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Generators Press State Regulators on Competition

Exelon Calls FirstEnergy PPA 'Grossly Lopsided,' Says it Can Offer a Better Deal

IPPs Urge PJM to Oppose Ohio Settlements

By Ted Caddell and Suzanne Herel

Exelon, which is seeking subsidies for its Illinois nuclear plants, has joined the opposition to FirstEnergy's attempts to win guaranteed payments for its Ohio power plants. And it says it has a better offer.

In a filing with the Public Utilities Commission of Ohio, Exelon said regulators should reject FirstEnergy's "grossly lopsided" power purchase agreement, proposing a competitive bidding process to supply the 3,000 MW for which FirstEnergy is seeking guaranteed rates (the combined value of FirstEnergy's W.H. Sammis coal plant and its Davis-Besse nuclear station).

Exelon Director of Regulatory and Government Affairs Lael Campbell said the company would submit an offer providing "well over $2 billion in savings to Ohio families and businesses" compared to FirstEnergy's proposed PPA.

"Today we are taking the unprecedented step of committing to offer into that competitive process at a price level that will guarantee billions in savings so that no one can misunderstand the gravity of the harm that would occur to Ohio customers if the commission approved" the FirstEnergy PPA, he said. "We are putting our money where our mouth is."

The specifics of Exelon's offer were redacted, but Campbell said it would be an eight-year fixed price for energy and capacity of about 3,000 MW that would come from "100% zero carbon resources" —

Continued on page 15

IPPs Challenge Dominion on Proposed Va. Generator

First Test of State Law Requiring Competition

By Rich Heidorn Jr.

Greensville County Power Station *Source: Dominion Resources*

Independent power producers are challenging Dominion Resources' bid to build a 1,588-MW combined cycle plant in the first major test of a 2013 Virginia law requiring utilities to demonstrate that they have considered "third-party market alternatives" to self-build projects.

Dominion Virginia Power filed its request for a Certificate of Public Convenience and Necessity with the Virginia State Corporation Commission in July, saying its proposed $1.3 billion plant in Greensville County was cheaper than any of the alternatives submitted in response to its request for proposals to fill the increased power demands it expects by 2019 (PUE-2015-00075).

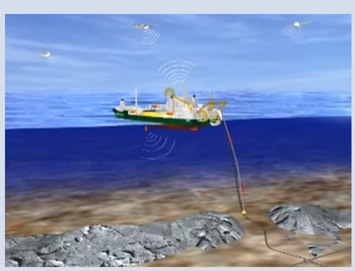
Evidentiary hearings on the proposal are scheduled to begin today in Richmond.

In a joint filing to the SCC last week, the Electric Power Supply Association and the PJM Power Providers Group (P3) challenged the fairness of Dominion's RFP and its evaluation of the competing bids. They said regulators should deny Dominion's request and order a new "open, broad RFP subject to

Continued on page 23

Vermont OKs Canadian Hydro Line

By William Opalka



Simulation showing ship laying underwater cable *Source: Transmission Developers Inc.*

The Vermont Public Service Board on Tuesday approved a 1,000-MW transmission line to bring Canadian hydropower into New England, completing state and federal review of a project that could begin construction this year.

The New England Clean Power Link, proposed in 2013 by a unit of the Blackstone Group, is

Continued on page 3

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ISO-NE NEWS

FERC Orders Sloped Zonal Curves for FCA 11

By William Opalka

Its patience strained, FERC has ordered ISO-NE to develop rules for sloped demand curves in constrained areas in time for the 11th Forward Capacity Auction in 2017.

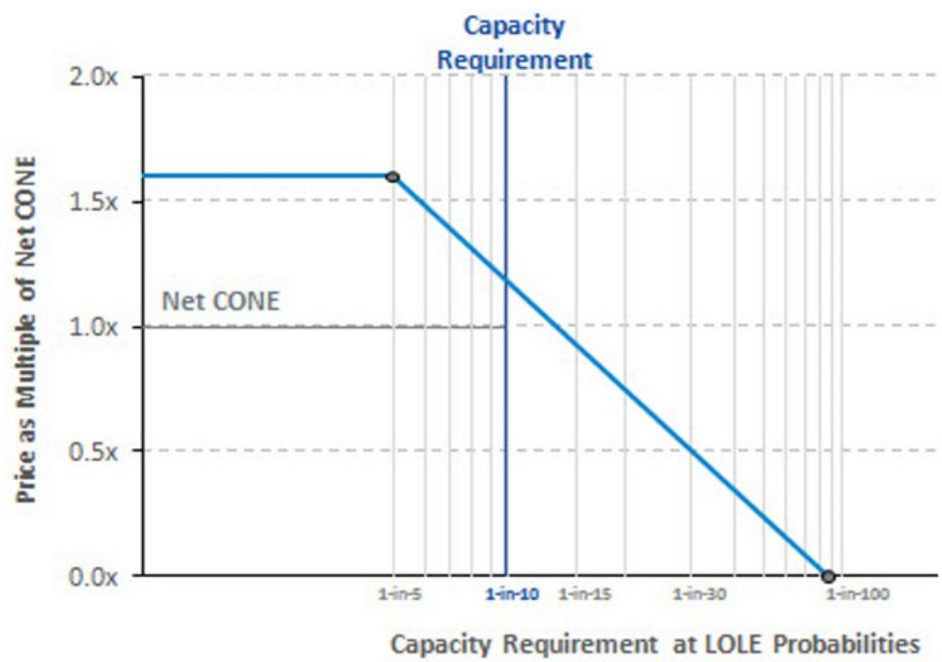
The commission ruled Dec. 28 that the ISO-NE Tariff is unjust and unreasonable because it uses vertical demand curves in constrained zones, "which does not sufficiently address concerns such as price volatility and a susceptibility to the exercise of market power."

The commission opened a Section 206 proceeding (EL16-15) requiring the RTO to file Tariff revisions by March 31 and implement new rules for FCA 11 (delivery year 2020/21).

The commission had approved the RTO's system-wide sloped demand curve in May 2014, conditioned on its promise to submit rules for sloped zonal curves by January 2015, in time for FCA 10 next month (ER14-1639). The commission granted extensions as the RTO, the New England Power Pool and stakeholders attempted to reach consensus. (See *ISO-NE, NEPOOL Oppose Demand Curve Change*.)

But it tired of the delays after the RTO said last May that it would be unable to institute sloped zonal curves for FCA 10. "Now, nearly a year after that [January 2015 deadline] … ISO-NE still has not filed with the commission to incorporate the use of sloped demand curves for the constrained zones," the commission said.

"The continued delay creates uncertainty for market participants and the continued use of vertical demand curves in constrained zones results in less efficient markets and affects confidence in market outcomes. Accordingly, the general challenges cited by ISO-NE do not justify further delay."



Sloped demand curve *Source: ISO-NE*

When vertical demand curves are used, FERC said, even small changes in supply can cause price volatility because a fixed amount of capacity must be procured. "In addition, because a small decrease in supply can lead to a significantly higher price, sellers may have an incentive to withhold certain resources," it said.

FERC's previous orders directed the RTO to eliminate the need for administrative pricing in zones that are short of generation resources or suffer from transmission constraints.

The problem of administrative pricing is acute in the Southeast Massachusetts/Rhode Island zone. In FCA 9, inadequate resources were offered in that zone, which forced administrative prices at $17.73/kW-month for 353 MW of new resources and $11.08/kW-month for 6,888 MW of existing resources. The other zones with adequate resources cleared at $9.55/kW-month.

The commission's latest order also dismissed as moot a June 2015 motion by the New England Power Generators Association that sought to impose a sloped demand curve for FCA 10. (See *NEPGA: Order Sloped Demand Curve in FCA 10*.)

"NEPGA will have the opportunity to raise concerns when ISO-NE submits its zonal sloped demand curves proposal," the commission said.

Court Next Stop for Developer, FERC Says

FERC said Friday it would not take up a renewable energy developer's complaint about Connecticut's procurement practices, clearing the company to return to court (EL16-11).

Allco Renewable Energy had asked FERC to begin an enforcement action under the Public Utility Regulatory Policies Act, saying it had been excluded by the state's improper selection of a too-large, out-of-state wind project.

Allco filed the FERC complaint in November after its federal court suit against the state was dismissed because the company had not exhausted its administrative remedies. The Connecticut Department of Energy and Environmental Protection and the Public Utilities Regulatory Authority last month asked FERC to dismiss the complaint. (See *Connecticut Seeks Dismissal of PURPA Complaint*.)

"Our decision not to initiate an enforcement action means that Allco may themselves bring an enforcement action against the Connecticut commission and DEEP in the appropriate court," FERC wrote.

— William Opalka

ISO-NE News

FERC Again Rejects Challenge to New Entry Pricing

By William Opalka

FERC on Thursday reaffirmed the zero-price offer requirement in ISO-NE's new entrant pricing rule, again rejecting complaints by Exelon and Calpine that it unreasonably suppresses capacity prices and discriminates against existing resources (EL15-23-001).

The commission denied rehearing of an order from January 2015. (See *FERC Upholds ISO-NE New Entry Pricing; Rejects Challenges by Generators*.)

ISO-NE's rule allows new resources to lock in their first-year clearing price for up to six subsequent delivery years by offering as a price-taker with a price of zero.

Exelon and Calpine argued that the rule creates a discriminatory two-tiered pricing scheme, with existing resources receiving lower prices than new ones if clearing prices fall in subsequent Forward Capacity Auctions.

The companies said the commission ignored the precedent it set in 2009 in rejecting PJM's proposed zero-offer requirement, when it ruled that new and existing resources are similarly situated and should receive the same price (ER05-1410-013, *et al.*).

In its new order, however, FERC said its view has "evolved" since the PJM case, which was decided by members who have since departed the commission.

Because new resources have little maintenance needs, their going-forward costs are near zero, the commission said, and thus consistent with a zero-price offer strategy that ensures they continue to clear the FCA.

"Based on further consideration, the commission has realized that a zero-price capacity offer from a new merchant resource that has cleared in at least one previous auction and has incurred construction costs can be a competitive offer that reflects the resource's going-forward costs, not an attempt to lower capacity market clearing prices," FERC wrote.

The companies said ISO-NE's new entry rule results in greater price suppression than PJM's because of a longer lock-in period (seven years in ISO-NE, three in PJM) and broader eligibility. New England's lock-in option is generally available to any new entrant, while PJM's "applies only in narrow circumstances and thus is rarely triggered," FERC said.

The order comes a month before FCA 10, scheduled for Feb. 8. The commission had said ISO-NE's zero-price rule was acceptable because it used "differing clearing mechanics" than PJM's. The companies said the disparate treatment is no longer valid since ISO-NE is introducing a sloped demand curve similar to PJM's.

The commission acknowledged that the existence of the lock-in option "may result in lower capacity clearing prices" but said this was part of "a reasonable balance between incenting new entry through greater investor assurance and protecting consumers from very high prices."

FERC said the relief the companies sought — requiring new entrants to submit offers higher than zero in subsequent auctions, as in PJM, or offering a lock-in option to existing resources — could raise costs.

"In a scenario where one or more new ISO-NE resources lock in their prices in year one, and auction clearing prices in subsequent years drop such that those resources do not clear at the year-one price, New England customers could incur significant costs to pay the lock-in resources out-of-market," the commission wrote.

Vermont OKs Canadian Hydro Line

Continued from page 1

scheduled to be in service in 2019.

"The NECPL will provide significant environmental, electrical and economic benefits for Vermont and the region, including diversifying the state and regional fuel supply, reducing greenhouse gas emissions, creating in-state jobs, producing millions of dollars in new state and local taxes and public good benefits, and potentially lowering electricity costs," the order said (Docket # 8400).

Blackstone Group unit TDI New England began its open season last month and reported expressions of interest from seven potential customers on both sides of the border. (See *Infrastructure Build-out Moves to Forefront in New England*.)

The company's project timeline calls for completion of an interconnection study and project financing, execution of transmission service agreements and the beginning of construction in 2016.

Ninety-eight miles of the cable would be buried under Lake Champlain, and most of its land-based route would be underground to Ludlow, Vt.

The order noted that the project "will not be without impacts." It cites a large, above-ground station to convert direct current power to alternating current. Travelers on Vermont highways where the HVDC line will be buried will be inconvenienced during construction.

"However, we conclude that the project's benefits are significant enough to outweigh any potential negative effects, thus promoting the general good of the state," regulators said.

The U.S. Department of Energy approved the project last year. (See *Energy Department OKs Canadian Hydro Line in New England*.)

Competing Project

A competing project, the Northern Pass, would deliver 1,090 MW through New Hampshire and is also scheduled to deliver energy in 2019.

