



PJM Annual Meeting 2016

Consumer Advocates, Enviros Press PJM on Seasonal Capacity, Artificial Island

By Rich Heidorn Jr.

CAMBRIDGE, Md. — State consumer advocates last week pressed the PJM Board of Managers to change Capacity Performance rules to allow more participation by seasonal resources.

At the annual meeting between the board, consumer advocates and environmental groups, the advocates and environmentalists joined in calling for PJM to consider a seasonal capacity construct that would allow more participation by demand response, energy efficiency and solar resources.

The meeting filled a large ballroom at the PJM Annual Meeting. Increased funding for the Consumer Advocates of PJM States (CAPS) allowed more representatives to



participate, with 11 of PJM's 13 states and D.C. attending. (See [FERC Approves PJM Funding of Consumer Advocates](#).) The meeting was also marked by an impassioned plea from Delaware officials for relief from the cost allocation for the Artificial Island transmission project.

The Capacity Performance rules include the

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MISO Board Orders Negotiation in Capacity Disagreement Between Staff and IMM

RTO Changes Elements of Auction Proposal; IMM Still Voicing Concern

By Amanda Durish Cook

Carmel, Ind. — Independent Market Monitor David Patton last week asked MISO's Board of Directors to suspend the RTO's work on the proposed redesign of its capacity auctions, escalating a running disagreement over the issue.

"I regret we're at this point," Patton told board members. "We're talking about carving out Zone 4," referring to his concerns that a proposed forward procurement plan for retail-choice areas will isolate the Illinois region.

Patton's request came shortly after RTO staff produced a handful of [revisions](#) to its

competitive retail solution construct. The changes included transforming the proposed forward auction to fulfilling full — rather than partial — reserve requirements, eliminating a provision for optional participation among load-serving entities and adding forward-looking transmission modeling.

"The [forward auction construct] we're proposing today is not that dramatically different from our March 18 proposal," said Jeff Bladen, MISO executive director of market services.

"I feel like the last proposal was more reasonable than this one," Patton said.

"And, of course, I didn't consider the last

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NY REV Order Revamps Utility Business Model

By William Opalka

The New York Public Service Commission on Thursday approved an overhaul of the way utilities will earn money as the state switches to more distributed and cleaner energy sources. The so-called Track 2 order in the state's Reforming the Energy Vision initiative intends to provide a framework for utilities to remain financially sound while offering customers greater choices to interact with third parties ([14-M-0101](#)).

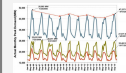
The order was contemplated when New York embarked on the REV process two years ago. A part of that initiative continued last summer with the release of a staff white paper that offered a more detailed look at

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CAISO

[Aliso Canyon Restrictions Cloud CAISO Summer Outlook](#)



A rebound in hydroelectric capacity means healthy operating reserves for California this summer. ([p.3](#))

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The New England Electricity Restructuring Roundtable celebrated successes. ([p.7-8](#))

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[SPP, AECI Endorse Scope for 2016 Joint Planning Study](#)



SPP and AECI unanimously endorsed the scope for their biennial joint system planning study. ([p.23](#))

ERCOT

[Texas PUC Denies Rehearing on Oncor Sale, Ends Hunt Bid](#)



The PUC unanimously agreed to deny all motions for rehearing in Hunt's bid for Oncor. ([p.27](#))

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RTO Insider

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NY REV Order Revamps Utility Business Model

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how a utility of the 21st century could operate. (See [NYPSC Outlines Reforming the Energy Vision Changes](#).)

'Energy and Financially Inefficient'

The current grid was based on utilities earning returns on investments in large, centralized power systems sized to meet peak electric demand that occurs only a few days each year, "an energy and financially inefficient system," the commission said in announcing the order.

"Cost-of-service ratemaking has allowed regulated distribution utilities to be insulated from the opportunities and the competitive pressures of the modern information economy. As a result, gains in capital productivity remain low and the efficiencies made possible by information technologies and new business models have been slow to materialize in the utility sector."

The rules will create a new business model with "earnings opportunities for utilities that are aligned with consumer value and with a more efficient and resilient distributed low-carbon electric system," the 158-page order states.

The NYPSC said the "historic structural reforms" to ratemaking are "unprecedented in its breadth and scope," an effort to accommodate the digital economy while also transitioning to New York's clean energy goals of deriving 50% of its energy from renewable resources by 2030. (See [Cuomo: 50% Renewables by 2030, Keep Nukes Going](#).)

"What we want is utilities to start thinking about the ability to use third-party programs, not as something that they have to do because we require them to do them, or they do the minimum to make us happy, but because they want to do this because the earnings they can get from using other resources that drive efficiency can give them as much opportunity as traditional cost of service," PSC Chair Audrey Zibelman said at the meeting.

"The focus of this decision is to create a modern regulatory model that challenges utilities to take actions to achieve these objectives by better aligning utility shareholder financial interest with consumer interest," the order states.

'Transactive' Grid

The order envisions a two-way

"transactive" grid instead of the current one-directional flow.

It builds on traditional cost-of-service ratemaking with the addition of market-based platform earnings and outcome-based earnings opportunities.

The order states there are three principles to ratemaking reform:

- The unidirectional grid must evolve into a more diversified and resilient distributed model engaging customers and third parties;
- Universal, reliable, resilient and secure delivery service must be ensured at just and reasonable prices; and
- System efficiency and consumer value and choice must be improved to achieve a more productive mix of utility and third-party investment.

Platform Service Revenues

Platform service revenues (PSRs) are new forms of utility earnings derived from distribution-level markets. The order contemplates early-stage earnings will come from displacing capital intensive infrastructure projects with non-wires alternatives, such as the Brooklyn-Queens Demand Management Program, which has allowed Consolidated Edison to defer building a \$1 billion substation in Brooklyn in favor of less-costly distributed energy resources: solar, batteries and energy efficiency. (See [NYPSC OKs Con Ed's Demand Management Program to Relieve NYC Overloads](#).)

As markets mature, opportunities to earn with PSRs will increase, the order says. "Earning adjustment mechanisms" are for the design of new incentives earned under several categories:

- System efficiency: Each utility will propose a peak reduction target and a load factor improvement target.
- Energy efficiency: The Clean Energy Advisory Council will develop targets for energy efficiency beyond the existing energy efficiency transition implementation plan and Clean Energy Fund targets.
- Interconnection: A positive earning opportunity will be developed based on satisfaction surveys of DER providers regarding utilities' delivery of timely and cost effective interconnection approvals. Utilities will be required to meet

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Aliso Canyon Gas Restrictions Cloud CAISO Summer Outlook

By Robert Mullin

New generation and a rebound in hydroelectric capacity mean healthy operating reserve margins for California this summer but impending restrictions on the Southern California gas pipeline system could result in load sheds, CAISO warned in its [2016 Summer Loads and Resources Assessment](#) last week.

As a result of the pipeline restrictions — stemming from the closure of the Aliso Canyon gas storage facility — the situation confronting the state this summer is far from normal. (See [CAISO Seeks Rapid Response to SoCal Gas Restrictions](#).)

“We’re immediately faced with running the system in a way that it’s never been run before,” Rob Oglesby, executive director of the California Energy Commission, said at the California Energy Summit in Santa Monica earlier this month.

The ISO’s annual summer reliability report, which outlines its preparedness for California’s peak consumption season, describes a largely favorable situation.

Load in the CAISO balancing area is forecast to peak at 47,529 MW, up just 0.8% from last summer’s peak, due to modest economic growth. At the same time, the ISO has brought on 1,951 MW of net qualifying capacity — or deliverable generating output — over the past year, outpacing the projected growth in peak load.

Operating reserve margins are forecast to remain “well above” the threshold for firm load shedding under the most extreme scenarios. That analysis applied systemwide, as well as generally in the ISO’s NP26 (North) and SP26 (South) regions, although it does not break out reserves for specific load zones. The ISO also sees no shortage in flexible capacity to respond to variability in renewable output and meet spikes in demand.

Hydroelectric conditions have improved significantly compared with the dire drought conditions seen last spring throughout California and up into the Northwest. Statewide snow water content was at 87% of the historical average as of

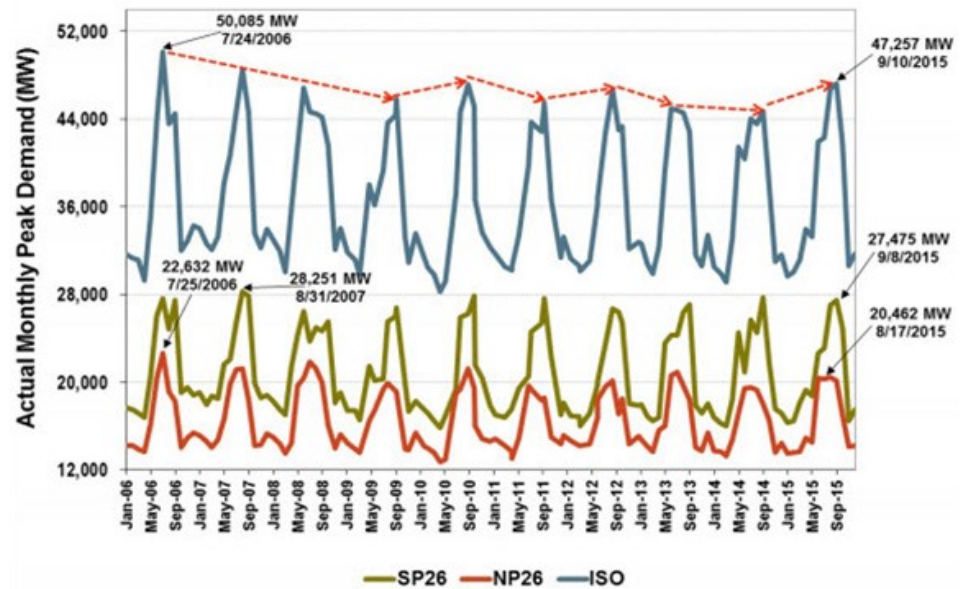


Figure shows CAISO system peak - as well as peaks for Northern and Southern California - over 2006-2015. Source: CAISO

March 30. While snowmelt is advancing more rapidly than normal, CAISO says the situation is “not significant enough” to require a revision of its hydro assumption in the summer assessment. In addition, water levels behind The Dalles Dam — a benchmark for the federal Columbia River system of hydroelectric plants — stand at 101% of average.

“There are no concerns with Pacific Northwest hydroelectric generation,” CAISO said, indicating the winter-peaking region should be able to provide California with significant generation during the summer.

CAISO’s summer concerns instead focus on Aliso Canyon’s impact on the gas system serving 9,500 MW of gas-fired generation located in CAISO’s southern region and the balancing area of the Los Angeles Department of Water and Power, the state’s largest municipal utility.

The ISO notes that its assumed summer reserve margins do not account for the risk of gas curtailments, which could translate into the depletion of reserves in SP26, an area largely served by Southern California Edison and San Diego Gas and Electric.

Even more significant: Curtailments could be large enough to interrupt electricity service to millions of Southern California

customers on as many as 14 days during the summer. The ISO attributes that risk to potential mismatches between gas schedules and gas burn, outages on pipelines and at other gas storage facilities, and prolonged heat waves that could drive increased power demand.

“The natural gas issues facing Southern California this summer will require deft management, particularly during hot days when power plants fueled by natural gas are needed to meet peak demand,” ISO CEO Steve Berberich said in a statement.

CAISO’s Board of Governors earlier this month approved a plan to mitigate the effect of gas curtailments through improved gas-electric coordination with pipeline operator Southern California Gas, new market measures incorporating a gas usage constraint and a provision for reserving transmission capacity into Southern California ahead of potential gas emergencies. (See [CAISO Board Approves Aliso Canyon Market Response](#).)

Officials from CAISO, the Energy Commission, Southern California Edison, LADWP and Peak Reliability presented their summer outlooks to FERC at last week’s monthly commission meeting. CAISO has asked FERC to approve the gas contingency plan by June 1, the start of summer electricity operations in California.



Berkshire Companies Denied Rehearing on EIM Market Power Measures

By Robert Mullin

FERC last week denied a request by NV Energy and PacifiCorp to rehear a previous decision that prohibits the two companies' generating units from offering energy into the Western Energy Imbalance Market (EIM) at prices above default energy bids because of market power concerns.

Both companies are subsidiaries of Warren Buffet's Berkshire Hathaway Energy — and currently the only major participants in the CAISO-run EIM outside of California.

The commission's May 19 ruling also provided a key clarification: The companies' future EIM market power studies must provide analysis of potential power in EIM submarkets stemming from transmission constraints — not just the market as a whole ([ER15-2281-001](#), [ER15-2282-002](#), [ER15-2283-001](#)).

That condition will apply to any new EIM participants as well, FERC said.

At issue in last week's ruling was a November 2015 [order](#) that found the companies had provided a "deficient" market analysis that failed to disprove their horizontal market power in the EIM. The order also questioned CAISO's ability to mitigate such power outside the ISO's own

balancing area.

"This is problematic because all of the EIM-participating generation in the NV Energy and PacifiCorp-East balancing authority areas is owned by the Berkshire EIM sellers," the commission wrote in that order. "Therefore, when the interconnections between CAISO and the NV Energy balancing authority area are constrained, customers in the NV Energy and PacifiCorp-East balancing authority areas must take service from a Berkshire EIM seller for imbalance energy."

FERC's solution: to cap the companies' imbalance energy offers at default bids and require that they facilitate CAISO's enforcement of all internal transmission constraints throughout the NV Energy and PacifiCorp balancing areas — effectively bringing the ISO's local market power mitigation measures into those territories.

While the companies did not oppose the first condition, they contested the second, arguing that the commission had veered from precedent by imposing bidding restrictions rather than relying on CAISO's mitigation to address market power concerns.

In their rehearing request, the companies pointed out that generator participation in the EIM is voluntary — a fact recognized by

FERC. They also argued that market power in imbalance energy did not present the same concerns as concentration in energy or capacity markets.

FERC shot down both arguments in its denial.

"The sufficiency of commission-approved market monitoring and mitigation to address market power concerns has never been invulnerable to challenge," the commission wrote, noting FERC precedent of allowing intervenors to challenge the efficacy of an RTO's monitoring regime.

The commission also reiterated its concern that the EIM could be subject to physical withholding precisely because it was developed and approved as a voluntary market.

"That concern is not to be overlooked simply because imbalance energy is a small part of an EIM entity's reliability and load serving obligations," the commission said.

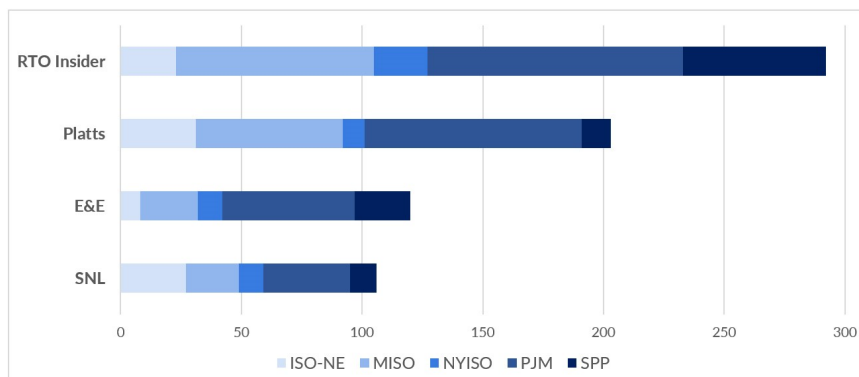
The commission was also unconvinced by the companies' contention that they have little incentive to manipulate a market in which they are among the largest buyers.

"The ability to exercise market power provides adequate justification to impose mitigation," the commission said.

