RTO Insider

Your Eyes and Ears on the Organized Electric Markets

CAISO ■ ERCOT ■ ISO-NE ■ MISO ■ NYISO ■ PJM ■ SPP

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Revised Western RTO Governance Plan Highlights State Authority

By Robert Mullin

CAISO has released a revised set of principles for governing a Western RTO in a bid to convince skeptics that an expanded ISO will be amenable to the entire region. The new document won initial praise, although doubts remain.

The ISO's governance changes seek to address the concerns of industry participants in the broader West who contend that the original proposal favored California interests and didn't sufficiently protect individual states' authority over electricity-related matters. (See *CAISO Governance Plan Fails to Dispel Western Concerns*.)

"I will say that the revised proposal appears to be a step towards us rather than a step away," said Bryce Freeman, administrator of the Wyoming Office of Consumer Advocate, noting that he hadn't yet studied the proposal in depth.

"The question is, is it enough to keep the [PacifiCorp] states engaged?" said Freeman, who criticized the original proposal as being "California-centric."

State Approvals Needed

That engagement will be essential for CAISO's expansion into areas of the West

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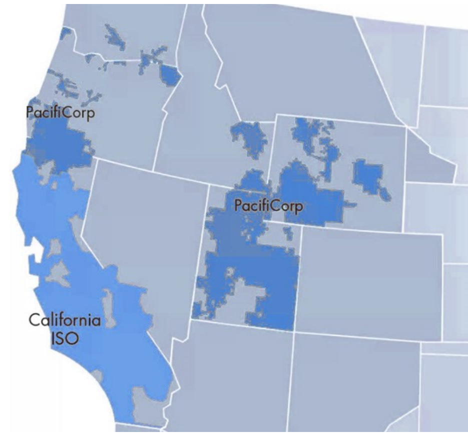

An RTO governance plan would require the approval of regulators in the five PacifiCorp states outside California. *Source: CAISO*

FERC Orders NERC to Develop 'Flexible' Supply Chain Standard

LaFleur: Rule Lacks Guidance

By Michael Brooks

WASHINGTON — FERC directed NERC on Thursday to develop a "forward-looking, objective-based" critical infrastructure protection (CIP) reliability standard for supply chain management, one that would place the onus on utilities to develop their own plans for protecting the production and distribution of industrial control system hardware and software (RM15-14-002).

Commissioner Cheryl LaFleur dissented in the 3-1 decision.

The commission's order requires each affected entity's plan to address four objectives: software integrity and authenticity; vendor remote access; information system planning; and vendor risk management and procurement controls.

FERC emphasized the flexibility it provided NERC in developing the standard. "There is no requirement for any specific controls, nor does FERC require any 'one-size-fits-all' requirements," it said. "The new or modified reliability standard should instead require responsible entities to develop a plan to meet the four objectives while providing flexibility to responsible entities as to how to meet those objectives."

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Commenters Laud, Blast New York's Nuclear Subsidy Plan

By William Opalka

New York's proposal to subsidize upstate nuclear power plants was blasted as a corporate giveaway and embraced as an economic lifeline and necessity to reduce carbon emissions in comments filed last week with regulators (15-E-0302).

The state Public Service Commission closed the comment period Friday on the cost of the plan's zero-emission credits. (See *NYPSC Extends Comment Period on Nuclear Subsidy*.)

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Also in this issue:

RTO Insider

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Editorial

Editor-in-Chief / Co-Publisher
Rich Heidorn Jr. 202-577-9221

Contributing Editor
Ted Caddell 434-882-5589

Production Editor
Michael Brooks 301-922-7687

MISO Correspondent
Amanda Durish Cook 810-288-1847

PJM Correspondent
Suzanne Herel 302-502-5793

SPP/ERCOT Correspondent
Tom Kleckner 501-590-4077

CAISO/West Correspondent
Robert Mullin 503-715-6901

ISO-NE/NYISO Correspondent
William Opalka 860-657-9889

Subscriptions and Advertising

Chief Operating Officer / Co-Publisher
Merry Eisner 240-401-7399

Marketing Assistant
Ben Gardner

RTO Insider LLC
10837 Deborah Drive
Potomac, MD 20854
(301) 983-0375

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FERC Orders NERC to Develop Supply Chain Standard

Continued from page 1

"The draft final rule directs 'what' gap NERC should address," the Office of the General Counsel's Kevin Ryan told the commission at its open meeting, "not 'how' NERC addresses that gap."

"I'm happy to support today's order because I do think it reaches the appropriate balance of pairing together an appropriate sense of urgency on the issue with a prudent flexibility that's going to be needed by NERC to develop the rule," Commissioner Tony Clark said.

This is only the third time that FERC has directed NERC to develop a reliability standard; usually, NERC proposes new or revised standards, and FERC issues Notices of Proposed Rulemaking (NOPRs) to adopt them. The commission previously ordered NERC to develop standards on geomagnetic disturbances and physical security.

Clark drew a comparison to the physical security standard in his support for the order. "With the physical security standard, we weren't telling NERC to tell fence builders how to build their fences, which would be beyond our authority, but rather to come up with a standard so that utilities can incorporate those best practices to ensure physical security of the grid."

LaFleur Issues Lengthy Dissent

It was this flexibility that led Commissioner Cheryl LaFleur to vote against the order. "I recognize that today's order on the face appears to afford a great deal of flexibility, but I believe that flexibility is in fact a lack of guidance on the issue we're addressing," she said at the open meeting.

LaFleur argued that the rule should have been issued as a NOPR instead to allow more input from stakeholders.

FERC first issued a NOPR addressing cybersecurity, including supply chain management, almost exactly a year ago. While the commission approved seven NERC-proposed standards in the NOPR in January, it held off on addressing the supply chain, holding a technical conference later that month. (See *FERC Postpones Action on Supply Chain Protections*.)

FERC on Thursday also denied a request for rehearing of its approval of the seven standards (RM15-14-001).

Commissioner Colette Honorable noted that FERC received comments from 34 parties on the NOPR and 24 additional post-technical conference comments. "I think our work in this particular effort demonstrates that we *did* heed the concerns raised by industry, government, vendors, folks in academia and others," she said.

"It is worth noting," LaFleur wrote in a four-page dissent, "that the four objectives that will define the scope and content of the standard were not identified in the supply chain NOPR. Therefore, even though the final rule reflects feedback received on the supply chain NOPR, and is not obviously inconsistent with the supply chain NOPR, no party has yet had an opportunity to comment on those objectives or consider how they could be translated into an effective and enforceable standard."

And in a rare — albeit low-key and brief — debate at an open meeting, LaFleur rebutted Clark's comparison of the new rule to the physical security standard. Clark said the latter standard had a quicker turnaround than FERC had required, while there has been "significantly more comment … and process leading up to this particular order."

"Although the timeline was short, I thought that was actually an example of very focused outreach in advance," LaFleur said. "We actually ordered the Office of Electric Reliability to work with NERC on the structure of the standard before we issued the directive and [to] agree in advance on a timeline. And as a result, I think we issued — even though we didn't say 'build a fence' — a pretty focused standard, and they complied pretty quickly.

"But of course reasonable minds can differ."

The rule will take effect 60 days after its publication in the *Federal Register*. NERC will then have a year to submit the standard.

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Correction

An article in the July 19 edition of *RTO Insider* incorrectly identified the name of the trade group that filed an intervention in response to Dayton Power and Light's proposed electric security plan in Ohio. It was filed by the Retail Energy Supply Association.

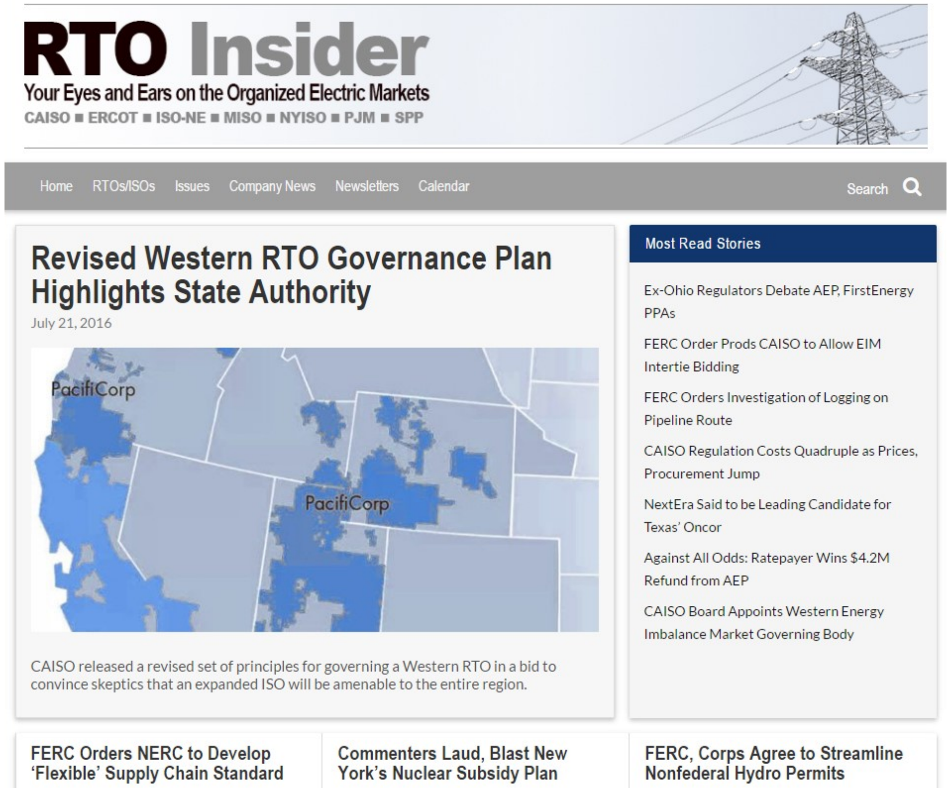
A Guide to Our New Website Design

If you've been to our website in the last few days, you'll have noticed things have changed.

When we launched *RTO Insider* in 2013, we were covering only PJM. In 2014, we added MISO, NYISO and ISO-NE. In 2015, we added SPP. And this year, we began covering ERCOT and CAISO, giving us coverage of all seven RTOs and ISOs in the U.S.