Its opponents say the speed in which the Clean Power Link has progressed through the approval process means it is likely to deliver energy first. That clouds the prospects for the New Hampshire project ever getting built, they say.

However, a spokeswoman for Northern Pass has said that project has an interconnection approval from ISO-NE, a confirmed supplier of energy in HydroQuebec and a commitment from Eversource Energy to buy some of the electric power.

Massachusetts Gov. Charlie Baker is pushing legislation that could allow the state's suppliers to buy up to 1,200 MW of power in addition to the needs of neighboring states.

MISO NEWS

MISO: Redispatch Key to CPP Compliance Through 2025

By Tom Kleckner

LITTLE ROCK, Ark. — MISO's 15 states may be able to comply with the Clean Power Plan through 2025 by redispatching the RTO's generation fleet, according to early modeling by RTO staff.

David Boyd, vice president of government and regulatory affairs, told officials of Arkansas' Department of Environmental Quality and Public Service Commission on Jan. 5 that MISO has been conducting modeling exercises in three "discrete tranches." The first analysis, due to be completed in February, was conducted to help the RTO understand how it might help its footprint reach compliance.

"It looks like we can be compliant as a region through 2025, primarily through dispatching energy," Boyd said in discussing the preliminary results. "We believe we can use the new resources coming online and existing resources to reach compliance."

Boyd told the joint stakeholder meeting that the study is based on a "viable trading scheme" within its region. He said MISO is also conducting individual state-by-state analyses and an evaluation of leakage's effect on generation dispatch.

"As we look forward with state [renewable] standards, bringing more wind resources online, state energy efficiency programs … we'll be all right," Boyd said.

Boyd said more information is forthcoming at the Jan. 20 Planning Advisory Committee meeting. MISO staff told the Planning Advisory Committee in December that a flexible compliance strategy that mixes generation resources and trading programs will lower compliance costs. (See *MISO: Coal Retirements, Gas Prices, Flexibility Key to CPP Compliance Costs*.)

Participants at last week's joint Arkansas Department of Environmental Quality and Arkansas Public Service Commission meeting. *© RTO Insider*

Boyd told the group that changing MISO's dispatch processes by incorporating carbon costs could "lead to an increase in the cost structure of electricity."

The ADEQ and APSC — which are jointly developing the state's response to the CPP — have been gathering comments and feedback. The state's comments on the CPP are due to EPA by Jan. 21. Arkansas and other states face a Sept. 6 deadline to submit either an implementation plan or an extension request to EPA; states that don't meet the deadline run the risk of having a federal implementation plan imposed.

ADEQ Director Becky Keogh reminded the group that Gov. Asa Hutchinson has directed them to find the least-cost compliance method. At the same time, Arkansas' attorney general has joined the multistate litigation against the plan.

"Arkansas is continuing to pursue a dual-strategy approach that involves communications with other state agencies, the attorney general's office and the governor's office," said Stuart Spencer, the ADEQ's associate director of air quality. "While we still plan to enter comments, we're mindful our attorney general has entered litigation."

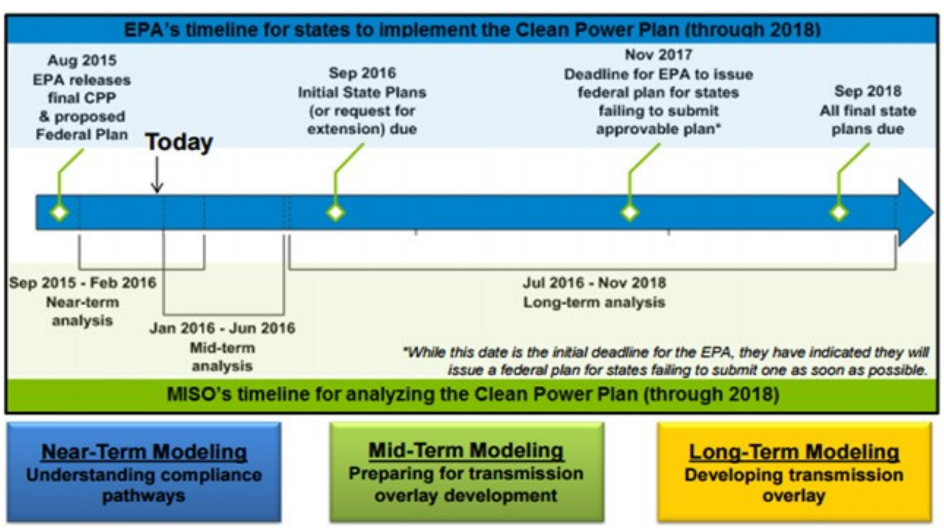
Adair

The stakeholders were joined by Sarah Adair, a senior policy associate with Duke University's Nicholas Institute for Environmental Policy Solutions, who has been crisscrossing the country convening regional dialogues on the CPP. She described the pros and cons of the mass- and rate-based compliance approaches.

Several stakeholders noted the absence of a reliability safety valve in the federal implementation plan. "My understanding of how EPA would approach reliability would be to work with FERC on the federal plan" in the same way states are required to demonstrate they considered reliability in developing a state plan, Adair said.

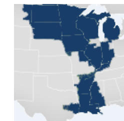
"The EPA says in the final rule [it's] not worried about reliability with a trading system," she said. "With the allowances or credits, companies can always go out and buy more credits if they need to run a unit more."

The flexibility of trading, which does not limit emissions from any particular unit, "inherently addresses the issue of reliability," Adair said in an interview.



MISO Clean Power Plan analysis timeline *Source: MISO*

MISO NEWS



FERC Orders MISO to Change Capacity Auction Rules

By Amanda Durish Cook

FERC has ordered MISO to change the way it conducts capacity auctions beginning with the 2016/17 auction in April as it continues to investigate allegations of market manipulation against Dynegy (EL-15-70).

While the commission didn't rule on the issue of consumer refunds, several parties to the case predict such relief might be in the works.

"We find that the record shows that certain of the Tariff provisions governing market mitigation measures are no longer just and reasonable," FERC wrote in its determination.

According to the commission, MISO stumbled on two fronts: The $155.79/MW-day maximum bid was too high for a "vibrant market" and needed to be set closer to $25, and MISO didn't accurately gauge power exports. FERC said MISO's current approach to determining capacity import limits doesn't take into account counterflows created by neighboring RTOs.

MISO has 30 days to file revised capacity import limits and set the initial reference level for capacity at $0/MW-day and 90 days to file Tariff revisions to develop default technology-specific avoidable costs ahead of the 2017/18 auction. The $0 default will replace MISO's current practice of allowing offers based on the estimated opportunity cost of exporting capacity.

More Rulings to Come

More is to come on the matter, however, as the Dec. 31 order only addressed parts of the complaints brought forward by Public Citizen, Illinois Attorney General Lisa Madigan, the Illinois Industrial Energy Consumers and Southwestern Electric Cooperative that deal with Tariff provisions on the auction "given the limited amount of actionable time prior to the 2016/17 auction," according to the commission. FERC is continuing its non-public investigation into the matter. (See *FERC Launches Probe into MISO Capacity Auction*.)

Public Citizen, the consumer advocacy group that filed the first complaint in May, called the ruling a "partial victory." The group alleged that Houston-based Dynegy manipulated the April capacity auction by withholding capacity, resulting in prices clearing at $150/MW-day for the Zone 4 portion of Illinois, up to 40 times greater than clearing prices elsewhere in the footprint.

The spike represented a nine-fold price increase in the zone compared with the year before and prompted FERC to call an October technical conference. (See *MISO Stakeholder Process Under Scrutiny*.)

Dynegy said it is "looking forward to working with MISO" to implement the changes mandated by FERC.

Spokesman Micah Hirschfield said it is "imperative" that the market construct in Zone 4 work with Southern Illinois' competitive structure to avoid future retirements.

"Generators in Southern Illinois rely on the markets for revenues, unlike the traditionally regulated utilities in the neighboring states that embed their costs into their rates. Generation has, and will continue to, retire in Southern Illinois unless the market design reflects the competitive nature of the market, which has delivered lower costs to consumers than many of the neighboring states," Hirschfield said.

Dynegy continues to maintain that it offered all of its megawatts into the April capacity auction "with no physical or economic withholding" and followed MISO's Tariff.

MISO to Weigh Rehearing

FERC's order that MISO set offers to a zero default elicited a critical reaction from MISO Independent Market Monitor David Patton, who said entering offers at $0 makes little economic sense. "I can't imagine what the economic theory is behind that," he said.

"We're weighing whether to file for rehearing. I don't know that we will because we argued all of this at the technical conference," Patton said.

He added that FERC and MISO seem to be employing separate economic principles, and that he will reach out to MISO to see how the Tariff will have to be revised to comply with the order.

"I think they recognize a problem, but at this point, [FERC is] unwilling to address it," Patton said of FERC's decision.

Refunds to Come?

The ruling has some groups anticipating refunds, and FERC has allowed for a refund effective date of May 28, 2015, the date of Public Citizen's initial complaint.

"If FERC follows the logic of its New Year's Eve ruling, and regardless of whether the commission finds Dynegy manipulated the market, then Illinois consumers will be in line for tens of millions of dollars in refunds," Tyson Slocum, director of Public Citizen's energy program, said in a statement.

Madigan also said refunds are in order. "It's great news that FERC has acknowledged downstate electric customers deserve relief from an inflated and absurd pricing process. I am pleased with FERC's decision to fix the auction rules, but FERC still needs to order refunds to consumers for the outrageously high prices," she said in a press release.

FERC's Ruling Limited

FERC stated in the order that MISO is under no obligation to modify zones or combine Zones 4 and 5.

"Nevertheless, we encourage MISO to continue to work with its stakeholders to ensure its zonal boundaries reflect the physical realities of the transmission system," the commission wrote.

FERC also determined that use of a sloped demand curve would not be addressed, as it falls outside of FERC's response to the complaint.

"We will not address potential revisions to MISO's capacity construct, including a sloped demand curve, longer forward period and a minimum offer price rule, here because they are beyond the scope of these proceedings.

"However, we recognize that MISO is working with stakeholders to explore potential revisions to the capacity construct, including concerns specific to Zone 4, and we encourage them to continue doing so," FERC wrote.

MISO NEWS

MISO Seeks Bids on Duff-Coleman Project

By Amanda Durish Cook

MISO opened the floor on Friday to transmission developers' bids for the congestion-relieving Duff-Rockport-Coleman 345-kV project in Southern Indiana and Kentucky. Developers have until July 6 to submit bids on the four-year construction project, and developer selection is planned to begin thereafter.

The call for proposals marks MISO's first-ever competitively bid transmission expansion project under FERC Order 1000.

Forty-eight transmission developers are certified to submit bids. Non-qualified developers can submit applications for certification through Feb. 8.

6-Month Review

MISO has allowed for a roughly six-month review of developers' proposals and plans to announce its choice before Dec. 30. The estimated in-service date is Jan. 1, 2021.

"Through extensive work with stakeholders to develop the competitive transmission process, MISO is ready to engage in a fair process to select a developer for Duff-Coleman," Priti Patel, regional executive for MISO North, said in a statement. He said the proposals will be judged "in terms of certainty, specificity, risk mitigation and cost."

MISO is responsible for the $67.4 million Duff–Coleman portion of the project, while neighboring PJM will cover the $85.3 million cost of the tie-in to the Rockport substation. MISO's share of the project — the Duff and Coleman substations and a 28.5-mile single circuit between them — has a benefit-cost ratio of 16.1, according to MISO. (See *MISO Staff Recommends 3 Economic Projects*.)

The project has been designated by MISO as a market efficiency project. MISO's Board of Directors approved it, along with more than 350 other transmission projects, as part of the 2015 Transmission Expansion Plan in December.

"This project completely mitigates the congestion on the MISO system around the Newtonville and Coleman areas and strengthens the 345-kV backbone in the region," MISO wrote in its MTEP15 report. "In addition, the project fully addresses long-standing reliability issues around PJM's Rockport station and obviates the need for the Rockport special protect scheme and operation guide that protects the stability of the grid."

Frustration over Interregional Planning

Although PJM is funding more than half of the project, the line did not result from the interregional planning process, the subject of criticism and increasing FERC scrutiny.

Northern Indiana Public Service Co. has been vocal for years in its dissatisfaction over the failure of MISO and PJM to develop joint projects to reduce congestion along their seam. (See *MISO-PJM Cross-Border Projects Still Languishing, NIPSCO Says*.)

In December, the RTOs made a joint filing with FERC to eliminate the $20 million threshold for interregional market efficiency projects. (See *PJM, MISO to Scrap $20M Threshold for Joint Tx Projects*.)

MISO has had no more success in its efforts with SPP. The RTOs concluded their first joint study process last year without delivering any interregional projects. (See *SPP, MISO Conclude Joint Study Empty-Handed*.)