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Brattle Study Sees ERCOT Continuing to Rely on Nat Gas, Renewables

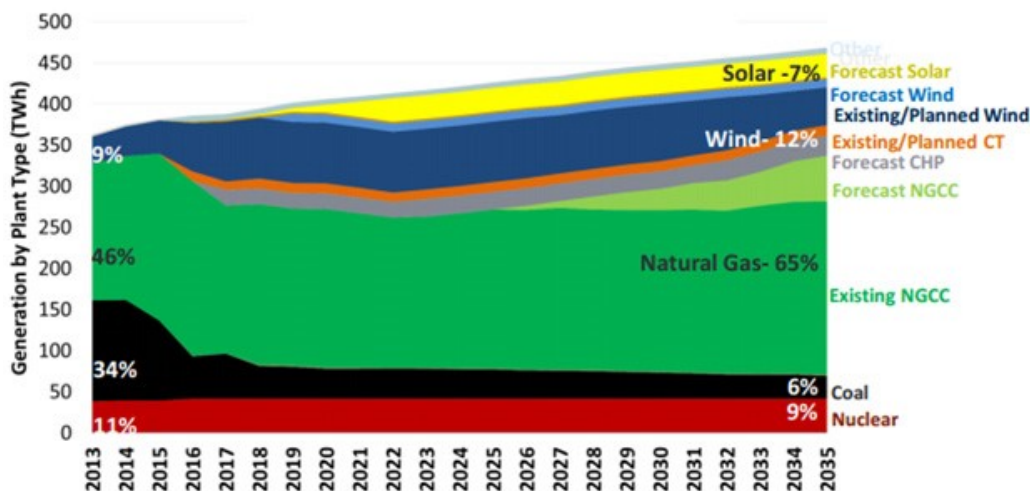
By Tom Kleckner

A Brattle Group analysis of the potential effect of regulatory and market factors on ERCOT's generation says the ISO will rely primarily on natural gas, wind and utility-scale solar power over the next 20 years, continuing recent trends.

ERCOT's current monthly demand and energy report shows natural gas is providing 46.7% of its generation this year, followed by coal (19.6%) and wind (18.3%). Nuclear represents 14.6% of the ISO's generation, but the Brattle study sees that dropping to 9% by 2035. Brattle said low natural gas prices could result in the retirement of 12 GW of coal-fired generation, 60% of ERCOT's current fleet, by 2022.

Solar accounts for just 0.2% of ERCOT's generation, but the ISO expects that to grow from 288 MW to more than 1,000 MW by the time summer begins, with another 6,700 MW of solar capacity under study in the transmission queue.

The Brattle Group study assumes that natural gas prices will remain below \$4/MMBtu and that solar photovoltaic prices will continue to decline. That will result in reduced carbon emissions and inflation-



Notes: (1) 2013-2015 values are from ERCOT historical generation data and adjusted to include self-serving generation from PUNs which is not included in ERCOT's data. (2) The natural gas percentage groups NGCC, CHP, and Combustion Turbine (CT) generation.

ERCOT system generation by year, low natural gas/low PV scenario Source: The Brattle Group

adjusted wholesale prices equal to those of 2014, the report said, and make proposed federal regulations "largely irrelevant."

The analysis was commissioned by the Texas Clean Energy Coalition, which has hired Brattle to conduct three previous studies.

Brattle built its study on four reference cases: low/high natural gas prices and low/high cost of utility-scale solar PV, based on natural gas futures and ERCOT and National Renewable Energy Laboratory

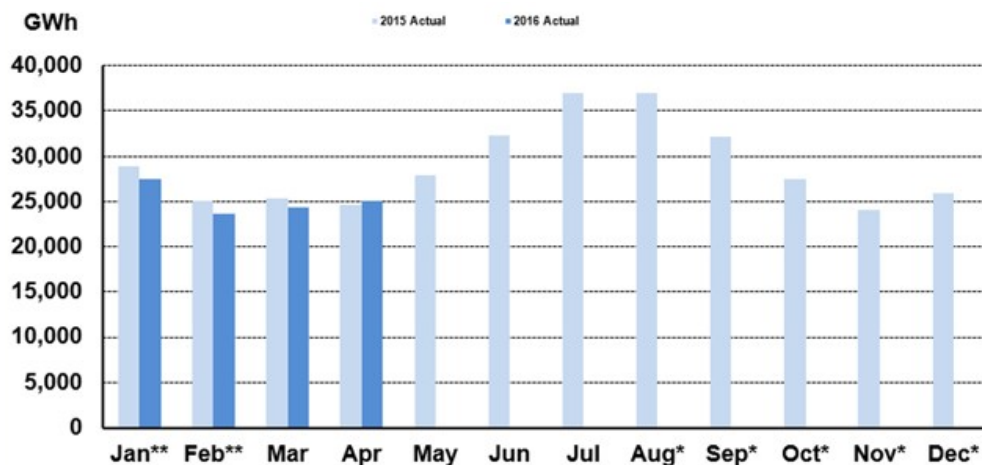
forecasts. Analysts also explored three policy scenarios for each case: improved state energy efficiency programs, and mass- and rate-based emission limits under the Clean Power Plan.

This year, ERCOT said its monthly energy use is down 1.1% from 2015, though April's peak demand was up 12.6% — the first time it has surpassed monthly demand from last year (50,920 MW versus 45,227 MW for April 2015). (See chart below.)

Transmission Concerns

ERCOT spokesperson Robbie Searcy said while the Brattle study used "many of the same basic assumptions" as the ISO's studies, its own analysis indicates "recent environmental regulations may accelerate the pace of unit retirements, potentially faster than the system can adapt to support reliability."

Searcy said the ERCOT study focused on localized transmission-system reliability, which would be more susceptible to generation retirements. "It could take several years for the transmission system to catch up with these needs, in turn creating potential reliability challenges in the interim," she said.



ERCOT actual energy for 2015 and 2016

*Information for 2015 for this month has been updated based on final settlements.

**Information for 2016 for this month has been updated based on final settlements.

Source: ERCOT



Texas PUC OKs Undergrounding Tx Line; City Agrees to Foot Cost

By Rory Sweeney

AUSTIN, Texas — More than three years after it was initially conceived, a short but expensive transmission line to address expected growth in the suburban areas of Denton County, Texas, finally received state regulatory approval last week.

The Public Utility Commission approved a somewhat unusual “settlement stipulation” that committed the City of Frisco to paying more than half of the bill for a hybrid above/below-ground route. The 2.9-mile 138-kV project, which received more than 3,000 comments in protest of various above-ground proposed alternatives, was approved with the stipulation that more than 90% of it be installed underground. Built and operated by the Brazos Electric Power Cooperative, the line will run west along Frisco’s Main Street from an existing Oncor line tap to a new Stonebrook substation.

Based on its projected \$24.5 million cost, the commissioners were reticent to approve the more expensive burying options, but

they relented because Frisco agreed to pay more than \$12 million to get its specified, mostly underground option approved. The agreement will allow the line to be laid underground as part of a widening and water line installation project the city had already planned for the street.

Combined with the existing \$6 million cost credit for the route the PUC had been prepared to approve, Brazos will be able to recoup \$12 million through transmission cost of service recovery. Should Frisco fail to make its payments, the agreement allows Brazos to revert to the all-overhead route.

State Sen. Jane Nelson, who represents the area as the state’s highest-ranking Republican, wrote a letter to the PUC in support of the agreement, saying there were few other viable options because both the Texas Department of Transportation and the U.S. Army Corps of Engineers denied use of their land. Overhead lines would have eventually conflicted with infrastructure needs for street widening and water lines, she said.

She also applauded Frisco for contributing more than 50% of the total cost and more

than 67% of the incremental cost to bury the lines. The commissioners joined Nelson in noting that Frisco’s commitment is “far exceeding” that of other municipalities in similar situations.

The additional costs still didn’t sit well with commissioners, despite arguments that it was a better plan for expected future growth. “I have concerns with uplifting any underground costs to ratepayers,” Commissioner Brandy Marty Marquez said.

“There’s a heavy burden to prove that the undergrounding needs to take place because it’s so much more expensive than placing the lines above ground,” Commission Chairman Donna L. Nelson said at last week’s meeting.

But they had also heard from many citizens near the route, who had organized themselves into a group called Bury the Lines. The city acknowledged that the above-ground routes were “universally opposed” by the community.

The agreement requires that Frisco have its widening and water line project awarded within 15 months of the PUC’s final order.

LS Power Texas Control Center not FERC-Jurisdictional, Commission Says

FERC reassured LS Power last week that the company’s plan to base some of its interstate administrative and operational activities in its Austin, Texas, office won’t trigger commission jurisdiction over ERCOT and its market participants ([EL16-46](#)).

New York-based LS Power, which maintains infrastructure across the country, is developing the Cross Texas high-voltage line connecting wind farms in the Texas Panhandle to the ERCOT grid.

Cross Texas’ primary and backup control centers are in Austin, and LS Power wants to use those facilities to monitor, operate and control similar transmission infrastructure outside of Texas. But first, the company wanted to confirm the administrative work across state borders wouldn’t require FERC’s involvement.

ERCOT doesn’t fall under FERC supervision through the Federal Power Act, and it has been very careful to maintain that autonomy.

LS Power argued that the activities of its

Austin-based employees “will not result in any change to the power flows into or out of ERCOT or mean that electric energy is being sold or transmitted in interstate commerce.” Therefore, the terms of ERCOT’s autonomy should remain intact, they argued.

FERC agreed.

“ERCOT utilities are not generally subject to commission jurisdiction under the FPA because their facilities are neither used for transmission nor for sales of electric energy in interstate commerce (except as a result of interconnection and wheeling service provided pursuant to orders under Sections 210 and 211 of the FPA),” the commission said.

“Petitioners’ employees providing control center services does not change that fact; their actions will not involve the flow of electric energy, or the commingling of electric energy, between ERCOT and the rest of the continental United States, nor will they involve sales of electric energy at wholesale between ERCOT and the rest of



Cross Texas Transmission is renting 16,000 square feet at the CityView Center building in Austin.
Source: LoopNet

the continental United States.”

— Rory Sweeney



New England Electricity Restructuring Roundtable

Restructuring Roundtable Marks 150th Meeting, Looks to Future

By William Opalka

BOSTON — The New England Electricity Restructuring Roundtable met for the 150th time on Wednesday to celebrate some successes and discuss ways to continue moving the nation to a low-carbon future.

The meeting has grown from the small group of stakeholders that met in 1995 in the early days of electric industry restructuring. Last week's session, organized by Raab Associates, filled a hotel ballroom with about 300 attendees.

Among the successes of the last 20 years: the growth of energy and capacity markets and an increasing reliance on clean energy sources and energy efficiency.

Attendees also expressed disappointment over challenges they thought would now be in the rearview mirror.

"We need to put a meaningful price on carbon. We can't do anything unless we do that and it has to show up on" bills, said **Susan Tierney**, senior advisor at Analysis Group.

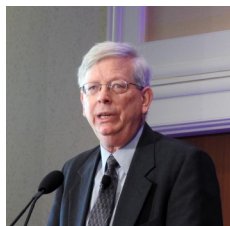


John Howe, senior advisor to Poseidon Water and former chairman of the Massachusetts Department of Public Utilities, agreed. "The single biggest failure

was not to put a price on carbon," he said.

While New England has cut emissions through the Regional Greenhouse Gas Initiative, the record is mixed.

"RGGI is a signal accomplishment," said **Richard Cowart**, director of European programs for the Regulatory Assistance Project. "This is something



that will be a lesson for the world — that carbon revenue is just as important as carbon pricing," because it can be a source of investments to lower carbon emissions through energy efficiency programs and clean energy technologies.

RGGI's trading prices have been far below EPA's estimated "social cost of carbon," however, and revenues from the program have been used to fill some state's budget shortfalls — not solely to support lower emissions.



Kennedy School.

"The scope of the [climate change] problem is enormous. And it's worldwide. If you're not doing it everywhere, you're wasting your time," he said. While the recent Paris Agreement shows some global movement, enacting a carbon tax in the U.S. to further its goals is "politically impossible," he said.

But Hogan sees hope in some movement for more comprehensive tax reform in Washington.

"On that day, they're going to be doing 50 things that are politically impossible,

individually, and I want to make sure a carbon tax is one of the 50."

Despite some frustrations, **Peter Fox-Penner**, professor in the Questrom School of Management and director of Boston University's Institute



for Sustainable Energy, said there is promise in the future. "New England's emphasis on renewable energy and energy efficiency shows industry is poised to meet the challenge of decarbonizing the sector while retaining reliability and affordability."

But the role of natural gas as a "bridge" fuel to that future is a question, as carbon emissions in New England have ceased to fall. The potential loss of the region's nuclear power fleet also could harm efforts to arrest climate change.

"The dash to gas was appropriate at the time ... but the time is at hand to cross that bridge and now is the time to get to cleaner and more sustainable solutions," Howe said.

But given the low price of gas and wide availability, political and cultural shifts may be needed to resist that temptation.

"The discipline to keep the natural gas in the ground is going to be one of the great challenges of the next generation," Cowart said.



New England Electricity Restructuring Roundtable

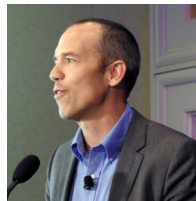
Overheard at the New England Electricity Restructuring Roundtable

Massachusetts Institute of Technology professor **Ignacio Perez-Arriaga**, said the university's Utility of the Future study, scheduled for release in October, will have two major messages: "One is we have to reduce the barriers that impede an efficient and effective participation by distributed energy resources ... and all resources, including DERs, should be exposed to correct economic signals, to allow DERs to respond to system conditions."



demonstration projects. "Massachusetts has been lagging behind, currently ranked about 23rd in advanced storage (electrochemical and thermal), and we want to change that."

Maryrose Sylvester, CEO of GE Current, a new General Electric company merging LEDs, energy efficiency services and the "industrial Internet," discussed how data collection is driving optimal uses of energy efficiency. "Think of all the ways that people can make themselves more productive, when they have so much information. The challenge for a customer is how do you turn all of that data into something that is really usable, that tells them what to do, what to start doing, what to stop doing and to make it very actionable."



year. "If we are going to meet our decarbonization goals, we have to have electric-drive vehicles as the dominant part, especially in the passenger vehicle

market."

DONG Energy's Thomas Broström said the company, which has had extensive experience developing offshore wind in Europe, sees opportunities in the U.S., where it holds federal leases for potential developments off Massachusetts and New Jersey. "We would have capacity factors in the high 20% to the low 30s [on the European projects], but that is trending upward as we're seeing capacity factors in the higher 40s or low 50s as the newer turbines are coming online," said Broström, general manager of the Danish company's North American operations.



Massachusetts Department of Energy Resources Commissioner **Judith Judson** said a comprehensive state study on energy storage will be released in the

coming weeks, which will soon be followed by a request for proposals for

Anthony Eggert, director of transportation for the ClimateWorks Foundation, said global electric vehicle sales reached about 1% of total sales in the fourth quarter of last

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Northern Pass Decision Delayed Nine Months

By William Opalka

The New Hampshire siting board said Thursday it needs more time to consider the Northern Pass transmission line, pushing back its decision until Sept. 30, 2017.

The state's Site Evaluation Committee, following guidelines in state law, originally thought it would wrap up its review by the end of the year. (See [Committee Rules Northern Pass Application Complete](#).)

But the Society for the Preservation of New Hampshire Forests, citing the complexity of the case, filed a motion asking for a suspension of the normal schedule. The committee agreed.

Committee Chair Martin Honigberg said it

was "unrealistic" to complete the review by the end of the year, according to the *New Hampshire Union Leader*. He said September 2017 "was probably the right date" and didn't anticipate any further delay.