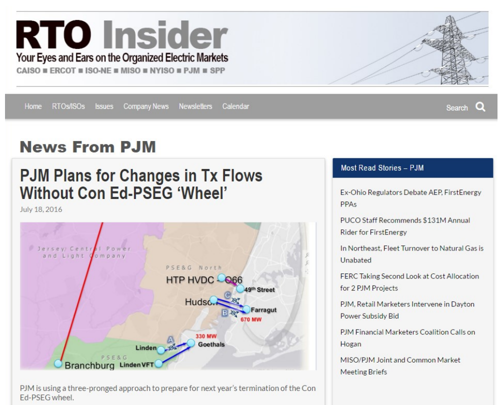
While we added more pages to our newsletter to accommodate the additional content, we hadn't made changes to our website.

Until now.



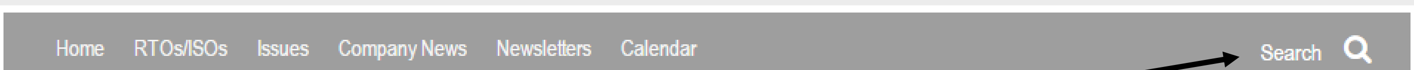
We now have landing pages for each of the RTOs and ISOs:

- CAISO
- ERCOT
- ISO-NE
- MISO
- NYISO
- **PJM**
- SPP

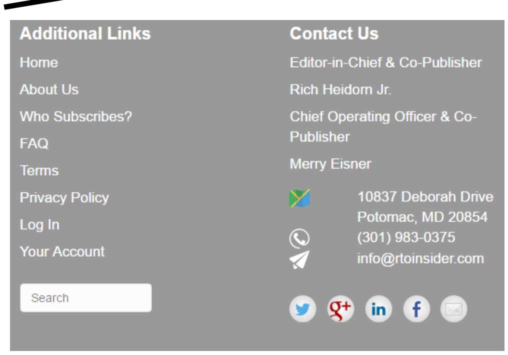


We've also added a page for company news and reorganized our categories for those who want to research issues that cut across RTO lines:

- Markets
- Resources (e.g., generation, demand response)
- Transmission
- Public Policy
- Special Reports and Commentary



And you can always find content using our search function in the **top right-hand corner** — as well as the **footer** — of each page.



Please give the new site a spin and let us know what you think.

FERC NEWS

FERC, Corps Agree to Streamline Nonfederal Hydro Permits

By Robert Mullin

An agreement between FERC and the U.S. Army Corps of Engineers could help spur the development of privately run hydroelectric resources at the Corps' unpowered dams.

The two agencies on Thursday signed a memorandum of understanding (MOU) to synchronize their processes to shorten permitting times, provide more certainty in regulatory outcomes and reduce financial risk for nonfederal project developers.

"The potential for hydropower development in this country is significant, particularly at existing Corps facilities," FERC Chairman Norman Bay said. "Today's MOU is a positive step toward the development of these resources."

A 2012 Department of Energy study identifying 6,900 MW of potential hydroelectric capacity at the Corps' unpowered dams sparked interest in development at the agency's water projects, according to Tim Welch, the department's hydropower program manager.

The Corps is authorized to allow nonfederal entities to develop hydroelectric projects at its facilities provided that the project's operation is deemed compatible with the purposes of the facility and the federal government has no competing development interest.

"This synchronized approach will shorten the time it takes the private sector to develop and construct new hydropower and will help us more efficiently use our existing infrastructure," said Jo-Ellen Darcy, the Army's assistant secretary for civil works. "It is also advancing our efforts to find alternative ways to finance new infrastructure."

AMP's Smithland project in Kentucky will divert water from the Corps' locks and dams to generate 76 MW of electricity.

The synchronized process consists of two overlapping phases in which the Corps' environmental and engineering reviews occur simultaneously with the commission's processing of the hydropower license application. The agencies had been conducting their permitting processes sequentially.

During the first phase focused on environmental impact, FERC and Corps staff will collaborate with a project developer to understand the proposal and communicate the agencies' permitting requirements.

As the lead agency under the National Environmental Policy Act responsible for licensing hydroelectric projects, FERC will direct preparation of the environmental permit for a proposed project, coordinating with its sister agency to ensure that a final document is consistent with the Corps' statutory obligations. Once the joint environmental impact review is complete, FERC will issue a license.

The second phase will entail a technical, engineering and safety review after the developer has submitted a final project design. The developer will coordinate with the Corps to ensure construction won't compromise the structural integrity of the agency's facility. Once those requirements are met and communicated to FERC, the commission will authorize the project's construction.

The MOU makes explicit that, as a cooperating agency in the process, the Corps is prohibited from later intervening in any FERC proceeding related to a project's approval.

The commission has licensed nearly 30 nonfederal hydroelectric projects with a combined capacity of 400 MW at Corps facilities since 2007, said Nick Jayjack, deputy director of FERC's Division of Hydropower Licensing. Five projects rated at about 133 MW are currently under construction, while 18 license applications representing another 500 MW are in the commission's review pipeline.

FERC Orders NERC to Develop 'Flexible' Supply Chain Standard

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Further Cybersecurity Measures

FERC also issued a Notice of Inquiry on Thursday seeking comment on potentially revising CIP standards to address separating the Internet and industrial control systems in transmission control centers (RM16-18).

The notice is in response to last year's cyberattack in Ukraine, in which hackers, likely from the Russian government, infected three Ukrainian utilities with the BlackEnergy virus. Workers at the utilities downloaded seemingly innocent Microsoft Office files that had been emailed to them and enabled macros that allowed the hackers to gain control of the companies' cyber systems, eventually knocking out power to 225,000 customers in the country. (See *How a 'Phantom Mouse' and Weaponized Excel Files Brought Down Ukraine's Grid*.)

In its report on the incident, the Department of Homeland Security recommended, among other measures, isolating industrial control systems from the Internet and other unsecured networks at control centers. FERC seeks comment on any potential impacts on the grid from doing this.

FERC NEWS

FERC Issues Revised Connected Entity, Data Collection Proposal

By Michael Brooks

WASHINGTON — Responding to a flood of criticism, FERC last week revised its proposed rules for collecting data from market-based rate traders to monitor against market manipulation, narrowing the definition of "connected entity" and streamlining the collection process (RM16-17).

The commission issued a new Notice of Proposed Rulemaking at its open meeting, abandoning a NOPR issued last September that would have required RTOs and ISOs to register market participants through common alpha-numeric identifiers, with lists of their connected entities and a description of their relationships (RM15-23).

The new proposal aligns the definition of a "connected entity" with existing MBR affiliate definitions, eliminating references to stock and ownership thresholds. The original NOPR had included as connected entities companies controlling more than 10% of another, as well as top executives and traders, a definition heavily criticized by stakeholders.

The revised definition would limit relationship reporting to only those entities engaged in FERC-jurisdictional markets and those that trade energy transaction derivatives. The new proposal also would not require reporting debt instruments or structured transactions and submitting organizational charts.

The new NOPR also adopts changes in a December proposal to reduce the amount of information MBR sellers are required to provide the commission to prove they lack market power (RM16-3). (See *Less is More? FERC Proposal Would Streamline Market-Based Rate Filings*.)

"Today's NOPR attempts to avoid duplication, minimize compliance burdens, modernize data collections and make information collected through its programs more usable and accessible for the commission and its staff," FERC said.

The commission held a technical conference on its original connected entity NOPR in December, where stakeholders criticized the proposal as cumbersome and confusing. (See *'Connected Entity' Proposal Too Broad, Burdensome, Market Participants Tell FERC*.)

At FERC's open meeting last week, commissioners admitted that they had had concerns about the original proposal and expressed appreciation for stakeholders' feedback.

"I had written separately … on the connected entities proposal to express some questions and concerns, but I'm very pleased to support the revised proposal before us today," Commissioner Cheryl LaFleur said.

"Sometimes when the commission puts out a Notice of Proposed Rulemaking, there is a huge body of evidence that we have," Commissioner Tony Clark said. "Sometimes — and I think this is one of those cases — the commission is putting something out, and we're always genuinely interested in your feedback, but we're interested in hearing your feedback on something that probably just isn't quite as well fleshed out."

FERC also proposed a database using an extensible markup language (XML) schema to keep track of entities' relationships. The NOPR contains a draft data dictionary that lays out how to submit the required information.

The commission said it plans a "substantial outreach" effort to get input on the NOPR. As a first step, it announced it would convene a technical conference Aug. 11 to discuss the data dictionary. Comments on the proposal are due 45 days from its publication in the *Federal Register*.

FERC NEWS

FERC Issues Ride-Through Requirement for Small Generators

Generators under 20 MW will be required to ride through abnormal frequency and voltage events under a revised *pro forma* small generator interconnection agreement approved by FERC last week (RM16-8).

The commission already requires generators interconnecting under the large GIA to meet such requirements.

"It would be unduly discriminatory not to also impose these requirements on small generating facilities," the commission said, noting that technology now available to small generators, such as smart inverters, gives them the capability to comply.

The revisions require small generators to not disconnect automatically or instantaneously from the transmission system for under- or over-frequency conditions and under- or over-voltage events. "The specific ride-through settings must be consistent with good utility practice and any standards and guidelines applied by the transmission provider to other generating facilities on a comparable basis," the commission said.

The commission said its order reflected input received in response to its March Notice of Proposed Rulemaking. (See *FERC Issues Reliability Orders on Relays, Small Generators*.)

FERC said its action was warranted by the increase in grid-connected solar PV generation and generator interconnection requests driven by state renewable portfolio standards.

It cited NERC's finding that "a lack of coordination between small generating facilities and reliability standards can lead to events where system load imbalance may increase during frequency excursions or voltage deviations due to the disconnection of distributed energy resources, which may exacerbate a disturbance on the bulk power system."

— Rich Heidorn Jr.

Commission Proposes Adopting NAESB Standards

FERC last week issued a Notice of Proposed Rulemaking to incorporate in its regulations the North American Energy Standards Board's latest Standards for Business Practices and Communication Protocols for Public Utilities (Version 003.1) (RM05-5-025).