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

Confirmed Speaker: FERC Chairman Norman C. Bay

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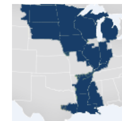
MISO NEWS



MISO Redesign Proceeds with Priority-Setting, New Committee

By Amanda Durish Cook

CARMEL, Ind. — MISO stakeholders Monday laid the foundation for the Resource Adequacy Subcommittee (RASC), hammering out a rough mission statement and management plan while determining it should report to the Advisory Committee.

The work took place during the first of a two-day work session of the Stakeholder Governance Working Group, which continues Tuesday.

Bill SeDoris, director of MISO integration for Northern Indiana Public Service Co., said he used pieces of the Supply Adequacy Working Group's mission statement to outline the new panel's role.

The RASC's mission statement says the subcommittee will "provide input and policy guidance to MISO management and the Advisory Committee on all market and operational activities and processes to facilitate adequate planning resources within the MISO for the long-term planning horizon."

The RASC will "coordinate its efforts with other MISO stakeholder groups, including all entities reporting to the Advisory Committee," according to the draft mission statement.

Renuka Chatterjee, executive director of resource adequacy and transmission access planning, will serve as MISO liaison for the RASC.

"It's certainly a [fresh] start," said Michelle Bloodworth, MISO's executive director of external affairs.

Next Stop, Steering Committee

Now it's up to the Steering Committee to decide whether to approve the charter and management plan at its Jan. 27 meeting. If the subcommittee is sanctioned, a call for leadership and elections is planned for sometime in February with a first meeting slated for March that will review preliminary data stemming from the upcoming Planning Resource Auction.

Auction discussion will again make an appearance on the April agenda, with a special conference call planned to discuss results. The subcommittee will follow a monthly meeting schedule.

The new committee is part of stakeholder efforts to complete the RTO-wide redesign. (See *MISO Stakeholders OK Redesign, Begin Implementation*.)

Strategic Planning Continues

The Stakeholder Governance Working Group on Monday also continued work on setting priorities as part of MISO's strategic planning process. The group is charged with putting together both a priority-setting process for other committees and its own list of priorities. The group picked up where discussions left off at last week's Advisory Committee meeting.

MISO Vice President of Strategy and Business Development Wayne Schug identified five priorities on which the RTO wants to concentrate in 2016: the Clean Power Plan; improving coordination between the electric and gas systems; seams optimization and aligning border pricing; grid technology enhancement and storage; and infrastructure development. "We've gone from a system that's had virtually zero wind to 15 GW of wind," Schug said. The CPP could push wind's contributions to 50 GW over the next few years, Schug said, and the grid has to be ready to deliver.

Gary Mathis, senior director of electric policy at Madison Gas and Electric, said he hoped stakeholders and RTO officials can align their priorities.

"It'd be hard to argue against striving for a great deal of consistency between MISO's priorities and [priorities identified by the Advisory Committee]," Mathis said.

Schug told the Advisory Committee that MISO is eyeing an approach on priority setting where parent committees, such as the AC, have the power to delegate tasks based on priorities, but stakeholders would have preference when it comes to identifying issues that eventually become MISO priorities.

'Middle Ground'

Stakeholders at the SGWG meeting favored what several called a "middle ground" approach where stakeholders can influence the RTO's strategic priorities through recommendations for change.

Additionally, the Advisory Committee put out a request for stakeholders to brainstorm ideas on priorities and how they're formed during a meeting on Jan. 8.

"We didn't really talk about this in the Advisory Committee in December. There was never really any discussion on the priorities for the year," said committee Chair Audrey Penner. She said the committee will have a bigger role in policy formation in 2016.

Dynegy Director of Regulatory Affairs Mark Volpe asked if the committee might move policy discussions and priority reviews to the mornings of its meetings, when MISO board members would be more likely to attend. Currently, board member attendance is heaviest in the mornings during "hot topic" discussions, and tapers off in the afternoons when committee priority

Continued on page 8

MISO 2016 strategic planning priorities *Source: MISO*

MISO NEWS

MISO Preparing a Place for Energy Storage in Tariff

By Amanda Durish Cook

CARMEL, Ind. — With one energy storage project under construction and several others being considered, MISO is beginning a look at rule changes needed to accommodate the emerging technology.

One fundamental question MISO will have to answer is whether storage will be considered generation or categorized as a transmission asset, MISO External Affairs Policy Advisor Jennifer Richardson said during a workshop at the Jan. 5 Market Subcommittee meeting.

"We've had kind of fits and starts with this issue … but as far as having a clear policy, well, that's never happened," Richardson said.

Last July, Indianapolis Power & Light began work on a 20-MW advanced battery, MISO's first grid-scale storage array. The facility, located at the Harding Street Generation Station in Indianapolis, is expected to begin service in June. IPL's parent, AES, has 86 MW of energy storage projects in operation and has 260 MW of battery storage in construction or late-stage development globally.

MISO said it also has been approached by "several market participants who are considering battery storage options for the future."

"I think what's really noteworthy here is that there's not a lot of precedent or cases here for MISO to determine whether this will be behind-the-meter or in-front-of-the-meter," said Executive Director of Market Design Jeff Bladen, who added that the RTO wouldn't encourage any method of energy storage over another.

AES 40-MW battery in Dayton, Ohio *Source: AES Energy Storage*

MISO wrote short-term energy storage — such as batteries and flywheels, which can supply less than an hour of power — into its Tariff in 2009. Long-term resources such as pumped storage can provide energy, regulating and spinning reserves under the Tariff.

However, medium-term storage — battery and thermal storage that can provide hours of power — cannot serve as capacity, energy or contingency reserves under current rules.

"Medium-term storage is gaining a lot of interest," said MISO Principal Advisor of Market Development and Analysis Yonghong Chen.

Chen said stakeholders need to discuss what sort of products MISO should provide. "Storage is a broad range of emerging technology … it can be complicated."

MISO said CAISO, with 5,800 MW of storage in operation or development, is the most advanced region. ISO-NE, by contrast, has less than 1 MW of storage. PJM, which has about 200 MW of energy storage in operation, also has been considering rule changes. (See *Treat Electric Storage Like Limited DR: PJM*.)

"CAISO is certainly on one end of the spectrum and MISO may be somewhere in the middle. The issues that we're looking for guidance on [are] really pretty vast," Richardson said.

FERC also has been updating its rules to open ancillary services markets to more competition from storage. (See *FERC Clarifies Energy Storage Rule*.)

Josh Pack, manager of energy technologies at Vectren, said projects proposed by market participants can shape policy. "There are emerging business models and new market entrants helping to figure this out," he said.

Wind on the Wires Executive Director Beth Soholt said policy should consider how independent power producers or utilities will be compensated. "It comes down to one question: 'What do I get paid for?'" she said.

MISO is asking for a first round of written feedback on the issues raised in the workshop by Jan. 22.

Bladen said MISO plans to review the responses at the Feb. 2 MSC meeting. Tasks relating to policy formation may be delegated to either the MSC or Planning Advisory Committee, officials said.

MISO Redesign Proceeds with Priority-Setting, New Committee

Continued from page 7

discussions take place.

Redesign Discussion

Last week's discussion also dipped into stakeholder redesign. Chris Plante of Wisconsin Public Service Corp. asked if parent entities should be the only ones allowed to identify priorities to the Advisory Committee or if task groups and working groups could also name primary issues. Tia Elliott, director of regulatory affairs at NRG Energy, said that it could be helpful if such groups take priorities to their parent entities before they're put before the Advisory Committee.

"The value to me of this exercise is sifting through all of the various priorities and finding the most important ones," said Kent Feliks, American Electric Power's manager of regulatory and RTO policy.

Penner said prioritization of issues will continue to be a main theme for MISO, and the Advisory Committee is considering planning an off-site meeting around mid-February for stakeholders to weigh in on the strategic planning process.

MISO News

Market Subcommittee Briefs

MISO to Seek Daylight Saving Time Exemption in Gas-Electric Schedule

MISO told the Market Subcommittee it will agree to a FERC order requiring it to post day-ahead market results at least 30 minutes before the 2 p.m. Eastern Prevailing Time gas timely nomination deadline. (See *FERC Orders MISO to Shift Electric Schedule*.)

However, MISO's Kevin Larson said the compliance filing will include a rehearing request asking that its day-ahead schedule not adjust for daylight saving time.

Prevailing time reflects the shifts between standard time and daylight time, when clocks move ahead by one hour between the second Sunday in March and the first Sunday in November.

"Our practice of using Eastern Standard Time dates back to 2006 because Indiana was an oddball state and didn't use daylight savings," Larson said.

A decade later, MISO says it can't "quantify any benefits" in transitioning to daylight saving time and says the cost of the switch would be burdensome to market participants.

"Implementing semi-annual transitions to and from DST will result in significant impact and cost to MISO and our market participants," MISO wrote in a presentation.

As proposed by MISO, the day-ahead clearing window will close at 10:30 a.m. with results published by 1:30 p.m. EPT.

It would maintain the 6 p.m. EPT Forward Reliability Assessment Commitment (FRAC) notification time and the one-hour FRAC rebid period. Because the RTO publishes FRAC results as available, it said the deadline has little impact on when market participants actually receive notification.

MISO to Begin SPP Settlement with $16 Million Payment

MISO is about to make a one-time, $16 million payment to SPP to cover excess flow charges over the past two years under the settlement the RTOs agreed to in October. (See *SPP, MISO Reach Deal to End Transmission Dispute*.)

Beginning in February, MISO will send SPP $1.33 million monthly to cover flows over 1,000 MW crossing MISO's North-South interface. The monthly payments will continue until February 2017, when the monthly amounts will be based on prior year usage.

John Weissenborn, MISO's director of market services, said a true-up between the payments and the actual north-south flows from February 2015 through the end of January will take place in June.

As an interim measure, MISO will collect the $1.33 million monthly from members through a miscellaneous charge based on market load ratio share (load and export schedule volumes).

MISO stakeholders are continuing settlement discussions to determine a final cost allocation mechanism (ER14-1736). "These miscellaneous charges will be used until cost allocation talks are finalized," Weissenborn explained.

MSC Approves Charter, Management Plan

The Market Subcommittee approved without objection a charter nearly identical to last year's. The committee also adopted its 2016 management plan, which lists the issues it expects to cover in its monthly meetings.

Chairman Kent Feliks described the plan as a "snapshot" of the group's coming work, saying it would be subject to change. Among the issues included in the plan are an evaluation of the energy offer cap, implementing five-minute settlement calculations and coordinated transaction scheduling with PJM.

Demand Response Talks in Limbo

Stakeholders rejected a suggestion to table discussion of three initiatives regarding aggregation of demand response resources and lowering the 5-MW minimum participation threshold.

"The question was should they keep pushing the rock uphill... [The Demand Response Working Group] has been spinning their wheels on this for some time," said Jeff Bladen, MISO's executive director of market design.

Several stakeholders said the issues were still legitimate and deserved to be kept alive.

But with the working group slated for retirement under the RTO's redesign, it is unclear when or where the issues will arise next.

Monitor Reports Quiet Fall Quarter

MISO's fall quarter was defined by falling energy prices, said MISO Market Monitor David Patton of Potomac Economics in a quarterly report to the Market Subcommittee.

Patton reported a 40% reduction in natural gas prices at both the Chicago Hub and the Henry Hub, with the average price at less than $2.50/MMBtu during the quarter.

The average price of power in the footprint fell below $22/MWh in November. For the quarter, the real-time price was $24.96/MWh, 13% lower than the summer quarter and 27% lower in a year-over-year comparison.

"It wasn't a particularly exciting quarter," Patton said.

Patton also said his staff is still gathering information on the November Texas price spikes caused by congestion. (See *MISO Monitor Auditing Tx Outages that Caused Price Spikes*.)

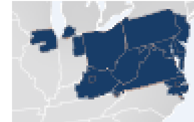
The annual State of the Market Report, expected by April, will include an analysis of the effectiveness of extended locational marginal pricing (ELMP), Patton said.

— Amanda Durish Cook

"The question was should they keep pushing the rock uphill... [The Demand Response Working Group] has been spinning their wheels on this for some time."

Jeff Bladen, MISO

PJM NEWS



JACKPOT!

FERC: Trading Firm's Spy Software Provides Evidence of UTC Scam

By Michael Brooks

An energy trading company's use of employee-monitoring software provided FERC investigators with evidence documenting its strategy of making riskless up-to-congestion transactions to collect line-loss credits from PJM, officials said last week.

FERC last week issued a show cause order demanding more than $42 million from Coaltrain Energy (IN16-4).

