (See [Cuomo: 50% Renewables by 2030. Keep Nukes Going.](#))

Nevertheless, Entergy is standing by its decision to close the James A. FitzPatrick nuclear plant on Lake Ontario in late 2016 or 2017.

Exelon and stakeholders are finalizing a reliability support service agreement for the R.E. Ginna nuclear plant that would run through March 2017 — after which, the company says, the plant is likely to retire. The PSC has extended the negotiating window for that deal to Feb. 29. (See [Ginna Lifeline to End in 2017: Profits After 'Unlikely.'](#))

At the same time, the state's REV proceeding is continuing with development of demonstration projects, including microgrids and energy efficiency programs.

Much attention will be paid to the anticipated Track 2 Order that addresses rate design for the new business models. (See [NYPSC Outlines Reforming the Energy Vision Changes.](#))

RMRs Winding Down

In the meantime, several reliability-must-run agreements that pay unprofitable plants above-market rates are starting to wind down. Some of the facilities hope to repower with natural gas, proposals that will be addressed by regulators this year.

One of these, the coal-fired Dunkirk station outside of Buffalo, was mothballed Dec. 31, when its RSSA expired. Owner NRG Energy has suspended the repowering plan pending resolution of a lawsuit filed by Entergy. (See [NRG Plant Closures Could Impact Reliability in NY.](#))

The 312-MW Cayuga coal-fired plant outside of Ithaca is operating under an RSSA through mid-2017. Although its owner has proposed converting it to natural gas, a transmission project proposed by a distribution utility and endorsed by environmentalists could make the plant unnecessary.

Plans to convert the idled Greenidge power plant on Seneca Lake to gas are on hold as EPA has said it must undergo a “new source” review.

FERC Asked to Toss Huntley RMR Agreement

The New York Public Service Commission staff on Dec. 28 asked FERC to throw out a proposal to keep a doomed coal-fired power plant operating for several months at above-market rates ([ER16-81](#)).

The PSC said FERC should reject the proposal made by NRG Energy to keep the 380-MW Huntley plant in Tonawanda, N.Y., going past March 1. NRG is seeking a cost of service agreement for reliability-must-run service that could keep Huntley running for an additional three months or longer. (See [NRG Seeks Change on Huntley Reliability Contract.](#))

NRG had apparently pinned its hopes on concerns that the area would need voltage support until National Grid completes



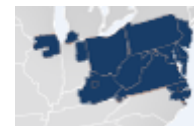
Huntley Power Station Source: IEEFA

transmission upgrades. Even that justification for Huntley's operation has fallen away.

“NYISO and National Grid recently exchanged correspondence which demonstrates conclusively that even without the transmission projects (including its capacitor banks and reactors), facility deactivation will not give rise to any local or bulk system reliability need on or after the proposed March 1, 2016, retirement date,” the state commission wrote. “Consequently, there is no basis to consider — much less approve — an RMR agreement that would subsidize facility operation after the proposed retirement date.”

NRG spokesman David Gaier said the company would be willing to negotiate an RMR agreement with NYISO and National Grid, but he seemed resigned. “At this moment ... the Huntley station will retire as previously announced on March 1,” he said.

— William Opalka



After Year of Change, PJM Faces Questions on Cost Allocation, DR, Capacity Performance in 2016

By Suzanne Herel

2015 was a year of change for PJM, which said goodbye to CEO Terry Boston, ushered in its new Capacity Performance product and awarded its first competitively bid transmission projects under FERC Order 1000.

Capacity Performance undoubtedly will be in the headlines again in 2016 under new CEO Andy Ott, previously executive vice president of markets. The new year also will see policymakers dealing with cost allocation for new transmission, the future of demand response and potential FERC rulings on financial trading and transmission planning.

That work will take place against the backdrop of a continuing fuel shift. For the first time in 2015, natural gas passed coal as the fuel used to generate the most electricity, thanks to the cheap bounty uncapped in the Marcellus Shale.

Morningstar analyst Jordan Grimes says the RTO, which retired 9.8 GW of coal-fired generation last year, could see as much as 18.5 GW of gas-fired combined cycle units come online through 2019.

Grimes said the new generation will have some of the lowest prices in the PJM dispatch stack after wind, nuclear and hydro and is unlikely to set marginal prices often during on-peak hours. "The combined cycles will displace some coal generation, but at the margin it will be displacing less efficient gas units. This gas-on-gas competition means coal will actually be on the margin more often," Grimes wrote. "Coal plants amortizing costs over a shorter time period, MATS compliance and less energy revenue should encourage coal plants to raise offers with their new pricing power on the margin."

Effective March 31, PJM will move its deadline for day-ahead energy offers up 90 minutes to 10:30 a.m. ET to ensure gas units have time to procure fuel before the revised 2 p.m. ET timely nomination deadline for gas. (See [PJM, NYISO, ISO-NE Gas Scheduling Filings OK'd](#).)

After a long debate, PJM members voted to

raise the energy market offer cap to \$2,000 to ensure that gas-fired generators can recover their costs when prices spike during extreme conditions, like those seen during the 2014 polar vortex. (See [PJM Members OK \\$2,000/MWh Energy Market Offer Cap](#).)

Capacity Performance

It was unusually high generator outages during the polar vortex that also gave rise to the controversial new Capacity Performance model, designed to strengthen reliability by giving bonuses to over-performing generators and assessing heavy penalties on those that fail to perform.

The new year will bring PJM its first operational experience under the new rules. PJM will have about 95 GW of Capacity Performance resources for the 2016/17 delivery year beginning June 1.

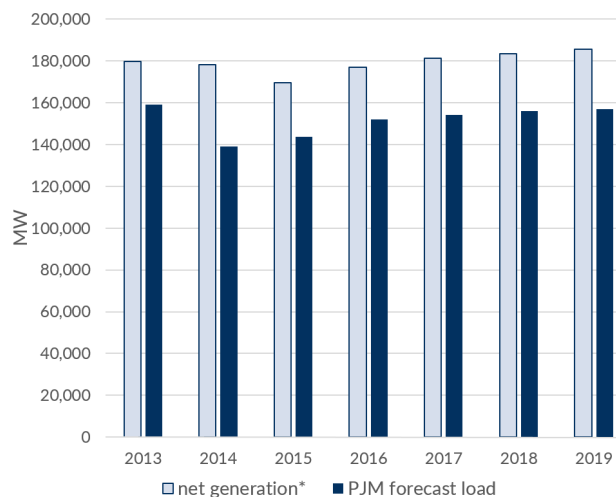
Transition auctions to add the upgraded product cleared at \$134/MW-day (2016/17) and almost \$152 (2017/18). (See [PJM Transition Auction Means Reprieve for Exelon Nukes](#).)

The 2018/19 Base Residual Auction — the first BRA to include the product — saw prices rise 37% to \$165/MW-day in most of the RTO, while the ComEd zone broke out at \$215 and Eastern MAAC hit \$225.

UBS predicts prices will dip to about \$100/MW-day for the 2019/20 delivery year and \$153/MW-day for 2020/21. The analysts said changes to PJM's load forecasting methodology — aimed at correcting several years of overly bullish projections — "largely [undo] the upside" from CP. (See "Load Forecast to Include Distributed Solar" in [PJM Markets and Reliability Committee Briefs](#).)

Bidding behavior could be affected by FERC rulings on PJM's market rules.

Last month, PJM asked FERC to rule by



Forecast generation vs. load. Data is for July each year. *Physical supply forecast minus outages and retirements. Source: Morningstar Commodities Research

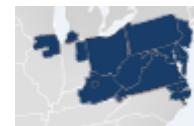
Feb. 1 on its Capacity Performance compliance filings and outstanding rehearing requests ([ER15-623, EL15-29](#)). PJM said it is trying to avoid "operational challenges" that could result from uncertainty over when PJM's dispatch decisions will result in a capacity market seller being exposed to non-performance charges.

"Some resource owners have told PJM they will turn to self-scheduling (or self-dispatching) and operate at maximum output to avoid non-performance charges," PJM wrote. "This clearly is an anomalous result which is contrary to the goals of Capacity Performance as a tool to enhance operational performance and system reliability."

Changes also could result from a problem statement approved by stakeholders in December to consider widening *force majeure* rules and expanding ways for generators to minimize underperformance penalties by netting them against over-performing generators. (See "Ways to Mitigate Risk in CP Market to be Studied" in [PJM Markets and Reliability Committee Briefs](#).)

Despite the increase in prices under Capacity Performance, FirstEnergy and American Electric Power have asked Ohio

Continued on page 7



PJM Faces Questions in 2016

Continued from page 6

regulators to approve proposals to essentially reregulate 6,300 MW of their generation. PJM filed testimony last week expressing concerns over the impact of the proposals on the wholesale markets. (See [PJM Seeks Changes to AEP, FirstEnergy PPAs.](#))

Order 1000 Projects

The PJM Board of Managers ended the year by approving \$490 million in transmission projects proposed in response to FERC Order 1000 competitive solicitations.

In July, it finally greenlighted its first Order 1000 project, a stability fix for the Salem and Hope Creek nuclear reactors on New Jersey's Artificial Island. The approval of the project, which followed a controversial two-year selection process, almost immediately spawned a new dispute as officials in Maryland and Delaware complained that they were being billed for virtually all of the \$146 million price tag. The cost allocation issue will be the focus of a FERC technical conference scheduled for Jan. 12. (See [FERC Questions Fairness of Artificial Island Cost Allocation.](#))

Transmission Planning, UTCs, FTRs

PJM stakeholders will be spending a lot of

time with FERC in 2016:

- Reply comments are due Jan. 15 in FERC's inquiry into PJM's local transmission planning process, the subject of a technical conference in November. (See [PJM TOs Defend Jurisdiction at FERC Conference.](#))
- PJM traders are awaiting a FERC order telling them whether up-to-congestion trades will be charged uplift and made subject to PJM's financial transmission rights (FTR) forfeiture rule (EL14-37). In opening the Section 206 docket in 2014, the commission said it would rule within five months after it receives comments following a technical conference. The conference was held Jan. 7 and comments were due May 29. That put FERC on schedule for a ruling by the end of October, but there has been no word from the commission so far. (See [Monitor at Odds with PJM, Marketer over FTR Forfeiture Rule.](#))
- Last week, the commission ordered a technical conference on PJM's proposed changes to its FTR allocation rules. (See related story, [FERC Orders Technical Conference on PJM FTR Rule Changes, p.9.](#))
- 2016 also could see action by FERC to address issues over PJM's seam with MISO. In February, the commission said it was considering intervening and ordered the RTOs to provide status reports on

eight unresolved seams issues (AD14-3). (See [Impatient FERC Hints at Action on PJM-MISO Seams Disputes.](#)) Commission staff have attended three PJM/MISO joint stakeholder meetings since.