NAESB's new standards were adopted by its Wholesale Electric Quadrant (WEQ) and filed with the commission last October.

The commission also said it would list NAESB's updated Smart Grid Business Practice Standards (WEQ-019) in its General Policy and Interpretations for guidance.

Version 003.1 updates earlier versions of nine standards covering such things as definitions of terms and Open Access Same-Time Information System (OASIS) standards.

It also adds a new standard establishing the Electric Industry Registry to replace the NERC Transmission System Information Networks as the tool to be used by wholesale electric markets to conduct electronic transactions via e-Tags.

The commission declined to adopt a second set of new standards, Modeling Business Practice Standards (WEQ-23), which specifies requirements for calculating available transfer capability (ATC) and available flowgate capability (AFC).

The standards were designed to complement NERC's proposed retirement of its "MOD A" reliability standards. NERC has proposed replacing its six MOD A standards with standard MOD-001-2, focused exclusively on the reliability aspects of ATC and AFC.

The commission declined to incorporate the standard because it is still considering NERC's proposed retirement of its ATC-related reliability standards (RM14-7) and is considering changes to the calculation of ATC (AD15-5). The commission said it will consider the NAESB standards as part of the ATC dockets.

The commission also said it would not incorporate:

- Standards of Conduct for Electric Transmission Providers (WEQ-009), because it is only a placeholder for future standards; and
- Contracts Related Standards (WEQ-010), because it contains an optional NAESB contract regarding fund transfers that is not required by the commission.

— Rich Heidorn Jr.

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CAISO NEWS

CAISO: Forecasting Challenges Drove Increased Regulation Requirements

By Robert Mullin

CAISO last week provided an explanation of its decision to increase regulation requirements in response to the growing variability on its system.

The ISO's Department of Market Monitoring last month called attention to the sharp rise in costs from the requirements, prompting the California Energy Commission to ask the ISO to justify the move. (See <u>*CAISO Regulation Costs Quadruple as Price, Procurement Jump*</u>.)

During a Market Performance and Planning Forum last week, CAISO said it doubled its frequency regulation service requirement from late February to mid-June in response to recurring short-term generation forecasting errors stemming from variable wind and solar resources during late winter and spring.

The forecasting problem is mostly isolated to spring, when high renewable output often coincides with periods of low loads in California. At the same time, weather patterns tend to be more erratic, often making it especially difficult to predict renewable output on a moment-to-moment basis.

Regulation prices more than doubled shortly after the ISO increased its daily regulation procurement from 400 MW or less to as much as 800 MW in late February. Daily payments to regulation service providers surged from $100,000 to more than $400,000, the ISO's Monitor found last month.

The ISO rolled back regulation requirements to previous levels for summer because of more predictable weather patterns.

Further compounding the spring forecasting issue is the increasing adoption of residential rooftop solar, which is subject to the same variability as utility-scale projects. The ISO estimates it has nearly 5,000 MW in rooftop solar in its balancing area, with new installations added daily. Variability in behind-the-meter rooftop output complicates matters by causing loads to skew from forecasts depending on whether the sun is shining.

The problem "happens more in the off-season — with more of the clouds coming in," said Amber Motley, CAISO short-term forecasting manager. "Timing and forecasting of [generation] ramps are very difficult. Forecasting cloud coverage is difficult."

Variable wind production can also be a factor, with cold fronts making it difficult to predict the timing of wind ramps and changes in wind direction causing intermittency.

Clyde Loutan, ISO senior advisor for renewable energy integration, said weather changes can occur too quickly to incorporate revised forecasts into the real-time market run. He also pointed out that forecasting errors are not covered under the ISO's real-time contingency dispatch process, which sets aside generation to allow the system to recover from major disturbances.

"So you have to rely on regulation," Loutan said.

"Seems like it's more a failure of the forecast," said Dan Williams, CAISO markets analyst at Portland General Electric. "And that should be changed by changing the market rather than rolling it into regulation."

Loutan countered that he didn't know of any forecaster that could reflect the intermittency in the five-minute market.

"When you think about how these markets were designed, they were really designed for conventional units," he said.

Loutan also pointed to a clear financial incentive driving the ISO's increased requirement.

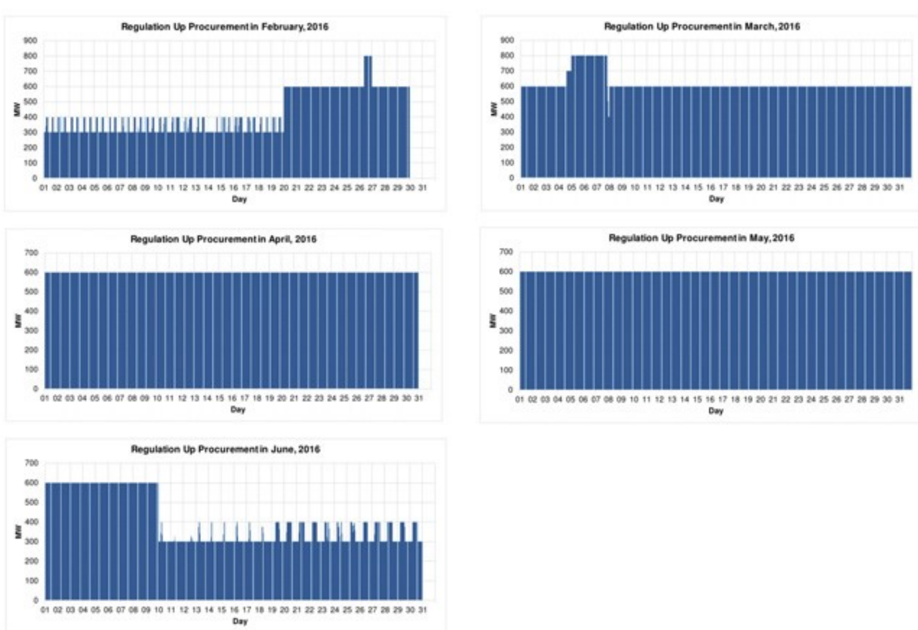
"Back in January we had some pretty bad days when we didn't control the frequency well enough," he said. "For 11 hours, we had a hard time controlling the system. We found out that we were running out of regulation."

If the condition had persisted longer than 30 consecutive minutes, the ISO would have been subject to as much as $1 million in NERC penalties, he said.

Carolyn Kehrein, principal consultant for the Energy Users Forum, suggested that increased regulation costs should be allocated to intermittent resources if the forecasting problem continued and the ISO didn't develop new tools to deal with it. She said increased costs for intermittency should encourage the "right kind" of renewable development, such as geothermal.

Wei Zhou, senior project manager with Southern California Edison, agreed with applying the cost-causation principle to the problem.

"This is something that we're looking at long-term," said Loutan, referring to the forecasting issue at large. "But for now we just wanted to explain why we increased our regulation procurement."



Regulation requirements — February through June 2016 *Source: CAISO*

CAISO NEWS

Revised Western RTO Governance Plan Highlights State Authority

Continued from page 1

now served by PacifiCorp. A widely accepted governance structure is key to the Portland-based utility gaining regulators' approval to join the ISO in 2019. Regulators from five states outside California — Idaho, Oregon, Utah, Washington and Wyoming — must sign off on membership.

"We think the revised proposal marks a positive step in the right direction and that the changes appropriately reflect input from stakeholders, including on the key issue of striking the right balance between the existing authority of the ISO's board and California and the other affected states," PacifiCorp spokesman Bob Gravely said.

The updated proposal attempts to strike that balance in part by scrapping a controversial plan to appoint an "initial" RTO board of governors on which California-appointed members would have held a 5-4 majority. That board was slated to remain throughout a transition period and would have selected the "final" board based on a process developed by a transitional committee. Freeman previously referred to the initial board as the "mother of all California-centric concerns."

Transitional Committee

CAISO is now proposing that the transitional committee develop a nominating and approval process to select a new nine-member board. The new board would be selected within 18 months of the effective date for the governance plan, which the transitional committee would develop and submit to the current board for approval.

New board members would fill seats created under the governance plan, as well as the open seats of sitting board members as their terms expire. Transitional committee members could extend the terms of sitting board members after determining that doing so would be beneficial to the new board based on "expertise and institutional knowledge."

The revised proposal also fleshes out the composition of the transitional committee.

"The details are drawn from the Energy Imbalance Market transitional committee, which was successful in developing a governance structure that gave the entire region a voice in the market rules for the EIM," CAISO said.

Each state in the expanded RTO footprint would be entitled to appoint a committee representative through its own process. In addition, stakeholders throughout the region would select representatives to the committee from nine sectors: investor-owned utilities; publicly owned utilities; independent power producers; large-scale renewable energy providers; distributed energy resource providers; generators and marketers; federal power marketing administrations (PMAs); public interest groups; and state-sanctioned ratepayer advocates.

In addition to developing the governance plan, the transitional committee would be responsible for dealing with other issues, such as whether to create a funding mechanism to facilitate participation in the RTO by consumer advocates.

CAISO's modified proposal clarifies the role and powers of the Western States Committee (WSC), previously referred to as the body of state regulators. A representative from each RTO state would be appointed to the WSC, which also reserves one non-voting slot each for PMAs and publicly owned utilities. State committee members are not required to be regulators.

The WSC would "provide input on matters of collective state interest" and hold "primary authority" over certain RTO policy initiatives related to transmission cost allocation and resource adequacy.

"Primary authority means the committee will play the lead role for its defined areas of authority, and policy approval by the committee would be a prerequisite to any Section 205 filing with FERC in those areas," CAISO said.

Still, the ISO would reserve the right to file with FERC without WSC approval "when reliability is imminently threatened."

'Genuine' Effort

The proposed principles make an explicit concession to state sovereignty, promising that governing documents would include "binding provisions" to "protect and preserve state authority over matters regulated by the states themselves," including procurement, resource planning, retail rates, and resource and transmission siting.

"The proposal appears to be genuinely making an effort to preserve state sovereignty," said Michele Beck, director of the Utah Office of Consumer Services. "But there's a limit to what you can do in any proposal."