The commission used email and instant messages in lodging similar allegations against Powhatan Energy Fund and City Power Marketing. FERC's Office of Enforcement found an additional source of evidence in their investigation of Coaltrain — the company's use of Spector 360, software that logs users' every keystroke and automatically takes screenshots every 20 seconds.

The commission said Enforcement staff was tipped off to the software's existence by a former Coaltrain employee in June 2012, almost two years after it had begun its investigation into the company. Coaltrain employees initially claimed they had forgotten about the software when Enforcement made its original data requests and repeatedly delayed releasing the logs when asked for them, FERC said.

When Enforcement finally gained access to the Spector 360 logs, they received a voluminous amount of information — about 10 GB per employee — detailing the company's actions in the summer of 2010, including emails, instant messages, Internet search and browsing history and, perhaps most important, internal logs of every single trade the company made over that time period.

A Familiar Story

Prior to June 2010, Coaltrain specialized in UTC trading, correctly predicting the changes in spreads between PJM's real-time and day-ahead markets. This "spread strategy" involved complex analyses of transmission constraints and the impacts on LMPs. The company was very successful at these legitimate trades, FERC noted, earning profits of $12.8 million in 2008 and $18.7 million in 2010.

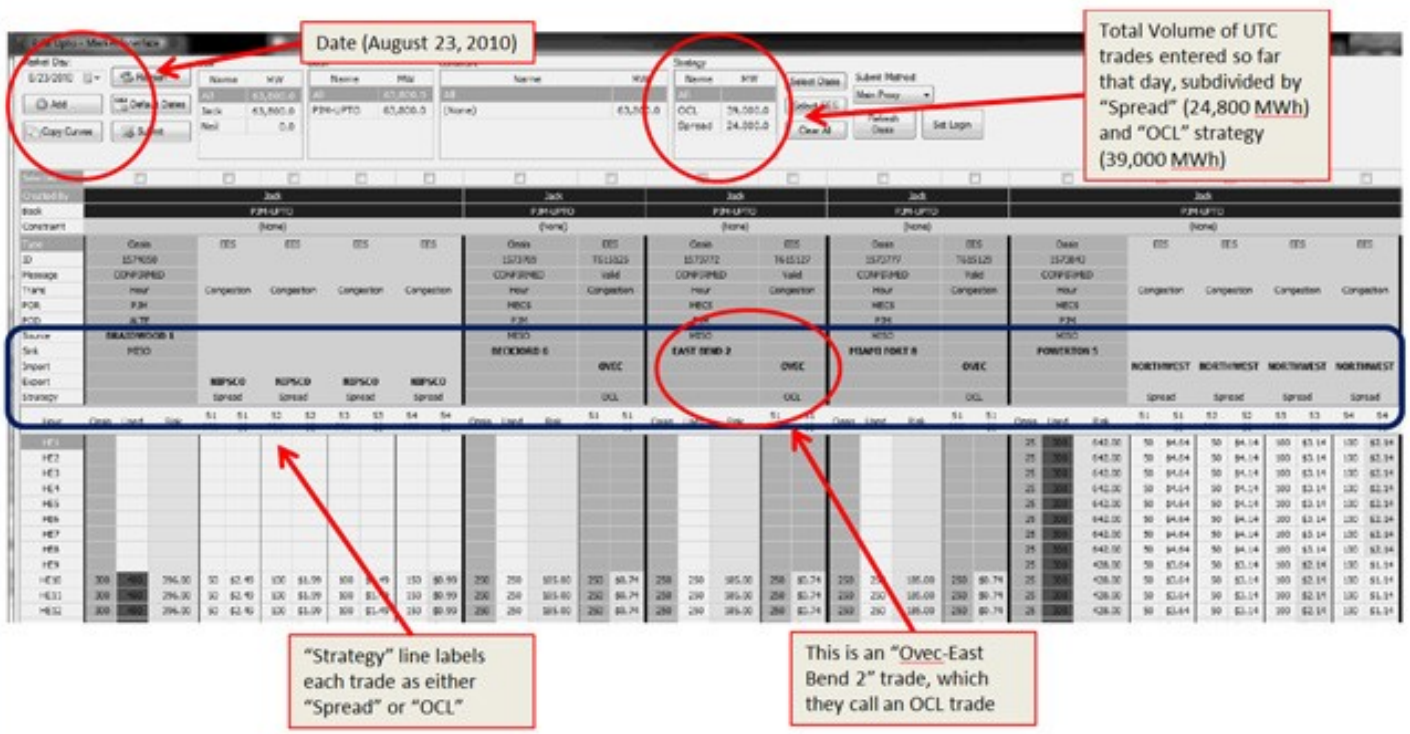
Coaltrain changed its trading strategy once it learned it could make more money from PJM's marginal loss surplus allocation (MLSA) program, which refunds a portion of transmission loss charges to companies who contribute to the fixed costs of the grid. (See *FERC: PJM Entitled to Recoup Line-Loss Credits*.)

The company "discovered that they could profit from MLSA payments alone if UTC price spreads could be minimized or avoided entirely," FERC said. Coaltrain devised a new "OCL strategy" — "over-collected losses" being its internal term for MLSA.

The allegations are similar to those against Powhatan and City Power. In fact, FERC said, when PJM released a report on June 1, 2010, showing how much in MLSA it had paid to companies, the Spector 360 logs show that Coaltrain co-owner Peter Jones sent City Power founder Stephen Tsingas an instant message congratulating him on collecting nearly $16 million in credits.

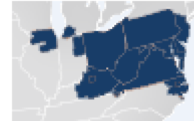
A few days later, Coaltrain employees began searching PJM's website and Google for

Continued on page 11



FERC says Coaltrain Energy's use of software that logged the actions of its employees provided evidence of its scheme to profit from line-loss rebates. "OCL" refers to "over-collected losses." *Source: FERC*

PJM NEWS



Md. Judge Upholds PSC's OK of Exelon-Pepco Merger

By Suzanne Herel

A Maryland circuit court judge Friday upheld the state Public Service Commission's approval of Exelon's acquisition of Pepco Holdings Inc., denying an appeal led by the Office of People's Counsel.

"The court's scrutiny has revealed Order 86990 to be the product of substantial evidence supporting the conclusions and was clearly a rational review of the evidence by reasoning minds," Judge Thomas G. Ross ruled.

The Office of People's Counsel was joined in the appeal by the Sierra Club, Chesapeake Climate Action Network and Public Citizen. The parties had asked for the judicial review after Ross denied their request to stay the commission's 3-2 decision. (See *Md. Judge Denies Stay in Exelon-Pepco Deal*.)

The petitioners had the support of Maryland Attorney General Brian Frosh, who filed a friend of the court brief asking that the merger decision be reconsidered.

People's Counsel Paula Carmody could not be reached for comment Friday evening.

Exelon issued a statement saying it was "gratified" by the ruling.

"The commission correctly found that our merger proposal meets the requirements of Maryland law. The merger is in the public interest and provides direct, immediate and long-term benefits to customers, enhances reliability, promotes the growth of clean energy and increases Delmarva Power and Pepco's roles as community partners."

The petitioners asked the court to review five questions, among them whether the commission's decision could be considered arbitrary because of its "unexplained conclusion that allegations of harm to the distributed generation and renewable energy markets were 'speculative.'"

They also questioned the decision on several procedural matters and asked whether the PSC's "failure to consider the acquisition premium in assessing the 'no harm,' 'benefits' and 'public interest' requirements of the Public Utilities article constitute an error of law."

In the 12-page ruling, Ross shot down all of the concerns, saying the PSC had properly considered each issue. He sided with the commission in its opinion that merger opponents had "failed to articulate concrete examples" of public harm resulting from the deal.

D.C. is the last jurisdiction standing in the way of the $6.8 billion merger. The district's Public Service Commission initially rejected the merger but agreed to reconsider the proposal after Mayor Muriel Bowser's administration brokered a settlement.

Last month, the General Services Administration — the district's largest consumer of electricity — filed a brief with the PSC saying the merger should be rejected unless it is retooled to include benefits for commercial customers. (See *GSA Opposes Exelon-Pepco Settlement*.)

The PSC is expected to make a ruling early this year. The deal has already been approved by FERC and regulators in Delaware, New Jersey and Virginia.

FERC: Trading Firm's Spy Software Provides Evidence of UTC Scam

Continued from page 10

more information on MLSA, the Spector 360 logs show.

From June 15 to Sept. 10, 2010, Coaltrain traded 4.61 million MWh, losing more than $96,000 on the UTC price spreads and $3.83 million in transaction costs. However, it collected $8.05 million in MLSA payments, resulting in a profit of about $4.12 million.

"In contrast to the spread strategy that involved a complicated analysis using congestion-based constraints, the OCL strategy did not rely on constraints at all," FERC said. "While there is voluminous evidence showing that [Coaltrain's] strategy was designed not to profit from price spreads but instead to capture MLSA, a contemporaneous comment from [Adam] Hughes — who designed the software tools [the traders] used to carry out their scheme — sums it up: 'create application to find deals for loss credits.'"

Severe Penalties

FERC is seeking $38.25 million in civil penalties from Coaltrain, its two owners and four employees, along with the $4.12 million in profits.

Enforcement staff said that it is seeking severe penalties because Coaltrain lied to them about the information it had logged using Spector 360. In comparison, the commission has assessed $29.8 million in penalties against Powhatan and $15 million against City Power.

"Coaltrain misrepresented material facts about relevant documents in an effort to hide them from Enforcement and made false and misleading statements concerning those documents as well as the availability of their witnesses to testify," FERC said.

FERC noted that Coaltrain's owners had terminated an employee in their previous company, Energy Endeavors, based on the information received through the software about his activities.

In 2009, Jones and fellow owner Shawn Sheehan discovered that employee Moussa Kourouma was attempting to form his own energy trading business, in violation of a non-compete clause in his employment contract. The owners were able to use Spector 360 to track Kourouma's activity down to his bank transactions.

Based on this information, they were able to protest Kourouma's filing for market-based rate authority for his new company to trade in PJM. FERC said that in a confidential affidavit attached to the protest, Sheehan said the information came from "a commercially available software program for monitoring employee use."

"The company regularly used Spector 360, and any claims that they 'forgot' about it are false," FERC said.

The commission issued a Notice of Alleged Violation in September. (See *FERC Charges Third Firm with UTC Scam in PJM*.) Coaltrain has until Feb. 6 to respond to the Order to Show Cause.

PJM NEWS

Operating Committee Briefs

New Operator Compliance Rules to Take Effect Feb. 1

VALLEY FORGE — PJM will implement a new process for ensuring compliance with training and certification requirements effective Feb. 1.

The Operating Committee unanimously approved changes to Manual 40 to enable the new process, which stems from an August problem statement to improve compliance by generation dispatchers, demand response providers and energy storage device operators. (See "PJM Moves to Tighten Training, Certification Requirements" in *PJM Operating Committee Briefs*.)

The process requires that operators or dispatchers that are not in compliance be removed from their shifts.

PJM will calculate compliance scores based on a count of operators and months out of compliance. A score of 5 will trigger a violation notice from PJM's legal department, which will be sent to the company's Members Committee representative as well as its compliance contact. (A company with one operator out of compliance for two months and a second operator in violation for three months would score a 5.)

Companies that fail to correct scores of 5 or higher within 30 days could be reported to FERC as a violation of the PJM Operating Agreement and Tariff.

"By putting in a requirement to remove a noncompliant operator from their shift, that essentially puts the company back in compliance," said PJM's Glen Boyle. "That's what we would hope would come out of this. We don't want to go the FERC route."

The changes will go before the Markets and Reliability Committee on Jan. 28.

PJM Met ACE, Load Forecast Error Goals in 2015

PJM achieved a perfect dispatch score of 86.64% in 2015, beating its goal of 86.62%, officials told OC members.

Perfect dispatch, designed to measure how well PJM commits combustion turbines, is the hypothetical least production cost commitment and dispatch — what PJM would spend if it knew and could control all system conditions (load forecast, unit availability, unit performance, interchange and transmission outages) in advance.

The score is calculated by dividing the optimal CT production cost by the actual real-time CT production cost. The average RTO load forecast error for December was 2.31%, and it remained below the 3% goal throughout the year, said Chantal Hendrzak, executive director of operations support.

There were, however, five days that exceeded the average — two when the weather was warmer than expected, one when temperatures were colder and two days around the holidays, including Dec. 26.

"We always have some trouble with the holidays — what day of the week it is, what the weather is and what history we have," she said.

PJM's balance authority area control error (ACE) performance exceeded the accuracy goal of 99% for each month in 2015.

The average forced outage rate for the year was 4.65% (8,484 MW). The average total outage rate was 15.99% (29,186 MW).

All Hot, Cold Weather Action Items Closed out

PJM has completed all 115 hot and cold weather action items, Director of Operations Planning Dave Souder told the OC.