PJM stakeholders also are anxiously awaiting the Supreme Court's ruling on an appellate court order that voided FERC's jurisdiction over DR. With one justice having recused himself, the court could split 4-4, leaving the ruling standing and PJM scrambling to adjust to the impact on its capacity market. (See [FERC Jurisdiction over DR in Peril as Supreme Court Splits.](#))

The court also will review lower court rulings throwing out state-issued contracts Competitive Power Ventures won to build combined cycle plants in Maryland and New Jersey. (See [SCOTUS Agrees to Hear Md., NJ-FERC Subsidy Case.](#))

New Faces and Retirements

In addition to the departure of Boston, the RTO also said goodbye to board member William Mayben, who retired after eight years. South Carolina engineer Terry Blackwell was elected to serve out the remainder of Mayben's term. Going forward, the board announced, members will be ineligible for re-election once they either turn 75 or have served five terms. (See [New PJM Board Member Elected, Re-election Eligibility Changed.](#))

Changes to PJM Load Forecast Cuts Benchmark Peaks

PJM's new load forecasting methodology cuts projected peaks for several key benchmarks by 3.5% or more, the RTO said last week.

In response to criticism that its forecasts overestimated loads, PJM has made a number of changes to its methodology. Among them is the treatment of weather, added variables to gauge trends in equipment and appliance saturation and efficiency, and accounting for energy efficiency resources and distributed solar generation. (See "Load Forecast to Include Distributed Solar" in [PJM Markets and Reliability Committee Briefs.](#))

The new methodology has particular ramifications for both the capacity market and transmission planning. It reduces the forecast peak for the 2019/20 Base Residual Auction by 5,660 MW (-3.5%) and that for 2021 — the next Regional Transmission Expansion Plan study year — by 8,406 MW (-5.1%).

The [forecast](#) released Wednesday projects a 2016 RTO summer peak of 152,131 MW. That's a reduction of 5,781 MW (-3.7%) compared with PJM's forecast a year ago but an increase of 1,836

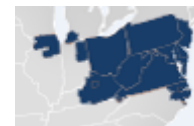
MW (1.2%) from the 2015 normalized peak.

The RTO's summer peak is predicted to grow 0.6% annually over the next 10 years, with growth rates for individual zones ranging from -0.1% in the Atlantic Electric zone, which has been hurt by a decline in casino gambling, to 1.2% in the Dominion zone, which is seeing "substantial on-going growth in data center construction."

The winter peak load is expected to rise an average of 0.8% per year over the decade, bracketed by Atlantic Electric, which shows no growth, and Dominion, up 1.6%.

The forecast for the APS zone reflects increasing load from natural gas processing plants, which are expected to add 120 MW to 280 MW annually for 2016-2020. The zone's summer peak is expected to increase 0.8% per year through 2026 with a 1.1% annual increase in winter peaks.

— Suzanne Herel



PJM Seeks Changes to AEP, FirstEnergy PPAs

By Suzanne Herel

Power purchase agreements proposed by American Electric Power and FirstEnergy need changes to preserve competition and Ohio's ability to attract merchant generation, PJM said last week.

The RTO made the recommendations in testimony to the Public Utilities Commission of Ohio ([14-1693-EL-RDR](#), [14-1694-EL-AAM](#), [14-1297-EL-SSO](#)).

The filings were virtually identical and offered two amendments to the eight-year agreements. The first would define a "reasonable bidding practice" as offering the output of units covered by the deals into PJM's markets at no lower than their actual cost, with no consideration of offsetting revenue being provided by Ohio retail customers.

"Bidding at actual cost, consistent with the definition of acceptable costs included in the PJM Tariff and manuals, ensures that the PPA does not have the effect of artificially suppressing prices in any of PJM's markets," Stu Bresler, senior vice president of markets, said in the AEP case. The phrasing for the FirstEnergy case was changed only to reflect the term that company is using for its request, a retail rate stability rider (RRS).

Bresler also recommended that if the commission accepts the agreements, it should make clear in its order whether generation owners or their customers would bear the risk of non-performance under the new Capacity Performance model, which aims to ensure reliability by rewarding over-performing units and penalizing under-performing generators.

Bresler said PJM takes no position on the proposed stipulations but felt it necessary to weigh in on aspects that could affect its wholesale markets.

The consequences of "unreasonable" actions when selling AEP's and FirstEnergy's output would be "severe," yet the agreements do not clarify "reasonable" or "unreasonable" actions, Bresler said.

"This provision, more than any other in the stipulation, has the potential to impact the PJM marketplace as a whole and the marketplace in Ohio for new investment,



AEP's Conesville power plant

depending on how the provision is implemented," he said.

PJM's recommendations are in Ohio's interest because the output of units covered by the agreements falls substantially short of the companies' peak loads — 10,500 MW in AEP Ohio's case and 11,900 MW for FirstEnergy, Bresler said. New generation resources are critical to Ohio's future, he said, but they would be discouraged from investing in the state if others were allowed to bid below their costs.

Bowring: PPAs Inconsistent with Competition

PJM Market Monitor Joe Bowring also filed testimony, saying that the retail rate stability rider requested by [FirstEnergy](#) and [AEP's](#) proposed power purchase agreement both "constitute a subsidy which is inconsistent with competition in the PJM wholesale power market." He urged the commission to reject them.

The purpose of the AEP agreement, he said, "is to shift costs and risks from shareholders to customers, to remove the incentives to make competitive offers in the PJM capacity market and to provide incentives to make offers below the competitive level in the PJM capacity market."

The agreement also does not explicitly address how AEP plans to operate within PJM's new capacity market design.

However, Bowring said, "I would expect that the proposed PPA rider would require ratepayers to pay any performance

penalties associated with the assets included in the PPA rider. I would also expect that AEP would retain any performance payments at other AEP units not included in the PPA rider, even if paid for in part by these ratepayer penalties."

That removes the risk from shareholders, along with the incentive to manage the performance of the units, he said.

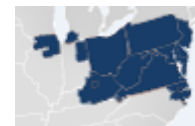
Like Bresler, Bowring expressed concern about the agreements enabling the companies to offer output into the market at artificially low prices, edging out competition.

AEP's request, he said, indicates that PJM should expand its minimum offer price rule to include any new units with subsidies, requiring them to bid into the market at a level no lower than the cost of new entry.

Bowring also testified that the rider requested by FirstEnergy would transfer all "historic and future costs" for certain plants to ratepayers and set up the same paradigm involving its participation in PJM's capacity market.

Together, the agreements essentially would re-regulate about 6,300 MW of generation. AEP announced its PPA on Dec. 14. FirstEnergy released its proposal Dec. 1. PUCO is expected to rule on the cases in early 2016.

In addition to its testimony, PJM plans to issue a market analysis of both deals this spring. (See [PJM Looking at AEP, FirstEnergy PPAs: Critics Join Forces.](#))



FERC Orders Technical Conference on PJM FTR Rule Changes

By Rich Heidorn Jr.

FERC on Monday ordered a technical conference to sort out conflicting claims over PJM’s proposed rule changes to reduce underfunding of financial transmission rights.

PJM’s proposed changes, filed in October, were challenged by the Financial Marketers Coalition and others, who said they would be ineffective and discriminatory. The commission said the conference was needed to develop more evidence before it rules ([EL16-6-001](#), [ER16-121](#)).

The conference will explore PJM’s claim that its existing rules on FTRs and auction revenue rights are unjust and unreasonable and that the problems would be remedied by its proposed changes. Specifically, the conference will look at ARR modeling and allocation processes; treatment of portfolio positions in allocating underfunding or surplus among FTR holders; and the potential for market manipulation.

An FTR entitles its holder to credits based on LMP differences in the day-ahead energy market when the transmission grid is congested. FTRs can be purchased or converted from ARRs, which are allocated to network and firm point-to-point

customers.

PJM improved funding under current rules by modeling more transmission outages; clearing more counterflow FTRs; and improving its modeling of loop flow, market-to-market coordination with MISO, and the alignment of the FTR, day-ahead and real-time energy markets.

PJM said the changes raised FTR revenue adequacy from as low as 69% during planning years 2010/11 through 2013/14 to at least 110% since the 2014/15 planning period.

However, PJM said the changes resulted in an unfair shift of revenues from ARR holders to FTR holders. It said the load-serving entities receiving reduced Stage 1B ARRs are largely different from the LSEs receiving the over-allocation of infeasible Stage 1A (10-year) ARRs.

To correct the cost shift, PJM proposed eliminating the netting of negatively valued FTRs against positively valued FTRs within portfolios. It also proposed increasing current ARR results by 1.5% annually – equal to the average ARR 10-year growth rate since 2007 – in the Stage 1A 10-year simultaneous feasibility process. (See [PJM to File FTR, ARR Rule Changes with FERC.](#))

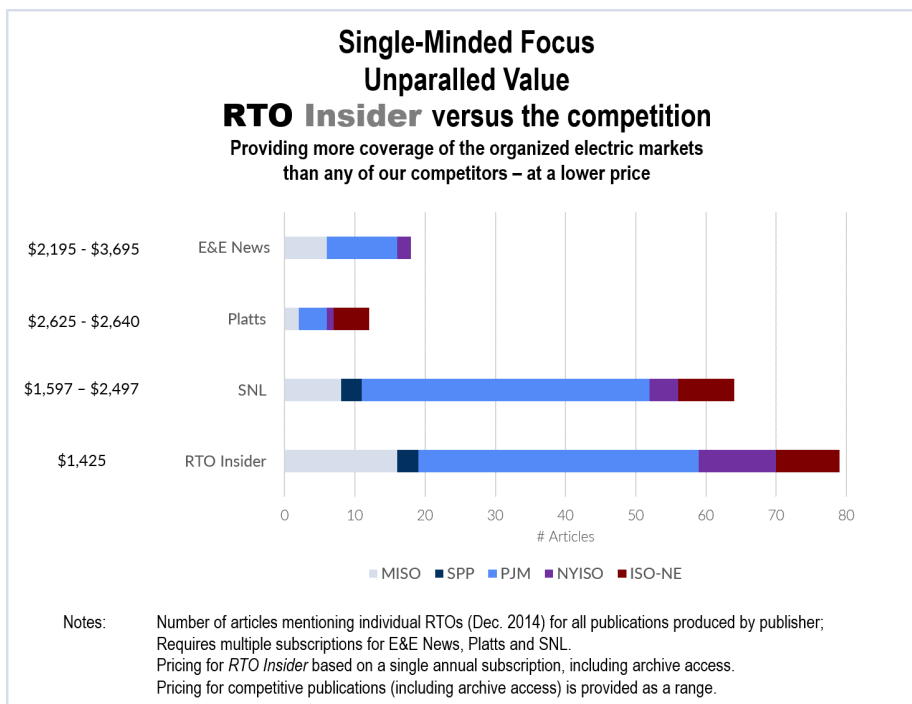
PJM said the changes will increase the

likelihood of infeasible ARRs, potentially identifying needed transmission upgrades such as Commonwealth Edison’s Grand Prairie Gateway project sooner. The 60-mile 345-kV line through four counties in northern Illinois began construction in the second quarter of 2015 and is expected to begin service in 2017. The company says it will allow the import of cheaper wind power from the west, saving customers about \$250 million net of all costs within the first 15 years.