The 192-mile, \$1.6 billion project would bring 1,090 MW of Canadian hydropower into New England. Project developer Eversource Energy, which had hoped to begin construction next year and have the line in operation in 2019, called the decision "disappointing."

"It will only delay the realization of the substantial benefits of this project in New Hampshire and throughout New England," Bill Quinlan, president of Eversource's New Hampshire operations, said in a statement. "We look forward to the written order

outlining the details of this schedule and in the meantime will be evaluating our options for seeking reconsideration."

Eversource had agreed to bury 60 miles of the line, but preservationists and advocates for the state's tourist industry had opposed the impact of the line on the natural environment and wanted the entire project underground.

"We applaud the SEC subcommittee's decision to extend the timeframe to consider the Northern Pass application. It will improve the process. Taking an appropriate amount of time to consider all of the impacts a 192-mile transmission line would have on New Hampshire makes sense," Jack Savage, spokesman for the forest society, said in a statement.

FERC Approves ISO-NE FCA 1 Refund Plan

By Michael Brooks

ISO-NE will issue more than \$20 million in refunds to capacity resources that were prevented from reducing their offers in Connecticut for reliability reasons in the 2008 Forward Capacity Auction under an order issued by FERC last week ([ER08-633](#)).

Under the RTO's "proration" rule at the time, the total payment to all listed capacity resources had to equal the clearing price multiplied by the installed capacity requirement. To achieve this, resources could either receive capacity payments lower than the clearing price (price proration) or reduce their capacity supply (quantity proration). All proration, however, was subject to a reliability review.

Public Service Enterprise Group complained that ISO-NE barred it from prorating its capacity supply in Connecticut, forcing the company to offer at a lower price. When its protest and rehearing request were denied by FERC, the company sued in federal court. The D.C. Circuit Court of Appeals ruled in favor of PSEG and remanded the case back to the commission.

Last year, FERC reversed its decision, saying, "We now find that where resources needed for reliability were prohibited from prorating quantity under the proration rule,

they should have received the full market clearing price for each megawatt offered." It ordered ISO-NE to provide a plan for resettlement.

The RTO reported that 5,870 MW would have been prorated had plants been allowed to. The clearing price for FCA 1, conducted in February 2008, was \$4.50/kW-month. To determine how much each plant would be owed, ISO-NE took the difference between the clearing price and the prorated price, \$4.254/kW-month, converted it to megawatt-years and multiplied it by 5,870. The result was about \$17.3 million in refunds, plus about \$3.1 million in interest. The RTO said it would recalculate the interest owed upon FERC's order, so the final amount refunded to companies will be higher.

"We find the resettlements ... appropriate to ensure that PSEG and other Connecticut resources that were not able to prorate quantity be paid the full capacity clearing

Customer Name	Base Charge Plus Interest
Connecticut Municipal Electric	(\$1,022,379.51)
Northeast Utilities Service Co	(\$15,565,871.35)
United Illuminating Company	(\$3,751,941.83)
NextEra Energy Power Marketing	(\$2,433.06)
NRG Power Marketing LLC	(\$16,356.00)
PSEG Energy Resources & Trade	(\$13,603.88)
Dominion Energy Marketing, Inc.	(\$10,986.03)
Milford Power Company, LLC	(\$1,113.48)
Kleen Energy Systems, LLC	(\$5,276.62)
GenConn Energy LLC	(\$2,039.56)
Waterbury Generation LLC	(\$118.22)
TOTALS	(\$20,392,119.54)

Load-serving entities that will have to make additional capacity payments under ISO-NE's resettlement plan. *Source: ISO-NE*

price for each of the megawatts that cleared FCA 1," the commission said.

Eversource Energy, which was Northeast Utilities at the time of the auction, will pay the bulk of the refunds, at almost \$15.6 million. UIL Holdings, now part of Avangrid, will pay about \$3.8 million. (See chart above.)



Former PUCO Chairman Andre Porter Joins MISO as General Counsel

By Amanda Durish Cook

Former Public Utilities Commission of Ohio Chairman Andre Porter is crossing state lines to become MISO's general counsel.



He will replace Stephen Kozey, who will continue in his other roles overseeing compliance services and serving as secretary to the board. Kozey, the RTO's first general counsel, will be able to devote more time to remaining responsibilities and advise Porter as he takes on the role, according to [MISO](#).

Porter will begin work at MISO's Carmel, Ind., headquarters on June 27.

Porter said he did not seek nor consider positions with other RTOs. "MISO is the only place for me. It's the opportunity of a lifetime ... and an exciting one."

MISO spokesperson Andy Schonert said bringing Porter into MISO involved an "ongoing conversation" between Porter and the RTO, while Porter said he was able to develop a longstanding relationship with MISO from his work in PJM. "I've always followed MISO and admired MISO's transparency. I'm hopeful that I can add to what is already a spectacular team," he said.

MISO CEO John Bear said Porter's expertise is "a great match" for the RTO.

"Andre's background spans a broad spectrum of the energy industry, and he has extensive experience working with

commissions and FERC," Bear said.

Porter holds a bachelor's degree in political science from Capital University and a law degree from The Ohio State University Moritz College of Law.

Porter worked as an energy, public utilities and real estate taxation attorney before serving as a PUCO commissioner from 2011 to 2013.

Before returning to PUCO as chairman, Porter led the Ohio Department of Commerce.

Porter resigned from PUCO late last month, just over a year after taking the position and less than a month after PUCO unanimously approved controversial, eight-year power purchase agreements for FirstEnergy and American Electric Power. Porter's term wasn't slated to expire until April 2020. (See [PUCO's Porter Submits Resignation](#).)

The PPAs guarantee the utilities' merchant generators receive revenue streams above current market prices to shield them from cheaper natural gas generation. The companies asked PUCO to cancel the agreements after FERC ruled that they would need to be reviewed under the commission's affiliate abuse test. (See [PUCO Grants FirstEnergy Rehearing on PPA; Opponents File Protests](#).) FERC said last month that in spite of Ohio's retail choice law, the companies' ratepayers were effectively "captive" customers because the PPAs impose non-bypassable distribution charges.

Critics contend the PPAs, which weren't subject to competition, could impose billions

in extra costs on consumers and equate to coal bailouts. FirstEnergy and AEP maintain the PPAs are essential in keeping their struggling Ohio coal plants operational, and AEP CEO Nick Akins said the company intends to lobby Ohio legislators to reregulate the deregulated Ohio power market or sell all its generation in the state before it consents to submitting its PPA for FERC review.

Porter declined to say whether he was brought back to PUCO to complete the AEP/FirstEnergy agreements.

"I came back to the commission because there were challenges, and I'm the kind of guy that seeks out challenges. It was just really about coming back to a place where I could help. I certainly appreciated my time working with the utilities of Ohio."

Porter also declined to answer questions on what he thought of the status of the deals now and if AEP could run a successful bid for reregulation in Ohio, citing FERC's ongoing review and his new commitment to MISO.

"Right now I'm squarely focused on MISO," Porter said.

Gov. John Kasich named PUCO Vice Chair Asim Haque to replace Porter, making Haque the fourth PUCO chairman in four years.

"I enjoyed my time at PUCO, and I'm forever grateful to Gov. Kasich for the opportunity. I think my successor, Mr. Haque, is more than capable; he's going to lead with clarity, and the state of Ohio will be well served," Porter said.

ARPA-E to Join MISO for First-Ever Market Symposium

MISO will partner with the U.S. Department of Energy's Advanced Research Projects Agency-Energy (ARPA-E) for the RTO's inaugural [Market Symposium](#) Aug. 18-19 in Indianapolis.

ARPA-E staff will share insights on how technology is reshaping the electric grid. (See "MISO to Hold August Market Symposium," [MISO Market Subcommittee Briefs](#).) Other speakers have yet to be announced.

"MISO is excited to offer this event for our stakeholders as we explore the future of our energy markets," said Jeff Bladen,



executive director of MISO market services. "The Market Symposium will allow us to discuss challenges and opportunities around designing the energy market of the future."

The event will feature experts speaking on industry trends and "how MISO's wholesale market can adapt to future changes." Topics will cover the market challenges that accompany a decarbonized wholesale fleet, commodity trends and distributed energy resources — including storage, distributed solar and other new technologies.

— Amanda Durish Cook



Planning Advisory Committee Briefs

MISO Rethinks Coordinated Study with SPP

MISO last week reversed its position on the possibility of developing a limited coordinated system planning study with SPP.

The Planning Advisory Committee approved a recommendation that the RTO participate in a study identifying joint transmission needs along MISO's seam with SPP's Integrated System in North Dakota, South Dakota and Iowa.

The committee will vote on the motion via email, with results tallied at its June 15 meeting.

MISO staff last month recommended forgoing a coordinated study and focusing instead on improving the study process. SPP's Seams Steering Committee voted in favor of embarking on a study. (See [MISO, SPP Disagree on 2016 Joint Study](#).)

Eric Thoms, MISO manager of planning coordination and strategy, said the RTO has since adjusted its views, adding that a study focused on one target area would be more helpful than an all-encompassing study.

MISO PAC liaison Jeff Webb said the change resulted from stakeholder requests for some form of study with SPP despite the views of RTO staff.

"It's not a matter of us being tired of doing studies," he said. "That's what we're here for."

MISO is also open to a coordinated Clean Power Plan-related study in 2017 after regional needs are identified in MTEP 17.

Interregional process improvements will continue regardless of the study decision, Thoms said.

The committee rejected another motion submitted by the Transmission Developers sector that recommended that MISO perform a broader coordinated study to evaluate the "impact of higher renewable penetration [and] alternative transfer scenarios on interregional reliability needs and historical high congestion along the MISO North/Central and SPP seam."

MTEP 17 Futures Finalized

MISO has narrowed its 2017 Transmission Expansion Planning (MTEP 17) to three futures, eliminating a limited carbon emission scenario determined to be too similar to an existing fleet future. (See [MISO Proposes 3 New MTEP 17 Futures](#).)

The final MTEP 17 futures are:

- An existing fleet future with limited fleet changes and no modeled carbon cap;

- An accelerated alternative technologies future that envisions innovation fostering a 30% carbon emissions reduction; and
- A policy regulations future in which federal rules drive a 25% reduction in carbon emissions.

MISO adjusted the existing fleet scenario after stakeholders pointed out that low natural gas prices increase activity in the industrial corridor of Zone 9 along the Gulf Coast. Additionally, no scenarios will assume the renewable tax credit extends beyond 2022, which stakeholders pointed out was an uncertainty.

The futures went through three rounds of formal review and "reflect a balance of stakeholder feedback [while] bookending uncertainty," said Matt Ellis, a MISO policy studies engineer.

"Even if the [Clean Power Plan] stay is overturned, these three futures still make sense," Ellis added.

The PAC will further discuss the MTEP 17 futures during its June and July meetings. Planning wraps up in September with a presentation of a finalized regional resource forecast.

MISO Releases EPA Air Pollution Rule Study and CPP Paper

While MISO states will be compliant with EPA's updated Cross State Air Pollution Rule (CSAPR) in 2017 even without NO_x emission trading, RTO staff say a regional trading arrangement would be the least expensive path to compliance.

That finding was the result of MISO's own CSAPR study, according to Jordan Bakke, senior policy studies engineer for the RTO.

MISO studied three scenarios: a business-as-usual case; a no-trading scenario in which states strive for compliance individually; and seasonal NO_x trading among MISO states from May to September.

Bakke noted that 11 of the 23 states affected by the CSAPR rule are in MISO.

MISO states can meet their 2017 seasonal NO_x budget through a redispatch of natural gas for coal, but they would emit right up to their caps.

Under seasonal NO_x allowance trading, MISO production costs increase \$31 million compared with a business-as-usual case



MISO stakeholders recommended the RTO participate in a study identifying joint transmission needs along its seam with SPP's Integrated System in North Dakota, South Dakota and Iowa. *Source: MISO*

Continued on page 12



MISO Board Orders Negotiation in Capacity Disagreement Between Staff and IMM

Continued from page 1

one reasonable — because you're only pricing one capacity value of megawatts."

Patton continued to oppose the proposal because forward procurement for competitive retail areas remains "a central piece." He maintained that price "is going to be massively undervalued in Zone 4." (See [MISO Considering Changes to Proposed Auction Design](#).)

According to the Monitor, generating units in competitive areas cannot guess three years in advance what procurement offer prices will be outside of their areas. Such attempts at guessing would "dominate" the forward auction, he contended.

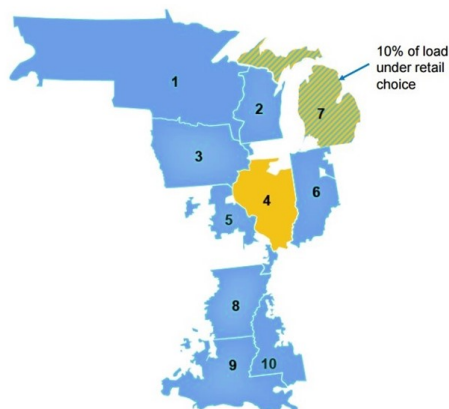
Patton offered to run simulations to show that a MISO-wide prompt auction with a sloped demand curve applied to deregulated areas would produce efficient price signals.

He argued that, by 2018, expansion of transmission capability will render Zone 4's local clearing requirement essentially unnecessary and deliverability constraints would disappear.

Board Says MISO and IMM Need Dialogue

Board member Paul Feldman said MISO mixing auction constructs "is problematic" and asked whether the RTO was trying to guide Illinois into an integrated resource planning (IRP) process.

Richard Doying, MISO executive vice



Illinois, which mostly lies in MISO Zone 4 (shown above), is the only state in the RTO where all customers can choose their suppliers. Source: MISO

president of operations and corporate services, countered that no one in Illinois is offering a plan for resource adequacy in retail-choice areas.

"If no one is going through an administrative planning process ... there needs to be a market planning process in place," Doying said.

MISO board members questioned the use of the vertical demand curve in any of the auctions, saying both retail-choice and regulated states could implement a sloped demand curve. But the board ultimately declined to order MISO staff to pursue that option.

"Vertically integrated constructs do not avail themselves of efficient outcomes, [but] I don't want to re-litigate the sloped

demand curve," Feldman said. "We need productive relationships with the states."

Feldman added that he was not convinced that MISO had fully vetted the auction design with third parties. He asked MISO and the Monitor to "get back in the room" to rework the proposal.

Phyllis Currie, another board member, agreed: "I think we need to give more thought to this." Currie also asked for a presentation to explicitly address price volatility.

Bladen said he was open to scheduling a mediated conversation with the Monitor and other consultants.

Patton's response: There is no way to "remedy MISO's proposal" without completely rewriting it.

The board asked both parties to attend a joint work session to run simulations on their respective recommendations and be ready to defend their results.

MISO continues to plan for a July FERC filing for the proposal. It is finishing work on a revised competitive retail solution paper and developing Tariff language for stakeholder review in June.

RTO staff is evaluating a tandem filing with seasonality and locational constructs currently under stakeholder review.

A new auction construct could be in place as early as spring 2017 for the 2017/2018 planning year, said Bladen. "That's dependent on a lot of things falling in place in a straightforward way, but we do believe it's feasible."

Planning Advisory Committee Briefs

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without rule compliance.

If MISO states fail to adopt trading, overall costs rise, with Arkansas carrying the brunt at nearly \$200 million in production, interchange and emission costs to achieve 2017 compliance. With emissions trading, Iowa carries the largest cost, at less than \$25 million.

MISO used its 2015 Transmission

Expansion Plan and 2017 forecast data to inform modeling, which included 2017 retirements and a projected \$2.64/MMBtu Henry Hub price for natural gas. Current emissions-control technology was assumed to remain in place, with CSAPR compliance achieved only through energy and emission trading.