Since the last update in June, PJM closed out three cold weather action items related to Capacity Performance, regulation market rules and gas infrastructure future adequacy.

On the hot weather side, it completed issues involving synchronized reserves, cascading outage analysis procedure, facility limits, the emergency procedure tool and system modeling.

PJM's Dave Schweizer reported that mild weather in December limited generator cold weather testing, so the exercise was continued into January.

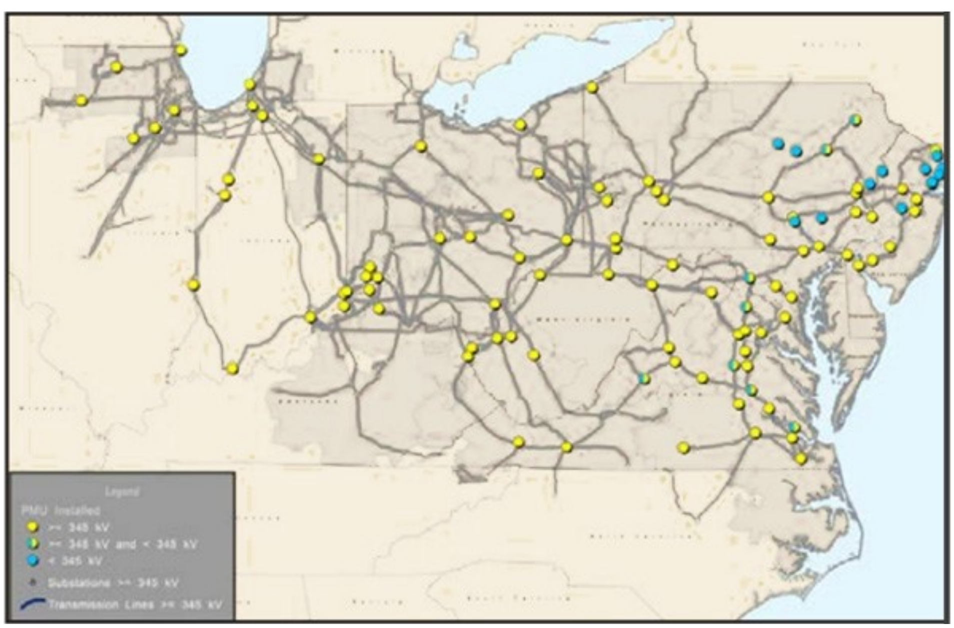
PJM Strategy Would Guide Expansion of PMUs

PJM is developing an RTO-wide strategy for the placement of phasor measurement units (PMU) as their deployment expands on the grid. The strategy aims to address monitoring gaps and provide redundancy.

PJM, which has about 386 PMUs located at 123 transmission substations, is targeting additional installations at 60 substations.

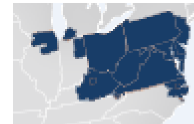
In July 2013, members approved Tariff revisions requiring the installation of PMUs at new generation units of 100 MW and larger. The first generator PMU installation is expected early this year.

— Suzanne Herel



PMU installations *Source: PJM's Emerging Technology Initiatives, Dec. 2015*

PJM NEWS



Market Implementation Committee Briefs

Proposals Would Delay Posting of FTR Ownership

VALLEY FORGE, Pa. — The Market Implementation Committee discussed two proposals that would delay the disclosure of financial transaction right ownership following an auction.

The effort to mask FTR ownership has been championed by DC Energy's Bruce Bleiweis, who contends that FTR owners should be afforded the same confidentiality as PJM's other market participants. Faced with significant opposition, led by Independent Market Monitor Joe Bowring, Bleiweis has amended his proposal over the past few months. (See "Compromise Offered on Masking FTR Ownership" in *PJM Market Implementation Committee Briefs*.)

The package he presented last week would allow PJM to post aggregate data following an auction, masked ownership data three to six months later and full disclosure after one year.

"This is a significant evolution from where we started," he said. "What we're headed toward is no commercial information available while an auction is ongoing."

Jeff Whitehead of Direct Energy suggested Bleiweis consider releasing masked information on auction close. "I'm not saying it gets me to 'yes,' but it gets me closer," he said.

The second package, presented by PJM, is similar but would remove the tiered release of information to make it consistent with how the RTO releases other data, said PJM's Tim Horger.

After posting aggregate data at the close of an auction, PJM would disclose the full ownership information four months later.

"We're kind of indifferent to any changes associated with this," he said. "We're fine with the status quo. If membership wants change, that's OK too."

The packages will be brought back for a first read next month.

Market Data Confidentiality Rule Change Gets First Reading

The issue of market data confidentiality returned to the committee after one item regarding individual generation outages was tweaked since last month.

A spirited discussion over what and when PJM may disclose publicly has been going on since a problem statement was presented in June. (See *PJM Considering Release of Uplift, Outage Data*.)

Current rules prohibit PJM from talking about certain information even after it's been disclosed publicly, such as the nuclear plant outages posted to the Nuclear Regulatory Commission's website. They also limit the data PJM may share with stakeholders about conditions surrounding certain weather events, closed loop interfaces and transmission planning.

Stakeholders have debated for months over how to provide PJM the ability to discuss situations such as generator outages while at the same time not jeopardizing a member's competitive standing in the market.

The current rule allows PJM to release aggregated data of more than three market participants and requires that information released involve a geographic area no smaller than a transmission zone.

PJM is proposing six exceptions that would allow PJM to the release or discuss:

- Information on individual generation outages involving an unusual operating condition on the transmission system such as a severe weather event;
- The amount of demand response in an area no smaller than three ZIP codes (specific offers or suppliers would remain confidential);
- The total amount of capacity offered and cleared, aggregated by transmission zone;
- Uplift payments in an area no smaller than a transmission zone, and for no shorter a time period than one operating day;
- Aggregated statistics related to the results of the three pivotal supplier test; and
- Data made public by a PJM member or a state or federal regulator.

"The intent here is not to be doing a monthly posting of widespread data," said PJM's Tom Zadlo. "It's just the ability to answer questions from stakeholders."

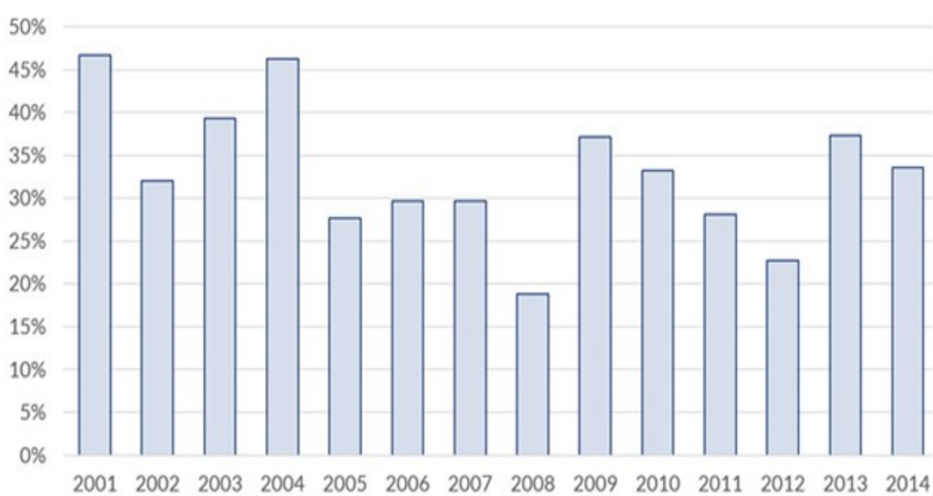
Operating Parameter Terms to be Defined

Members approved an issue charge to define terms related to operating parameters and move them from the eMKT/Gateway User's Guide to PJM manuals. There was one abstention.

The 12 terms, including soak time, start-up time and minimum run time, also will be the focus of a special MIC session set for 1 to 4 p.m. on Jan. 19.

The committee is fast-tracking the issue in hopes of having the changes in place for the June 1 implementation of Capacity Performance.

— Suzanne Herel



Top 10 generators' share of energy uplift credits *Source: Monitoring Analytics*

PJM NEWS

PC/TEAC Briefs

Voltage Threshold will Exempt Some Projects from Proposal Window

VALLEY FORGE, Pa. — Transmission reliability projects of less than 200 kV will be exempt from competitive proposal windows under Operating Agreement changes approved by the Planning Committee last week.

Such projects are almost always assigned to incumbent transmission owners because the solutions involve upgrades to existing transmission facilities and are located within, and allocated to, a single transmission zone.

PJM said the change will allow its engineers to focus on projects more likely to result in a greenfield project open to competition.

If the threshold had been in place for the 2014 and 2015 windows, it would have exempted 534 flowgates, said PJM's Sue Glatz. The exemption will not apply to market efficiency projects.

The new rule contains two caveats that would require projects under 200 kV to go through a proposal window. In essence, they would be scenarios in which one or more projects could eliminate multiple reliability violations. (See "Action Delayed on Voltage Threshold for Competitive Projects" in *PJM Planning Committee Briefs*.)

Competitive developers previously had expressed reservations about the new threshold.

Sharon Segner of LS Power opposed the change because it does not provide a "catch-all" at the end of the planning process to put the project out for bid if it is determined to involve regional cost allocation.

"We believe that Order 1000 clearly says if there is regional cost allocation associated with a project, it needs to be opened to the competition," she said.

PJM Vice President of Planning Steve Herling said performing a second analysis would defeat the purpose of the new rule.

"The idea of literally getting to the end and having a solution to recommend … and then stopping to bid the project out on essentially cost issues is not where we want to go," he said, adding that PJM is "hoping" the screens it has in place will capture such projects.

Segner responded, "Hope doesn't give us that protection from a new entrant standpoint. … Hope isn't enough in light of Order 1000."

PJM to Send Five Market Efficiency Projects to Board

Five market efficiency projects, all in the ComEd zone, will be presented to the Board of Managers for its approval next month.

Four involve upgrading capacitors at the Brambleton, Ashburn, Shelhorn and Liberty substations. The other is an upgrade to the 345-kV Loretto-Wilton Center line.

PJM planners also will recommend that the board advance the Hanover Pike baseline project, designated to Baltimore Gas and Electric, from a completion date of 2021 to 2019. While it remains in the Regional Transmission Expansion Plan based on its original designation as a reliability project, PJM is studying whether it might also provide market efficiency benefits.

Segner opposed the acceleration and noted that Northeast Transmission Development, an LS Power company, had expressed its objection as well in a letter to PJM.

Northeast Transmission previously had proposed a Keysers Run project that she said also would solve the Hanover Pike issue at a savings of about $46 million. The Keysers Run project had been identified as meeting the threshold for approval as a market efficiency project, she said.

"We think this is incredibly inappropriate in the middle of the cycle to take a project with an in-service date of 2021 and pull the project into the market efficiency process," she said.

Herling said the project would remain with BGE despite the change in its status.

"We're struggling with taking a project away from a designated entity once it's been awarded," he said. "That's really the crux of the matter."

Proposal Window to Open by End of January

PJM expects to open the first Regional Transmission Expansion Plan window of 2016 in the next few weeks.

Regardless of previous registrations, interested members must register before the window opens. The registration will be good for the year.

Phase-shifting transformer *Source: Crompton Greaves*

PJM's new up-front, non-refundable project fee will go into effect for this window.

There is no fee to assess any project less than $20 million. There is a $5,000 fee to study projects from $20 million to $100 million. Projects that cost more will be charged a $30,000 fee. (See "PJM Lowers Proposed Tx Project Study Fee" in *PJM Planning Committee Briefs*.)

Phase Angle Regulators Qualify for Transmission Rights

PJM has determined that phase angle regulator (PAR) technology is eligible for transmission injection rights under the Tariff. The Planning Committee endorsed a new section to Manual 14E: Merchant Transmission Specific Requirements making that clear.

PJM's review was requested in November 2014 by PSEG Energy Resources and Trading. (See "PAR Transmission and Withdrawal Rights" in *PJM Planning Committee Briefs*.)

Projects will be subject to automatic control. The guidelines also recommend that the initial "step size" of a facility's output not exceed 20 MW when transitioning from zero flow because of concerns that a larger step could jeopardize stability. PARs will be studied based on proposed interconnection location on a case-by-case basis to determine impacts.

Task Force will Create Design Standards for Competitive Projects

The Planning Committee approved a charter for the Designated Entity Standards

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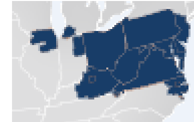
PJM NEWS



Exelon Calls FirstEnergy PPA 'Grossly Lopsided,' Says it Can Offer a Better Deal

Continued from page 1

nuclear, hydro, wind and solar facilities in PJM.

Exelon spokesman Paul Elsberg said there have been no further communications with PUCO regarding the offer.