Commenters including utilities and the Independent Market Monitor told FERC they generally supported the proposed changes. But the Financial Marketers Coalition (representing J. Aron & Co., DC Energy, Inertia Power, Saracen Energy East and Vitol), Shell Energy N.A. and others protested the elimination of netting, saying PJM failed to show the current rules are unjust and unreasonable and that the change would cure underfunding.

Without netting, the coalition argued, underfunding risks would shift to those that take on counterflow FTR obligations and could encourage market manipulation.

Opponents also questioned whether the proposed 1.5% escalation would be as effective in preventing ARR infeasibilities as claimed by PJM.





A Few Growing Pains for SPP as it Celebrates 75 Years of Service

By Tom Kleckner

During the past two years, SPP has added new markets for its members, some 5,000 MW of peak demand and 7,600 MW of generating capacity in the Upper Great Plains, extending its footprint to the Canadian border in the process.

So what does it plan for an encore in 2016?

Celebrating its 75th anniversary, for one. SPP will mark the occasion this fall with several ceremonies and a commemorative publication chronicling the RTO's history, which began in the days after the attack on Pearl Harbor.

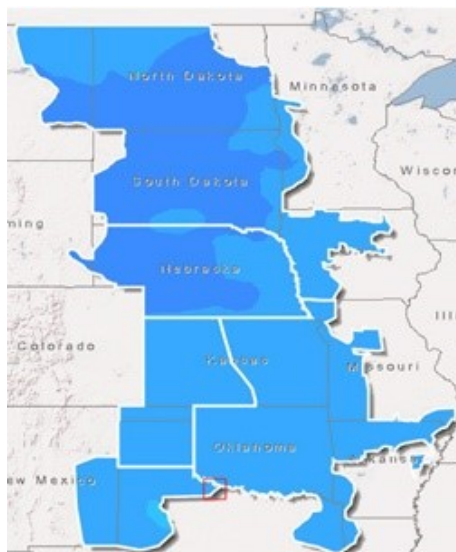
That's when 11 regional power companies in the Southwest — including predecessors of today's SPP member companies — signed an agreement to pool their energy resources and ensure Central Arkansas' aluminum production could maintain 24/7 operations. When World War II ended, an executive committee decided to continue the organization to maintain reliability and coordination.

From those modest beginnings, SPP has grown into a sprawling member-driven organization, coordinating electricity flows over 56,000 miles of high-voltage transmission lines across 575,000 square miles in all or parts of 14 states, from the Deep South to the Dakotas and westward. It counts 97 members representing cooperatives, power producers, marketers and independent transmission companies along with the usual transmission owners, and has 170 registered participants in its markets.

A 'Success Metric'

SPP's growth has been good news for its members.

The RTO projects the addition of the Integrated System (IS) last October will yield \$334 million in member benefits over a 10-year period. It also has said the Integrated Marketplace — comprising day-ahead, real-time balancing and congestion-hedging markets — generated approximately \$210 million in total regional net savings in its first year, in addition to \$170 million in savings from SPP's previous energy imbalance service market. SPP plans to release a study quantifying the trans-



mission benefits its members receive in January.

"It's been another interesting year for the corporation and our members," SPP CEO Nick Brown said during October's board meeting. "If ever there's a success metric, it's the members who have decreased costs or rates."

SPP will focus much of this year on improving its rapidly maturing markets with three projects: enhanced combined cycle (ECC) logic, gas-electric "harmonization" and the Z2 crediting tool.

Improved Economic Dispatch

The ECC project is designed to provide more sophisticated modeling that captures the flexibility of combined cycle plants. Each combined cycle configuration will be modeled in the market-clearing engine as a separate resource.

SPP expects the increased flexibility to allow "optimization of the combined cycle resource configuration throughout the unit commitment processes," projecting in its 2016 budget a \$3 million to \$5 million reduction in generation costs. The savings are expected to grow as new combined cycle plants join SPP in the future.

SPP has targeted March 2017 for completion of the \$1.5 million project. (See "Enhanced Combined-Cycle Project Moves Forward" in SPP Board of Directors/ Members Committee Briefs.)

The ECC work will be done in conjunction with system changes needed to close the Integrated Marketplace's day-ahead market earlier and shorten the solution time for posting results by 30 minutes. Both have significant impacts on the market operating system's solution time.

SPP said the gas-electric harmonization work will be completed by the fall, at a projected cost of \$6.2 million.

The initiative is a result of FERC Order 809, which moved the timely nomination cycle deadline for gas from 11:30 a.m. CT to 1 p.m. (See "Board Approves Gas-Electric Timeline Change" in SPP BoD/ Members Committee Briefs.)

SPP says the schedule changes are "an incremental improvement over the existing timeline."

Years of Incorrect Credits

The Z2 crediting project dates back to the last decade as a result of years of incorrect credits for transmission upgrades. (See "Z2 Crediting Task Force Remains on Track" in SPP Markets and Operations Policy Committee Briefs.)

A project team is developing software that will properly credit and bill transmission customers for system upgrades under SPP's Tariff attachment Z2. The problem has been avoiding over-compensating project sponsors and including a way to "claw back" revenues from members who owe SPP money for other reasons.

The task force has estimated creditable upgrades of \$750 million, with up to \$90 million in transmission customer improvements and the remainder from sponsored upgrades.

The task force hopes to present a better estimate during the Markets and Operations Policy Committee and Board of Directors/ Members Committee quarterly meetings in January.

SPP says the new system should reduce errors, disputes and resettlements.

Continued on page 11



SPP Report Shows 16% Decrease in Coal Generation in 2 Years

SPP has seen a 16% drop in coal-fired generation over the last two years, thanks in no small part to consistently low gas prices.

The SPP Market Monitoring Unit's [quarterly market report](#) for September-November said coal-fired resources accounted for 52.1% of generation in the fall of 2015, compared to 62.7% in 2013, the last few months of SPP's energy imbalance services market.

The Monitor noted the decline in coal generation has been offset by increases in wind (up 3.7%), nuclear (up 3.4%) and combined cycle generation (up 3.3%). Hydro generation increased 2.1% over the two-year period, primarily because of the addition of the Western Area Power Administration-Upper Great Plains.

According to the report, Panhandle Hub gas

costs averaged \$2/MMBtu in November. Average gas prices for the fall were \$2.25/MMBtu, compared to \$3.76/MMBtu in 2014.

Average LMPs for both the real-time balancing market and the day-ahead market also saw significant declines. Real-time LMPs averaged \$20.73/MWh (-\$8.84 from fall 2014) and day-ahead LMPs averaged \$19.98/MWh (-\$8.19).

Lower prices were "prevalent in the north due to less expensive generation" and in the west-central due to the area's "abundant low-cost wind," the report said.

The MMU said SPP is experiencing divergence between day-ahead and real-time prices, partially because of "significant price volatility" in the real-time market.

— Tom Kleckner

SPP, ERCOT Set New Wind Peaks

SPP, which has already set six wind peaks this fall, established another on Dec. 19 with 9,948 MW, the second time it has eclipsed 9,000 MW. The RTO said wind's penetration level was 33.5%, off the record 38.3% set Nov. 4.

ERCOT closed out 2015 with its eighth wind peak of the year, a record 13,883 MW on Dec. 20, representing more than 93% of its installed wind capacity and 44.7% of load served.

The wind generation easily topped the previous peak set Dec. 19, when the ISO exceeded 13,000 MW for the first time with 13,029 MW.

ERCOT generated almost 4.4 million MWh of wind energy in November, accounting for 18.4% of energy used.

— Tom Kleckner

A Few Growing Pains for SPP as it Celebrates 75 Years of Service

Continued from page 10

Eyes on Expanded Footprint

SPP's day-to-day business in 2016 will remain focused on maximizing the addition of the IS to its footprint.

The IS tripled SPP's hydroelectric capacity, which represented only 1.1% of the RTO's capacity in 2014. It also added winter-peaking regions, increased seams coordination issues and greatly expanded the geographic area for SPP's reliability monitoring function.

SPP says the addition of the IS has "opened opportunities to expand SPP's services to affiliated entities in the Western Interconnect" through membership or

contracted services. SPP has an ongoing market-consulting contract with the Northwest Power Pool, which has been exploring the possibility of opening an energy market for several years.

Because of the surge in wind production, the RTO will refresh its 2009 wind-penetration study in February.

Navigating the Clean Power Plan

SPP will continue its work helping states comply with EPA's Clean Power Plan. The RTO expects "significant impacts in the near term and well into the future."

SPP's 2016 [operating plan](#) says it intends to encourage regional compliance. But it acknowledges some states may decide to go it alone. Several SPP states have joined litigation to block the rule.

"The lawsuits will muddy the water in terms of how SPP interacts with its stakeholders as they work to comply with the standards," it said.

SPP's 2016 operating plan says it intends to encourage regional compliance. But it acknowledges some states may decide to go it alone.

The RTO will include CPP compliance in the 2017 Integrated Transmission Planning 10-year assessment. A near-term transmission study also will be conducted this year, with the results presented to MOPC and the board in April.

At that time, MOPC and the board should be taking up for consideration SPP's first Order 1000 project, the 21-mile, Walkemeyer-North Liberal 115-kV project in Kansas. An industry expert panel is currently evaluating responses to SPP's request for proposals.

SPP expects to receive 3,200 proposals for competitive projects in 2016, double the number it saw in 2014.

It also expects a "significant increase" in generation interconnection studies. SPP projects a 12% bump in transmission volume to more than 407 MWh in 2016.

"The lawsuits will muddy the water in terms of how SPP interacts with its stakeholders as they work to comply with the standards."