Beck cited the U.S. Supreme Court's April decision in *Hughes v. Talen Energy* — which struck down a Maryland program to incentivize in-state generation — as an example of how participation in an RTO can compromise a state's authority. (See Supreme Court Rejects MD Subsidy for CPV Plant.)

"Ultimately, policymakers will have to weigh whether a certain amount of loss of sovereignty is worth the benefit," Beck said.

While Beck was encouraged that CAISO set aside a position for consumer advocates on the transitional committee, she was also wary of a process modeled on the EIM, which she said left out the perspective of consumer groups.

Show Me the Benefits

She also thinks Western industry participants need to be looking beyond the governance issue.

"I want to remind people that governance is a big concern, but we still have to see benefits," Beck said, pointing out that no studies have been performed to assess how consumers in individual states would be affected by PacifiCorp joining an RTO.

The utility says such a study is in the works.

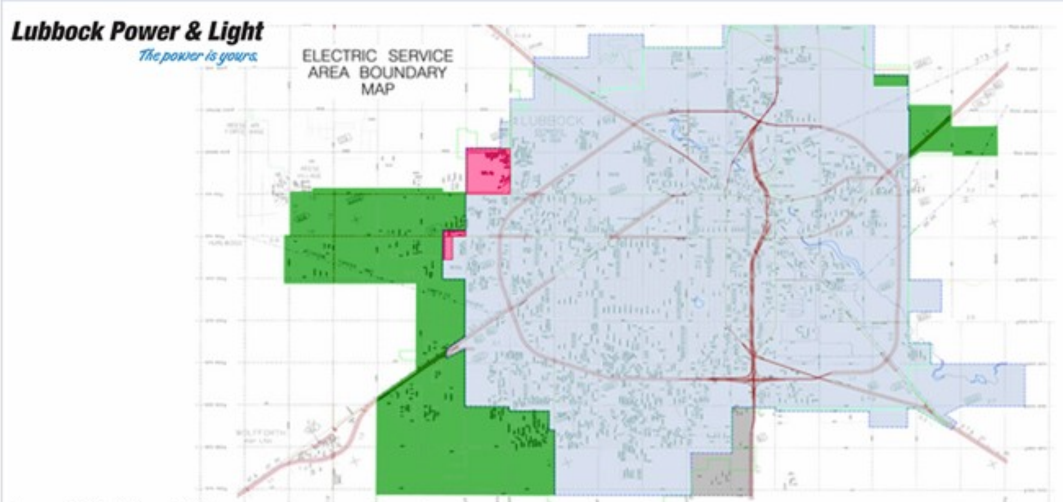
"Having a final governance structure approved by the legislature that can be supported by other states, as well as completing a full cost analysis to determine net customer benefits, remain the two most important steps that will determine if we continue to move forward," said PacifiCorp's Gravely.

CAISO will take up discussion of the revised proposal during a public forum held in Sacramento on Tuesday. After taking a last round of comments, the ISO plans to send a final governance proposal to Gov. Jerry Brown, who is expected to present the plan to the state legislature in August. Lawmakers must approve any changes to the ISO's governance structure.

ERCOT NEWS

PUCT Asks ERCOT, SPP to Coordinate on Lubbock P&L Move

By Tom Kleckner



Source: Lubbock Power & Light

Staff from ERCOT and SPP began discussions last week to determine how to work together on Lubbock Power & Light's planned move to the ERCOT grid.

The grid operators conducted a staff-only call July 21 at the behest of the Public Utility Commission of Texas, which has bifurcated LP&L's application to join ERCOT into two cases: one involving the move itself and the other involving a cost-benefit analysis of the effect on ratepayers. (See *Texas PUC Takes Slow Approach with LP&L Integration*.)

PUC Chair Donna Nelson last week filed a memo describing the information the commission will be looking for from the grid operators' studies on LP&L's migration (Docket No. 45633).

"A joint study between ERCOT and SPP on the tangible costs and benefits could mitigate the issues that arise when studies are conducted by different parties," Nelson wrote.

Commissioner Ken Anderson agreed with Nelson during the PUC's July 20 open meeting, saying it is important the two entities know how they're going to proceed.

"The question I will have for SPP and ERCOT … if they can agree on the same method to analyze not just the options of how to, but the more important one of the costs and benefits," he said. "Then, finally, the costs that stranded ratepayers in SPP would have as a result, if any. I'm not conceding there are [some] now, but how do you think about the impact on Texas ratepayers outside of Lubbock?"

"In my mind, the key component here is so you can interpret the information, and not having a situation where you're comparing apples to oranges," Warren Lasher, ERCOT's director of system planning, told Nelson. "I don't feel at this time we have to do a joint study, but what we can do is ensure you have the information you can translate between the two studies."

SPP's principal regulatory analyst, Sam Loudenslager, told the PUC the RTO staffs would file a preliminary draft study scope before the commission's next open meeting on Aug. 18.

LP&L announced last September it planned to disconnect 430 MW of its load from SPP and join ERCOT in June 2019. An ERCOT study completed in June indicated it will cost $364 million and take 141 miles of new 345-kV right of way to incorporate LP&L into ERCOT. (See "LP&L Integration Could Unlock More Panhandle Wind Energy, *ERCOT Board of Directors Briefs*.)

Nelson and her fellow commissioners are also concerned about other companies that may be looking to join ERCOT. Rayburn Country Electric Cooperative, an ERCOT-turned-SPP member with 85% of its load in the Texas grid, has asked the ISO to conduct an integration study as it considers rejoining.

"I'm inclined to think we deal with Lubbock as a one-off," Anderson said. "It's a much smaller deal for Rayburn. The question becomes the precedent" it sets.

The commissioners agreed to discuss a rulemaking for new ERCOT members at its next meeting.

"I favor initiating the production of pertinent studies now while concurrently determining whether we need a rule for a clear framework for similar requests in the future," Nelson said in her memo.

Nelson also stressed the importance of maintaining ERCOT's independence from federal oversight. "Of import to us all, we need to ensure that Lubbock's move into ERCOT will not invoke federal jurisdiction over ERCOT," she said.

In her memo, Nelson provided additional issues she felt were "specific to the matter at issue:"

- The impact to the ERCOT and SPP systems' reliability and operational costs;
- The costs of any facilities that would be required or that could be avoided on the ERCOT and SPP systems;
- The benefits or challenges that the subject loads would provide or impose on each system;
- The impact on wholesale and retail customers, markets and market participants;
- Whether LP&L's status as a municipal utility should be considered in the cost-benefit analysis; and
- The length of time the no-harm standard — making LP&L liable for added costs passed on to customers — should be applied to the utility for its admission to ERCOT.

Nelson said she would also like to see analysis of alternative or gradual paths for entry into ERCOT "that are prudent for us to consider" under the cost-benefit analysis.

ERCOT NEWS

With Oncor Back on the Market, Multiple Suitors Line Up

By Tom Kleckner

Interest in bankrupt Energy Future Holdings' Texas transmission and delivery subsidiary Oncor continues to grow, even as the troubled company struggles to emerge from Chapter 11 without a massive tax bill.

NextEra Energy and Berkshire Hathaway Energy are thought to be the leading contenders for Oncor, the largest utility in Texas with 119,000 miles of lines and more than 3 million meters. Fidelity Management, Edison International and Hunt Consolidated — which saw its bid for Oncor fall apart in May — are among those whose names have also been floated in recent weeks as potential suitors.

In addition, the investor group led by Borealis Infrastructure Management and Singapore's GIC Special Investments, which together own 19.75% of Oncor, is also interested in acquiring the whole company, according to Bloomberg.

Florida-based NextEra walked away from its proposed $4.3 billion purchase of Hawaiian Electric Industries after Hawaii's Public Utilities Commission voted against it July 15. (See *NextEra Said to be Leading Candidate for Texas' Oncor*.)

According to media reports, the Hunt group and others have been working to garner support in Austin.

"It is no surprise that other parties are participating in this contest, but we are working with all stakeholders to maintain our position as a very viable option for Oncor, its employees, customers" and the Public Utility Commission of Texas, Hunt Consolidated spokesperson Jeanne Phillips said in a statement.

The Hunt group in June filed a lawsuit against the PUCT, asking the commission to reverse a March order that set conditions on its bid, including a requirement to share potential tax savings with the utility's ratepayers. (See *Hunt Reopens Oncor Bid in Lawsuit Against PUCT*.)

EFH, which has been in Chapter 11 for two years and is burdened by almost $50 billion in debt, has said it now wants to spin off Oncor tax-free. It is expecting a positive tax ruling this week from the Internal Revenue Service, which would eliminate a potential $4 billion tax liability. Oncor has been valued as being worth as little as $17 billion and as much as $23 billion.

The holding company was to file a plan for Oncor by July 8 with the U.S. Bankruptcy Court for the District of Delaware. Instead, it told the court it was in discussions with "multiple interested parties regarding a potential transaction" and asked for an extension.

EFH has proposed a separate path for its Luminant generation arm and TXU Energy retailer, selling them to senior creditors who are owed $24.4 billion. Hearings are scheduled to begin Aug. 17 in Delaware.

ERCOT NEWS

ERCOT Discusses Wind Integration at GCPA Luncheon

By Rory D. Sweeney

Kenan Ögelman, vice president of commercial operations at ERCOT, discusses the dominance of wind on his system at the GCPA's July luncheon in Austin. *© RTO Insider*

AUSTIN, Texas — Wind energy is quickly becoming a dominant force in ERCOT's resource mix, and the grid operator is making changes to address it.

Speaking to a packed house at a Gulf Coast Power Association luncheon last week, Kenan Ögelman, ERCOT's vice president of commercial operations, said ERCOT is adding a desk in its control room to monitor renewables and rethinking its ancillary services needs.

"That's how big a deal this is both in terms of managing the system conditions and giving the correct response to what happens," he said. "We feel we need people dedicated to watching that."

Fast response, rapid ramping and managing inertia are the biggest needs, he said.

Wind production on ERCOT's system surpassed nuclear production in 2014 and its growth curve is "more exponential than linear," Ögelman said.