FirstEnergy spokesman Doug Colafella said the Exelon offer ignores one of the fundamentals of the FirstEnergy offer — a way to secure power from in-state generators and the almost 1,000 jobs of those who work at the Sammis and Davis-Besse plants.

Exelon, he said, has "no plants in Ohio, no jobs in Ohio."

AEP PPA

PUCO also is considering a settlement calling for eight years of guaranteed rates for some of American Electric Power's plants. Exelon said time constraints prevented it from making a similar offer in that case.

"Exelon requested additional time to file testimony in the AEP case, but the motion was not granted," Elsberg wrote in an email. "The arguments made by Exelon against the First Energy proposal apply equally to the AEP proposal."

Last week, PUCO ruled that the Sierra Club, IGS Energy and Direct Energy must submit to questioning to explain why they are supporting the AEP proposal.

PJM Urged to Oppose PPAs

On Jan. 6, the PJM Power Providers Group (P3) and the Electric Power Supply Association sent a letter to the PJM Board of Managers urging the RTO to actively oppose the AEP and FirstEnergy PPAs, contending they would undermine PJM's competitive electricity market.

Last month, PJM submitted testimony to PUCO, saying the PPAs needed changes to preserve competition and the state's ability to attract merchant generation. PJM has said it plans to issue a market analysis of the PPAs this spring, but that may be after the commission renders a judgment. (See *PJM Seeks Changes to AEP, FirstEnergy PPAs*.)

P3 and EPSA said the RTO's actions were too little, too late.

"In testimony recently submitted to the PUCO long after the cases were underway and the dangers known, PJM indicated that PJM did not take a position on these nefarious efforts to undermine PJM's markets," they wrote. "Rather than advising the PUCO on the devastating impacts to the market in the short and long term, PJM instead sent a message that these subsidies would somehow be acceptable if certain conditions were attached."

The groups said that the RTO is leaving the commission to evaluate the proposals "in a vacuum."

"PJM should not be afraid to say when a program being considered at the state level directly undermines the wholesale market," it said. "One would expect that the Ohio commission, while reserving the opportunity to disagree, would welcome the input of PJM on the full ramifications of what has been proposed."

The groups said the reliability and competitive prices provided by PJM "will evaporate if the market is corrupted by state actions that subsidize uneconomic units."

PJM declined to comment on the letter.

Pablo Vegas, president and CEO of Ohio Power Co. (AEP Ohio), responded to the letter with his own to PJM, saying P3 and EPSA were wrong to accuse the company "of undermining the very markets AEP Ohio has long sought to support and improve."

"AEP Ohio has carefully worked to confine the proceedings before the PUCO … to matters of retail rate recovery," he said.

He noted that PJM historically has refrained from "intruding upon retail ratemaking proceedings — or attempting to influence retail policies," and urged it not to deviate from that precedent.

In a Jan. 7 order, PUCO denied PJM's request to be a late intervenor in the AEP case but invited the RTO to submit a friend of the court brief to outline its concerns and make recommendations.

Exelon's Campbell said FirstEnergy was a champion of the competitive process until now. "Ironically, FirstEnergy led the drive to competition and up until this proceeding took positions before this commission and other agencies and public officials which embraced competition and retail choice," Campbell testified. "FirstEnergy was right then; it is wrong today."

Exelon Seeks Relief for Ill. Nukes

While it is opposing FirstEnergy's PPAs in Ohio, Exelon is seeking relief for its nuclear generators in Illinois. The company has requested that Illinois expand its clean energy subsidies to include nuclear power alongside wind and solar energy.

A bill backed by Exelon stalled in the Illinois legislature last year. Those critical of the Exelon subsidies have called them a nuclear "bailout" and said they would cost ratepayers around $300 million annually in surcharges.

In November, Exelon announced it has delayed for a year a decision on whether to mothball its Clinton reactor. (See *Exelon Defers Clinton Closure; MISO Hints at Changes*.)

PC/TEAC Briefs

Continued from page 14

Task Force, which will set minimum design requirements for competitively solicited facilities.

The task force grew out of a problem statement approved in July following a review of the RTO's initial Order 1000 experiences.

The standards will apply to transmission lines, substations and system protection and control design and coordination.

The task is expected to take 12 to 24 months.

— Suzanne Herel

SPP NEWS

SPP, MISO Working on Market-to-Market Improvements

By Tom Kleckner

Flowgate ID	Flowgate Name	Flowgate Description	Control Zone	Total	Hours Binding in M2M
MISO_21218	TEMP23_21218	Eau_Claire_Arpin_345kV_flo_Stone_Lake_Gardner_Park_345kV	ALTE/NSP	-144,630	161
MISO_21262	TEMP13_21262	MCHENRY_230_115_TR_FLO_LELANDOLDS_LOGAN	GRE	-1,075,230	139
MISO_21332	TEMP96_21332	Omaha_OzarkBeach_161kv_flo_BeaverDam_EurekaSpring_161kV	EAI	18,600	1
SWPP_21087	TMP131_21087	Lacygne - W. Gardner 345 kV (FLO) Lacygne - Stillwell 345 kV	KCPL	28,984	6
SWPP_21136	TMP100_21136	TMP_100: Rugby OTP - Rugby WAUE 115kv ftlo BALTAJCT - Ramsey 230 kV	OTP, WAUE	-2,852	4
SWPP_21148	TEMP47_21148	TEMP47 RugbyOTP - RugbyWAPA 115kV FTLO Peace Garden - Glenboro 230kV	OTP, WAUE	476	1
SWPP_21150	TEMP19_21150	TEMP49 RugbyOTP - RugbyWAPA 115kV FTLO Rugby - Balta 230kV	OTP, WAUE	-89,999	92
SWPP_21263	TMP144_21263	TMP144: Charlie Creek - Rough Rider 115 kV (ftlo) Charlie Creek - Watford City 230 kV	WAUE	-109,955	295
Total TEMPS				-1,374,606	699

M2M results for temporary flowgates in November. Positive values are payments to SPP from MISO; negative values are payments from SPP to MISO. *Source: SPP*

Nearing the end of the first year of market-to-market (M2M) operations, SPP and MISO are negotiating a set of "guiding principles" to improve the process and reduce congestion costs along their seams.

The M2M process was instituted last March to improve price convergence on flowgates along the seams. Under M2M situations, SPP and MISO compensate each other for re-dispatching generation that lessens congestion in a way that reduces overall costs.

"We're not comfortable [M2M] has worked the way it should in all cases, and we think there's room for improvement," David Kelley, SPP's director of interregional relations, told SPP's Seams Steering Committee on Jan. 6, repeating a point he has made several times in recent months. "We've tentatively agreed upon certain things we believe can improve the process."

The seven principles include excluding reciprocal coordinated flowgates from the M2M process based on a threshold test for generators that affect it; recalculating firm-flow entitlements (FFE) due to changes in facility ratings; capping FFEs to the system operating limits for M2M flowgates; and switching between market flow and total flow control modes during M2M events.

Kelley said SPP and MISO have been discussing the principles and negotiating on how best to make improvements for several months. Staff from the two RTOs met Friday to share feedback from their respective stakeholders on the guiding principles.

Work in Progress

Two of the principles describe in what circumstances the RTOs would switch to market flow or total flow control mode. Kelley told the committee the RTOs are already using a market flow control mode, in which they only manage the transmission in their own markets, during M2M events on certain flowgates as a temporary solution. He said switching total flow control to the non-monitoring RTO — managing all of the transmission on that line or flowgate — will require software changes and revisions to their joint operating agreement. Capping FFEs would also require software updates and JOA revisions. While the payment amounts between the two have decreased in recent months, abnormalities continue to crop up along the seams. (See *M2M Process Shows Continued Improvement*.) In November, a temporary flowgate in Minnesota recorded 139 hours in M2M, resulting in a $1.075 million payment from SPP to MISO.

"The principles don't resolve all the issues in [M2M]," Kelley said, "but from SPP's perspective, we think these are good improvements to make. We should move forward with them so we don't see situations like the [Minnesota] transformer, where the process isn't working."

Committee Chair Paul Malone, of the Nebraska Public Power District, asked whether the RTOs would have been better off using transmission-loading relief procedures, such as cutting non-firm transmission during periods of congestion. Kelley responded they would have been "in some cases."

'Trigger' Sought

Marguerite Wagner, director of RTO policy for ITC Holdings, called for a triggering mechanism that would send recurring congestion points into the transmission-planning process. "Whether it's 'X' amount of dollars or frequency," she said, "something to throw it over into the planning process."

"I absolutely agree," Kelley said. "I think you will see some activity around that this year."

SPP and MISO will continue to hold JOA stakeholder meetings to discuss seams issues, but the frequency has been reduced from quarterly to biannual.

The steering committee also reviewed and discussed FERC's Nov. 30 order, which rejected SPP's proposal to create a new class of seams transmission projects (ER15-2705). (See *FERC Rejects SPP Proposal for Seams Transmission Projects*.)

FERC said the Tariff revisions did not go into enough detail about joint studies. The group decided to wait for FERC orders on regional and interregional cost allocations, expected in the spring, rather than rewrite the compliance filing.

New Members

The committee welcomed seven new members during its first meeting of the year: Wagner, Jim Jacoby (American Electric Power); Katy Onnen (Kansas City Power & Light); Jason Atwood (Northeast Texas Electric Cooperative); Steve Sanders (Western Area Power Administration-UGPR); Ray Bergmeier (Sunflower Electric Power Corporation); and Jordan Schmick (Xcel Energy).

With the additions, the committee is now composed of seven transmission-owning members and six transmission-using members, covering New Mexico up to Montana.

Ironically, AEP's Richard Ross, who resigned from the committee last year, served as Jacoby's proxy during its first meeting of the year. "I know, I know," he said with a sigh during the roll call.

COMPANY BRIEFS

Three-state Transmission Upgrade Completed

Eversource Energy and National Grid have completed a three-state $483 million transmission project to serve southern New England.

The Interstate Reliability Project included station upgrades and the installation of a new 345-kV transmission line along 75 miles of existing rights of way in Connecticut, Massachusetts and Rhode Island. "The Interstate Reliability Project improves the efficiency of the grid by eliminating system bottlenecks and improving the flow of power within our region," said David Boguslawski, vice president of transmission strategy and operations at Eversource.

More: *Eversource and National Grid*

Fuel Cells to Help Power Research Facility

FuelCell Energy has announced a deal to install a natural gas-powered fuel cell system capable of producing 5.6 MW at Pfizer's Groton research facility.

The company expects the two fuel cell power plants to be in place and operating by summer. The system will provide electricity and steam for the 160-acre facility under a 20-year power purchase agreement.

FuelCell also said the system would operate in synch with Pfizer's regular electricity purchases and will be able to provide power during any grid outages. The companies did not disclose the financial terms of the deal.

More: *Hartford Courant* (subscription required)

Austin Energy GM Calls for Independent Board to Run Utility

Larry Weis, who in his final weeks as Austin Energy's general manager, says the municipal utility should be run primarily by an independent board and not the Austin City Council, calling the newly elected council "naïve" about utility issues and vulnerable to outside influences. He also called for increased base utility rates for residential customers.

Weis, who earns $315,000 as the city's highest-paid employee, is leaving the country's eighth-largest public electric utility later this month to run Seattle's electric utility.

Weis had some advice for his replacement. "You can't come here and just do anything you want," said Weis, 61, who took the reins of Austin Energy in 2010. "You've got to play ball with the rest of the city. There are a lot of problems in getting things done that way."

More: *Austin American-Statesman*

Southern Reports More Delays, Costs for Kemper Plant Start-up

Southern Co.'s troubled clean coal plant in Kemper County, Miss., is still running into problems, and the company said it might delay the scheduled start-up again. Southern estimated that the plant, the first of its kind in the U.S., would cost $2.8 billion when it was first announced. The price tag is now $6.5 billion.

The plant is designed to turn coal into gas, and capture the resulting carbon dioxide and sequester it in underground storage caverns. Repeated design changes, construction overruns and other cost increases have plagued the project. Southern, while not saying how much longer testing and reconfiguring would take, has acknowledged that each month's delay costs it $43 million.

"While these tests have confirmed the design of these first-of-a-kind systems, we have also identified some modifications, rework and needed repairs that will be implemented and retested before these systems can be placed in service," a Southern spokesperson said. "This is not unexpected for systems being commercialized for the first time."

More: *Bloomberg Business*

Ameren Warns Dockside Customers Before Discharging Dam

Ameren Missouri opened spill gates at Bagnell Dam in central Missouri last week in order to accommodate flow as the U.S. Army Corps of Engineers released a large amount of rainwater stored 90 miles upstream at Truman Dam. The swollen Truman Reservoir has been building up rainwater since late December.