SPP operating plan

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ISSUE #100 | December 1, 2015

Looking Back, Looking Forward

The Year in Review: Capacity Market News Topped Readers' Interest in 2014

The big news of 2014 in PJM was the same old news: the need to increase capacity. The PJM capacity market was the focus of many articles, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

MISO: Generators Oppose Duke Must-Orfer Waiver Bid
Duke's bid to sell its capacity in MISO was a major development, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

Crutriters At Large
The PJM capacity market was a major development, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

Illinois Considers Save Exon, Cap-and-Trade to Carbon Nukes
Illinois is considering a cap-and-trade program for carbon nukes, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

Also in this issue:
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ISSUE #101 | January 19, 2016

Stakeholder Process Under Attack at FERC Hearing on PJM Financial Trades

The PJM capacity market was a major development, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

AEP Considering Sale of 8,000 MW in Ohio, Indiana
AEP is considering the sale of 8,000 MW in Ohio and Indiana, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

Illinois Considers Save Exon, Cap-and-Trade to Carbon Nukes
Illinois is considering a cap-and-trade program for carbon nukes, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

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ISSUE #102 | January 26, 2016

FERC OKs \$1,800 Offer Cap in PJM

The PJM capacity market was a major development, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

Prerequisite Sale Would End SSR Costs, Clear Path for Wisconsin Energy-Integrates Deal
A prerequisite sale would end SSR costs, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

Falling Oil Prices, Wind Exports Raise Concerns About SPP Transmission Expansion
Falling oil prices and wind exports raise concerns about SPP transmission expansion, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

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ISSUE #103 | January 27, 2016

Patton Asks FERC to Set Deadline on PJM-MISO Interface Pricing Dispute

Patton is asking FERC to set a deadline on the PJM-MISO interface pricing dispute, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

FERC Orders Market-Based Reliability Program Next Winter in New England
FERC has ordered a market-based reliability program for next winter in New England, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

States, LSEs Skeptical, Utilities Split over Capacity Performance
States, LSEs, and utilities are skeptical of capacity performance, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

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ISSUE #104 | February 1, 2016

Entergy Out-of-Cycle Tx Request Draws Competitors' Ire

Entergy's out-of-cycle transmission request has drawn the ire of its competitors, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

PJM, Riverstone Accept FERC Mitigation Plan on Spinoff
PJM and Riverstone have accepted FERC's mitigation plan for the spinoff, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

ISO-NE Opens 9th Capacity Auction Amid Expectations of High Prices
ISO-NE has opened its 9th capacity auction, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

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ISSUE #105 | February 7, 2016

Exelon-Peppo Deal Moves Forward in NJ, Del.

The Exelon-Peppo deal is moving forward in New Jersey and Delaware, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

ISO-NE Chooses Land-Based Tx Project for Boston Area
ISO-NE has chosen a land-based transmission project for the Boston area, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

DOE IG Warns FERC Information Security 'Severely Lacking'
DOE IG warns that FERC's information security is severely lacking, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

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ISSUE #106 | February 16, 2016

EPA on Carbon Rule: We're Listening

The EPA is listening to stakeholders on the carbon rule, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

MISO Board to Review Electric Lake Charles Project Following Stakeholder Pushback
The MISO board is reviewing the Lake Charles project following stakeholder pushback, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

Retiring PJM CEO Boston Lauded for Efficiency Improvements, Management Style
Retiring PJM CEO Boston is lauded for efficiency improvements and management style, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

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ISSUE #107 | March 1, 2016

Exelon, Dominion Flex Muscles in State Capitols

Exelon and Dominion are flexing their muscles in state capitols, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

New York PSC Bars Utility Ownership of Distributed Resources
The New York PSC has barred utility ownership of distributed resources, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

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ISSUE #108 | March 7, 2016

Eastern RTOs Express Confidence in Meeting Carbon Reduction Plans

Eastern RTOs express confidence in meeting carbon reduction plans, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

PJM Reducing Tx Spending by \$3.2B
PJM is reducing transmission spending by \$3.2 billion, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

Michigan Leaders at Odds over Deregulation
Michigan leaders are at odds over deregulation, and it was a top story for readers. PJM's new capacity market was a major development, and it was a top story for readers.

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ISSN 2077-6816 Volume 2015-0128 8th Edition March 24, 2016

MISO Board Questions Excess on Entergy Out-of-Cycle Requests

By Dan Chubb and Tom Hester

Members of the MISO Board of Directors are questioning the appropriateness of Entergy's request for a \$187 million out-of-cycle request for the purchase of a new gas-fired power plant. The board is also questioning the appropriateness of Entergy's request for a \$187 million out-of-cycle request for the purchase of a new gas-fired power plant. The board is also questioning the appropriateness of Entergy's request for a \$187 million out-of-cycle request for the purchase of a new gas-fired power plant.

Also in this issue:
 - LAFleur Chairmanship Ending; Bay to Take Gavel
 - MISO PJM Cross-Border Projects Still Languishing, NIPSCO Says
 - SPP: \$450m Carbon Adder and More Wind Could Meet CO₂ Rule
 - NYISO: PJM Responds to FERC Queries on Capacity Performance, Requests Approval
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ISSN 2077-6816 Volume 2015-0128 8th Edition March 24, 2016

EPA Defends MATS Before Supreme Court

By Dan Chubb and Tom Hester

The Environmental Protection Agency (EPA) is defending its Mercury and Air Toxics Standards (MATS) before the Supreme Court. The agency is arguing that the standards are necessary to protect public health and the environment. The standards require power plants to reduce emissions of mercury and other toxic pollutants.

Also in this issue:
 - Challenge Too Late for Targeted Coal Plants
 - CEO Name to DC PSC: Exelon Committed to Jobs, Ratepayers
 - FERC Backtracks from ISO-NE Winter Reliability Order
 - FERC Approves Final Rule on Gas-Electric Coordination
 - MISO Stakeholders Share Ideas on Fixing Broken Interregional Process

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ISSN 2077-6816 Volume 2015-0128 8th Edition April 1, 2016

MISO, SPP Stakeholders Developing Trading Plan to Comply with EPA Carbon Rule

By Dan Chubb and Tom Hester

Stakeholders in the Midwest and Southwestern Power Pool (SPP) are developing a trading plan to comply with the EPA's carbon rule. The plan involves creating a market for carbon allowances that can be used to offset emissions from power plants.

Also in this issue:
 - PJM Puts LS Power for Artificial Island Stability Fix; Dominion Loses Out, p.22
 - NYISO: PJM Responds to FERC Queries on Capacity Performance, Requests Approval
 - NYISO: PJM Responds to FERC Queries on Capacity Performance, Requests Approval

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ISSN 2077-6816 Volume 2015-0128 8th Edition April 1, 2016

SPP: \$450m Carbon Adder and More Wind Could Meet CO₂ Rule

By Dan Chubb and Tom Hester

The Southwestern Power Pool (SPP) is evaluating the impact of a \$450 million carbon adder and the potential for meeting the EPA's carbon rule. The adder would increase the cost of coal-fired power plants, while more wind power would reduce emissions.

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 - NYISO: PJM Responds to FERC Queries on Capacity Performance, Requests Approval
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ISSN 2077-6816 Volume 2015-0128 8th Edition April 1, 2016

Smooth Transition as Bay Replaces LaFleur as FERC Chair

By Dan Chubb and Tom Hester

The Federal Energy Regulatory Commission (FERC) is announcing the departure of Chairman John LaFleur and the appointment of a new chairman, John Bay. The transition is expected to be smooth and will not affect the commission's ongoing work.

Also in this issue:
 - FERC Approves Final Rule on Gas-Electric Coordination
 - MISO Stakeholders Share Ideas on Fixing Broken Interregional Process

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ISSN 2077-6816 Volume 2015-0128 8th Edition April 1, 2016

FERC OKs PJM Request to Delay Capacity Auction

By Dan Chubb and Tom Hester

The Federal Energy Regulatory Commission (FERC) has approved a request from PJM to delay its capacity auction. The delay is necessary to allow PJM to complete its ongoing work on the auction process.

Also in this issue:
 - NYISO: PJM Responds to FERC Queries on Capacity Performance, Requests Approval
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ISSN 2077-6816 Volume 2015-0128 8th Edition May 1, 2016

Board Rejects Short-Term Study; Impact on Quick-Start Units Debated

By Dan Chubb and Tom Hester

The MISO Board of Directors has rejected a short-term study on the impact of quick-start units. The board is concerned that the study would not provide a comprehensive analysis of the issue.

Also in this issue:
 - NYISO: PJM Responds to FERC Queries on Capacity Performance, Requests Approval
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ISSN 2077-6816 Volume 2015-0128 8th Edition May 1, 2016

FERC: Idled New York Plants Can Lose Interconnection Rights

By Dan Chubb and Tom Hester

The Federal Energy Regulatory Commission (FERC) is warning that idled power plants in New York may lose their interconnection rights. The commission is concerned that idling plants would reduce the reliability of the power system.

Also in this issue:
 - NYISO: PJM Responds to FERC Queries on Capacity Performance, Requests Approval
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ISSN 2077-6816 Volume 2015-0128 8th Edition May 1, 2016

SPP, NYISO Mark Birthdays, Make Claim to 'Best' RTO

By Dan Chubb and Tom Hester

The Southwestern Power Pool (SPP) and the New York Independent System Operator (NYISO) are celebrating their 15th and 20th anniversaries, respectively. Both organizations are making claims to be the "best" RTO in the industry.

Also in this issue:
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ISSN 2277-6100 Volume 2015-01-05 Jan 5, 2016

Maryland PSC OKs Exelon-Pepco Deal in 3-2 Vote

How Exelon Won over Maryland

The Maryland Public Service Commission voted 3-2 to approve Exelon's \$4.5 billion acquisition of Pepco Holdings Inc., ending a long regulatory process for the deal. Exelon's victory was a surprise, as the PSC had previously approved a higher bid from Constellation Energy. Exelon's bid was approved because it offered a higher bid for renewable energy and a \$450 million investment in Maryland's renewable energy programs in Montgomery and Prince George's counties.

Exelon's bid also included a commitment to invest in renewable energy and a \$450 million investment in Maryland's renewable energy programs in Montgomery and Prince George's counties. Exelon's bid was approved because it offered a higher bid for renewable energy and a \$450 million investment in Maryland's renewable energy programs in Montgomery and Prince George's counties.

Also in this issue:

- FERC Takes Next Step on GHG Standard (A-13)
- New England Energy Conference and Exposition (Coverage) (A-24)
- Mid-America Regulatory Conference 2015
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Your Eyes and Ears on the Organized Electric Markets
ISO-NE ■ MISO ■ NYISO ■ PJM ■ SPP

ISSN 2277-6100 Volume 2015-01-05 Jan 5, 2016

Comings and Goings Mark 2015 PJM Annual Meeting

PJM, IIMM Ponder Changes to Virtual Trades, Day-Ahead Market

ATLANTIC CITY, N.J. — PJM officials and the Independent Market Monitor are considering changes to the treatment of virtual transactions in the PJM day-ahead market. The changes would allow for a more flexible market and allow for a more efficient market.

The PJM Executive Committee is also considering changes to the treatment of virtual transactions in the PJM day-ahead market. The changes would allow for a more flexible market and allow for a more efficient market.