"The mix of resources is changing," he said. "The characteristics of those resources is also different than what we had previously, so doing business as we had — as far as ERCOT goes — is different."

ERCOT's ancillary services were designed in the 1990s and assumed heavy reliance on gas cogeneration facilities.

Its reliability unit commitment, for example, reimburses unused units but is capped and doesn't allow for recovering all costs, Ögelman said. The current market isn't pricing that service efficiently, which is sending inappropriate pricing signals, he said.

Chief among ERCOT's needs is maintaining reliability. Although ERCOT's wind-speed data date back to the 1950s, monthly output can vary unpredictably. However, as the lowest-cost resource on the system, wind tends to be dispatched, Ögelman said.

While not a problem during high demand, it becomes one during the spring and fall shoulder periods when load is low and wind makes up a high percentage of dispatched generation. Because wind output can change dramatically, ERCOT has to manage the risk that it might disappear.

This is further complicated by the fact that it's hard to keep non-renewables operating during low loads. The abundance of wind — running because production tax credits offset uneconomic bids — have increasingly resulted in negative prices on the system from midnight through 5 a.m., Ögelman said.

"The market is saying you have to pay to stay on," he said.

So with generation at risk of suddenly disappearing and the market providing no incentive to diversify sources, ERCOT is seeking solutions. The process starts with more information to develop better models and forecasts. For example, some risk can be mitigated, he said, by diversifying where the intermittent generation comes from on the system. Wind resources from the three main regions — the panhandle, West Texas and the Gulf Coast — tend to provide wind supply at different times and can balance each other out. For solar, the movement of the sun across the system requires an extra hour in the morning to reach full capacity, but offers an extra hour in the afternoon.

Another challenge is that low load combined with low inertia gives the system no way to recover from disturbances, raising the threat of cascading outages, Ögelman said.

ERCOT performed a "future ancillary services" study, which found that the inertia need will vary based on the capacity of combined cycle units on the system, which provide twice as much inertia as other sources. As economical as they are, even combined cycle units can be forced offline with high enough wind penetrations.

Generation units with governors or other

Continued on page 12

ERCOT NEWS

Solar Poised for Texas-sized Growth in ERCOT

By Rory D. Sweeney

HOUSTON — Texas, which ranks 10th in installed solar capacity among the states, boasts two assets that could see it rise in the rankings.

"We have a lot of sun and a lot of land," Christine Wright, SolarCity's deputy director of policy and electricity markets, told a Gulf Coast Power Association luncheon last week. "Those are two key things there that make Texas a great resource for solar."

Installed solar capacity is growing at a rate of 50% annually, and every time the world's solar power doubles, the cost of photovoltaic panels falls 26%. In the 15 years since 2000, the industry's share of generation capacity has doubled seven times, and the average cost for a solar facility in the U.S. was cut more than two-thirds to roughly $3/W.

Although Texas ranks first among states in solar potential, it has only 534 MW installed, putting it behind California, Arizona, North Carolina, New Jersey, Nevada, Massachusetts, New York, Hawaii and Colorado. The state saw $372 million in solar investment in 2015, which was a 48% increase over 2014 spending. While top-ranked California has nearly 25 times more installed capacity than Texas, Wright said ERCOT expects solar capacity to grow by a factor of 50 by 2030.

Wright said the driving forces are cost stability and customers' demand for independence from the grid. Since solar incurs very few costs after installation and no fuel expense, it can act as a hedge against increasing energy bills. Wright referenced a 2015 Gallup poll that found approximately 80% of respondents preferred more emphasis be put on developing solar infrastructure.

Tax incentives add to the appeal. Congress extended the solar investment tax credit through 2023, and the state's property-assessed clean energy program allows local governments to help residential and commercial applicants to secure loans for solar projects in exchange for an increased property tax assessment.

The state has enacted favorable legislation, Wright said, such as SB1626, which reduces builder restrictions on solar development, and HB706, which simplifies property tax form filing. But "we have seen that policymakers in other states don't always make decisions that are consistent with customer demand," which is why she said the industry needs to maintain an active education campaign. In Nevada, for example, rooftop solar drove $833 million in investment in 2015 but ground to a near halt after the state Public Utilities Commission promulgated rates that increased the bills for solar customers by more than 50%, she said.

She acknowledged that issues will arise as the industry gains market share, but that they are known. Efforts are being made to collect necessary data and address "growing pains," she said, citing ERCOT's formation of the Distributed Resource Energy and Ancillaries Market Task Force.

Christine Wright, the deputy director of policy and electric markets at SolarCity, speaks during the GCPA luncheon in Houston on Thursday. Solar capacity is making great strides in Texas. *© RTO Insider*

ERCOT Discusses Wind Integration at GCPA Luncheon

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frequency-control devices provide automatic systemwide frequency response. However, as wind pushes them off the system, that service disappears. ERCOT is also looking at how to incentivize load, which can respond quickly and then return to normal. Frequency response provided by the load, Ögelman noted, can be more valuable than that coming from generators.

ERCOT plans to talk to stakeholders at the Technical Advisory Committee about ancillary services to see if needs can be met with market design features that stakeholders want. It will also look into how best to analyze inertial service. The tools exist, Ögelman said, but aren't fine-tuned to what's optimal for a market design and reliability standpoint.

The amount of intermittent resources on the system can continue to increase, he said, as long as they agree to be curtailed as necessary.

ISO-NE News

Maine PUC Endorses Gas Pipeline Contracts

By William Opalka

Disregarding its staff's recommendation, Maine's Public Utilities Commission on Tuesday endorsed a plan in which electric ratepayers would help finance natural gas pipeline expansion (2014-00071).

PUC staff said last month that ratepayer subsidies were unnecessary because market conditions have changed dramatically since 2013, when the proposal was first made. (See Maine PUC Staff Advises Against Pipeline Contracts.)

The vote to ignore the staff recommendations was unanimous. The order includes a proviso that four other New England states considering similar financial support would have to follow suit for Maine's participation.

Only Massachusetts regulators have made that commitment so far and that decision is being challenged in court. (See More Pipelines for New England: 'Gold-plating' or Necessity?)

"There are so many more things that need to happen before a shovel gets turned or more gas begins to flow, and most of those things are outside of Maine's control," Tim Schneider, Maine public advocate, told the Bangor Daily News. He also opposed the staff recommendation.

The commission said they have determined the benefits of new pipeline capacity outweigh any costs.

Yet to be determined are those costs or when supply contracts might be signed. Under state law, any action would require written approval from Gov. Paul LePage.

"The fossil fuel industry hoodwinked the PUC into gambling $1 billion of Mainers' hard-earned money on a massive new gas pipeline," Conservation Law Foundation attorney Ben Tettlebaum said in a statement. "From Day One, this LePage-appointed commission has been desperate to find any way to justify overwhelming concessions for Big Gas, no matter the cost."

The approval comes after the cancellation earlier this year of the Northeast Energy Direct expansion project. The largest remaining proposal is the Access Northeast project, which would increase natural gas capacity from New York to Maine.

A related proposal before FERC to allow local distribution companies to sell natural gas to utilities for power generation is being opposed by some power plant owners. (See Generation Owners Seek to Block EDC-Pipeline Deals.)

FERC Rejects Enforcement Action in Connecticut PURPA Dispute

For the second time in seven months, FERC declined on Thursday to intervene in a renewable energy developer's claims against Connecticut regulators (EL16-69).

The commission declined to begin an enforcement action under the Public Utility Regulatory Policies Act on behalf of Allco Finance and its unit Windham Solar. The petitioners said the Connecticut Public Utilities Regulatory Authority and state law violated PURPA's mandatory purchase obligation.

The company owns 26 small solar generating facilities whose energy and capacity it offered to sell to Eversource Energy for 30 years at the utility's forecasted avoided costs. The developer sold the renewable energy credits separately to Eversource, in a one-year agreement approved by PURA, its petition states.

However, Allco and Windham allege that they are being required by Connecticut to either offer a bundled product that includes the RECs or sell energy under short-term contracts, in violation of PURPA.

"The commission has stated that the states have the authority to determine who owns RECs in the initial instance and how they are transferred and has explained that the automatic transfer of RECs within a sale of power at wholesale must find its authority in state law, not PURPA," FERC wrote.

FERC rejected a similar petition for PURPA enforcement in January that involved the state's procurement of wind energy from a proposed project in Maine. (See Court Next Stop for Developer, FERC Says.)

— William Opalka

Unadilla Solar Project *Source: Allco Renewable Energy*

MISO NEWS

MISO PAC Briefs

MISO Posts Final MTEP 17 Weighting, Siting and Seeks Scope Feedback

MISO has settled on a probability weighting for the futures analysis in its 2017 Transmission Expansion Plan, with existing trends given 31% consideration, policy regulations given 43% and accelerated alternative technologies receiving 26%.

The RTO relied on stakeholder feedback to tweak the weighting and used an average of weighting that each sector recommended. MISO had originally proposed using a 30% weighting for existing trends, 40% for policy regulations and 30% for accelerated alternative technologies. (See "MTEP 17 Futures Process Enters Stakeholder Inspection," *MISO Planning Advisory Committee Briefs*.)

MISO's J.T. Smith said stakeholder feedback played a major role in developing the final weightings, and stakeholders said the process has gone well.

The RTO also released its refinements to the MTEP 17 futures siting methodology, vowing to represent zonal resource adequacy requirements and solar and expanded wind zones and develop distributed generation siting methodology. It will consider National Ambient Air Quality Standards nonattainment areas in the siting process.

MISO will share final MTEP 17 capacity forecasts and siting locations at the September Planning Advisory Committee meeting and is urging participants to submit comments in early August.

With a number of plant shutdowns looming in the next five to 15 years, MISO is also looking to improve its generation retirement sensitivities beginning with MTEP 17. The RTO is proposing to consider age-based retirements of coal, oil and gas units in the five-year MTEP reliability assessment. The study will identify necessary projects that will require lead times of more than five years and low-cost upgrades that can be implemented in advance of retirements, said Neil Shah, a seams administration adviser at MISO. The analysis would assume a lifespan of 65 years for coal plants and 55 years for oil- and gas-fired facilities, but would not assume any for nuclear stations.