Footprint Diversity Study Timeline Accelerated

Stakeholders say MISO's proposed

[footprint diversity study](#) should begin sooner than the RTO first suggested. The study would examine the benefits of expanding flows on the constrained transmission interface linking the RTO's North/Central and South regions, including exploring the option of building new transmission. (See [MISO Proposes Study to Measure Benefits of New North-South Tx.](#))

MISO Director of Policy Studies J.T. Smith said the RTO will scope out a study process beginning in the fall, with a study targeted to begin in 2017. The Economic Planning Users Group will evaluate scope development.

— Amanda Durish Cook



FERC Approves NYISO Behind-the-Meter Rules

By Michael Brooks

FERC last week accepted NYISO's proposed Tariff revisions allowing large behind-the-meter resources in New York to participate in the ISO's energy and capacity markets ([ER16-1213](#)). The new rules became effective Thursday.

"We recognize the potential benefits of reducing obstacles to using excess capacity of behind-the-meter resources to support New York's grid," the commission said. "NYISO's proposal advances this goal, as behind-the-meter resources that meet NYISO's eligibility requirements will be permitted to bid energy and capacity in a comparable way to other suppliers and receive payments if they are dispatched. Their participation should improve the competitiveness, efficiency and reliability of those markets."

Under the changes, behind-the-meter generators must be at least 2 MW, serve a load of at least 1 MW and be capable of exporting at least 1 MW to the New York grid. The new rules include calculations for determining a resource's available installed capacity (ICAP). The ISO would also apply all of its current market power mitigation rules to BTM resources.



Source: Cubit Power Systems

NYISO also proposed a new eligibility requirement for resources seeking to qualify as an ICAP supplier to guard against the possibility behind-the-meter resources would not be subject to the ISO's interconnection procedures. For existing resources subject to the new requirement, there will be a 60-day transition period in which they may sell capacity without having to enter a class year study.

Currently, two generators serving load behind the meter are allowed to participate in NYISO's markets. The ISO would work

with these generators so they can qualify as BTM resources under the new rules, it told FERC.

Stakeholders generally supported NYISO's proposal but several protested specific aspects of the ISO's proposal.

The New York Public Service Commission told FERC that market power mitigation was unnecessary for distributed generation, arguing that it is too small in scale to pose a threat. FERC dismissed the regulators' comment, saying the PSC "has not provided any support for its assertion."

The Independent Power Producers of New York protested the transition period, arguing that NYISO had not identified to which resources the period would apply. IPPNY said that allowing resources to sell capacity without being subject to a class year study could threaten reliability.

FERC dismissed these arguments as well. "We find that the concerns raised by IPPNY regarding reliability are unsupported," it said. "Reliability concerns will be reasonably mitigated by the limited duration of the transition period and the requirement that any grandfathered projects must have completed all required interconnection studies and have an effective interconnection agreement by May 19, 2016."

Constitution Pipeline Appeals NY's Rejection of Water Permit

By Ted Caddell

Arguing that New York's denial of a crucial water quality certification was "arbitrary and capricious" and ran counter to FERC approval, Constitution Pipeline last week appealed the state's decision to the 2nd Circuit Court of Appeals (16-1568).

Separately, the company also asked the U.S. District Court for the Northern District of New York for a declaration that federal law trumps state "permitting jurisdiction over certain other environmental matters" (1:16-cv-00568).

"We believe the court will agree that this permit denial was arbitrary and unjustified and improperly relies on the same failed

arguments that the [New York Department of Environmental Conservation] made during the FERC certificate proceeding regarding the pipeline route and stream crossings," the project's sponsors said in a statement. "We are ultimately seeking to have the court overturn this veiled attempt by the state to usurp the federal government's authority and essentially 'veto' a FERC-certificated energy infrastructure project."

New York environmental officials denied the water quality permit for the 124-mile pipeline, which is designed to carry shale gas from Pennsylvania fields to markets in eastern New York and New England. (See [New York Environmental Department Rejects Constitution Pipeline.](#))

It was the last regulatory approval needed for the project, which is backed by Williams Partners, Cabot Oil & Gas, Piedmont Natural Gas and WGL Holdings. It received FERC approval in December 2014.

The state said the application "fails in a meaningful way to address the significant water resource impacts that could occur from this project and has failed to provide sufficient information to demonstrate compliance with New York state water quality standards."

The project sponsors charge that the state's denial of the crucial permit will delay the necessary infusion of natural gas supply to the starved Northeast and block the estimated 2,400 direct and indirect jobs the project would bring to the region.



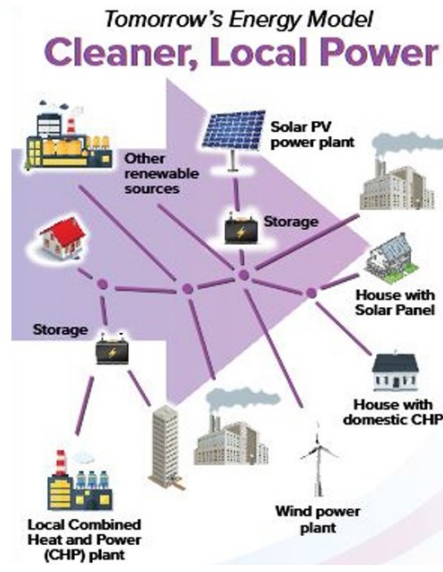
NY REV Order Revamps Utility Business Model

Continued from page 2

standardized interconnection requirements (SIR) to earn positive adjustments. The commission will also consider on a case-by-case basis negative earning adjustments for failure to meet benchmarks.

- Greenhouse Gas reductions: Utilities will have earning opportunities tied to reducing the cost of achieving the Clean Energy Standard's (CES) target of 50% renewable generation by 2030. Those opportunities will be better defined in the CES proceeding. "Utilities will be required to develop a more efficient and cleaner network through retail markets for distributed energy resources such as solar, geothermal, wind, fuel cells, combined heat and power and battery storage, energy efficiency and other advanced energy services," according to the order.

Unregulated utility subsidiaries are permitted to offer competitive value-added services, provided they create standards of conduct to prevent conflicts of interest.



Time-of-Use Rates

Customer participation in advanced rate design will be encouraged through opt-in time-of-use rates. The state will review successful programs adopted elsewhere and seek to improve promotion and customer education while creating smart-home pilot

projects through collaborations with third parties or the New York State Energy and Research Development Authority.

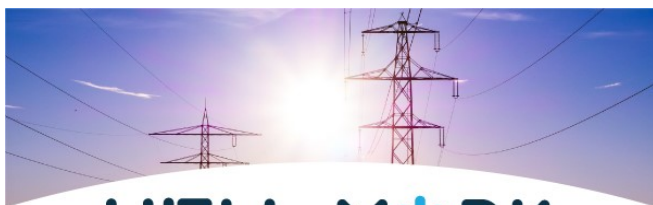
Rate cases will examine the existing demand charges applicable to commercial and industrial customers to determine if they can be made more time sensitive.

Zibelman said an "overarching concern" is that utilities maintain their financial integrity because of the large capital requirements needed for initiatives such as vehicle electrification.

Each of the utilities will be required to file a system efficiency proposal by Dec. 1 to reduce high-cost energy generation during times of peak energy demand.

Implementation, with beginning steps from the utilities mandated to start later in 2016, will take much longer.

"I estimate there are at least 100 policy decisions in this item," Commissioner Gregg Sayre said. "This is a process that will certainly take years. And if technology and markets continue to change at the same pace that they are changing now, we will never be done. And that's OK, in fact, it's even good."



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PJM Annual Meeting 2016

Aides Give Behind-the-Scenes Look at Senate Energy Bill

By Suzanne Herel and Rich Heidorn Jr.

CAMBRIDGE, Md. — Two aides from the Senate Committee on Energy and Natural Resources gave PJM Annual Meeting attendees a behind-the-scenes look at the making of the Energy Policy Modernization Act of 2016 ([S.2102](#)), the Senate's first major energy bill in nearly 10 years.

Patrick McCormick, chief counsel to Chairman Lisa Murkowski (R-Alaska), and Spencer Gray, an aide to ranking member Maria Cantwell (D-Wash.), were the featured guests in the second half of PJM's general session. Moderator Craig Glazer, PJM vice president for federal government policy, promised the session would be "a cross between a high school civics lesson and 'House of Cards.'"

Not 'Revolutionary'

The bill passed the Senate on April 21 with a bipartisan vote of 85-12. To become law, however, it must be reconciled with a House bill that cleared in December with support from only three Democrats. (See [U.S. Senate Energy Bill Faces Tight Calendar, Partisan Divide.](#))

Gray acknowledged the Senate bill didn't contain the "revolutionary" changes of the 1992 Energy Policy Act, which mandated open transmission access and opened the industry to retail choice, or EPACK 2005, which created mandatory reliability

"The polarization in Congress ... reflects, whether precisely or not, some level of polarization in the country."

Spencer Gray, aide to Sen. Maria Cantwell

standards.

But he and McCormick said it was nonetheless a victory over partisan gridlock — the product of weekly lunch and breakfast meetings between Murkowski and Cantwell, followed by several committee hearings and six weeks of bipartisan negotiations. It ended with a three-day markup at which some 90 amendments were considered. The final bill cleared the committee 18-4.

"I do think personal relationships matter," Gray said. "The polarization in Congress ... reflects, whether precisely or not, some level of polarization in the country. So it's more difficult now I think to develop those relationships. And our bosses have worked hard at that."

RTO Reporting Requirement

Section 4302 of the bill requires RTOs and ISOs to report to FERC on their reliability, capacity resources, wholesale electricity prices and generation diversity.

McCormick said the provision resulted from Murkowski's concern over the loss of baseload and intermediate generation, an issue he said was brought to her attention by former FERC Commissioner Philip Moeller.

McCormick and Gray said the reporting requirement was a compromise between members who sought more prescriptive language and those opposed to federal mandates. (Separately, Murkowski and House Energy and Commerce Chairman Fred Upton (R-Mich.) also have asked FERC to study price formation. And the Government Accountability Office has begun a study at Congress' direction to compare capacity markets in the Northeast to those in the Midwest.)

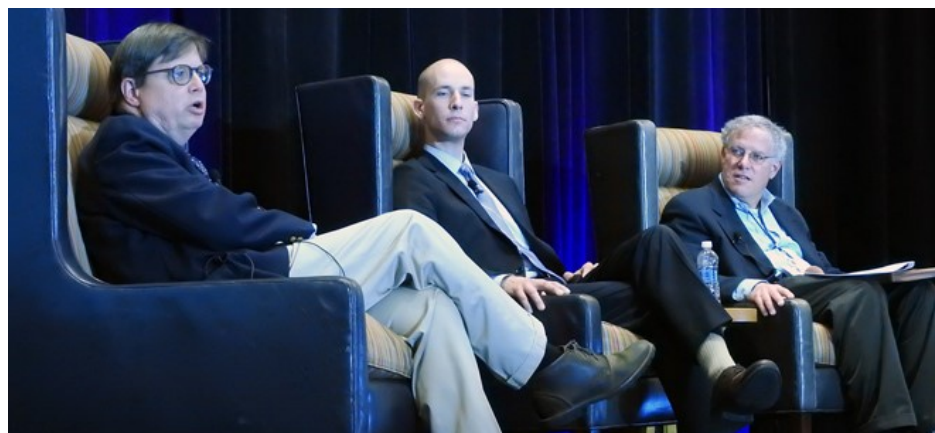
The aides noted that the 22-member committee — more than one-fifth of the Senate — is shifting from predominantly Western states but still dominated by members in regions without organized electricity markets.

'Soft Touch' or Not?

"We're not well positioned to second guess individual provisions of market design, whether it's capacity markets or energy markets or other provisions that RTOs and ISOs are considering," Gray said. "So the approach that the committee's taken on an issue like this has been a fairly soft touch.

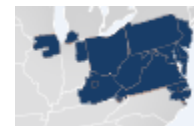
"Members [of Congress] are very wary about having solutions from a particular region pushed, let alone forced on their region," he added.

In a question-and-answer session, Marji Philips of Direct Energy took issue with the aides' characterization of the reporting



From left to right: Patrick McCormick, Spencer Gray and Craig Glazer. © RTO Insider

Continued on page 16



PJM Annual Meeting 2016

PJM General Session Focuses on Distributed Resources

'Take the Arithmetic to the Meter'

By Suzanne Herel

CAMBRIDGE, Md. — Three experts examined the challenges of integrating distributed energy resources into electricity markets at the general session of PJM's Annual Meeting last week.

Richard Tabors, co-director of the Utility of the Future Study at the Massachusetts Institute of Technology, envisioned a platform market structure akin to the sharing economy of services such as Uber and Airbnb.

Such a construct, enabling multiple participants to buy and sell energy from each other, requires accurately valuing generation and demand response resources — including real energy, reactive power and reserves, he said.

"How far and how deeply can I take that pricing question? I can take the arithmetic all the way to the meter," he said.

Tabors called the method distributed locational marginal price (DLMP). "There's a huge number of hours when there's a material difference between the nodal transmission prices and the nodal prices occurring on the attached distribution feeder," he said.

It is a model that Tabors' consulting firm presented for the New York State Energy Research and Development Authority under the state's Reforming the Energy Vision initiative. (See related story, *NY REV Order Revamps Utility Business Model*, [p.1.](#))

Gridwise Alliance CEO Steve Hauser



Left to right: Will Agate, Richard Tabors and Steve Hauser © RTO Insider

focused on the challenge of encouraging technology while furthering the public good in developing the grid of the future.

The industry is moving from being utility-centric to customer-focused, he said, sparking an evolving business model to accommodate two-way power flow. The model must be adaptable and allow customers to provide services back to the grid, he said.

He noted that D.C. and PJM states Illinois, Maryland, Delaware and Pennsylvania ranked in the top 10 in the alliance's annual [Grid Modernization Index](#).

Like Tabors, Hauser said the industry must properly value, integrate and optimize DER — and provide better information to decision-makers.

Will Agate, senior vice president of energy operations and initiatives at the Philadelphia Navy Yard, outlined how the former military base has become a "Smart Energy Campus" with its own microgrid. Agate said the yard is one of the most

successful Base Realignment and Closure (BRAC) projects in the U.S., with industrial and office tenants including the Aker Philadelphia Shipyard, a Tastykake bakery, Urban Outfitters and GlaxoSmithKline.

The Navy Yard invested \$33 million in grid modernization to create what Agate called "one of the largest nonmilitary, unregulated electric systems on the East Coast."

As part of its energy master plan, the Navy Yard is reducing demand while adding supply independence.

In addition to its 10-MW substation with a PECO Energy tie-in, the Navy Yard has on-site generation: a 6-MW natural gas peak shaver and 1 MW of solar generation.

Although the Navy Yard project is somewhat unique, Agate said it can provide "lessons learned" for other communities considering microgrid and smart grid solutions. He said it is important to bring stakeholders together to agree on a master plan and to not be afraid of getting something started.

Aides Give Behind-the-Scenes Look at Senate Energy Bill

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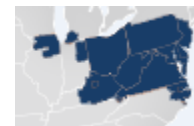
provision.

"It's pretty widely admitted that that bill is the 'Save the Nuclear and Coal Plant Bill,'" she said. "The language mirrors very closely PJM's Capacity Performance requirements.

And it's great that it's been turned from a mandate to a report, but ... the report gets everybody abuzz almost as much as a mandate. So if MISO isn't doing this or New York isn't doing this — they all look at this and say, 'I'm not going to be the one to report to Congress that we're not meeting this Capacity Performance requirement.'

You actually really are in some ways imposing PJM on other regions through this legislation."

Philips asked the aides to broaden the language in conference with the House to ensure a role for demand response, "so it doesn't read that you must have ... hard steel [in the ground] that runs baseload."