Also in this issue:

- We're Not Crazy! Meet the People Making Life a Little More Difficult for FERC this Week
- Emergency Pricing Gets New Focus at MISO
- Public Citizen Sue to FERC: Investigate Dynegy Role in MISO Capacity Price Jump
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Public Citizen Sue to FERC: Investigate Dynegy Role in MISO Capacity Price Jump

Illness Attorney General Joins Pro on Whether Company Withheld Capacity

Public Citizen has filed a lawsuit with the Federal Energy Regulatory Commission (FERC) to investigate Dynegy's role in the MISO capacity price jump. The lawsuit alleges that Dynegy withheld capacity to artificially inflate prices.

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Also in this issue:

- Central Hudson Case Provides Early Test of Disturbed Generation Rules Under NY RFSO
- MISO Resource Adequacy: How Bad is it?
- Public Citizen Sue to FERC: Investigate Dynegy Role in MISO Capacity Price Jump

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

Coverage Inside

The Federal Energy Regulatory Commission (FERC) has approved PJM's capacity performance rules. The rules will be implemented in an auction held during the week of August 10.

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Also in this issue:

- Mid-America Regulatory Conference 2015
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Dynegy Chief Unapologetic over MISO Auction Flap

Repeats Threat of Move to PJM

Dynegy's chief executive officer is unapologetic about the MISO auction flap. He has repeated his threat to move the company's operations to PJM.

Dynegy's chief executive officer is unapologetic about the MISO auction flap. He has repeated his threat to move the company's operations to PJM.

Also in this issue:

- PJM Stakeholders Rush to Figure out What's Changing for the BRA
- Public Citizen Sue to FERC: Investigate Dynegy Role in MISO Capacity Price Jump

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Supreme Court: EPA Erred on Mercury Rule

Minimal Impact Seen on Coal Retirements

The Supreme Court has ruled that the EPA erred in its mercury rule. The ruling is expected to have a minimal impact on coal retirements.

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Also in this issue:

- PJM Delays Vote on Capacity Performance Rules
- Public Citizen Sue to FERC: Investigate Dynegy Role in MISO Capacity Price Jump

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SPP, PJM, MISO Moving to Change Day-Ahead Schedules

SPP, PJM, MISO Moving to Change Day-Ahead Schedules

The Southwest Power Pool (SPP), PJM, and MISO are moving to change their day-ahead schedules. The changes will be implemented in the coming months.

The Southwest Power Pool (SPP), PJM, and MISO are moving to change their day-ahead schedules. The changes will be implemented in the coming months.

Also in this issue:

- SunEdison Making \$2 Billion Bet on Wind in Midwest, Canada
- PJM Members: Capacity Performance Penalties May Hurt Dispatch Discipline

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FERC Seeks Supply Chain Protection Against Cyber Threats

Two major campaigns against vendors of industrial control systems prompted the Federal Energy Regulatory Commission to seek supply chain protection against cyber threats.

Two major campaigns against vendors of industrial control systems prompted the Federal Energy Regulatory Commission to seek supply chain protection against cyber threats.

Also in this issue:

- Talen Entering NYISO, Expanding in ISO-NE in \$1.2B Deal
- SPP Board, Members Frustrated over Tx Project Overruns

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MISO Gets OK to Add 10th Zone in Mississippi

MISO Gets OK to Add 10th Zone in Mississippi

The Midwest Independent System Operator (MISO) has received approval to add a 10th zone in Mississippi. The new zone will be added in the coming months.

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Also in this issue:

- FERC Orders PJM to Include DR, EE in Transition Auctions
- Price Tag Likely to Rise for Northern Pass Transmission Line

2015 AS CAPTURED BY RTO INSIDER

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ISSN 2278-0816 Volume 2015-2016 #21 August 11, 2015

Revised Carbon Plan Allows More Time, Sets Higher Targets

By Dan Meyer

After sitting through 43-hour comments and a string of meetings with state regulators, utility CEOs, the Environmental Protection Agency and other interested parties, the U.S. Environmental Protection Agency has revised its Clean Power Plan. The plan allows states more time to develop their own plans and sets higher carbon reduction targets for 2020 and 2030. The plan also allows states to use a variety of measures to meet their targets, including investments in energy efficiency and renewable energy.

As expected, EPA bowed to nearly universal opposition to a requirement that states meet their targets as soon as 2015, reducing the 2015 target to 1.6% below 2005 levels. EPA also lowered the 2030 target to 32% below 2005 levels, from 40%.

All in all, the plan is a change in direction, away from a top-down, command-and-control approach to a more flexible, market-based approach.

What changed in the final rule? See page 22.

NYISO Outlines REV Ratemaking Changes, Shift to 'Multi-Side' Market

By Dan Meyer

The New York Public Service Commission has outlined its proposed changes to the REV Ratemaking process. The changes include a shift to a 'multi-side' market, where both generators and load-serving entities (LSEs) would be able to bid into the market. This would allow LSEs to hedge their load requirements and potentially reduce their costs.

The changes also include a new 'clearing price' mechanism, which would be based on the marginal bid. This would ensure that the market clears at the lowest possible price while meeting demand.

Confused on page 22.

Also in this issue:

- MISO Introduces Transparency: MISO introduces transparency to its market clearing process, allowing participants to see the bids and offers that were used to clear the market. [See page 22.](#)
- FERC Approves New Rule: FERC approves a new rule that requires states to file their proposed rates with the commission. [See page 22.](#)
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Battle Lines, Compliance Paths Form on EPA Carbon Plan

By Dan Meyer

As the EPA carbon plan takes shape, the industry is divided into two camps: those who support the plan and those who oppose it. Supporters see the plan as a necessary step to reduce greenhouse gas emissions and combat climate change. Opponents, however, see the plan as a burden on the economy and a threat to energy reliability.

The plan also outlines the paths that states and utilities must take to meet their carbon reduction targets. These paths include investments in energy efficiency, renewable energy, and nuclear power.

Confused on page 22.

PJM Prices Down 31% from Record-Breaking 2014

By Dan Meyer

PJM's average hourly clearing price for electricity in 2015 was 31% lower than in 2014. This is due to a combination of factors, including a record amount of wind and solar generation, as well as a decrease in demand.

The 2015 average clearing price was 31.5¢/MWh, compared to 45.5¢/MWh in 2014. This is a significant decrease, especially given the fact that PJM's capacity is still growing.

Confused on page 22.

PJM Opens Capacity Auction Under New Rules

By Dan Meyer

PJM has opened its capacity auction under new rules. The new rules are designed to ensure that the auction is fair and competitive, and to provide a clear path for new capacity to enter the market.

The new rules include a new 'clearing price' mechanism, which will be based on the marginal bid. This will ensure that the market clears at the lowest possible price while meeting demand.

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MISO: EPA Carbon Rule Will Mean 'Multibillion Dollar' X-Build-Out

By Dan Meyer

MISO's executive vice president says that the EPA carbon rule will require a "multibillion dollar" investment in new capacity. This investment will be needed to ensure that MISO can meet its carbon reduction targets while maintaining energy reliability.

The investment will be needed to build new gas, coal, and nuclear capacity. It will also be needed to invest in energy efficiency and renewable energy.

Confused on page 22.

PJM Capacity Prices Up 37% to \$165/MW-day

By Dan Meyer

PJM's capacity prices have risen 37% to \$165/MW-day. This is due to a combination of factors, including a decrease in capacity and an increase in demand.

The increase in capacity prices is a concern for ratepayers, as it will lead to higher rates. It is also a concern for utilities, as it will make it more difficult to build new capacity.

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ISSN 2278-0816 Volume 2015-2016 #21 August 11, 2015

PJM 2016/17 Transition Auction Clears at \$134/MW-day

By Dan Meyer

PJM's 2016/17 transition auction cleared at \$134/MW-day. This is a significant decrease from the 2014/15 auction, which cleared at \$199/MW-day.

The decrease is due to a combination of factors, including a record amount of wind and solar generation, as well as a decrease in demand.

Confused on page 22.

MISO Seasonal Procurement, Site Auctioning Proposals Face Opposition

By Dan Meyer

MISO's seasonal procurement and site auctioning proposals have faced opposition from some market participants. These participants are concerned that the proposals will lead to higher rates and a loss of competition.

MISO is responding to these concerns by providing more information and engaging in dialogue with market participants.

Confused on page 22.

DC Halts Exelon's Acquisition of Peppco

By Dan Meyer

The District of Columbia Public Service Commission has halted Exelon's acquisition of Peppco. The commission is concerned that the acquisition will lead to higher rates and a loss of competition.

Exelon is appealing the decision, and the commission is expected to make a final decision in the coming months.

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PJM Transition Auction Means Reprieve for Exelon Nukes

By Dan Meyer

PJM's transition auction means a reprieve for Exelon's nuclear reactors. The auction cleared at a price that is lower than the cost of new gas capacity, which means that Exelon's reactors are more competitive.

This is good news for Exelon, as it means that its reactors will continue to generate electricity. It is also good news for ratepayers, as it means that rates will be lower.

Confused on page 22.

ENTER GRIDLIANCE: Public Power Transco Makes First Acquisitions

By Dan Meyer

GridLiance, a public power transco, has made its first acquisitions. These acquisitions include a gas pipeline and a natural gas processing plant.

GridLiance is a joint venture between several public power utilities. It is designed to provide a reliable and secure energy supply for its members.

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DC Mayor Tight-Lipped on Exelon-Peppco Deal

By Dan Meyer

DC Mayor Muriel Bowser is tight-lipped about the Exelon-Peppco deal. She has refused to comment on whether she supports the deal or not.

This is a surprise, as Bowser has been vocal about other issues in the city. It is unclear why she is being so quiet about this deal.

Confused on page 22.

ISO-NE: Little Room for Error

By Dan Meyer

ISO-NE has a little room for error in its market clearing process. This is due to a combination of factors, including a decrease in capacity and an increase in demand.

ISO-NE is working to address these concerns by providing more information and engaging in dialogue with market participants.

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Exelon Appeals DC PSC Decision; DC Mayor Confirms Negotiations

By Dan Meyer

Exelon has appealed the DC PSC's decision to halt its acquisition of Peppco. DC Mayor Muriel Bowser has confirmed that she is in negotiations with Exelon.

This is a significant development, as it means that the deal is still alive. It is unclear when a final decision will be made.

Confused on page 22.

NYSPC Staff Recommends \$2.2B in Transmission 3-Step Process to Bid

By Dan Meyer

The New York State Public Service Commission staff has recommended a \$2.2 billion investment in transmission. This investment will be needed to ensure that New York can meet its energy needs while maintaining energy reliability.

The investment will be needed to build new gas, coal, and nuclear capacity. It will also be needed to invest in energy efficiency and renewable energy.

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Late Changes to Energy Bill Leave Dems Miffed; Passage Less Likely

By Dan Meyer

Late changes to the energy bill have left Democrats miffed. These changes include a decrease in the amount of federal funding for renewable energy and a decrease in the amount of federal funding for energy efficiency.