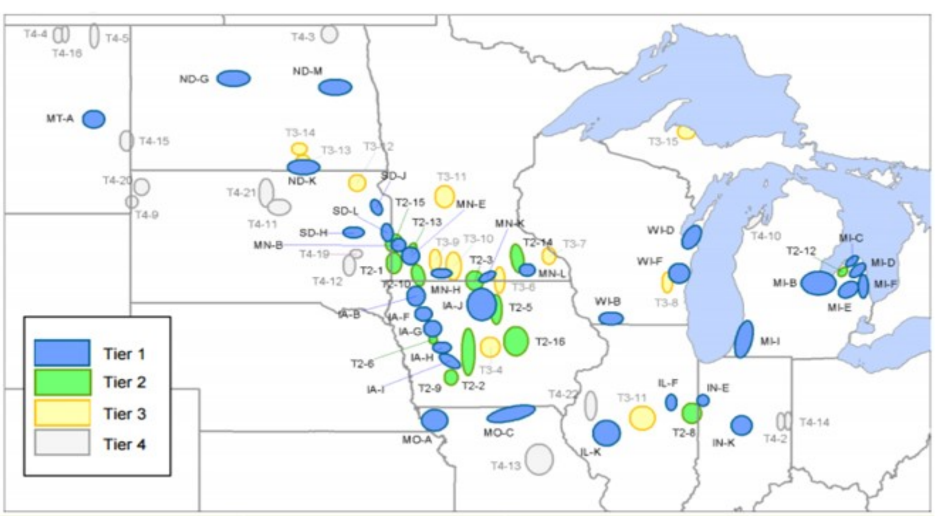
The proposal received substantial inquiry and criticism from participants, who said it could be redundant and presumptuous. Among the concerns were questions about whether this planning was addressed in existing protocols and how MISO chose specific parameters, such as the plant lifespans. The plan also doesn't currently address non-transmission alternatives to avoid engaging system support resources.

MISO contends the study could eliminate the need for an SSR agreement for most generation retirements. Staff is requesting stakeholder input on the study enhancements by Aug. 3.

The RTO is also requesting that feedback on the MTEP 17 scope be submitted by September. A summary of the feedback will be presented at the October Planning Advisory Committee meeting and the project's scope will be adjusted by the end of the year. Beyond core studies to maintain reliability of the system, which are required by FERC and NERC, the MTEP includes targeted studies to optimize market efficiency. Participants may make requests for the targets of those studies; however, not all of them may be able to be accommodated. All feedback should be sent to Adam Solomon.

Meanwhile, a first draft of MTEP 16 is set to be released for external review by MISO on Aug. 8, with stakeholder review and comments expected to roll in by Aug. 22. The draft has been circulating within MISO since July 22. A second draft is slated for release on Sept. 19, with PAC review on Sept. 28 and a vote on Oct. 19. The timeline is aimed for approval at the Dec. 8 Board of Directors meeting.

As of the second quarter of this year, MISO reports there are 633 active MTEP projects totaling $11.1 billion. Another 130 projects valued at $1.9 billion are under construction, while 11 MTEP-approved projects, at $200 million, have been withdrawn. By the end of 2016, MISO expects another $2.5 billion worth of projects to be operational.



MISO's Tiers 1-3 would allow the RTO to add 50 GW of wind beyond that already enabled by multi-value transmission projects. Tier 4 would allow for an additional 30 GW. *Source: MISO*

Duff-Coleman Selection Moves into the Evaluation Phase

MISO staff is conducting a tariff-required completeness check of developer proposals for the Duff-Coleman transmission project, the RTO's first Order 1000 competitive solicitation. The identities of the bidders will be released by Aug. 19. Project selection is expected by Dec. 30.

Competitive Transmission Protocol Modifications

MISO is requesting feedback on proposed modifications to Business Practices Manual 20 and 27 and a draft joint functional control agreement.

The BPM 20 modifications would adjust status reporting requirements for market-efficiency and multi-value projects and create variance analysis requirements. MISO Transmission Owners and Wisconsin Electric submitted comments during a previous request for feedback. The BPM 27 modifications would change timing and deadlines for various steps in the RFP process.

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MISO NEWS

MISO PAC Briefs

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The agreement ensures that MISO retains functional control of transmission infrastructure if a portion of the transmission owners decide to leave MISO. All comments or questions are requested by Aug. 3 and should be sent to TDQS@misoenergy.org.

Merchant HVDC Task Team Proposed

The Interconnection Process Task Force is proposing the development of a task team to develop HVDC interconnection procedures. The Merchant HVDC Task Team would meet at least monthly from August through December and report on its activities at PAC meetings.

MISO Tries to Please FERC with Second Attempt at Queue Reform

In another bid to win FERC approval for its interconnection queue reform, MISO plans to cut an initial milestone payment by $1,000/MW of new capacity and assess subsequent milestone payments based on a percentage of upgrade costs.

The revised M2 milestone would become a flat charge of $4,000/MW of new capacity instead of the proposed $5,000/MW. The M3 and M4 milestones will be redefined as 10% and 20% of upgrade cost, respectively.

MISO said it will define the upgrade cost the same way it does in the initial payment section of its generation interconnection agreement, which includes network upgrades, distribution/generator upgrades and TOs' interconnection facilities and system protection facilities.

MISO said the revised milestone payments will be applied toward the GIA initial payment. It also said it will settle any over- or underpayment after it completes a final facility study.

The RTO plans on posting Tariff redline changes for stakeholder review on July 29 and wants to file the revised queue process at the end of October for a Jan. 1 effective date.

If the new batch of adjustments is accepted by FERC, MISO plans on transitioning completely to the new queue beginning with projects that enter next August.

In March, FERC rejected MISO's proposed changes, calling the revised milestone payments a barrier to entry and rebuffing the RTO's explanation that the current project backlog was due to "speculative" projects. (See *MISO Queue Changes on Hold Pending Technical Conference*.)

So far in 2016, MISO has received 105 new queue requests representing a possible 16.9 GW, and the RTO reports that 12 projects worth 1.9 GW have newly signed interconnection agreements.

MISO is also proposing to move two study deadlines four months ahead under Business Practices Manual 15, which governs generator interconnection. Under the changes, MISO's annual interim deliverability and energy resource interconnection service studies would be completed by Oct. 31 instead of the current June 15.

"We did not meet [the current deadline] this year, and we did not meet it last year," said Tim Aliff, MISO's director of resource interconnection and planning.

— Amanda Durish Cook & Rory D. Sweeney

FERC: MISO, SPP Need Refund Requirements for Nonpublic Utilities

By Suzanne Herel and Rich Heidorn Jr.

FERC last week ordered Section 206 proceedings in MISO and SPP, questioning the RTOs' failure to require nonpublic transmission owners to provide refunds in the manner it requires of public utility owners.

The commission expressed "concern that the refund commitments provided by the nonpublic utility transmission owners thus far do not apply to the full range of situations in which they may receive revenues associated with service provided due to their status as transmission-owning RTO members based on RTO rates, terms or conditions that are found to be unjust and unreasonable," it said in the MISO order, which resulted from a complaint brought against the RTO by a group of transmission owners (EL15-45, EL16-99).

The commission raised similar concerns in opening the 206 proceeding for SPP, saying the lack of full refund provisions for nonpublic utilities could result in cost shifts, meaning "SPP's resulting jurisdictional rates may not be just and reasonable" (EL16-91).

Although the commission cannot directly order refunds from nonpublic utility transmission owners that have joined RTOs, FERC said SPP and MISO could compel such refunds indirectly. It suggested the RTOs revise their Tariffs to require non-jurisdictional TOs to promise to honor refunds ordered in FPA Section 205 and 206 proceedings. Such refunds would include those correcting errors in the application of their formula rates and costs later found to be unjust and unreasonable.

"If a nonpublic utility transmission owner chooses not to make such a refund commitment, then SPP would remove its transmission revenue requirement(s) from the SPP Tariff as of a prospective date to be determined by the commission," FERC said.

In the MISO ruling, FERC also denied the MISO Transmission Owners' request for rehearing regarding whether a public utility's ROE may be found unjust and unreasonable even if it falls within the "zone of reasonableness." FERC set that zone at 7.03 to 11.74% in a June 2014 ruling involving New England TOs.

The commission cited precedents showing that an ROE may be both within the zone and unjust and unreasonable. (See *Rural Utilities Allowed to Continue ROE Fight*.)

The commission also granted in part and denied in part rehearing requests in a separate docket involving a dispute over base ROEs. (See *MISO TOs Seek Base ROE of 11.39%*.) The commission denied a request for rehearing from the MISO TOs and Xcel Energy regarding the effective refund date FERC had set. It did grant in part Xcel's request for rehearing with respect to refunds for nonpublic utility transmission owners.

In EL14-12-001, FERC agreed to clarify its Oct. 16, 2014, order that set hearing and settlement judge procedures along with a refund effective date related to the base ROE for MISO transmission owners. (See *ROE Talks Between MISO Industrials and TOs Collapse*.)

MISO News

FERC OKs Settlement, Orders Earlier Refunds in MISO Voltage Cost Allocation Case

FERC last week approved a settlement in a dispute between WPPI Energy and MISO over how to allocate voltage and local reliability (VLR) costs to pseudo-tied load (ER12-678-006).

The commission also granted WPPI rehearing in a related case, ordering MISO to pay refunds from September 2012 rather than July 2014 in a reallocation of costs for revenue sufficiency guarantees paid to resources providing VLR support (ER12-678-004, EL14-58-001).

In 2012, FERC approved MISO's proposal to allocate VLR costs to all loads in a local balancing authority area (BAA), including pseudo-tied loads — load that is effectively transferred from a source local BAA, in which that load is physically located, to a different host (or "sink") BAA. In a later order, the commission had reasoned that "the local BAA of the host load is responsible for voltage management in the pseudo-tied local BAA, and therefore MISO's proposal comports with cost causation."

FERC reversed course in June 2014, saying it had "erred" in approving MISO's cost allocation and setting the issue for settlement discussions.