The water dispatch led Ameren Missouri to warn residents along the shores of the Lake of the Ozarks and the Osage River to shut power off to their docks and other waterside structures until the fluctuating water levels recede.

"We plan to have the spill gates open for up to two weeks," said Warren Witt, director of Hydro Operations at Osage Energy Center. "When the Truman Dam waters are discharged, Osage Energy Center will remain on heavy generation for another several weeks as we draw down the lake to our annual spring level of 654 feet."

More: *Ameren Missouri*

LS Power Announces Expansion Of Virginia Energy Center

LS Power wants to expand a generating plant near Kings Dominion, a theme park in Virginia, by building two more combustion turbines to generate a combined 340 MW. Doswell Limited Partnership, which is controlled by LS Power, has applied for permission to construct the two turbines.

There already are four combined cycle turbines on the site generating 665 MW, as well as a simple cycle turbine with a capacity of 171 MW. The company believes there is market demand for more power in the area, especially gas-fired peaking capacity. "It's driven by a lot of market moves such as coal plants retiring, the price of natural gas and consumers' demand for power," said Tony Hammond, asset manager for Doswell.

More: *Richmond Times-Dispatch*

Continued on page 18

COMPANY BRIEFS

Continued from page 17

Duke to Build 17-MW Solar Farm in Indiana

Duke Energy has announced plans to build a 17-MW solar facility on the grounds of a Navy base in Indiana. The 145-acre site at Naval Support Activity Crane, near Plainfield, will have about 76,000 solar panels, according to the company. When completed, it will be one of the largest solar facilities in Indiana.

The company has filed for permits from the Utility Regulatory Commission. The company will make the energy available to Duke Energy Indiana customers, including the naval base.

It would be Duke's second solar farm on a military base. The company built a 13-MW solar farm at Marine base Camp Lejeune in North Carolina.

More: Inside Indiana Business

NRG Home CEO McBee Announces Departure

McBee

Amid an exodus of executives at NRG Energy, Steve McBee has departed as president and CEO of NRG Home, the company's retail residential business unit.

The company did not give a reason for McBee's departure. His exit comes about a month after NRG CEO David Crane stepped down amid a steep downturn of the company's stock price. Robyn Beavers, founder and leader of a microgrid research and development organization within NRG called Station A Group, also left last month.

NRG Home is NRG's residential retail division, which includes its solar energy business. McBee came to NRG in December 2014 from a D.C.-based strategic consulting business that he founded.

More: Bloomberg News; Greentech Media

ComEd Teams with Startup To Give Customers Energy Info

Commonwealth Edison has teamed up with a startup created at Northwestern University to provide customers a way to track and change their energy use. MeterGenius allows customers to go online and access their energy-use data collected by ComEd's smart meters.

A pilot program allows 6,500 ComEd customers to use MeterGenius tools to earn rewards such as gift cards and appliances, and enter competitions to see who can reduce their energy use the most. MeterGenius was started by four Northwestern graduate students in 2013 and now is based in St. Louis.

More: The Daily Northwestern

FirstEnergy Conducting Study On Reopening Hatfield's Ferry

FirstEnergy is studying whether to reopen a 1,710-MW coal-fired plant in southwestern Pennsylvania that it closed in 2013. The company mothballed the Hatfield's Ferry plant in Greene County because of low wholesale prices and declining demand in the area, along with anticipated costs of bringing its coal-fired generators into environmental compliance.

The company says it is reconsidering the closure because of evolving market forces and changing regional capacity conditions. "We're only evaluating whether this would be a feasible option down the road," said Jennifer Young, FirstEnergy spokeswoman. Young said the company is looking at all options, including the possibility of shifting the plant to use natural gas instead of coal.

The status of a second coal-fired plant that was also shut down in 2013, the 370-MW Mitchell plant in nearby Washington County, is not currently being reconsidered.

More: Observer-Reporter

Exelon Signs Go up On Baltimore Tower

Workers have installed signs denoting a 20-story tower under construction at Harbor Point in Baltimore's Inner Harbor to be the local headquarters of Exelon.

The tower, which will also have 100 apartment units, is being built on the grounds of the former Allied Signal Chemical Plant between Harbor East and Fells Point. Exelon committed to maintaining a local headquarters when it acquired Constellation Energy. The tower is slated to open later this year.

More: Baltimore Business Journal

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FEDERAL BRIEFS

Former FERC Commissioner Moeller Joins EEI

Moeller

Former FERC member Phil Moeller has signed on with the Edison Electric Institute as senior vice president of energy delivery and chief customer solutions officer, the organization announced after its winter meeting.

"I look forward to welcoming Phil to the EEI team," said Nick Akins, EEI chairman and CEO of American Electric Power. "Phil's diverse talents and considerable expertise in regulatory and legislative affairs will be incredibly valuable for the industry during a time of considerable change."

Moeller will direct EEI's energy delivery, retail energy services and state regulatory outreach activities. He left FERC last fall after two terms.

More: EEI

TransCanada Sues US for $15 Billion over Keystone XL

TransCanada, the developer of the Keystone XL pipeline project, has sued the U.S. for failing to issue crucial permits to allow the project to proceed. The company is seeking $15 billion in damages, saying the State Department's denial of the permit for the $8 billion pipeline was "arbitrary and unjustified."

TransCanada is suing under terms of the North American Free Trade Act in U.S. District Court in Texas, saying the Obama administration's denial "exceeded his power under the U.S. Constitution."

"In its decision, the U.S. State Department acknowledged the denial was not based on the merits of the project," TransCanada said in the statement. "Rather, it was a symbolic gesture based on speculation about the perceptions of the international community regarding the administration's leadership on climate change and the president's assertion of unprecedented, independent powers."

More: Scientific American

FERC Grants Columbia Permits for Utica Access

FERC on Friday approved Columbia Gas Transmission's proposed $45 million Utica Access Project in West Virginia, designed to bring Appalachian shale gas to market. The project, which includes 5 miles of new pipeline and modifications to existing compression facilities, would supply up to 205 million cubic feet of gas per day to the Appalachia Pool.

The project is expected to be completed this year.

Columbia also filed an application with FERC for its WB Express project, which calls for construction of two new compressor stations, about 26 miles of pipeline replacement located along existing corridors and approximately 3 miles of new pipeline in Virginia and West Virginia. That system would deliver 1.3 billion cubic feet a day of shale gas to Mid-Atlantic and Gulf markets.

More: Columbia Pipeline Group

FERC Extends Comment Period for Northeast Energy Direct

FERC extended the public comment period for the Northeast Energy Direct pipeline until Jan. 15 after what it described as errors in its online comment system in late December and the first few days of January.

Kinder Morgan's plan is to build a $5 billion, 415-mile pipeline to carry shale gas from Pennsylvania through New York to New Hampshire and Massachusetts. The comment period was set to end Jan. 6, but the errors kept some parties from filing comments.

More: KallanishEnergy

DOE Selects Team to Explore Borehole Disposal Method

The Energy Department has appointed a team to research the feasibility of drilling deep holes into a crystalline rock structure in North Dakota as a possible method of storing nuclear waste. A team from the Battelle Memorial Institute will drill a test hole in the formation near Rugby, N.D., as part of the project.

Energy Secretary Ernest Moniz said there could be several uses for such deep drilling, including waste disposal or geothermal energy development. It's not a new idea. More than 40 years ago, the government examined the possibility of drilling into granite formations to store weapons production nuclear waste, but no active project came of that.

The department said it would commit $35 million to the Rugby project over the next five years.

More: Department of Energy

EPA Chief Says Office Will Push to Maintain Climate Gains

EPA Administrator Gina McCarthy said last week that the coming year will see ambitious moves by the Obama administration to maintain and build on gains it has made fighting greenhouse gas pollution.

"We're not just going to stay with what we've already done," she said in a speech before the Council on Foreign Relations. She said the administration will continue to press for additional gains, in part by assisting other countries.

"Countries want to do it, but many of them don't have the capacity at this point," McCarthy said. "A lot of what the EPA is doing is sharing expertise — on how to do the work and also on the benefits it brings, so it's not seen as a chore but as an opportunity."

More: The Washington Post

House Republicans Seek to Block EPA Clean Water Rule

House Republicans are set to consider a bill that would block the EPA Clean Water Rule, arguing the rule gives the government too much control over uses of the nation's waterways.

The House Rules Committee is planning to take up a Congressional Review Act of the rule this week. It is a step before the rule goes before the House for a final vote. The Senate in November passed a CRA resolution.

"My legislation is the necessary next step in pushing back against this blatant power grab by the EPA," Sen. Joni Ernst (R-Iowa), the resolution's sponsor, said in November. If the House passes the resolution, President Obama likely would veto it.

More: The Hill

STATE BRIEFS

REGIONAL

Ponseti, Kormos Named To EIPC Committee

The Eastern Interconnection Planning Collaborative has announced the appointment of Tim Ponseti as chairman of the executive committee for 2016 and Mike Kormos as vice chairman.

Ponseti is vice president of transmission operations and power supply for the Tennessee Valley Authority. Kormos is executive vice president and chief operations officer for PJM. Ponseti takes the place of Steve Whitley, former president and CEO of NYISO.

The EIPC was formed by Eastern Interconnection planning authorities to perform interconnection-wide transmission analysis.

More: *Eastern Interconnection Planning Collaborative*

COLORADO

PUC Affirms Decision on Boulder's Municipal Plans

The Public Utilities Commission on Wednesday affirmed an earlier decision that rejected the City of Boulder's application to municipalize Xcel Energy facilities that exclusively serve customers outside city limits, saying the commissioners won't force the utility to share facilities with the city.

The commission in November partially dismissed an application from Boulder to acquire facilities to create a city-owned utility, including substations and distribution infrastructure outside the city's boundary. But the commission also will allow Boulder to engage in discovery and permit it to amend its original application after it learns more about Xcel's system.

City engineers anticipate receiving data needed from Xcel in order to formulate an interconnection plan that works for Boulder customers and those who will remain with Xcel. Boulder is targeting a December 2017 start date for a city-owned utility.

More: *Daily Camera*

INDIANA

NIPSCO Directed to Resubmit Energy Efficiency Plan

Consumer advocates responded positively to the Utility Regulatory Commission's order requiring Northern Indiana Public Service Co. to resubmit its overall energy efficiency plan after deciding the utility's filing did not include adequate goals. The commission ordered the resubmittal by 2017.

The commission's order was viewed as the first test of Gov. Mike Pence's 2015 energy efficiency law, which replaced a more aggressive statewide energy efficiency program that the General Assembly killed in 2014. The state law does not place a time limit on surcharges that utilities can impose to recover revenue lost due to greater efficiency efforts, but the commission's order on NIPSCO imposed a four-year cap on cost recovery.

"This is a big win for ratepayers," Kerwin Olson, executive director at Citizens Action Coalition, told *The Times of Northwest Indiana*. "We will see a continuation of efficiency programs from NIPSCO but also caps on how much NIPSCO can collect from ratepayers."

More: *The Times of Northwest Indiana*

MAINE

Low Prices Forcing Biomass Plants to Shut Down

Low power prices are forcing two biomass plants to suspend operations in March, raising concerns in the state's logging industry.

The Professional Logging Contractors of Maine on Thursday said the move will affect up to 2,500 jobs. The two plants buy wood waste from logging operations.

Covanta Holding Corp., the plants' operator, said this has happened before and operations have resumed when the economy has improved. The Covanta plants are two of six biomass plants in the state. Biomass accounts for 60% of the state's renewable energy portfolio and 27% of its electricity generation, according to the U.S. Energy Information Administration.

More: *Portland Press Herald*

MICHIGAN

Consumers Gets OK for New Gas Compressor Station

Local officials in Huron County have approved construction of Consumers Energy's proposed $9 million natural gas compressor station, which the utility says would improve reliability of its gas distribution system.

The County Planning Commission approved site plans for the 1,900-square-foot compressor building, which will be situated on three acres in the town of Sebewaing. Consumers, which supplies gas and electricity service across most of the state, said the compressor station is expected to only run about two weeks per year, as needed.

More: *Huron Daily Tribune*

NEW HAMPSHIRE

Radio Station Fined $540,000 for Ads

The Federal Communications Commission has reached a $540,000 settlement with Cumulus Media, the former owner of a radio station that in 2011 broadcast 178 ads supporting the Northern Pass transmission project without identifying the ad's sponsor — Northern Pass Transmission.

FCC says its settlement is the largest ever involving a single station for violating sponsor identification laws. "Radio and television stations that are paid to air any announcements or other content are required to clearly disclose the payer's identity," FCC Enforcement Bureau Chief Travis LeBlanc said.

The Northern Pass is a proposed 192-mile transmission line that would deliver 1,090 MW of Canadian hydropower to New England. About 60 miles of the line would be buried to reduce its visual impact.