These changes are a disappointment for Democrats, as they see them as a step back from the progress that has been made in the past few years.

Confused on page 22.

Reporters: Exelon Considering DC HQ to Win Peppco Deal

By Dan Meyer

Reporters are reporting that Exelon is considering moving its headquarters to DC to win the Peppco deal. This is a significant move, as it would bring Exelon's operations closer to the DC market.

It is unclear whether Exelon will actually move its headquarters to DC. It is also unclear whether this move will help Exelon win the deal.

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Mayor's Settlement Puts DC PSC on the Spot in Exelon-Peppco Deal

By Dan Meyer

DC Mayor Muriel Bowser's settlement with Exelon has put the DC PSC on the spot. The settlement includes a commitment to invest in transmission, which is a key issue for the PSC.

The PSC is expected to make a final decision on the deal in the coming months. It is unclear whether the settlement will help the PSC reach a decision.

Confused on page 22.

PJM: Artificial Island Cost Allocation Appears 'Disproportionate'

By Dan Meyer

PJM's artificial island cost allocation appears to be disproportionate. This is due to a combination of factors, including a decrease in capacity and an increase in demand.

PJM is working to address these concerns by providing more information and engaging in dialogue with market participants.

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STAKEHOLDER SOAPBOX

OPINION: Most Important Energy Numbers from 2015

By Aaron Tinjum

Direct Energy Business There were a number of major energy developments in 2015, including historically low oil prices, record levels of natural gas in storage, major policy and regulatory changes, and a groundbreaking international climate agreement.

We've assembled some of the most telling energy statistics to help highlight some of the year's biggest energy trends. Here are the top energy numbers from 2015.

Near 4 Tcf

US Breaks Gas Storage Record

The U.S. Energy Information Administration reported that the country's working natural gas in storage as of Oct. 30 matched the all-time record of 3,929 billion cubic feet (Bcf).

A few weeks later, U.S. working natural gas in storage broke the all-time record with 3,978 Bcf, just shy of 4 trillion cubic feet.

What conditions helped contribute to a record year for natural gas storage? Record levels of natural gas production — marketed production hit a record high of 81.1 Bcf/day in September — and an exceedingly mild winter in key consumption regions, especially the Northeast.

\$49/barrel

Oil Prices Tumble

It was a tumultuous year for global crude oil prices.

According to estimates from EIA, the average price per barrel of West Texas Intermediate crude oil fell to \$49.08 in 2015, a drastic decrease from \$93.17 in 2014 and \$97.98 in 2013.

It was a similar story for Brent crude oil, which averaged \$52.93, down from \$98.89 in 2014 and \$108.56 in 2013.

What helps explain the dramatic drop in oil prices? The decrease is largely due to sustained growth in global production, which has outpaced consumption growth since August 2014, resulting in a surplus in global inventories.

EIA expects crude prices to increase slightly in 2016.

2 Degrees Celsius

Climate Agreement Reached in Paris



PARIS2015
UN CLIMATE CHANGE CONFERENCE
COP21-CMP11

On Dec. 12, 2015, 195 countries reached an unprecedented climate change agreement at the 21st session of the U.N. Framework Convention on Climate Change's Conference of the Parties in Paris.

The new treaty — which was the product of a four-year round of negotiations — aims to halt the global temperature increase well below 2 degrees Celsius above preindustrial levels, with a stretch goal of 1.5 degrees Celsius above preindustrial levels.

By U.N. estimates, halting the increase at 2 degrees Celsius alone will require a total emissions reduction of 40 gigatonnes, which will be no easy feat given that current proposals in aggregate would only keep emissions under 3 degrees Celsius.

So, how can the ambitious target be met? Natural gas, renewable energy resources and increased energy efficiency are all expected to play major roles worldwide.

32% by 2030

Obama Unveils the Clean Power Plan

In August, President Obama unveiled the final version of EPA's Clean Power Plan.

The highly anticipated plan targets a 32% emissions reduction in the electric power sector — the largest source of carbon pollution in the U.S. — by 2030. The new rule is an increase from the initial proposal of 30% and is projected to cut carbon pollution by 870 million tons below 2005 levels.

Among the plan's key provisions are flexible



Obama announces the final Clean Power Plan in August.

compliance options for states and utilities, safeguards for reliability, and an extended compliance period that doesn't begin until Jan. 1, 2022.

20 Years

Power Sector Emissions Drop to Lowest Levels Since 1995

While the Clean Power Plan was a major development in 2015, a less-covered story was that carbon emissions from the U.S. power sector have already decreased significantly in recent years.

According to an analysis conducted by the Sierra Club, annual carbon emissions produced by the U.S. power sector will total 1,983 million metric tons (MMT) by the end of 2015, which is the lowest level since 1995.

What explains the decrease? Unprecedented coal retirements have played a major role, with 2015 retirements equaling the amount of capacity retired from 1990-2009.

+1%

Total Energy-Related Emissions Rose 1% in 2014

While carbon emissions from the U.S. power

Continued on page 18

STAKEHOLDER SOAPBOX

OPINION: Most Important Energy Numbers from 2015

Continued from page 17

sector were projected to decrease in 2015, final analyses indicated that total U.S. energy-related emissions increased in 2014.

According to EIA, emissions rose 1% in 2014 because of increased energy consumption in the transportation, commercial and residential sectors.

Altogether, U.S. energy-related carbon dioxide emissions were 5,406 MMT in 2014, 1% more than their 2013 level. In the transportation sector, CO₂ emissions were 24 MMT higher than the 2013 level. Commercial sector emissions rose by 19 MMT and residential sector emissions by 18 MMT.

Fortunately, compressed natural gas transportation solutions, cutting-edge building analytics and improved household energy efficiency all offer clear ways to reduce overall energy-related emissions.

5,000,000 Homes

Installed Solar Capacity Tops 24 GW



In 2015, U.S. total installed solar capacity topped 24.1 GW in the third quarter — enough to power 5 million U.S. homes.

With the extension of the investment tax credit (ITC) for solar systems, solar installations are expected to continue to grow. However, the bigger story might be that businesses are coming to fully recognize the inherent, long-term value of solar systems.

69,783 MW

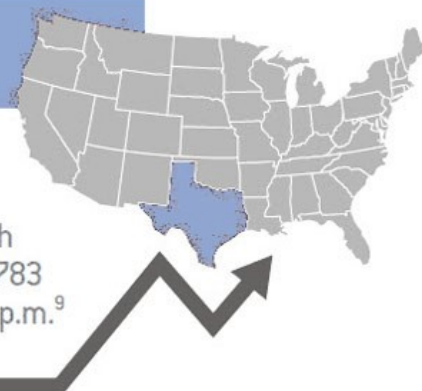
ERCOT Shatters Demand Record



In August, ERCOT shattered its all-time peak demand record.

69,783 MW

In August, the Electric Reliability Council of Texas (ERCOT) shattered its all-time peak demand record with demand for electricity reaching 69,783 megawatts (MW) between 4 and 5 p.m.⁹



\$7.3 billion

A report produced by the American Public Power Association (APPA) found that PJM Interconnection's Capacity Performance model will cost consumers \$7.3 billion over the next three delivery years.¹⁰



Source: *Direct Energy Business*

Demand for electricity reached 69,000 MW for the first time in the grid operator's history. Electricity demand soared to 69,408 MW between 3 and 4 p.m. on Aug. 10 and rose to a record high of 69,783 MW between 4 and 5 p.m.

How did ERCOT meet the heightened demand? Through a combination of renewable resources — especially wind — and demand response.

\$7.3 Billion

Capacity Performance Will Cost Consumers \$7.3 Billion

In 2015, grid reliability became more expensive for many customers.

A report produced by the American Public Power Association found that PJM's Capacity Performance model — which was

opposed and challenged by Direct Energy — will cost consumers a staggering \$7.3 billion over the next three delivery years.

PJM made the changes to its capacity market structure in response to the polar vortex of 2014, when 22% of the RTO's generation resources were knocked offline.

While the changes were aimed at ensuring greater reliability during extreme weather events, it's clear the plan will have an inverse effect on the region's consumers and businesses.

Aaron Tinjum is Senior Writer for Direct Energy Business.

If you'd like to contribute an op-ed article for the **Stakeholder Soapbox**, contact Rich.Heidorn@rtoinsider.com.

COMPANY BRIEFS

Flooding Forces Ameren to Ferry Workers to St. Louis Plant



Floods closed segments of the Illinois and Mississippi rivers to navigation in the St. Louis area and forced Ameren to use ferries to get its workers to a stranded power station.

The flooding also caused Enbridge and Spectra Energy to shut down oil pipelines until the waters recede.

Workers at Ameren's Sioux Energy Center north of St. Louis were being ferried to the isolated coal-fired plant, which remained in operation.

More: [Bloomberg News](#)

New Wind Farm Gives Westar 280 MW of Renewable Energy



Westar Energy is working with Infinity Wind Power to construct a 280-MW wind farm in western Kansas. The Western Plains Wind Farm will bring Westar's renewable energy total to more than 1,500 MW.

Westar says it is finalizing a separate agreement for another 200 MW of wind energy, with an option to own 50% of that power.

The utility company anticipates both wind farms to be operational in early 2017. The projects will supply enough electricity to power 400,000 homes.

More: [Wichita Business Journal](#)

PNM Brings Solar Facility Online South of Albuquerque



Public Service Company of New Mexico's fourth solar energy center is its largest yet, with more than 40,000 photovoltaic panels that will generate enough energy a year for more than 4,000 residential customers.

The Rio Communities Solar Energy went online Dec. 31 south of Albuquerque. PNM invested about \$20 million in the project, which was built on 103 acres of land.

More: [Valencia County News-Bulletin](#)

ComEd Planning Tx Line Along O'Hare Expressway



Commonwealth Edison is holding open houses throughout January in various suburban Chicago towns to present its plans for a 9-mile transmission line along the Illinois Route 390. The 138-kV line, which will run through DuPage and Cook counties, will be supported by towers ranging from 140 feet to 170 feet tall.

The company said the line is necessary to improve service to Chicago's western suburbs. It will need approval from the Illinois Commerce Commission. The company wants to complete the project by the summer of 2018.

More: [DuPage Policy Journal](#)

PSE&G's Mount Holly Solar Facility Starts Operation

Public Service Electric and Gas put the finishing touches on its largest solar facility in New Jersey, and the 12.9-MW solar farm is now generating electricity for the grid. The solar farm, consisting of 42,000 panels, is on the former L&D Landfill near Mount Holly.

It is the fourth solar facility the utility has built on New Jersey landfills. It has a 3-MW facility in Kearney, a 10-MW solar farm in Bordentown and an 11-MW facility in Deptford. The L&D landfill was a former Superfund site. PSE&G used 53 acres of the site for this facility and may expand it later.