The commission said the settlement resolves the issue of "whether MISO should allocate VLR costs incurred in responding to a localized constraint to a market participant such as WPPI based on its load that is physically remote from the constraint, because that load has been pseudo-tied into the LBA area affected by the constraint."

The settlement will revise MISO's Tariff by adding a new term, "internal commercially pseudo-tied load," and new language requiring submission of meter data by market participants that have such loads. MISO agreed to resettlements of WPPI's VLR payments as soon as possible after the installation of necessary software changes and WPPI's submission of required meter data.

In the related order, the commission agreed with WPPI that refunds from the reallocation should be effective as of Sept. 1, 2012, the date MISO's original rate proposal went into effect, rather than July 9, 2014, the date FERC originally set.

NYISO NEWS

Commenters Laud, Blast New York's Nuclear Subsidy Plan

Continued from page 1

Although it was the first time commenters had the opportunity to respond to the projected price tag of the subsidy, the arguments were familiar.

The subsidy was proposed earlier this year as part of the larger Clean Energy Standard. The original proposal pegged the nuclear subsidy as the difference between the average wholesale price of electricity and the operating cost of the nuclear plant. (See *New York Would Require Nuclear Power Mandate, Subsidy*.)

On July 8, the PSC staff released what it called a "responsive proposal" that calculated ZECs based on estimates of the social cost of carbon. The PSC said that would be $17.48/MWh for qualifying nuclear power generators in the first two years of the 12-year program, or about $965 million.

Staff also modeled the eligibility determination to take into account the costs and benefits of other clean energy alternatives. (See *NYPSC: Minimal Cost to Meet 50% Renewable Goal*.)

A coalition of environmental groups — including the Alliance for a Green Economy, the Council on Intelligent Energy & Conservation Policy, the Nuclear Information and Resource Service and the Sierra Club's Atlantic Chapter — continued its opposition.

"After claiming the nuclear tier would cost only $270 million over 12 years, the new 'responsive proposal' outlined a plan that will cost nearly $1 billion in just the first two years, with costs escalating to total approximately $7.6 billion. The program will likely cost more than $10 billion if Indian Point gets included," they wrote.

The Brattle Group, which had done a study last year for New York labor groups, said the subsidy is cost-effective, estimating that electricity costs would rise by an average of $1.7 billion a year between 2015 and 2024 without the nuclear plants. "Although customers would pay for ZECs, they would avoid a power price increase that is larger than the ZEC cost. This means that customers actually pay less overall for power than if the upstate nuclear plants were to shut down."

Upstate Energy Jobs, a coalition of municipal, business, labor, education and economic development leaders, said it supports the ZECs to keep the plants operating during the transition to clean sources. "Furthermore, renewable energy sources are not being constructed at a pace that makes replacing nuclear power with renewable power a realistic approach at this time."

FitzPatrick nuclear plant

Towns and legislative members from western New York also focused on the plants' economic impact. Comments from the Town of Scriba, which is the site of three nuclear plants, Nine Mile Point 1 and 2 and James A. FitzPatrick, were typical.

"More than any other community in New York state, we are most affected by the potential closure of these facilities should a reasonable and workable solution to the current financial difficulties facing our upstate nuclear-powered electric generators not be realized in a timely manner."

Exelon is the owner of three nuclear power plants on Lake Ontario, with two in Scriba, and is in negotiations to acquire a fourth. (See *Entergy in Talks to Sell FitzPatrick to Exelon*.) FitzPatrick has been scheduled to close early next year by its current owner, Entergy. Exelon said it would close Nine Mile Point 1 and R.E. Ginna early next year if a contract is not in place by the end of September.

"Time is of the essence," Entergy reiterated in its comments.

A group representing large commercial and industrial customers complained that the July 8 proposal is an entirely new formula that is considerably more expensive than what was discussed in earlier proceedings. "In New York's apparent haste to appease the owners of selected nuclear generation facilities to ensure the continued operation of those facilities, customers are being exposed to potentially 12 years of artificially inflated and excessive subsidy obligations," it wrote.

Likewise, the National Energy Marketers Association said the proposal interferes with the development of the retail market. "The proposed purchasing and pricing mechanism under which [load-serving entities] will be required to purchase ZECs will have an adverse impact" on energy service companies, it said.

NYISO emphasized the environmental and reliability attributes of the plants. "The state's nuclear power stations are non-emitting resources that already contribute significantly to the state's production of clean energy and supply 30% of New York's energy requirements."

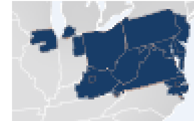
The Pace Energy and Climate Center supports the ZEC program by emphasizing it as a temporary bridge until renewable energy is built at scale, a point also emphasized by Exelon's Constellation Energy Nuclear Group.

"While the long-term goal for New York should be to replace the state's existing nuclear fleet with renewables that are additional to the CES target, over the next 12 years, the governor's plan to support the state's nuclear fleet will ensure that New York is able to achieve its carbon emissions targets while making rapid progress towards the CES goal," Pace wrote.

The American Petroleum Institute proposed an expansive definition of credits for carbon reduction. "The NYPSC must create a level playing field by making emissions credits available to all technologies and energy sources that can reduce net GHG emissions from the electricity sector, including … energy efficiency measures, and other forms of electricity generation that can help achieve compliance with state emission reduction goals, such as natural gas, [combined heat and power], biomass, and waste heat power," it said.

The PSC could act on the CES at its next regular meeting on Aug. 1.

PJM NEWS



FirstEnergy Closing Largest Coal Plant in Ohio; Bay Shore also in Peril

By Suzanne Herel

W.H. Sammis plant

FirstEnergy will retire four units at its largest coal-fired power plant in Ohio and sell or deactivate its Bay Shore plant by 2020, the company said Friday, citing "challenging market conditions."

Together, the units represent 856 MW, of which 136 MW is generated by Bay Shore in the City of Oregon, Ohio. Units 1-4 of the seven-unit W.H. Sammis Plant in Stratton produce 720 MW. The remaining two units there will continue to provide 1,490 MW of baseload generation.

The 78 employees at Bay Shore would be offered jobs elsewhere in FirstEnergy if that plant were deactivated, and the company would work with any potential buyer to arrange their retention. Likewise, the 368 employees at Sammis would be offered other job opportunities, the company said.

Last year, the units headed toward closure or sale generated 4% of the electricity produced by all of FirstEnergy's plants.

"We have taken a number of steps in recent years to reduce operating costs of our generation fleet," FirstEnergy Generation President Jim Lash said in a statement. "However, continued challenging market conditions have made it increasingly difficult for smaller units like Bay Shore and Sammis Units 1-4 to be competitive. It's no longer economically viable to operate these facilities."

The announcement comes as the staff of the Public Utilities Commission of Ohio has proposed a rider for FirstEnergy that would allow it to recover $131 million annually from customers over three to five years so it may retain an investment-grade credit rating as it struggles to maintain some of its aging, mostly coal-fired plants. (See *PUCO Staff Recommends $131M Annual Rider for FirstEnergy*.)

FERC in April had ruled that an eight-year power purchase agreement PUCO had approved for FirstEnergy, and another for American Electric Power, would be subject to federal review. The ruling prompted FirstEnergy to return to PUCO with a modified proposal that commission staff said should be rejected in favor of the recommended rider.

FirstEnergy's announcement was welcomed by environmental advocates who had denounced the company's power purchase request as a corporate bailout.

"Closing these outdated, dirty power plants not only shows FirstEnergy finally recognizes the market momentum toward coal's inevitable demise, the decision is great news for Ohio customers, who avoid paying a massive subsidy to keep the units afloat," said Dick Munson of the Environmental Defense Fund.

"Continued challenging market conditions have made it increasingly difficult for smaller units like Bay Shore and Sammis Units 1-4 to be competitive."

Jim Lash, FirstEnergy Generation president

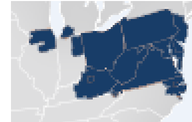
According to the Sierra Club, FirstEnergy's announcement brings the total amount of coal generation that has retired or is set to retire in the state since 2010 to 10,093 MW.

"Today's announcement is further proof that Sammis is an outdated and costly coal plant that customers should not be forced to prop up," said Shannon Fisk of Earthjustice. "We will continue to fight efforts that could be used to bail out other FirstEnergy coal units, as now is the time for significant investments in renewable energy, energy efficiency and grid modernization activity that will create jobs and economic development throughout Ohio."

Bay Shore Unit 1, whose boiler is fueled by petroleum coke, went online in 2000. Units 2-4 were deactivated in 2012 because of environmental regulations.

Units 1-4 at Sammis date to 1959 through 1962. Units 5-7 came online from 1967 to 1971.

According to FirstEnergy, it pays $1.7 million annually in Bay Shore property taxes. The company pays more than $7 million in property taxes on the Sammis plant, making it the largest taxpayer in Jefferson County.



MRC/MC Preview

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

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

Markets and Reliability Committee

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

Members will be asked to endorse the following manual changes:

A. Manual 11: Energy & Ancillary Services Market Operations for the Day-Ahead Scheduling Reserve. Adds language excluding resources from the day-ahead scheduling reserve process that cannot reliably fulfill obligations in real time.

B. Manual 14C: Generation and Transmission Interconnection Facility Construction. Changes are to support the inclusion of Order 1000 processes. Since the first reading, the new tie line section has been removed.

C. Manual 20: PJM Resource Adequacy Analysis. Updates are the result of a periodic review.

D. Manual 29: Billing. Clarifications and updates are the result of a regular review.

3. Underperformance Risk Management Sr. Task Force (URMSTF) Charter (9:40-9:55)

The charter reflects two issue charges: The group will seek to develop ways that Capacity Performance resources can manage their risk during performance assessment hours. It also will look to better align the requirements for internal and external resources. (See "Charter for Underperformance Risk Management Senior Task Force Presented," *PJM Markets and Reliability and Members Committees Briefs*.)

4. Auction-specific Bilateral Transactions (9:55-10:10)

Proposed changes ensure the physicality of an auction-specific bilateral transaction. (See "Members OK Clarifications to Preserve 'Physicality' of Auction-specific Bilateral Transactions," *PJM Market Implementation Committee Briefs*.)