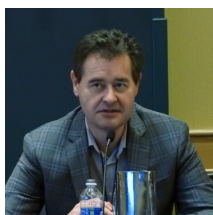


PJM Annual Meeting 2016

Members Committee Briefs

Ott: PJM is Preparing for Industry Changes

CAMBRIDGE, Md. — Keeping the lights on, planning for the future and facilitating efficient electricity trading will continue to be PJM's core mission, CEO **Andy Ott** told members in reviewing his first year at the helm of the RTO.



But PJM needs to be positioned for changes, he said, like the ones that necessitated the move toward Capacity Performance — legacy assets were becoming less reliable, and new gas generation didn't have fuel security.

"We addressed that change abruptly. We need to avoid those kinds of abrupt changes in the future — abrupt change in the markets doesn't help anybody," he said. "Our goal ... is to stabilize our rules to make sure we see these emerging trends coming."

The industry is evolving rapidly, Ott noted, "not only the volume of change, but how quickly those changes are occurring."

He pointed to changing load profiles and fuel mix, the Clean Power Plan, gas-electric coordination, renewable and distributed energy resources (DER) and cybersecurity.

"The key is to make sure that as we look forward, we strategically evaluate how those changes are going to affect our markets," Ott said. "We can't get caught by surprise. We need to make our systems more and more resilient."

He also singled out some areas that he said need to evolve: the Regional Transmission Expansion Plan process; PJM markets, to accommodate gas-electric coordination and DER; and enhancing the value of the RTO's services.

"I see a tremendous opportunity for us if we can find a way to harness the distributed energy resources that are inevitably coming onto the system," he said. "It will make the grid more resilient and will result in lower cost and ... less operational uncertainty."

Ott said PJM also will be studying the value of fuel diversity from an operational perspective.

"Should we be looking at fuel diversity as an attribute? And under what circumstances would we do that?" he said.

The topic will be the subject of an upcoming report, he said.

Md. Energy Adviser Delivers Keynote

Mary Beth Tung delivered the keynote address at the final session of the PJM Annual Meeting last week, just two days after being appointed director of the Maryland Energy Administration by Gov. Larry Hogan.

Maryland, with 12,264 MW of capacity, is a net importer of energy, she told the group.

Coal and nuclear power supply more than four-fifths of the state's generation; among the challenges the state faces is that nearly 66% of its coal-fired power plants are at risk of retirement. To address that loss, the state has a number of new natural gas-fired facilities scheduled to come online in the next few years.

A member of the Regional Greenhouse Gas Initiative, Maryland has a goal of reducing carbon emissions by 40% compared with 2006 levels by 2030, she said.

Maryland faces a unique hurdle in that its geography lends itself to air pollution, Tung said — 70% of pollution wafts in from surrounding states.

Still, she said, the state has been successful in reaching its energy goals.

In 2008, legislation imposed a requirement to reduce per capita electricity consumption by 15% from 2007 levels by 2015. It achieved 99% of that directive and plans to continue toward a 2% reduction in electric sales at a rate of 0.2% annually.

Board Members Elected; Standing Ovation for Lahey, Kinsey

Members unanimously elected Dean Oskvig and Mark Takahashi to the Board of Managers and re-elected Terry Blackwell to a new term. Blackwell was appointed last year to fill the term of William Mayben.

The new members take the place of Jean Kinsey, who served on the board 13 years, and Richard Lahey, who held his seat for 19. They received a standing ovation. (See Committee Recommends 2 Industry Vets for PJM Board.)

Oskvig recently retired as CEO of Black & Veatch. Takahashi is CFO of Ascendant Group.

Stakeholder Survey Indicates Member Satisfaction

A survey of stakeholders last year drew an 87% approval rating, compared with 90% in 2013.

PJM listed the key drivers of satisfaction as markets/reliability management, the stakeholder process, member support and corporate reputation.

Going forward, it plans to establish best practices for employees to assist members via email; increase the use of the Salesforce tool; and promote the knowledge base among members.

PJM also is creating a forum to discuss tool-related changes and information technology efforts that affect members, and offer more tool-specific training.

Members Endorse Revisions

The committee endorsed the following as part of the consent agenda:

- Revisions to Manual 34: PJM Stakeholder Process as a result of a periodic review. The changes update language and formatting for clarification and graphics for better readability.
- Changing the emergency energy default customer baseline (CBL) from the "hour before" methodology to the current default economic CBL. (See "Members Endorse New Way to Measure Emergency DR," Market Implementation Committee Briefs.)
- Tariff and Operating Agreement updates incorporating business rules for dynamic transfers.

— Suzanne Herel



PJM Annual Meeting 2016

Retiring PJM Board Members Reminisce

By Rich Heidorn Jr.

CAMBRIDGE, Md. — Retiring PJM board members Jean Kinsey and Richard Lahey marked their final Annual Meeting last week with reminiscences on the industry's past and some views on its future.

Lahey, former dean of engineering at Rensselaer Polytechnic Institute and an expert on nuclear reactor safety technology, was one of two original PJM board members, having joined with Chairman Howard Schneider 19 years ago.



Lahey

He was there as PJM grew from its roots as a "tight power pool" to its current 13-state footprint with wholesale energy, capacity and ancillary services markets. It became the nation's first fully functioning ISO in 1997 and the first RTO in 2001.

Diverse Backgrounds

"We had some advantages in that it wasn't unusual for us to operate that kind of grid," he said, noting PJM was founded in 1927. "The disadvantage was you were sort of entrenched in a certain way of doing it and it didn't scale up. Fortunately, there were

people on the board who had been from large corporations, and they made some very positive suggestions on how to scale it up."

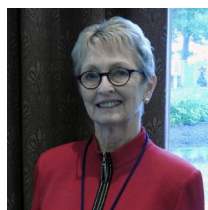
At the beginning, Lahey recalled, "our independence was challenged by some of the members, and we took a position that we weren't going to sit at the board unless we were independent. And because we did that we've been able to function very well."

Lahey said a strength of the board has been its diversity. "There's people from retail, there's people from Wall Street-type backgrounds. There's people from universities, from the industry. What it means is when we come to reach a decision, we have very rich discussions. And a lot of times there's quite a few changes depending on the input."

Only a few votes were not unanimous, he recalled.

Steep Learning Curve

Kinsey, who holds a doctorate in agricultural economics and is a former University of Minnesota professor who specialized in food safety, recalled the "steep learning



Kinsey

curve" she faced after joining the board 13 years ago.

She said the board's biggest challenge over her tenure was its efforts to perfect PJM's market design. "We keep tweaking the market as the environment in which [generators] operate changes," she said, noting current challenges in incorporating the externalities of carbon emissions.

"Going forward, I think the major challenge is going to be how you operate an efficient grid with a lot of smaller generating units — microgrids, behind-the-meter [generation]," she said. "The grid magnifies the economies of scale. If you have things peeling off that, how can you keep the value of that core operation?"

Retirement Plans

Lahey, who retired from RPI seven years ago, is hoping to reduce his outside consulting work to spend more time boating and on the beach with his family at his home in St. Augustine, Fla. "If you retire, it's sort of nice to have time to enjoy yourself," he said.

Kinsey, who retired five and a half years ago from Minnesota, is president of the university's retiree's association. She plans to spend her free time learning photography.

"I've become quite interested in photography becoming art, where you can take a piece of a picture and create a design out of it," she said. "The other part of my brain is crying to be recognized."

Consumer Advocates, Enviros Press PJM on Seasonal Capacity, Artificial Island

Continued from page 1

option to aggregate summer and winter resources into a single capacity offer. But no aggregated offers were submitted in the first Base Residual Auction with CP last year, for delivery year 2018/19. Base capacity resources, which permitted summer-only DR, will be eliminated with next year's auction for 2020/21.

Problems with Aggregation

"Aggregation can work for an owner that

has both ends of the seasonal resource," CAPS Executive Director Dan Griffiths said. "But when you have different owners, you have liability issues and allocation issues that are just frightening. So we have to admit that we do need seasonal resources."

Brian Lipman, litigation manager for the New Jersey Division of Rate Counsel, said PJM must "find a way to work these resources into the mix so that we're not paying for the next [generation] unit that's not only higher in price but more likely more damaging to the environment."

Speaking for the Public Interest and

Environmental Organization User Group, Jennifer Chen, of the Sustainable FERC Project, praised PJM for its new load forecasting methodology but also called for capacity rule changes, noting that only 13% of cleared DR in last year's auction qualified as CP.

The Seasonal Capacity Resources Senior Task Force has been meeting since early April to discuss the issues.

The task force's problem statement said the inquiry was necessary because of the

Continued on page 19



PJM Annual Meeting 2016

Consumer Advocates, Enviros Press PJM on Seasonal Capacity, Artificial Island



Howard Schneider and Andy Ott © RTO Insider

MISO 'Not Going Along'

At the earlier session, New Jersey's Lipman also expressed concern over the handling of external capacity resources, saying that consumer representatives supported tightened rules knowing it would likely increase prices. "At this time, we now understand that MISO is not going along with the plan [the way] we thought they would," he said. "We hope both regions will come together and find a way to resolve this issue." (See "Ready for Pseudo-Tie Switchover," [MISO/PJM Joint and Common Market Meeting Briefs](#).)

Jackie Roberts, director of the West Virginia Public Service Commission's Consumer Advocate Division, said PJM could help consensus-building efforts by appointing formal facilitators independent of the RTO and with no stake in the outcome of deliberations.

"The PJM folks who are trying to facilitate in the stakeholder process do have a stake in the outcome, so that makes it very difficult," she said. "Traditionally what people do is those that like PJM's proposal all line up with PJM to talk about options, and those that don't don't have anyone to talk to."

'Bankrupting' Delaware

Delaware Public Advocate David Bonar and

Continued from page 18

elimination of base capacity and changes to measurement and verification for non-summer CP demand resources. "Through these two changes, demand resources, energy efficiency, solar and other resources that are either exclusively or primarily available in the summer season may no longer be able to meaningfully participate in PJM's capacity market," it said.

PJM CEO Andy Ott said creating separate summer and winter capacity products would require changes to how capacity costs are allocated, which is currently based on five coincident peaks. Changing the methodology, he said, would concern industrial customers and other loads.

But Ott said he has asked staff to consider "where the rules need to evolve for demand response. There has been at least a two-year period of significant uncertainty." That ended with the Supreme Court's ruling in January upholding FERC jurisdiction over DR in wholesale markets. (See [Supreme Court Upholds FERC Jurisdiction over DR](#).)

Pairing up Resources

Ott said PJM also is considering modifying the aggregation rules in a way that would not force summer or winter resources to enter into contracts and share risks. "Some type of mechanism where we pair them up

and assign their value," he explained.

At a later "Year in Review" session, Independent Market Monitor Joe Bowring said PJM could consider a seasonal or even monthly capacity product. But, he cautioned, "if it's going to be done it should be done comprehensively — not for a single product."

At the same session, Stu Bresler, senior vice president for market operations expressed concern that a two-season construct could "undermine long-term price signals."

That brought a retort from Marji Philips of Direct Energy: "Come on, New York is a month, guys!" — a reference to NYISO's monthly capacity auctions.



Ruth Ann Price and David Bonar © RTO Insider

Continued on page 20



PJM Annual Meeting 2016



Ed Tatum and the Squirrel Outage Line Crew entertained guests at the PJM Annual Meeting with covers from the Rolling Stones, Led Zeppelin and others. From left to right, the band members are: PJM General Counsel Vince Duane; Tatum, American Municipal Power; attorney Paul Pantano, head of Cadwalader's energy and commodities group; Neal Fitch, NRG Energy; Cadwalader associate Lamiya Rahman; and Ian McLeod, PJM chief communications officer. Not pictured are bass guitarist Jon Flora, a partner with Schnader Harrison, and sound man Jason Cox of Dynegy. © RTO Insider

Consumer Advocates, Enviros Press PJM on Seasonal Capacity, Artificial Island

Continued from page 19

Deputy Advocate Ruth Ann Price called on PJM to provide their state — PJM's smallest — relief from the more than \$100 million bill it faces from the Artificial Island stability project. A PJM study found that the Delmarva Peninsula — Delaware and the eastern shores of Maryland and Virginia — would pay about 89% of the project's costs while receiving little more than 10% of the annual load payment savings from the upgrade.

"It's vitally important to our state that this project be as inexpensive as it possibly can," Bonar said. "Some of my ratepayers are looking at 30% increases in their rates and that to me is unconscionable."

The costs "are on the verge of devastating," Price said.

"As I keep telling my CAPS members, there's a transmission project coming to you and it may also affect you in the same way," she

"None of us want to see a headline that says 'PJM Bankrupts Delaware.'"

Ruth Ann Price, Delaware Deputy Public Advocate

said. "None of us want to see a headline that says 'PJM Bankrupts Delaware.'"

PJM Chairman Howard Schneider responded that "we're not trying to build a gold-plated grid. We're trying to get a grid that is reliable and responsive at the least possible cost — and we are cognizant of those costs," he said.

But Schneider said the cost allocation "is an issue which is really out of our hands." In a 3-1 decision in April, FERC approved the use of the distribution factor cost allocation (DFAX) on the project. (See [FERC Upholds Cost Allocation for Artificial Island, Bergen-Linden Projects.](#))

"It's at FERC," Schneider said. "That's where the issue needs to be raised and re-raised."

"It's at FERC. That's where the issue needs to be raised and re-raised."

Howard Schneider, PJM Chairman



Generators Rebut PJM Study on Investment in Competitive Markets

By Suzanne Herel

A coalition of generators led by American Electric Power and FirstEnergy last week responded to PJM's analysis of resource investment in competitive markets, saying it presents a skewed view of the risks and benefits of such constructs compared with the traditional regulated model.

Joining AEP and FirstEnergy in a May 19 letter to the Board of Managers were Dayton Power and Light, Duke Energy Ohio and Kentucky, Buckeye Power and East Kentucky Power Cooperative.

The PJM study concluded that the RTO's markets more efficiently attract cost-effective new generation and minimize risk to consumers. (See [PJM Study Defends Markets, Warns State Policies can Harm Competition](#).)

The study was commissioned by the board after AEP and FirstEnergy asked Ohio regulators, and Exelon asked Illinois legislators, for financial aid to support money-losing generators.

The generators said PJM's paper fails to point out that competitive markets have achieved their benefits because of legacy generation and transmission assets that were built under the regulated utility model, noting that PJM had a reserve margin of more than 20% when it began the capacity market in 2007.

"The paper presents a case in which nuclear and coal baseload resources that do not clear the capacity market for a given delivery year should not have been built. It is naive to think that a future driven by marginal resources through short-term capacity markets can adequately serve customers," the letter said.

"The [Reliability Pricing Model] construct has never provided long-term price support for investments in long-life assets," it said. "As a result, a significant amount of



Ohio Valley Electric Corp.'s Kyger Creek power plant

generation [in western PJM] has, or is seeking, some type of retail rate support." (See [PUCO Grants FirstEnergy Rehearing on PPA; Opponents File Protests and Absent Legislation, Exelon to Close Clinton, Quad Cities Nukes](#).)

The signatories represent 44,000 MW of capacity in the RTO and serve more than 11 million consumers with about 69,000 MW of load. They note that 30% of the capacity in PJM comes from suppliers who operate under a traditional regulatory model.

"We strongly urge the PJM board to recognize that there is a place within PJM for generation supported by the market and by traditional cost-of-service regulation," the letter said.

The companies said there were several major weaknesses in the PJM report:

- **Risks to the consumer.** PJM's contention that customers face less risk in a deregulated model is "a short-term view," the letter said, and is greatly influenced by recent decreases in the price of gas. "In contrast, the regulated paradigm inherently takes a long-term view of investments necessary to maintain proper fuel diversity, plant type diversity,

transmission needs and reliability, which results in reduced market volatility and consumer benefits."