More: [The Philadelphia Inquirer](#)

Dominion Proposes \$85 Million to Offset James River Tx Line Impacts

Dominion Virginia Power has proposed spending \$85 million to offset environmental and visual impacts of its proposed 500-kV transmission line across the James River near its Surry Power Station. The company said the line, supported by 17 towers up to 295 feet high, is necessary to protect reliability in the region.

Opponents said the project would be an eyesore and harm sensitive environmental areas. National Park Service Director Jonathan B. Jarvis urged the U.S. Army Corps of Engineers to deny a construction permit, saying the power line would "mar the historic setting" of the nearby Yorktown battlefield, part of Colonial National Historical Park.

The company's proposals include spending \$15.5 million in water quality improvements, about \$12 million in landscape conservation near the Yorktown site and \$4 million to protect a marsh at Hog Island Wildlife Management Area.

More: [The Virginia Gazette](#)

Murray Energy Eyeing Cutting Nearly 600 Mining Jobs



The downturn in coal demand is prompting Murray Energy to cut nearly 600 mining jobs, according to the United Mine Workers of America. While a Murray spokesman declined to confirm the number, he said there were changes coming and described upcoming "workforce adjustments."

CEO Robert Murray has been among the most vocal critics of the Obama administration's Clean Power Plan, which would accelerate the retirement of coal-fired generation throughout the country.

The decline in coal-fired generation is causing a decline in coal demand, pressuring the Appalachian mining industry, which already is suffering from competition from cheaper coal from Illinois and Wyoming.

More: [Associated Press](#)

Dominion Sheds Solar to SunEdison for \$180 Million

Dominion Resources completed the first phase of a two-part deal to reduce its solar investments by 425 MW when it sold 33% of its interest in 15 projects to SunEdison for \$180 million.

SunEdison turned around and sold the newly acquired portfolio to Terra Nova Renewable Partners, a joint venture SunEdison formed with JPMorgan Chase investors.

The second phase of Dominion's solar sale will come early this year, when it is expected to sell 33% of its stake in nine more projects, representing 172 MW of capacity. Dominion says it will use the cash from the sales to reduce debt.

More: [Richmond Times-Dispatch](#)

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COMPANY BRIEFS

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Two-Thirds of Duke's Ash Ponds Rated Medium or High Risk

The North Carolina Department of Environmental Quality ranked 20 of Duke Energy's 32 coal ash storage ponds in the state as high risk or intermediate risk. A department draft report placed fewer of the ash repositories in the high-risk category than an earlier report.

The DEQ will release its final report within 30 days. Any ponds in the high- to intermediate-risk categories must be excavated instead of merely drained and capped, driving up remediation costs. The company has estimated the cost of closing all 32 ponds at \$3.4 billion. Those costs will be passed on to customers through rate increases.

More: [Charlotte Observer](#)



Coal ash stored at Duke's Riverbend power plant is loaded for transportation to a landfill. Source: Duke Energy

Talen Energy Execs' 'Golden Parachutes' Sign of Merger?



Documents filed by Talen Energy with the Securities and Exchange Commission detailing possible severance pay and other benefits could

be a sign that Talen might be the target of a merger or subject of an acquisition attempt, according to *The Morning Call*.

The newspaper reported that Talen filed so-called "change-in-control" agreements with the SEC. Such agreements are often approved by a company's board to retain key executives when the company is the target of a takeover. Talen spokesman Todd Martin said the filings were routine. "Agreements and provisions similar to those disclosed are not unusual for a public company, and the filing itself is a standard regulatory requirement."

Talen CFO Jeremy R. McGuire, COO Clarence J. Hopf Jr. and Chief Nuclear Officer Timothy S. Rausch were named in the documents. In addition to severance pay based on their salaries — each makes at least \$400,000 annually — they would receive stock options, restricted stock units and performance bonuses. The value of the extras ranges from \$840,000 to \$1.1 million.

More: [The Morning Call](#)

FEDERAL BRIEFS

Tennessee Gas Responds to FERC on Northeast Energy Direct



Tennessee Gas Pipeline Company, L.L.C.
a Kinder Morgan company

Tennessee Gas Pipeline took strong issue with Massachusetts

Attorney General Maura Healey's contention that the proposed Northeast Energy Direct pipeline is unneeded in a 503-page response to questions posed by FERC and other interested parties about the natural gas pipeline.

The pipeline company said Healey's study ignores important information and doesn't fully take into account the amount of baseload generation that is being retired in the Northeast, and the resulting need for more fuel for gas-fired generation.

In addition to addressing issues such as its use of protected land and possible greenhouse gas emissions, the company also rejected assertions that the pipeline would be partially funded by ratepayer tariffs. "The proposed project is not relying on subsidies to be built," Tennessee Gas wrote.

More: [The Recorder](#)

FERC Begins Review of PennEast Pipeline Project



FERC has begun an environmental impact study of the PennEast Pipeline, a proposed 114-mile project that

would deliver natural gas from the Marcellus Shale formation in Pennsylvania to markets mostly in New Jersey.

The commission has asked EPA, the U.S. Army Corps of Engineers and the U.S. Fish and Wildlife Service to participate in the study. A draft of the study will be made available for public review, and comments from the public will be incorporated. PennEast has said it wants to begin construction in early 2017.

More: [The Morning Call](#)

Texas Joins States in Challenge to EPA Ozone Rule

Texas last week announced it would join eight states that are contesting EPA's ozone rule, which would cut power plant and industry ozone release from 75 parts per billion to 70 ppb. Texas Attorney General Ken Paxton said the new rule would "impose

a serious financial burden on the Texas economy for dubious public health benefit."

"The EPA's new ozone rule is not supported by scientific data," Paxton said. "Areas of the country that fail to comply with these impossible standards will be subject to costly new regulations that will harm our economy and kill jobs."

The environmental agency finalized the National Ambient Air Quality Standards for ozone on Oct. 1. Arizona, Arkansas, Kentucky, New Mexico, North Dakota, Oklahoma, Utah and Wisconsin have announced they would challenge the new standards.

More: [Power Magazine](#)

DOE Launches Spent Nuclear Fuel Initiative

The Energy Department has launched an initiative to develop an alternative repository for spent nuclear fuel to the failed proposal to build the Yucca Mountain site in Nevada. The new effort will concentrate on developing a site with the consent of a local community.

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FEDERAL BRIEFS

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"The launch of our consent-based siting initiative represents an important step toward addressing this nuclear waste management challenge, so that we can continue to benefit from nuclear technologies," Lynn Orr, the deputy secretary for science and energy, [wrote](#) in a blog post last week.

More: [The Hill](#)

FERC Agrees to Allow Missouri Hydro Project to Move Forward

FERC has granted a permit allowing a three-year study on the feasibility of an 8-MW hydro project at an existing dam near Hannibal in Ralls County, Mo.

Energy Resources USA wants to build a new, 770-foot-long intake area at the Mississippi River Lock and Dam No. 22, which is owned by the federal government. The project would funnel water to a concrete powerhouse containing



four hydro turbines. FERC's approval means the company can move forward with the study and start to prepare a license application.

More: [HydroWorld](#)

South Carolina: DOE Owes \$1M Daily for MOx Plant Failures

South Carolina says it is beginning to tally a \$1 million/day tab against the Energy Department for failing to fulfill a promise to get its trouble-plagued mixed-oxide fuel fabrication facility operating by the end of 2015.



The MOx facility was supposed to be disposing of 34 metric tons of weapons-grade plutonium by Dec. 31 under a 2003 agreement between the department and South Carolina. Gov. Nikki Haley wrote to Energy Secretary Ernest Moniz informing him that the state intended to start imposing the fine for the missed milestone. "Promises made must be promises kept," she said in the letter.

Moniz has not yet responded.

More: [Aiken Standard](#)

STATE BRIEFS

DELAWARE

These Power Bill Savings Aren't Chicken Scratch



The Delmarva Poultry Industry predicts that its new energy-buying group will save chicken producers more than \$1 million over the next three years.

Poultry producers began seeing those savings in December's electric bills. The group said more than 200 members will pay 7.78 cents/kWh under a fixed-price electric supply contract with WGL Energy.

More: [Associated Press](#)

ILLINOIS

Commission Blocks Landowners' Appeal of Grain Belt Express



Grain Belt Express, a \$2 billion HVDC

The Commerce Commission has declined to reconsider its approval of the

transmission line that would move power from Kansas wind farms to Indiana.

The commission, which approved the project in a 3-2 vote in November, rejected appeals from landowners who argued that project developer Clean Line Energy Partners of Houston failed to meet expedited approval standards. Opponents of the project include the Pike and Scott County Farm Bureaus, which are considering a court appeal of the ICC's approval.

Regulators in Kansas and Indiana have also approved the 780-mile overhead transmission line, while the Missouri Public Service Commission has balked.

More: [The State Journal-Register](#)

INDIANA

NIPSCO's Planned Tx Lines Find Little Opposition



Northern Indiana Public Service Co. is backing construction of two transmission lines in the state to deliver power from Midwestern wind farms

to markets on the East Coast.

NIPSCO will build a 100-mile line from Reynolds to Topeka in early spring that will cost from \$250 million to \$300 million. The company also formed a 50-50 partnership with Pioneer Transmission to build a 70-mile line from Greentown to Reynolds that is set to break ground early this year. That line will cost up to \$400 million.

Unlike other transmission projects, the two proposed lines have attracted little opposition. NIPSCO spokesman Nick Meyer credited the company's success with local landowners to the long timelines set by the utility for public meetings. He said that as generation switches from coal to wind and other sources, more transmission projects will need to be built.

More: [The Times of Northwest Indiana](#)

MISSOURI

Empire District's Sale Rumors Leave City of Monett in Lurch

Leaders of the Monett municipal utility say they are taking a wait-and-see approach to

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news that Empire District Electric, the city's power supplier, plans to explore strategic alternatives.



Monett is three years into a 10-year contract with Empire, an investor-owned utility. "Empire is really a small fish compared to other power companies," Monett Utilities Superintendent Skip Schaller said. "They may think they'd be better off being bigger. We could even see lower rates."

The dynamics of the electricity business for the area changed when Empire joined SPP in March, and the region became integrated into the RTO's markets.

More: [The Monett Times](#)

NEW MEXICO

Commission Grants Rehearing on Renewable Charge



Large-scale electric customers have won a new chance to convince state regulators to let them keep fuel savings they currently receive as a result of Public Service Company of New Mexico's investments in renewable energy.

The Public Regulation Commission voted 5-0 on Dec. 23 to vacate an earlier decision that would have forced industrial and governmental energy users to repay those savings to PNM. The issue will be reheard on Jan. 13 by the full commission, which could still decide to uphold its original order from November.