More: *New Hampshire Union Leader*

Continued on page 21

STATE BRIEFS

Continued from page 20

Bills Filed in Legislature Against Northeast Energy Direct

At least 10 bills have been filed in the state legislature to impede Kinder Morgan's proposal to build its Northeast Energy Direct gas pipeline across the state's southern tier.

One bill would prohibit charging residents for the construction of high-pressure gas pipelines, taking direct aim at the Public Utilities Commission, whose staff said it would be legal for utilities to recover their costs from electricity customers. Several bills, anticipating that FERC will approve the project, would allow property owners to require the pipeline company to purchase their entire property, not just a pipeline easement. Another bill would require pipeline companies to pay 300% of fair market value.

Other bills would give a community the right to regulate noise levels for compressor stations, require a royalty on income from gas exported to another country paid to landowners along the pipeline route and mandate owners of gas transmission pipelines to maintain insurance against damages.

More: *New Hampshire Union Leader*

NEW JERSEY

State Best Poised to Produce Offshore Wind Energy

The state has the highest potential to develop offshore wind energy of any Northeastern state, according to a report by the Environment New Jersey Research Policy Center.

The study was released as the Legislature prepares to vote on an experimental wind farm off the coast of Atlantic City.

The environmental group, which supports the project, says the ability to generate as much as 1,700 MW in wind power could be realized within five years if the state moves quickly.

More: *Associated Press*

NEW YORK

Smart Meters Coming To Long Island Businesses

PSEG Long Island will roll out a scaled-back smart meter plan aimed mostly at large commercial and solar customers after its initial plan to install 180,000 devices was shelved last year by state regulators.

PSEG's plan, part of a broader grid-modernizing initiative called Utility 2.0, calls for building a wireless communication system to collect the smart meter data. PSEG also will deploy smart meters for all new solar energy installations for net metering and for some residential customers who have hard-to-reach meters. The cost for the project, expected to be completed by year-end, is $3.9 million.

The utility already has more than 7,000 smart meters deployed around Long Island after several separate smart grid pilot programs.

More: *Newsday*

State Grant Allows for Cut in Plant Emissions

Modifications to its 350-MW gas-fired power plant will reduce CO_2 emissions by 4,000 tons/year, Caithness Long Island Energy says.

The company received a $163,000 grant from the New York State Energy Research and Development Authority to pay for the upgrades, which were completed in December. The grant is part of a statewide plan to reduce emissions from traditional plants.

Caithness says the more technically advanced turbine components improve efficiency. The plant has a $1.7 billion, 20-year contract to supply the Long Island Power Authority.

More: *Newsday*

PENNSYLVANIA

Natural Gas Production From Shale Stalls

Natural gas production from the Marcellus and Utica shales in the state was stagnant last year, as falling prices led companies to defer expansion, demand slumped and a shortage of pipelines remained.

The demand for gas surged in recent years as generators switched from coal-fired plants to comply with tighter air quality standards, but that activity is expected to slow until 2020.

Meanwhile, consumer growth has remained sluggish amid milder-than-usual temperatures.

More: *State Impact*

SOUTH DAKOTA

PUC Approves Keystone XL Route Through State

Local regulators have once again approved the route of the Keystone XL pipeline through the state, but they made its endorsement conditional on eventual approval of the project by the Obama administration.

The Public Utilities Commission approved the pipeline in 2010, but it had to undergo a review again because the state-imposed four-year statute of limitations had expired.

TransCanada's project is currently stalled after being rejected by President Obama. The proposed pipeline would run from Canada through parts of Montana, South Dakota and Nebraska and then interconnect through existing pipelines to refineries on the Gulf Coast.

More: *Associated Press*

Continued on page 22

STATE BRIEFS

Continued from page 21

TEXAS

Protested Gas Pipeline Closer to Approval with FERC Move

A coalition of state ranchers, environmentalists and disgruntled landowners has suffered a major setback in its battle to block a proposed pipeline that would carry natural gas beneath 143 miles of largely untouched Big Bend land.

FERC staff offered a key endorsement of a stretch of the Trans-Pecos Pipeline, writing that it "would not constitute a major federal action significantly affecting the quality of the human environment" in a draft environmental assessment issued Jan. 4.

The partnership between Energy Transfer Partners and Mexico's Carso Energy could deliver as much as 1.4 billion cubic feet of gas each day to Mexico, where officials have recently opened up the energy sector to private companies. Supporters say the pipeline will generate construction jobs in the state and local tax revenue. Gas imports could also allow Mexico's border cities to retire dirtier power plants that burn coal, wood and oil.

More: *The Texas Tribune*

Solar Power Expected To Jump 6-Fold in 2016

The state leads the nation in wind energy production but ranks 10th in solar production as of September 2015. The state doesn't match the incentives of some states and has an abundant supply of other cheap energy, including natural gas.

But prices for solar panels have fallen more than 80% since 2009, and the outlook for solar generation is picking up in the state because there's plenty of sun, a growing population, a huge electric load and a hyper-competitive electricity market.

Last year, solar installations in ERCOT grew almost 50%. This year, solar generation could jump six-fold, according to ERCOT projections, which are based on developer agreements to connect with the grid.

More: *The Dallas Morning News*

WISCONSIN

Lawmakers Set to Vote On Lifting Nuke Moratorium

State lawmakers are scheduled to vote this week on a bill that would lift the moratorium on construction of new nuclear generating stations. Current law blocks new plants unless a national repository for spent fuel is developed. Current state law also prohibits construction of nuclear plants if costs would burden ratepayers.

The bill's Republican sponsors say nuclear energy is a possible way to meet new federal emissions standards.

More: *Associated Press*

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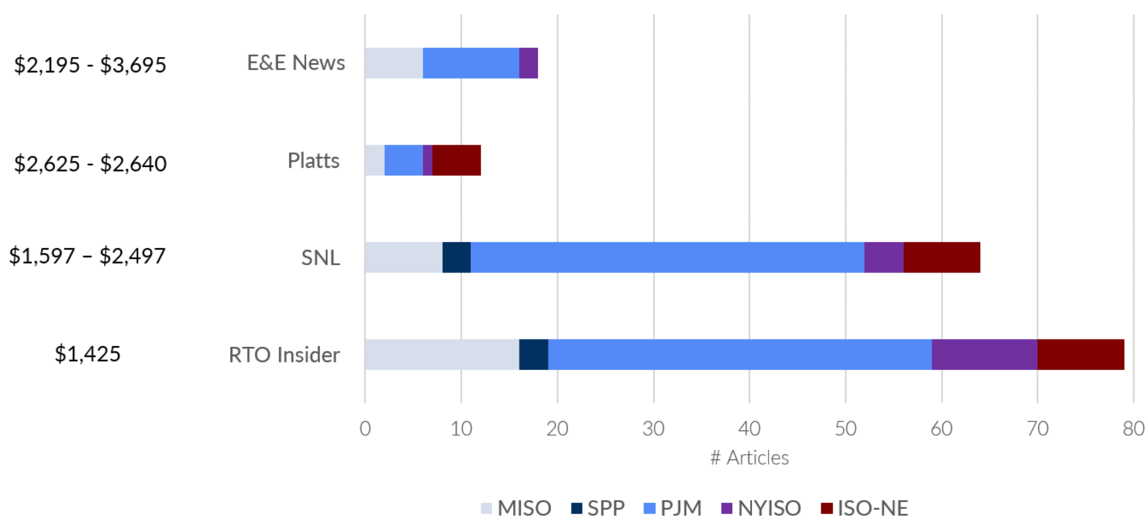

Notes: Number of articles mentioning individual RTOs (Dec. 2014) for all publications produced by publisher; Requires multiple subscriptions for E&E News, Platts and SNL.
Pricing for *RTO Insider* based on a single annual subscription, including archive access.
Pricing for competitive publications (including archive access) is provided as a range.

IPPs Challenge Dominion on Proposed Va. Generator

Continued from page 1

independent review."

The groups said Dominion's RFP "was not designed to elicit competitive bids" but to satisfy the legal requirements to justify its self-build proposal. While the company had been planning a 3x1 combined cycle plant since 2011, the November 2014 RFP, which sought baseload/intermediate generating resources in service by 2020, gave competitors only six weeks to submit bids.

They also contended the RFP included "unnecessary and overly restrictive" specifications regarding contractual terms, fuel supply and the plant's location.

Internal Review

In its application, Dominion's said its self-build proposal and responses from seven other bidders were impartially evaluated by a Dominion team separate from the staffers developing the Greensville plant. The proposals were judged on price and non-price metrics, including "economic impact, fuel strategy, facility reliability, bidder financial strength and environmental risks."

The company called the Greensville power station "the clear economic and operational choice" as the next required resource for its long-term needs, saying it would save customers $2.1 billion in net present value compared to purchases from the PJM wholesale market.

"It will support a continued balance of demand and supply resources, in addition to wholesale market purchases, and will serve as a prudent addition to the company's generating fleet," Dominion said.

If approved, the Greensville plant would be the third combined cycle plant built by Dominion in five years.

The company said it is projecting peak load growth of approximately 4,580 MW in the Dominion zone over the next 15 years, an average increase of 1.5%. PJM's 2015 load forecast identified the zone as the fastest growing in the RTO because of its popularity as a site for energy-hungry data centers. (See *Changes to PJM Load Forecast Cuts Benchmark Peaks*.)

The plant would boost Dominion's rate base. The company proposed a revenue requirement of $41.6 million per year based on a 10% return on equity. SCC staff said the requirement should be cut by $2.5 million based on an ROE of 9.25%.

EPSA and P3 said the SCC should require a neutral, third-party evaluation of bids because the utility has a conflict of interest.

"The notion that Dominion employees can impartially review the company's own proposal simply because they were not on the 'self-build team,' along with the company's conclusion that its option represents a net present value savings of $1.5 [billion] to $2.304 billion compared to the alternatives evaluated, are suspect at best," the groups said.

"There is nothing in [the company's] testimony that gives us any idea of what the company actually did to evaluate alternatives."

The company's two proposals received scores of 4.52 and 4.54 on a 5-point scale, while the highest scoring of the seven competitive bids received only a 3.3 rating.

SCC Staff Noncommittal

The groups were also critical of the SCC staff, saying it "has not undertaken a critical analysis of Dominion's conclusions regarding its analysis of market alternatives."

Marc A. Tufaro, a principal utilities analyst in the commission's Division of Energy Regulation, filed testimony Nov. 20 saying the Greensville plant "is expected to have the lowest total cost when dispatched in excess of a 20% capacity factor."

Tufaro did challenge the company's projected savings, saying its forecasts of fuel prices, market purchase prices and other factors were "extremely difficult to predict with a high degree of accuracy."

Tufaro said whether Dominion adequately considered third-party market alternatives was "a difficult question to answer," expressing no opinion.

"Should the commission determine that the company has adequately considered third-party market alternatives, staff is not opposed to the approval of a CPCN for Greensville."

Tufaro said "no respondents or comments [were] filed by the public contesting" Dominion's conclusion Greensville was a better option than any third-party alternatives. EPSA and P3 said Tufaro ignored testimony by a consultant to environmental groups who they said criticized "the limited scope" of Dominion's RFP.

2013 Law

The Virginia General Assembly amended the state Electric Utility Regulation Act in February 2013 requiring that a "utility seeking approval to construct a generating facility shall demonstrate that it has considered and weighed alternative options, including third-party market alternatives, in its selection process."

In October 2015, the SCC rejected Dominion's proposed 20-MW Remington solar facility, ruling that the evidence submitted by the company — an analysis of North Carolina's solar market — was insufficient because the resources the company considered were already committed.

The commission said a "serious and credible RFP process would certainly be relevant to whether a CPCN applicant has met the code's requirement to consider and weigh third-party market alternatives in the company's selection process; however, we do not need to rule herein that a formal RFP must always be performed in a CPCN case in order to fulfill the demonstration required by [the law] regarding alternative options, including third-party market alternatives.

"There may be other credible methods to meet the statute's requirement."

RTO Insider

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MRC/MC Preview

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

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

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

See *PJM Proposes Operating Reserve Changes to Cut Uplift*

pjm

Energy Market Uplift Senior Task Force Charter
Draft

Mission

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

PJM Proposes Operating Reserve Changes to Cut Uplift
April 30, 2013

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

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

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

- **Federal and state regulatory news briefs**

OHIO

Industry Likes Efficiency Rule, Wants Spending Cap

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

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

More: *Columbus Business First; The Columbus Dispatch*

- **Voting summaries**

Trading Limits

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

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

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PJM will seek to set a limit on capacity imports before next year's Base Reliability Auction under a problem statement approved Thursday by the Planning Committee. -more-

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

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