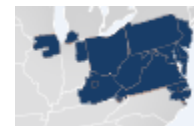
- **Value proposition of an integrated utility model.** Regulated utilities have a legal long-term commitment to serve customers, the letter said, whereas merchant generation can close up shop if they don't receive the desired return. "PJM does not account for any necessary transmission investment associated with premature retirement of baseload generation," it said. "Integrated resource plans holistically consider these costs as well as societal and policy objectives. ... Customers pay for the cost of new transmission, which often can exceed the costs of keeping a unit online."
- **Innovation.** "PJM's market rules and its stakeholder process result in a sluggish response to change," the letter said, citing what it called "the inability of the markets to accommodate variables such as changing fuel mixes and resource adequacy as a result of environmental policies."
- **New investment.** The writers contend that market signals have not attracted new technology, and that renewable generation largely relies on bilateral arrangements or government subsidies. They say the capacity market's one-year clearing price, three years in advance, results in increased price volatility and higher consumer costs.
- **Fuel diversity.** "PJM's position that legislators and policymakers should solve the issue of diversity contradicts PJM's overall premise that any market outcome is superior to regulation," the letter said.

In closing, the writers note that PJM said its paper was "intended as the beginning of a dialogue on resource investment."

"We are ready to engage in a fact-based discussion of the risks and benefits associated with different market and regulatory paradigms," they said, urging PJM to "focus on a market design that accounts for transmission costs, ensures both robust competition and adequate compensation for diverse capacity resources and respects the roles and responsibilities of the states in providing a comprehensive approach to least-cost reliability for consumers."

"PJM's market rules and its stakeholder process result in a sluggish response to change."

Generators' letter to PJM board



FERC Punts SMECO-J.P. Morgan Capacity Dispute to Courts

By Suzanne Herel

FERC last week dismissed a complaint by Southern Maryland Electric Cooperative alleging that it has the right to a Capacity Performance credit from J.P. Morgan Ventures Energy Corp., saying the contractual dispute would be better resolved by a court ([EL16-35](#)).

In 2011, the parties executed a capacity purchase and day-ahead heat rate call option on physical electricity for the Brandywine Generation Facility from Jan. 1, 2014, through Dec. 31, 2021. The power purchase agreement provides SMECO a 225-MW Reliability Pricing Model capacity credit in exchange for a monthly payment to JPMVEC.

SMECO said that it did not believe JPMVEC intended to transfer the credit under PJM's new Capacity Performance model and instead treat the product as base capacity.

"Determination of the dispute between SMECO and JPMVEC depends upon whether the parties contracted to sell and purchase capacity specifically from the Brandywine facility with the intent to allow SMECO to meet its RPM obligation, as SMECO claims, or whether the parties contracted for the transfer of any type of capacity from any source without regard to SMECO's RPM obligation, as JPMVEC argues," the commission ruled in declining to exercise primary jurisdiction in the case. "The outcome of this matter appears to turn on interpretation of the parties' intentions and construction of the relevant clauses in the Brandywine PPA rather than any determination requiring our special expertise."

Commissioner Cheryl LaFleur dissented from the opinion, saying the decision "effectively consigns SMECO to a potentially lengthy and costly court proceeding to resolve what is, in my view, a

clear and easily resolved contractual interpretation that is squarely within the commission's jurisdiction and expertise."

Not only would she have supported exercising primary jurisdiction in the matter, she said, she would "find that the parties' contract requires JPMVEC to provide SMECO with capacity credits to meet SMECO's obligations under the RPM."

In addition, LaFleur said, FERC erred by "failing to frame the dispute between these two parties in the proper context of the broader transition underway in the PJM capacity market."

She urged the commission to exercise primary jurisdiction over future Capacity Performance issues to ensure consistent interpretation of common contractual language and avoid the unintended undermining of Capacity Performance reforms.

MRC Preview

Below is a summary of the issues scheduled to be brought to a vote at the Markets and Reliability Committee on Thursday. Each item is listed by agenda number, description and projected time of discussion, followed by a summary of the issue and links to prior coverage. *RTO Insider* will be in Valley Forge, Pa., covering the discussions and votes. See next Tuesday's newsletter for a full report.

2. PJM Manuals (9:40-10:10)

Members will be asked to endorse the following manual changes:

- A. Manual 3: [Transmission Operations](#). Updates stem from a periodic review.
- B. Manual 11: [Energy and Ancillary Services Market Operations](#). Resources that cannot reliably provide day-ahead scheduling reserve obligations in real time would be excluded from the process. They include nuclear units, dynamic transfers, run-of-river and self-scheduled pumped hydro units, wind units, solar units and non-energy resources. (See "Day-Ahead Scheduling Reserve Eligibility to be Studied," [PJM Market Implementation Committee Briefs](#).)
- C. Manual 13: [Emergency Operations](#). Updates are the result of a periodic review.
- D. Manual 14E: [Merchant Transmission Specific Requirements](#). Reorganizes and updates the manual to reflect changes to the merchant network upgrade process approved in July 2015 by the MRC. Adds a new Section 2 that provides an overview of transmission interconnection customers proposing merchant transmission facilities upgrade projects.
- E. Manual 36: [System Restoration](#). Amendments incorporate lessons learned from the annual

restoration drill as well as changes from a periodic review.

3. External Capacity Performance Enhancements (10:10-10:30)

This [problem statement](#) and issue charge proposes to study the challenges associated with resources subject to pseudo-tie requirements that participate in the Capacity Performance market. (See "Study of Pseudo-Tie Standards for External CP Deferred," [PJM Markets and Reliability Committee Briefs](#).)

4. Real-Time Values (10:30-10:45)

Proposed [changes](#) to Manual 11: Energy and Ancillary Services Market Operations incorporate real-time values. Updates allow market seller to communicate unit's actual operating parameters to PJM before and after the day-ahead market closes when the unit cannot operate. Stipulates that real-time values may be used to modify turn-down ratio, minimum run time, minimum down time, maximum run time, start-up time and notification time, and they can be made whole due to an actual constraint.

5. Transmission Replacement Processes Senior Task Force (10:45-11:00)

Members will be asked to approve the proposed [charter](#) for the Transmission Replacement Processes Senior Task Force, previously called the End of Life Senior Task Force.

6 Energy Market Uplift Senior Task Force (11:00-11:15)

[Revisions](#) to the Energy Market Uplift Senior Task Force charter incorporate a problem statement and issue charge regarding the review of virtual transaction rules.

7. Earlier Queue Submittal Task Force (11:15-11:30)

Members will be asked to approve the recommendations of the Earlier Queue Submittal Task Force. (See "New Project Submittal Process to Require Earlier Filing of Documents," [PJM Planning Committee and TEAC Briefs](#).)

8. Replacement Resources (11:30-11:45)

The committee will be asked to endorse a [proposal](#) by Barry Trayers of Citigroup Energy to add an acceptable reason for early capacity replacement.

9. Seasonal Capacity Resources Senior Task Force (11:45-12:00)

Members will be asked to endorse the draft [charter](#) for the Seasonal Capacity Resources Senior Task Force, charged with developing a common definition of "seasonal resource" and how they may best participate as Capacity Performance products. (See [Consumer Advocates, Enviro Press PJM on Seasonal Capacity, Artificial Island](#).)

10. Distributed Energy Resources (12:45-1:00)

Members may be asked to approve [clarifications](#) to the previously approved distributed energy resources problem statement. (See "Faster Path to Market for Distributed Resources to be Studied," [PJM Markets and Reliability Briefs](#).)

11. Joint-owned Resource Communication Model (1:00-1:15)

Members will be asked to approve [revisions](#) to Manual 14D Attachment L.



SPP, AECI Endorse Scope for 2016 Joint Planning Study

By Tom Kleckner

SPP, Associated Electric Cooperative Inc. (AECI) and their stakeholders Friday unanimously endorsed the scope for the entities' biennial joint system planning study.

The SPP-AECI Interregional Stakeholder Advisory Committee (IPSAC) reviewed and discussed changes to the scope document, which was first unveiled in April. (See "SPP, AECI Begin Biennial Joint-Study Process," *SPP Briefs: State of the Market, Study w/ AECI*.)

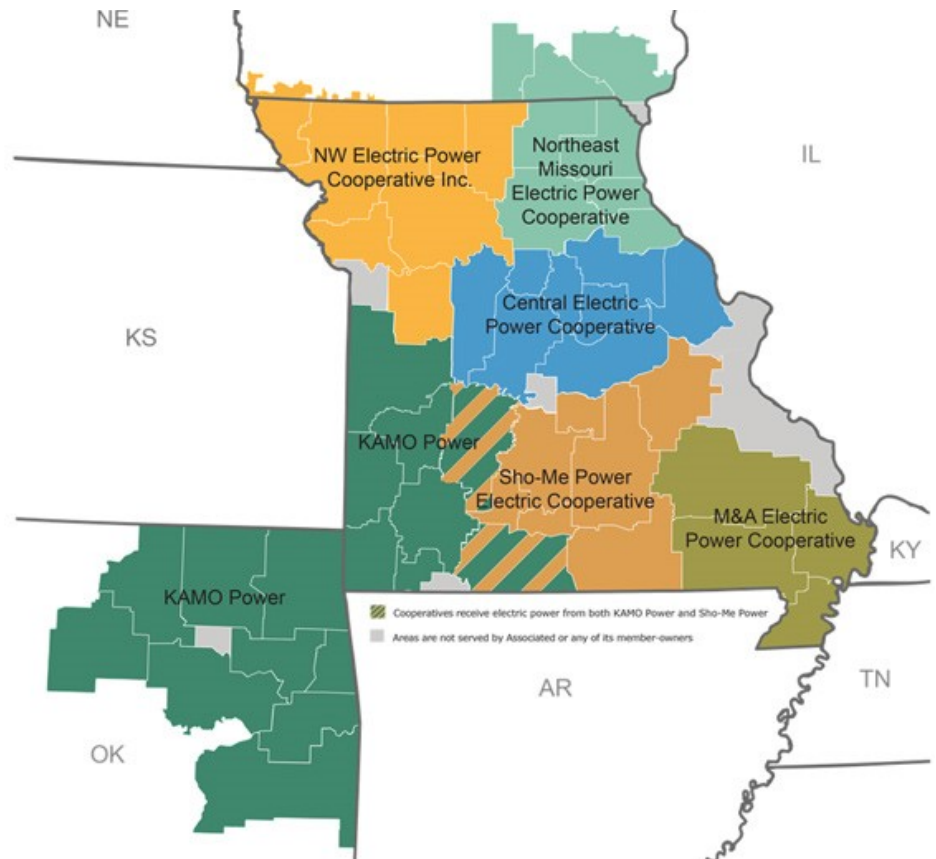
SPP and AECI will focus their efforts on "pre-determined problem areas" in Oklahoma and Missouri. Those areas include Northeast Oklahoma, where SPP's 2016 Integrated Transmission Plan Near-Term assessment identified voltage and thermal violations, and the Brookline area west of Springfield, Mo.

SPP's interregional coordinator, Adam Bell, said the RTO's regional studies have resulted in projects that could fix the problems in Oklahoma but that the joint study would determine whether interregional transmission projects would be more efficient "than what we or Associated would have done on [our] own."

Staff revised the scope to add language addressing overloads in the Brookline area when there is little or no hydropower available, generally in the morning or early afternoon hours.

Staff from City Utilities of Springfield said they felt the addition met their needs but that "there are more discussions to be had."

SPP and AECI staff will now develop system



AECI service territory Source: AECI

models and begin evaluating the targeted areas in September. The IPSAC will next meet in October, with a final report to be delivered in January.

"We're not holding ourselves to that schedule," Bell said. "If we can work faster, we will."

The two entities have been performing joint

studies every other year since 2010, as outlined in their joint operating agreement. The 2014 study identified 463 potential needs along the SPP-AECI seam, but it resulted in no joint solutions.

AECI, based in Springfield, Mo., is owned by and provides wholesale power to six regional generation and transmission cooperatives.

FERC OKs Settlement over SPP Tx Credits for Montana-Dakota

FERC last week approved an uncontested partial settlement reached earlier this year among SPP, the Integrated System, MISO and Montana-Dakota Utilities.

The commission said its May 19 letter order resolves all seams issues raised by MDU stemming from the Integrated System members — the Western Area Power Administration-Upper Great Plains Region (Western-UGP), Basin Electric Power Cooperative and Heartland Consumers Power District — becoming transmission-owning members of SPP last October ([ER14-2850-006](#), [ER14-2851-006](#)).

MDU said that by setting the seams issues for hearing, FERC

recognized that utilities in the Integrated System area have highly integrated facilities "as a result of joint planning and ownership of transmission," and that the arrangements should be reflected in their service arrangements with SPP (such as through transmission facilities credits under the RTO's Tariff).

The settlement clarifies that MDU does not need to become an SPP transmission owner to receive credits in exchange for providing the RTO transmission service over its facilities. The value of MDU's credits will be based on its annual transmission revenue requirement for the facilities in question under the MISO Tariff.

— Tom Kleckner



Protesters Force FERC to Close Monthly Meeting

By Michael Brooks

WASHINGTON — Citing safety concerns, FERC closed its monthly meeting to the public Thursday, allowing only staff, guests and credentialed members of the press inside commission headquarters.

The meeting was broadcast via the Internet, which Chairman Norman Bay said allowed the commission to meet its “statutory requirement” under the Government in the Sunshine Act to allow the public to observe the meeting.

“The decision to conduct this open meeting by webcast only was not made lightly,” Bay said. “It was made after consultation with law enforcement and our security staff, and the primary concern was preserving the safety of the public and commission staff. The webcast allows us to maintain the ability of the public to observe and listen to the commission meeting.”

The decision to close the meeting — possibly the first time the commission has held a webcast-only open meeting, according to Bay — came amidst a week of intense protest activity by environmentalist group Beyond Extreme Energy (BXE). Members of the group demonstrated outside the homes of Commissioner Tony Clark on Monday and Bay and Commissioner Cheryl LaFleur on Wednesday. They were also already camped outside commission headquarters prior to the start of the meeting but had departed by the time the meeting ended.



Protesters demonstrated outside the home of Norman Bay in the Dupont Circle neighborhood of D.C. Source: *Beyond Extreme Energy*

“I, too, find it unfortunate that we had to decide to restrict access to the building today,” Clark said. “But it was done with the consultation of law enforcement and I understand why. If you look at the room in the headquarters building, it’s simply not designed to handle the activities that were being discussed, and when decisions like this are made, public safety has to come first.”

Bay declined to say what activity the commission was expecting to take place. BXE’s *modus operandi* is to interrupt meetings with statements criticizing the commission’s approval of natural gas infrastructure before being escorted out by security. Known members have been barred

from the meeting room, relegated to a side room to watch the meetings on TV. (See [Meet the People Making Life a Little More Difficult for FERC this Week.](#))

Melinda Tuhus, a Beyond Extreme Energy spokeswoman, said that the group was not going to do anything different in the meeting room beyond their normal interruptions. She said there were about a dozen protesters, out of the 50 to 60 total, at the rally outside FERC on Thursday who had never attended an open meeting.

“The commissioners know that we’re nonviolent activists,” Tuhus said. “That’s a fundamental precept of our organization. ... The commissioners know that.”

Tuhus speculated that the commissioners overreacted to the demonstrations outside their homes. “We made absolutely no threats.”

Last week, Bay had to be escorted out of the Independent Power Producers of New York’s annual spring conference when protesters rushed the stage while he was holding a question-and-answer session.

During the protest outside FERC headquarters, the Rev. Lennox Yearwood of the HipHop Caucus criticized President Obama, California Gov. Jerry Brown and Canadian Prime Minister Justin Trudeau for supporting fracking. “They are not climate leaders until they realize we must transition to 100% renewable energy,” he said.