Industrial consumers and the Albuquerque Bernalillo County Water Utility Authority filed motions opposing the PRC's November decision, which ordered about two dozen industrial users, including the water authority and the University of New Mexico, to pay a combined total of about \$2 million in annual fuel savings back to PNM.

More: [Albuquerque Journal](#)

Navajo Energy Pursuing Ownership In Four Corners Power Plant

The Navajo Transitional Energy Co. has received the green light from its board of directors to pursue acquiring an ownership interest in the Four Corners Power Plant.



NTEC officials said they are reviewing the possibility of obtaining the 7% interest held by El Paso Electric in Units 4 and 5. NTEC notified Arizona Public Service, the power plant's majority owner, about plans to exercise the option to purchase that interest.

APS owns 63% of the generation from Units 4 and 5, followed by the Public Service Company of New Mexico with 13%, the Salt River Project with 10% and Tucson Electric Power and EPE with 7% each. EPE entered into an asset purchase agreement in February to sell its entire interest to APS.

More: [Farmington Daily Times](#)

Town Agrees to Solar Agreement with Florida Firm



Construction on a \$2 million solar farm will start in January after the Aztec City Commission approved agreements with a Florida developer.

The commissioners approved the deal to enter into a wholesale power agreement and build a solar energy facility on city property with Guzman Energy of Coral Gables, Fla.. The 1-MW facility will be located south of the city.

More: [Farmington Daily Times](#)

NEW YORK

Power Marketer Agrees to Refunds



An independent supplier of electricity and gas for residential customers has agreed to refund nearly \$1 million to resolve complaints about its billing practices. Ambit Energy issued \$950,700 in refunds to 1,566 customers following an investigation by the state's Department of Public Service's consumer advocate.

The state investigation was launched following complaints about Ambit's customer disclosure statements and renewal notices, particularly for customers who were moved from a guaranteed-savings plan into a variable rate plan charging significantly more.

More: [Syracuse.com](#)

State Reallocates \$6 Million of Solar Fund

The state has reallocated \$6 million in its solar incentive program, which will be available to new applicants.



Cuomo

Gov. Andrew Cuomo's \$1 billion NY Sun program includes block grants in each region of the state that run out after a certain amount of money is spent. The reallocation comes after the cancellation of some projects.

More: [Times Union](#)

NORTH DAKOTA

SPP Membership Sets Up Company To Become Major Energy Player



A 25-year-old electric cooperative has joined SPP, allowing it to make a bigger mark on the region's energy map.

Mountrail-Williams Electric Cooperative said that joining the RTO will give it access to export power to other regions, something it has been unable to do before. SPP will also help Mountrail-Williams optimize its transmission system.

Dale Haugen, manager of Mountrail-Williams, said that SPP membership "will position us in the future for wind generation and even natural gas generation and everything else. It puts us into the marketplace."

More: [Williston Herald](#)

Transmission Authority Faces Challenge in Solutions to CPP

The Transmission Authority, which plans and oversees transmission buildout in the coal-dependent state, is facing new

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challenges to comply with the federal Clean Power Plan.

Authority Director Tyler Hamman said “no one really knows what to do” about the CPP yet. Any solutions that involve constructing more wind power will also require additional transmission infrastructure.

More: [The Bismarck Tribune](#)

County Approves Wind Farm, Despite Opposition

The Stark County Commission and its Planning and Zoning Board approved a conditional-use permit for a controversial wind farm to be erected by NextEra Energy Resources.

The public bodies were divided on the issue, reflecting a split in the community over the \$250 million, 87-turbine project.

More: [The Dickinson Press](#)

OHIO

Dominion East Customers Get a Break on Natural Gas



Dominion East Ohio customers can expect to pay lower natural gas bills this winter, as abundant supply has driven down the price of the fuel and forecasters predict a milder winter compared with the past two years that will reduce demand, the company said.

Under the current rate, the average residential customer will receive a December bill of about \$66.12, nearly 40% less than in the same period a year ago.

“One of the major drivers of our supply security is increasing natural gas production right here in Ohio,” said Jeff Murphy, vice president and general manager.

More: [Dominion East Ohio](#)

TEXAS

PUC Recommends Reducing EPE Rate Request



El Paso Electric's proposed rate increase for customers should be reduced by about \$17 million, or 24% less than the utility requested, the Public Utility Commission staff recommended.

The state regulatory agency staff recommended EPE's rate-increase request be decreased from \$71.5 million to \$54.3 million, according to documents filed Dec. 18 with the PUCT as part of the review process. The City of El Paso thinks the utility should receive only a \$23.5 million increase.

The PUC staff recommended approving the utility's request to create a new rate class for residential customers with rooftop solar systems, which would increase those customers' electric rates more than regular residential customers. That proposal is being fought by solar installers, homeowners with rooftop solar and others.

More: [El Paso Times](#)

VIRGINIA

Governor Pledges to Increase Solar Power

The state government will work toward deriving at least 8% of its electricity from solar power over the next three years, Gov. Terry McAuliffe has pledged.

That's about 110 MW, about seven times more solar power than is installed across the state.

The initiative grew out of a study by McAuliffe's Climate Change and Resiliency Commission.

More: [Richmond Times-Dispatch](#)



McAuliffe

WEST VIRGINIA

FirstEnergy Cos. Win Rate Increases



The Public Service Commission has

approved rate increases for two FirstEnergy subsidiaries, allowing them to recover \$96.9 million, including expenses for beefed-up tree trimming programs and higher fuel and purchased power costs.

Typical residential customers of Mon Power and Potomac Edison can expect to see a monthly increase of about \$9 in their January bills.

Since the PSC approved the companies' vegetation management program in April 2014, tree trimming has taken place along 7,000 miles of transmission lines.

More: [Associated Press](#)

WISCONSIN

Republicans Trying Again to Lift State Nuclear Ban



Kewaunee Power Station, a nuclear plant currently being dismantled. Source: [Dominion Resources](#)

GOP leaders in the state are pushing ahead with two bills that would lift the state's 32-year-old ban on new nuclear generation.

Three previous legislative efforts in the last decade failed to lift the ban, but last month the State Assembly's Committee on Energy and Utilities voted 13-0 in favor of reopening debate on ending the moratorium. The Assembly will vote on its bill in January, while the Senate's bill hasn't been scheduled for a hearing date yet.

Michael Corradini, a University of Wisconsin-Madison professor of engineering physics, said even though nuclear plants are being retired today for economic reasons, plans for smaller, more inexpensive nuclear plants are being developed and could be put in service within the decade.

More: [The Chippewa Herald](#)

FERC Turns Aside Protests to Accept NYISO Order 1000 Compliance Filing

FERC has accepted NYISO's fourth Order 1000 compliance filing, turning aside the protests of transmission developers that claimed it unfairly favored incumbent transmission owners ([ER13-102-007](#)).

LS Power and NextEra had protested the ISO's right to terminate development agreements if a *force majeure* event prevents a non-incumbent developer from completing its project by the in-service date. (See [Tx Developers Challenge NYISO, SPP, ISO-NE Order 1000 Filings](#).)

NYISO and the New York Transmission Owners submitted their fourth Order 1000 compliance filing in May. It included a *pro forma* development agreement for NYISO's reliability transmission planning process.

"NYISO argues that it must have the option to terminate the development agreement and identify alternative means of satisfying an identified reliability need if a developer cannot complete its project by the required project in-service date," FERC wrote on Dec. 23.

The commission cited a similar provision at PJM, ordering NYISO

to add comparable language in its development agreements with incumbent transmission owners to prevent discrimination.

In a second order Dec. 23, FERC rejected a NYISO filing that the commission said was unfair to competitive transmission developers ([ER15-2059](#)).

FERC said the proposal "subject[s] nonincumbent transmission developers to an interconnection process with different requirements than the interconnection process that applies to incumbent transmission owners." While all interconnection customers are required to obtain system impact and facility studies, the nonincumbents were required under the proposal to additionally submit a feasibility study and deposits for all three studies.

NYISO had argued the incumbent would have already conducted a feasibility study in its normal planning process, but FERC said that would create two different processes that are not comparable.

— William Opalka

LS Power's Artificial Island Rate Filing Challenged

By Suzanne Herel

The Delaware Public Service Commission, the Delaware Municipal Electric Corp. and American Municipal Power are protesting the formula rates proposed by LS Power's Northeast Transmission Development for the Artificial Island project ([ER16-453](#)).

Northeast Transmission "has failed to

demonstrate that its proposed return on equity [ROE], formula rate protocols, process for using a projected transmission revenue requirement, capital structure approach, depreciation rates or incentives are just and reasonable," the PSC [wrote](#).

The protesters asked FERC to suspend Northeast Transmission's filing for the maximum of five months and conduct an evidentiary hearing on the matter.

Northeast Transmission is a subsidiary of LS Power, which PJM chose to build a stability fix for the the Salem and Hope Creek nuclear reactors in New Jersey. (See [PJM Board OKs LS Power's Artificial Island Project Despite Objections](#).)

In its 810-page, Dec. 2 filing, the company requested that FERC approve its annual transmission revenue requirement and five categories of transmission rate incentives — including 100 basis points in adders for participation in PJM and "the increased risks and challenges" of the project — effective Feb. 1. It asked to replicate the rate and incentives for future projects conducted by yet-to-be-formed affiliates.

In its protest, the Delaware Municipal Electric Corp. [took issue](#) in part with the proposed 10.5% base ROE, which it called "unjustified and inconsistent with commission precedent." It also criticized the company's request for a 50-basis-point adder for participation in PJM as unwarranted. If awarded, the adder should not take effect until the project goes into service, expected to be June 1, 2019, it said.

AMP also [challenged](#) Northeast Transmission's proposed ROE and depreciation rates. It asked that FERC issue a delinquency filing requiring the company to provide additional information supporting its income tax calculations and post-employment benefits expense and said it would participate in any settlement judge procedures.

The project will consist of a new 230-kV transmission line between the Salem substation in New Jersey and the 230-kV Red Lion-Cartanza and Red Lion-Cedar Creek transmission lines in Delaware by way of the newly constructed Silver Run substation. Northeast Transmission will construct the river crossing, with Public Service Electric & Gas and Pepco Holdings Inc. doing related substation and connection work.

PJM's proposed cost allocation, which would bill nearly all of the \$146 million price tag to consumers in Maryland and Delaware, will be the subject of a Jan. 12 FERC [technical conference](#). The conference will "explore both whether there is a definable category of reliability projects within PJM for which the solution-based DFAX [distribution factor] cost allocation method may not be just and reasonable, such as projects addressing reliability violations that are not related to flow on the planned transmission facility, and whether an alternative just and reasonable *ex ante* cost allocation method could be established for any such category of projects," FERC said ([EL15-95](#)). (See [FERC Questions Fairness of Artificial Island Cost Allocation](#).)

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