Beyond Extreme Energy protesters outside FERC headquarters © RTO Insider



FERC Rulings in Brief

Below is a summary of rulings issued by FERC last week.

FERC Finalizes Hold-Harmless Rules

FERC issued a policy statement finalizing rules regarding the use of hold-harmless commitments to protect customers from rate increases resulting from utility mergers ([PL15-3](#)).

The commitments — agreements not to seek recovery of transaction-related costs in rates unless they are offset by transaction-related savings — have become a common feature of merger applications under Section 203 of the Federal Power Act, but the commission hadn't defined the costs with specificity, leading to inconsistencies.

The commission:

- Clarified the scope and definition of the costs that should be subject to hold-harmless commitments;
- Identified the types of controls and procedures that applicants offering hold-harmless commitments must implement to track the costs involved;
- Clarified that an applicant may be able to demonstrate that the transaction will not have an adverse effect on rates without making any hold-harmless commitment; and
- Declined to adopt its proposal to no longer accept hold-harmless commitments that are limited in duration. (See [FERC to Tighten Policy on Hold Harmless Merger Commitments](#).)

Reliability Standard Wins Preliminary OK

FERC issued a Notice of Proposed Rulemaking (NOPR) proposing to approve NERC reliability standard BAL-002-2 (Disturbance Control Standard — Contingency Reserve for Recovery from a Balancing Contingency Event). The rule requires applicable entities to balance resources and demand, and return their area control error (ACE) to defined values following a disturbance. The commission required NERC to modify the standard to address concerns over extensions or delay of the periods for ACE recovery and contingency reserve restoration. It also directed NERC to address a reliability gap

regarding power losses above the most severe single contingency ([RM16-7](#)).

Constellation's Reactive Payments Cut Due to Retirements

The commission accepted a petition from Constellation Power Source Generation to reduce its revenue requirement for reactive supply and voltage control service by almost \$225,000 as a result of the retirements of Riverside Unit CT 6 (June 1, 2014), Perryman Unit CT 2 (Feb. 1, 2016) and Riverside Unit 4 (planned for June 1, 2016). The commission also ordered hearing and settlement judge procedures to determine whether the company's reactive power rate for its remaining fleet in the Baltimore Gas and Electric zones should be reduced further ([ER16-746-001](#), et al.). (See [Impatient FERC Orders Immediate PJM Action on Reactive Power Payments to Retired Plants](#).)

SoCalEd Can Recover Abandoned Tx Project Costs

FERC ruled that Southern California Edison may recover abandoned plant costs for the canceled Coolwater-Lugo transmission project but set settlement and hearing judge procedures to determine how much of the \$37 million claimed by the company was prudently incurred. The project was no longer needed after the retirement of NRG Energy's 636-MW Coolwater Generating Station and three other generators. The Los Angeles Department of Water and Power and the M-S-R Public Power Agency challenged the \$8.51 million in overhead costs that SoCalEd included in its claim, saying the company provided little documentation for how overhead costs were allocated to the project ([ER16-1025](#)).

Settlement on SSR Units OK'd

The commission approved an uncontested settlement reached among several Illinois companies and MISO that changes Illinois Power Holdings' annual revenue requirement for the operation of Edwards Unit 1, a 90-MW coal-fired steam boiler in Peoria, Ill., designated as a MISO system support resource. The new annual revenue requirements will be \$7 million for 2013, \$11.1 million for 2014 and \$6.5 million for 2015 ([ER14-2619-004](#), et al.).

Rehearings Denied

The commission also:

- Denied rehearing but granted clarification of its October 2015 ruling in Order 816, which amended its regulations governing market-based rate authorizations (MBRA). (See [FERC Refines Market-Based Rate Rules](#).)
- The commission clarified that qualifying facilities in RTOs and ISOs are exempt from reporting requirements on long-term firm energy and capacity purchases. The commission also said that it did not intend to change the definition of long-term firm transmission reservations: those longer than 28 days. It also offered clarifications regarding the definition of a seller's relevant geographic market and said MBRA applicants and sellers will not have to comply with the corporate organizational chart requirement until the commission issues an order at a later date ([RM14-14-001](#)).
- Denied rehearing of its October ruling exempting American Transmission Systems Inc. and Duke Energy companies in Ohio and Kentucky from certain MISO multi-value project (MVP) transmission charges. MISO and MISO's Transmission Owners sought rehearing to assign a usage fee to ATSI and Duke for MVPs approved before the companies moved from MISO to PJM in 2011. In the rehearing denial, FERC pointed out that MISO's MVP cost allocation on withdrawing members was instituted in 2012 and said charging the companies would violate its rule against retroactive ratemaking. The commission also rejected arguments that MISO's Tariff at the time of ATSI's and Duke's exits could be interpreted to allow for MVP-related financial obligations ([ER12-715-004](#)).
- Denied El Paso Electric's request for rehearing of a November 2015 order that required prior approval for utilities to engage in simultaneous exchange transactions involving their marketing affiliate and its affiliated transmission provider's system ([EL10-71-002](#)).
- Denied rehearing of a September 2015 order allowing future affiliates of Kanstar Transmission to use the same formula rate and incentives approved for Kanstar ([ER15-2237-002](#)).

— Rich Heidorn Jr. and Amanda Durish Cook

COMPANY BRIEFS

AEP Texas Names 1st Female President, COO

American Electric Power has named Judith Talavera president and chief operating officer of AEP Texas. Talavera replaces Bruce Evans, who has been named to AEP's newly created position of senior vice president and chief customer officer, effective June 1.



Talavera, 42, the company's first female president, will report to Venita McCellon-Allen, president and CEO of AEP Southwestern. Talavera was previously director of regulatory services for AEP Texas and began her career with the company in 2000 as manager of governmental affairs.

In his new position, Evans will oversee customer services, marketing and distribution, as well as regulatory services, business development and infrastructure and business continuity.

More: [Corpus Christi Caller-Times](#)

Xcel Lays out Options for Improving Reliability in ND



Xcel Energy officials last week outlined millions of dollars in options for improving electric service in North Dakota and told state regulators that its Fargo system is fundamentally sound despite a recent rash of power outages.

Company officials met with the state's Public Service Commission May 18 for an informal hearing on reliability after Xcel experienced eight outages in Fargo between April 22 and May 13, affecting more than 24,000 customers.

Xcel officials laid out options that include accelerating its schedule to replace the unjacketed cable that faulted in Fargo at a cost of \$4 million, retrofitting certain utility poles to make them less prone to fire and installing more switches that automatically reroute power from unaffected areas during outages. Commissioners said Xcel would likely have to front the costs and seek to recover them from customers later, as the company is barred from seeking a rate increase until 2018.

More: [Forum News Service](#)

Enel Begins Construction On 150-MW ND Wind Farm



Enel Green Power North America has begun building the 150-MW Lindahl wind project in North Dakota. The project is designed to generate about 625 GWh annually to meet the electricity needs of more than 50,000 households.

Enel will sell the project's power and renewable energy credits to SPP member Basin Electric Power Cooperative under a bundled, long-term power purchase agreement. This is Enel's fourth U.S. project this year, after beginning construction on wind farms in Kansas, Minnesota and Oklahoma.

More: [Energy Business Review](#)

RES Eying Upper Peninsula For 150-MW Wind Project



Renewable Energy Systems is considering a 121-turbine, 150-MW wind energy project on the Michigan Upper Peninsula that would be roughly five times larger than the only wind farm on the peninsula, according to documents obtained by Midwest Energy News using a Freedom of Information Act request.

The Federal Aviation Administration is reviewing the plans because of the height of the proposed towers, and MISO confirmed that the project is in the system planning and analysis phase. RES wouldn't confirm the project, saying only that it is "actively developing projects in Michigan and across the region."

More: [Midwest Energy News](#)

Duke Plant Opponents Balk At \$10 Million Appeal Bond



Opponents to a Duke Energy plan to build a \$750 million natural gas-fired plant near Asheville are asking an appeals court to waive a requirement that they post a \$10 million bond if they appeal regulators' approval of the project.

Environmental groups NC WARN and The Climate Times said the North Carolina Utilities Commission based its bond requirement on unproven statements provided by Duke that an appeal would ultimately fail and the delay would cost the

company millions of dollars.

Duke said the bond follows established law.

More: [Charlotte Business Journal](#)

DTE Opens Energy Center For Renewable Operations



DTE Energy has opened a facility in Bad Axe, Mich., that will serve as an operations center for its renewable energy operations.

The Huron Renewable Energy Center has offices, garages, a maintenance shop and warehouse, out of which about 25 employees will manage the company's wind and solar projects in the region. It also has a 3,000-square-foot space available for community services that will be available in 2017.

DTE has four wind facilities and three solar arrays in Huron County, and two more wind facilities and 23 more solar arrays in other parts of the state.

More: [The Associated Press](#)

Archaeological Discovery Could Delay Pipeline



Energy Transfer Partners has started construction of the Dakota Access pipeline in three of the four states that the 1,150-mile pipeline will cross, but a discovery of a site in Iowa that may be culturally significant to Native Americans could delay approval there and force rerouting.

Work has started in North Dakota, South Dakota and Illinois. The company is awaiting action by Iowa regulators to allow construction to begin in that state. Last week, the state's archaeologist said he was reviewing a potentially historically significant site near the pipeline's route.

The project is also awaiting U.S. Army Corps of Engineers approval to cross the Missouri and Mississippi rivers.

More: [The Associated Press](#)

Continued on page 27

Texas PUC Denies Rehearing on Oncor Sale, Ends Hunt Bid

By Tom Kleckner

The Public Utility Commission of Texas on Thursday rejected all motions for rehearing in Hunt Consolidated's proposed acquisition of Oncor, effectively closing the books on a deal thought to be key to Energy Future Holdings' emergence from bankruptcy.

The commission's unanimous vote allowed its March 24 order conditionally approving the acquisition to stand. Because the Hunt group has said it couldn't complete the deal as approved, that means the order will "evaporate," as Commissioner Ken Anderson put it.

The Hunt group and other EFH creditors had filed a request May 18 asking the commission to vacate the order and dismiss the proceeding, which would have left open the possibility of another rehearing filing (Docket No. 45188).

Commission Chair Donna Nelson said she was joining her two fellow commissioners in denying the motions "solely in the interest of allowing us to be done with this today."

"Time is of the essence in this case," she said, "which is funny because of how it's dragged along."

The Hunt group asked the commission in September for approval to acquire Oncor, the largest transmission company in Texas, for almost \$20 billion. In March, the commission approved Hunt's proposal to split Oncor into two companies, one of which would operate as a real estate investment trust (REIT). (See [Texas Commission Approves Oncor REIT Structure](#).)

However, the PUC attached conditions to the approval that included sharing the REIT's tax savings with Oncor customers, which EFH creditors found unacceptable. EFH filed a new Chapter 11 reorganization

plan May 1, saying it would be unable to complete the Oncor acquisition as it tries to eliminate \$42 billion in debt. (See [EFH Files New Chapter 11 Plan; Oncor-Hunt Deal in Doubt](#).)

Richard Nolan, an attorney for the Hunt group, said his parties had concluded May 17 that if they were to pursue a new transaction, "it will require a new application."

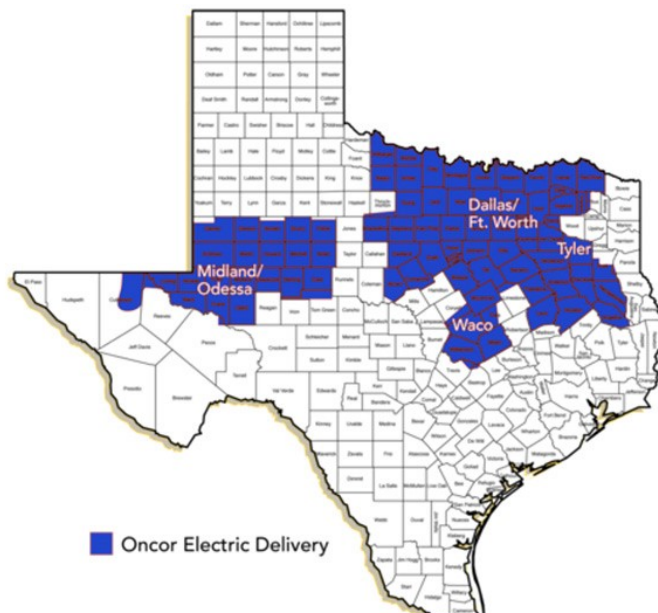
"From our perspective ... it would be more helpful to clear the decks and make a fresh start," Nolan said. He said the original proceeding became moot when the acquisition was terminated.

He received no argument from intervenors and PUC staff, who all agreed with denying the rehearing request.

"I don't want to go through another proceeding where we end up with major stumbling blocks," Anderson said. "ERCOT, and the Texas power market, will benefit from getting this matter resolved."

The Hunt group said it will continue to work with stakeholders on a plan that meets its goal of keeping Oncor under management control by Texans. "The commission's actions today now allow all parties to engage in conversations about next steps," Hunt spokesperson Jeanne Phillips said in a statement.

While Phillips, Anderson and others have



Oncor service territories Source: Oncor

expressed a strong desire that Oncor remain under in-state control, Florida-based NextEra Energy reportedly remains a suitor. The company made its own bid for Oncor last year, only to be outflanked by the Hunt group.

Anderson said that with the proceeding behind the commission, it can now take a more assertive role in EFH's bankruptcy case in Delaware.

"We've generally been pretty passive up until now," he said.

Under EFH's new bankruptcy exit plan, it would again be broken up into two parts (Oncor and the competitive Luminant and TXU Energy businesses), with noteholders potentially being able to grab Oncor. EFH has asked the bankruptcy court to hold a hearing on the plan Aug. 1.

COMPANY BRIEFS

Continued from page 26

Puget Sound Bond Buyback Deal Getting Investor Pushback



A plan by Puget Sound Energy to buy back bonds at a discounted rate isn't going over well with some of the bond's owners, who say they deserve better terms. Puget Sound wants to retire \$250 million in 6.974% bonds that aren't due until 2067 as a way to lighten its balance sheet.

But some of the bond owners don't think the price offered by the company is fair. The company proposed to buy the bonds back at 85 cents on the dollar. But since the company announced the buyback plan, the price of the bonds jumped 6 cents to the 85 cents the company is offering.

The company said it is going to go forward with the buyback plan despite complaints from some bondholders. "We believe it's a fair offer," CFO Daniel Doyle said. "I respect the right of our bondholders to make a decision whether it makes sense for them or not. We will respect their decision and go forward."

More: [Bloomberg](#)

FEDERAL BRIEFS

Experts Call for Fixes To Spent Fuel Storage

The National Academies of Sciences, Engineering and Medicine is calling for better fire prevention, more stringent anti-terrorist protections and better disaster preparedness at the nation's sites for storing spent nuclear fuel.

In a recently released report, the organization, which studied the effects of the 2011 Fukushima Daiichi disaster in Japan, said that only luck kept that incident from being much worse.

"This should serve as a wake-up call to the industry and regulators about the critical importance to be able to monitor the condition of the pools, particularly in the event that something happens like Fukushima," said Joseph Shepherd, an engineering professor at the California Institute of Technology and lead author of the report. The Nuclear Energy Institute, however, said the safeguards are already in place.

More: [The Wall Street Journal](#)

NRC Hits Oyster Creek With 'White' Finding



A 22-year-old hose linking a storage tank to a pump leading to an emergency generator failed during an inspection earlier this year at Exelon's aging Oyster Creek Nuclear Generating Station in New Jersey, leading the Nuclear Regulatory Commission to assess the plant with a "white" finding.

It is one of the lowest safety findings the commission issues, but the commission said the failure was serious enough to merit the violation.

If the finding is affirmed, the plant would be subject to increased federal oversight. Oyster Creek is scheduled for decommissioning in 2019.

More: [Micromedia Publications](#)

Entergy, NRC Settle on 2011 Leak at Palisades



The Nuclear Regulatory Commission and the operator of the Palisades nuclear plant in Michigan have reached a settlement concerning a leak that allowed 80 gallons of radioactive water to escape into Lake Michigan in 2011. Instead of a fine, the commission said it is satisfied with Entergy's decision to take corrective actions to ensure a leak does not happen again.

The leak, less than one drop per minute, came from a 3-inch pipe flange that showed signs of boric acid corrosion, according to documents. The commission characterized the inadequate reporting of the incident by four workers as "willful." Entergy defined the problem as a failure of the plant's "organizational safety culture."

In lieu of a fine, Entergy agreed to prepare a report on the lessons learned and to upgrade training to include those lessons. It will also take steps to increase transparency with the public, agreeing to hold public meetings to discuss plant safety and to allow the public to ask questions at those meetings.

More: [Nuclear Street](#)

New York Senators Call For Stop to Algonquin Project


Democratic Sens. Kirsten Gillibrand and Charles Schumer are asking FERC to shut down construction of the Algonquin Incremental Market pipeline until health and safety reviews are conducted.

The pipeline is to run from Pennsylvania to the Hudson River Valley region in New York. The lawmakers say they are concerned about the safety of residents along the route, as well as the sensitivity because the route takes it close to the Indian Point nuclear station.

Construction on the project, which will nearly double the size of the existing 26-inch pipeline to 42 inches, has already started. FERC said it had not yet received the letter from the senators, but it does not comment on congressional correspondence anyway, according to a spokeswoman.

More: [The Journal News](#)

Eastern Shore Gas Applies To FERC for 33-Mile Expansion

 Eastern Shore Natural Gas has filed with FERC to expand its natural gas transmission system, including the installation of 33 miles of looping pipeline in Pennsylvania, Delaware and Maryland.

The company would also install 17 miles of expanded line along with pressure equipment in Sussex County, Del. The system improvements would provide an additional 86,000 dekatherms of gas per day, according to the company.

More: [Delaware Business Times](#)

Seabrook Cited for Slow Response to Concrete Problem

The Nuclear Regulatory Commission cited NextEra Energy's Seabrook nuclear plant for a low-level safety violation after a March 24 inspection.

The commission cited the New Hampshire plant because NextEra's staff delayed completion of structure inspections after being told of an alkali-silica reaction in the plant's concrete.

NextEra said procedures have been changed since the violation occurred. The commission and NextEra confirmed that the plant's walls, some up to 4 feet thick, still meet federal structural safety standards.

More: [The Daily News of Newburyport](#)

EPA Issues Water Permit Even as Pilgrim Nears Closure



EPA issued a draft water use permit for Entergy's Pilgrim nuclear generating station, updating a permit that was first issued in 1991. Although opponents of the plant have long argued that the water use permit expired in 1996, the agency said regulations allow the plant to use the original permit until a new one is issued.

The plant's owner, Entergy, has said it will retire the plant in 2019. Most of the plant's spent fuel is stored in pools inside, meaning the plant will still draw water from Cape Cod Bay even after it closes, opponents say. When operating at full power, the 680-MW plant draws more than 500 million gallons per day.

More: [The Patriot Ledger](#)

STATE BRIEFS

ARKANSAS

CO2 Emissions down as Coal Plants Used Less

The state is already meeting the carbon dioxide emissions target under the final year of EPA's Clean Power Plan, thanks to reduced use of coal-fired power generation because of the low price of competing natural gas.

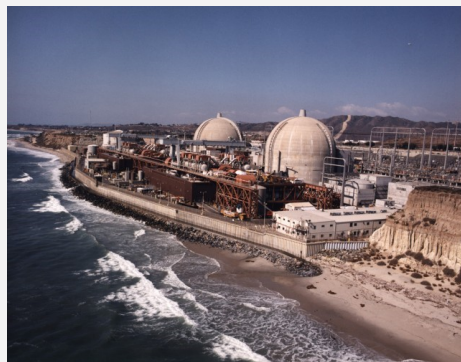
The state's carbon emissions were 30.1 million tons in 2015, down from 39.7 million tons in 2014, according to an analysis by the Department of Environmental Quality. The state's target for 2030 is 30.6 million tons.

Southwestern Electric Power Co. said that SPP did not dispatch its Arkansas coal plants as much in 2015 as the previous year. The company said lower natural gas prices and mild weather were the primary factors.

More: [Arkansas Democrat-Gazette](#)

CALIFORNIA

Regulators Reopen San Onofre Rate Deal, Moody's Frowns



Moody's Investors Service took a dim view of a Public Utilities Commission decision to reopen a 2014 agreement that shouldered ratepayers with most of the multibillion-dollar shutdown costs of the San Onofre nuclear plant.

The commission [earlier this month](#) decided to reopen the \$4.7 billion settlement amid disclosures that secret meetings were held before the deal was approved 18 months ago and complaints from stakeholders. The plant was closed prematurely in 2013 after a radiation leak was discovered during the replacement of a steam generator.

More: [The San Diego Union-Tribune](#)

DELAWARE

Delmarva Power Proposes To Raise Rates Post-Merger

Delmarva Power, one of the Pepco utilities recently acquired by Exelon, is asking the Public Service Commission for a \$62.8 million electric rate hike and an increase of \$21.5 million for its gas services.

President Gary Stockbridge said the money is needed to cover \$120 million in upgrades to the gas system and \$222 million in improvements to its electricity infrastructure.

For a typical residential customer, the increases would translate to \$10.23/month for electricity and \$13.55 for gas.

More: [Delaware Public Media](#)



Stockbridge

ILLINOIS

Future Shaky for Bill to Save Quad Cities, Clinton Stations

The chair of the Senate Energy and Public Utilities Committee said Thursday that it's unlikely Exelon's "Next Generation Power Plan," which would extend state clean power subsidies to nuclear plants, will come to the floor before the legislative session ends May 31.

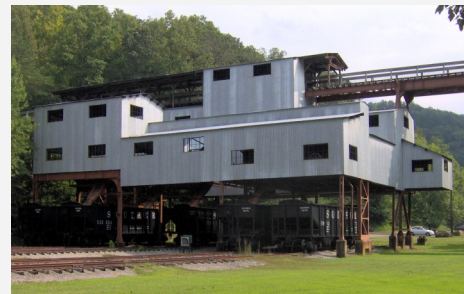
Exelon has said it will shutter its struggling Quad Cities and Clinton nuclear power plants if the General Assembly doesn't act, and if Quad Cities doesn't clear the PJM Base Residual Auction. (See [Absent Legislation, Exelon to Close Clinton, Quad Cities Nukes](#).)

Among other provisions, [SB1585](#) would extend state subsidies for clean power to nuclear plants. It also would allow Commonwealth Edison to shift its billing model from one based on monthly kilowatt-hour consumption to a demand charge assessed on a customer's peak monthly usage.

More: [The Northwest Indiana Times](#)

KENTUCKY

Coal Miner Numbers Hit 120-Year Lows



The amount of employed coal miners in the state has hit a nearly 120-year low, according to a report released this month from the Energy and Environment Cabinet. About 6,900 coal miners are working in the state, the lowest number recorded since 1898.


The cabinet also reported that coal production fell 13% in the first quarter of 2016 to 11 million tons, the lowest level since 1939.

Cabinet Assistant Director Aron Patrick said he anticipates that coal's decline will bottom out by 2018. "Currently we are supplying coal to power plants that are scheduled to close before 2018," Patrick said. "So in the near term, i.e., 2016 through 2017, there likely will be continued declines. But 2018 and beyond, there probably will be some sort of stabilization."

More: [WFPL](#)

MAINE

SunEd Wind Farm not Affected by Zoning Change

 The proposed 26-turbine Somerset Wind project in the Misery Ridge area won't be affected by a change in zoning regulations that allow communities to opt out of a fast-track wind development zone, according to the project's developer.

More than 20 communities have petitioned the state for exemptions from a law providing for an expedited permitting area, which allows for the fast-track development of commercial wind farms in parts of the state's unorganized and rural areas.

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STATE BRIEFS

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Last week, landowner Weyerhaeuser withdrew its opposition to several townships opting out of the expedited permitting area. SunEdison said that those townships were not part of its plans for the project.

More: [Portland Press Herald](#)

MICHIGAN

Senate Proposes Legislation To Regulate Retail Choice Cap

The Senate is considering legislation that would impose a new electric generation service charge on retail customers entering the deregulated market, which advocates of competition say would hinder retail electric choice.

The proposal, which is supported by utilities, would retain a 10% cap on the amount of power the state can receive from alternative generators and out-of-state suppliers. But, along with the additional charge, it would require alternative suppliers to prove future resource adequacy.

"Adding a punitive new capacity charge will all but thwart electric choice," said Laura Chappelle of the Energy Michigan trade association. Sen. Mike Nofs, the bill's sponsor, said the new law is necessary to ensure reliability.

More: [The Detroit News](#)

MONTANA

State Becoming a Hotbed For Solar Energy Development

Interest in developing solar power is soaring in the state, with out-of-state developers working to lease land to develop solar farms.

"There's a lot of prospecting in our area for sure," said Susan Conell, Cascade County planning director. She said at least six different companies from North Carolina, South Carolina, California and Virginia have called the county inquiring about the county's solar regulations.


NorthWestern Energy, the largest public utility in the state, has signed five 25-year power purchase agreements with California-based Cypress Creek Renewables for 14 MW of solar power from in-state farms. Statewide, two out-of-state

developers alone are proposing 43 solar projects, each 3 MW, NorthWestern said.

More: [Great Falls Tribune](#)

NEW JERSEY

JCP&L Revives Controversial Transmission Line Project

 Jersey Central Power & Light is reviving plans to build a 10-mile 230-kV transmission line in Monmouth County, a project that was canceled 25 years ago after local protests.

The so-called Monmouth County Reliability Project is virtually identical to the old line, but it will cost a lot more: \$75 million, compared to \$14.5 million in 1991. The company says the demand for power has caught up to what had been forecast for the area back when the line was first proposed.

PJM has called the project necessary for regional grid stability. It would run along an existing railroad right of way.

More: [NJ.com](#)

NEW MEXICO

PRC Incumbent Accused Of Close Ties with PNM

A race for a seat on the Public Regulation Commission has become hotly contested, as challenger Cynthia Hall has portrayed incumbent Karen Montoya as being deferential to the state's largest utility company, Public Service Company of New Mexico.



Hall

Hall, a lawyer who finished second to Montoya in a three-way race in 2012, says the incumbent has been "far too close" to PNM. She cites the commission's approval last year of the utility's plan to close two coal-fired units at the San Juan Generating Station.

Montoya's website touts her record as commissioner. She said in the last four years, the commission has approved the largest solar array in the state and lowered the universal service fee on residents' phone bills.

More: [The Santa Fe New Mexican](#)

Albuquerque Delays Decision To Increase Renewable Energy

The Albuquerque City Council has delayed voting on a resolution that calls for the city government to obtain at least 25% of its electricity from solar by 2025.

The two council members who introduced the resolution acknowledged they have no idea how much the effort will cost. The resolution calls on the city's energy council to weigh various options, from retrofitting existing city buildings with solar arrays to constructing a new solar farm. An implementation plan would be due by 2017 and the City Council could decide what path to pursue.

More: [The Associated Press](#)

NEW YORK

NYISO Says Summer Supply Adequate



NYISO said a total of 41,874 MW of supply is available to meet summer power demand in the state, well above its forecasted peak demand of 33,360 MW.

The total capacity includes 38,534 MW of generating capacity from power plants, 1,248 MW in demand response resources and 2,092 MW from out-of-state resources.

Last summer's peak demand of 31,138 MW, recorded on July 29, 2015, was below the 15-year average of 31,540 MW.

More: [NYISO](#)

PSC Expands Energy Discount Programs

 The Public Service Commission created the state's first-ever Energy Affordability Policy to provide \$248 million in direct relief to low-income residents.

The new policy will limit energy costs to no more than 6% of household income.

The order will immediately increase the number of low-income utility customers receiving monthly discounts by 50%, from 1.1 million customers to 1.65 million. The order also creates a multiagency low-income energy task force to develop new

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STATE BRIEFS

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strategies aimed at all of the state's 2.3 million households at or below 200% of the federal poverty level.

More: [New York PSC](#)

NORTH CAROLINA

Duke Ordered to Excavate Coal Ash, but May Get Reprive



State environmental authorities ruled that Duke Energy must excavate all of its coal ash dumps and ponds, which the utility says would "significantly increase" its estimated \$4 billion in coal ash remediation costs. But the regulators said they may later change the ruling to allow the company to make improvements to the storage areas instead.

In response, Duke said it would seek regulatory approval to pass on to ratepayers any additional costs it incurred if it is required to remove all the ash.

Environmentalists said the ruling doesn't go far enough to protect drinking water of those living near the sites. Gov. Pat McCrory's administration "is making a mockery of the law and continuing to cover away from taking one iota of meaningful action to clean up leaking coal ash dumps," said Pete Harrison of the Waterkeeper Alliance.

More: [The News & Observer](#)

Bill Would Impose Financial, Safety Regulations on Solar, Wind

A bill introduced by two Republican state senators would impose safety requirements on wind and solar farms that critics say could be stricter than those on coal-burning and nuclear plants.



Cook

Sen. Bill Cook, co-sponsor

of SB843, said the increase in renewable projects is prompting complaints about safety, appearance and negative effects on property values. Cook represents the area where a Spanish developer is building the Amazon Wind Farm.

Among the provisions, the bill would require that a wind farm could not generate more than 35 decibels of sound, the volume of human whispering, as measured from a neighboring property.

More: [The News & Observer](#)

OKLAHOMA

Bill to Phase out Wind Tax Credits Fails in House



A House committee last week defeated a bill that would have begun phasing out the state's zero-emissions tax credit for the wind industry at the end of 2017 rather than 2020.

Members of the state House Joint Committee on Appropriations and Budget questioned whether it would be fair for lawmakers to renege on a deal made just last year that included a five-year property tax exemption for the wind industry to expire at the end of this year. The bill was defeated by a 13-15 vote.

The state currently is scheduled to end the 10-year tax credit for new wind farms placed in service after Dec. 31, 2020. By moving the deadline up to 2017, the state would have saved \$306 million.

More: [The Oklahoman](#)

PENNSYLVANIA

Regulators Reject Proposed Net Metering Cap



The Independent Regulatory Review Commission last week rejected a proposal from the Public Utility Commission that would have curtailed net metering at 200% of a customer's annual consumption.

The PUC has 40 days to amend, withdraw or present to lawmakers its rule.

"I don't believe the authority exists to create such a cap," IRRC member W. Russell Faber said in explaining the board's disapproval. The PUC said it worried that homeowners trying to make money from selling back alternative electricity would drive up the cost of power and prevent utilities from being able to collect enough money to maintain the grid.

More: [Pittsburgh Tribune-Review](#)

WYOMING

Chokecherry Wind Farm In Doubt over Tax Increases

Power Company of Wyoming said it is reconsidering plans to break ground on the \$5 billion Chokecherry Sierra Madre wind farm after two bills moved forward in the State Legislature that would raise taxes on wind energy.

The Revenue Committee advanced a bill to raise the production tax on wind beyond the current \$1/MWh and a second bill that would obligate wind companies to hand over to the state some portion of the federal wind energy production tax credits they currently receive.

The bill "has created significant uncertainty and added a huge new risk regarding our plans to construct and operate two new renewable energy businesses in Wyoming," said Kara Choquette, a PCW spokeswoman. The company has worked for more than a decade to obtain the regulatory clearance for the 1,000-turbine, 3-GW installation.

More: [Wyoming Business Report](#)



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