5. FERC Order 825 (10:10-10:40)

Members will be asked to approve a problem statement and issue charge related to the recent FERC Order 825, which requires RTOs to align their settlement and dispatch intervals and implement shortage pricing during any shortage period. (See "Members Prepped for Problem Statement on Settlement Intervals, Shortage Pricing," *PJM Markets and Reliability and Members Committee Briefs*.)

6. Non-Performance Assessment Charge Rate

David "Scarp" Scarpignato, on behalf of Calpine and the Independent Market Monitor, will present a problem statement and issue charge related to the calculation of the CP nonperformance charge rate. The problem statement maintains that the performance assessment hour number used in the charge rate does not reflect the expected number of PAHs as intended. The issue would be worked in special Market Implementation Committee sessions with the aim of bringing proposals to the MRC for implementation in the 2017 Base Residual Auction for delivery year 2020/21.

Members Committee

Consent Agenda (1:20-1:25)

Members will be asked to approve operating agreement and Tariff language giving more flexibility to the parameter-limited schedule exception process. (See "More Flexible PLS Process Approved," *PJM Markets and Reliability and Members Committees Briefs*.)

SPP News

Electric Industry Lobbies, Waits on CFTC Private Rights Ruling

By Tom Kleckner

RAPID CITY, S.D. — The electric industry has done its part in building opposition to the U.S. Commodity Futures Trading Commission's proposal to allow private rights of action on energy market transactions, which would make RTOs and their market participants potential targets for lawsuits outside the FERC process.

It flooded CFTC with comments against the proposal. It worked with the Senate Appropriations Committee to file legislative language ensuring the current regulatory framework remains in place. (See Congress May Order CFTC to Back Down on Private Rights.)

And now it waits.

"I believe we as an industry have done everything we can do, through the legislative process and FERC and comments," Mike Ross, SPP's senior vice president of governmental affairs and public relations, told the Strategic Planning Committee on July 14. "When the ruling is, we don't know. August, September, October, we don't know. It could be today.

"My sense is they won't leave us hanging too long — but this is Washington."

Ross, a former six-term Democratic representative from Arkansas' 4th Congressional District, said the committee's bill could be in the expected year-end omnibus bill, which he said would solve the RTOs' problem. In the meantime, all he and others in the industry can do is try and discern where the three CFTC commissioners stand.

"We know Commissioner [J. Christopher] Giancarlo is with us," Ross said, citing his "substantial" comments. Chairman Timothy G. Massad has been pushing the commission's proposal, but Commissioner Sharon Y. Bowen, who voted with Massad on a draft order including the private rights of action, has been "pretty silent," Ross said.

"It only takes two of the three," he reminded the committee.

The issue arose when the Dodd–Frank Wall Street Reform and Consumer Protection Act, which Ross voted against, was passed in 2010. The bill revised the Commodity Exchange Act (CEA) and provided CFTC with authority to exempt RTO markets from its rules.

Six of the seven RTOs filed for exemptions, which CFTC granted in 2013. SPP filed for a "me-too" exemption in 2013, as it began to go live with its day-ahead market. The commission issued a draft order on the SPP request in May 2015, which included preamble language that said CFTC never intended to exempt other RTOs from private rights of action.

Ross said the commission notified SPP in March that it was delaying a decision on the order and opening a new docket (81 FR 30245) to consider removing the exemption for all RTOs.

"They said, 'We're going to put y'all's me-too on the shelf and we're revisiting the [exemption] for other RTOs. Whatever we do for them, we'll do for you too,'" Ross said in recounting the conversation. "That's when the electric industry became very engaged in the issue."

Ross helped facilitate supportive comments made by the House of Representatives' Committees on Energy and Commerce and Agriculture, FERC and several industry groups. A total of 43 comments were submitted, with 38 in favor — 15 by SPP members — and five opposed.

The FERC comments, provided by General Counsel Max Minzner, said "introducing a private right of action to these markets via the CEA appears inconsistent with Congressional intent and would conflict with the design" of the Federal Power Act.

"Those are pretty strong words coming from FERC to the CFTC," Ross said. He said the comments were not unprecedented, but it is "unusual for an agency to file comments in another agency's" docket.

Mike Ross (right) speaks with SPP Director Harry Skilton. © *RTO Insider*

The ISO/RTO Council called CFTC's proposed amendment "unnecessary." It said FERC and the Public Utility Commission of Texas, which regulates ERCOT, "have the necessary tools, resources and experience to maintain the integrity of ISO/RTO markets.

"The CFTC proposal would permit market participants suffering a loss in a transaction to sue an ISO or other market participants if it believed the loss arose from the gaming of rules," the IRC said. "Permitting private action would undermine confidence in market transactions by both market participants and state electricity regulators, which would ultimately degrade consumer protections that the current oversight process affords."

As it stands now, Ross warned the SPC, private rights of action could allow any lawyer in any RTO region to file a lawsuit with any of the more than 100 U.S. district courts, which may not have a full understanding of what constitutes a swap in energy markets.

"FERC understands this," he said. "They make a decision, and if you don't like the decision, then you go to court."

"I believe we as an industry have done everything we can do, through the legislative process and FERC and comments."

Mike Ross, SPP senior vice president

SPP NEWS

FERC Briefs

FERC Gives Guidance on Distribution of MISO Settlement

Non-jurisdictional SPP members that refused to agree to potential refunds of revenues from the RTO's seams settlement with MISO can be denied distribution of settlement proceeds, FERC ruled last week (ER16-791).

The ruling clarified the commission's March order accepting SPP's proposal to distribute to its members $16 million in funds reached in a settlement with MISO over the latter's use of SPP's transmission system to transfer power freely between its North and South regions. The order set the docket for hearing and settlement procedures to resolve factual issues in dispute. (See *SPP Asks for Clarification on MISO Settlement Order*.)

SPP asked the non-jurisdictional transmission owners to promise refunds of the revenues in case the allocation methodology changes as a result of the settlement procedures, but some TOs refused to agree.

The commission said SPP may withhold the settlement revenues from them, but the RTO must pay interest on any amounts withheld once the allocation is final. "SPP has not provided justification for it to withhold the settlement revenues without any interest," FERC said.

FERC Order Allows SPP to Reduce ARRs

FERC last week accepted an SPP compliance filing that reduces the number of auction revenue rights made available in its annual allocation process (ER16-13).

SPP filed proposed Tariff revisions last October reducing the percentage of available transmission capability used to determine simultaneous feasibility.

FERC responded by asking SPP to modify section 7.3 of Attachment AE in its Tariff, specifying that transmission providers make available 60% of their transmission system capability for the fall, winter and spring seasons (October-May) during the annual ARR allocation process.

The RTO proposed corresponding revisions to the attachment removing references to assumed system capability for June-September to reduce potential ambiguity in the ARR settlement calculations during the annual transmission-congestion rights auction.

SPP to Bill Tri-County, Refund Tx Customers

FERC directed SPP to bill Tri-County Electric Cooperative for the co-op's annual transmission revenue requirement (ATRR) with interest and to refund the amount to customers affected during a 10 1/2-month period in 2012-2013 (ER12-959).

The action corrects a "legal error" made by the commission in a 2012 docket that concluded with a 2014 affirmative order. Xcel Energy Services petitioned the D.C. Circuit Court of Appeals to review the decision, arguing that the rates at issue were SPP's rates, not Tri-County's.

The D.C. Circuit held that FERC failed to justify its decision to allow SPP's filing to go into effect without a refund commitment by Tri-County, "thus failing to ensure that SPP's rates would be just and reasonable." The court found the commission "misapprehended its remedial powers and thus arbitrarily declined to weigh the equities underlying Xcel's request for retroactive relief."

FERC said it was remedying the error by directing SPP to bill Tri-County for the amounts of the co-op's revenue requirement that SPP collected from ratepayers between April 1, 2012, and Feb. 21, 2013, with interest. It also directed SPP to make refunds to ratepayers once it received payment from Tri-County.

The proceeding began on February 2012, when SPP filed Tariff revisions to implement a formula rate in calculating Tri-County's ATRR as a nonpublic utility participating transmission-owning member in the pricing zone of Xcel's Southwestern Public Service.

The commission admitted it accepted SPP's filing and set it for settlement hearings "without following its policy of accepting a rate filing to take effect pending the outcome" of further procedures when Tri-County agreed to refund the difference between the as-filed rate and FERC's final approved rate.

Tri-County is a non-jurisdictional not-for-profit distribution cooperative with headquarters in Hooker, Okla. It serves approximately 23,000 customers in Oklahoma, Kansas, Texas, Colorado and New Mexico.

Western Farmers' 10.87% ROE Approved

The commission accepted revisions to SPP's Tariff adopting a formula rate for Western Farmers Electric Cooperative's transmission service, while also sending the case to a settlement judge to address questions regarding the co-op's return on equity and depreciation rates.

FERC's order approved Western Farmers' request for a return on equity of 10.87%, including a 50-basis-point adder for participation in SPP on top of its 10.37% base ROE (ER16-1774).

The commission noted that while Western Farmers is not within its jurisdiction under Section 205 of the Federal Power Act, it was "appropriate to apply the just and reasonable standard … to SPP's proposed rates filed on behalf of Western Farmers." That allows the utility to receive the same overall ROE "as that used by the applicable transmission zone's dominant transmission owner."

The commission said the case would be more appropriately addressed in settlement proceedings because Western Farmers' proposed ROE is based on an average of other SPP transmission owner ROEs, which is not a FERC-approved methodology. FERC also said the utility proposed unsupported depreciation rates and failed to ensure wholesale customers will not be charged for capitalized construction funds and work in progress.

Western Farmers is a rural electric cooperative that provides wholesale power to 21 distribution cooperative member-owners in Oklahoma and New Mexico, as well as Altus Air Force Base.

NPPD Allowed to Terminate QF Contracts

The commission largely granted the Nebraska Public Power District's application to terminate a requirement that it enter into new obligations or contracts with qualifying facilities with net capacities of more than 20 MW (QM16-1).

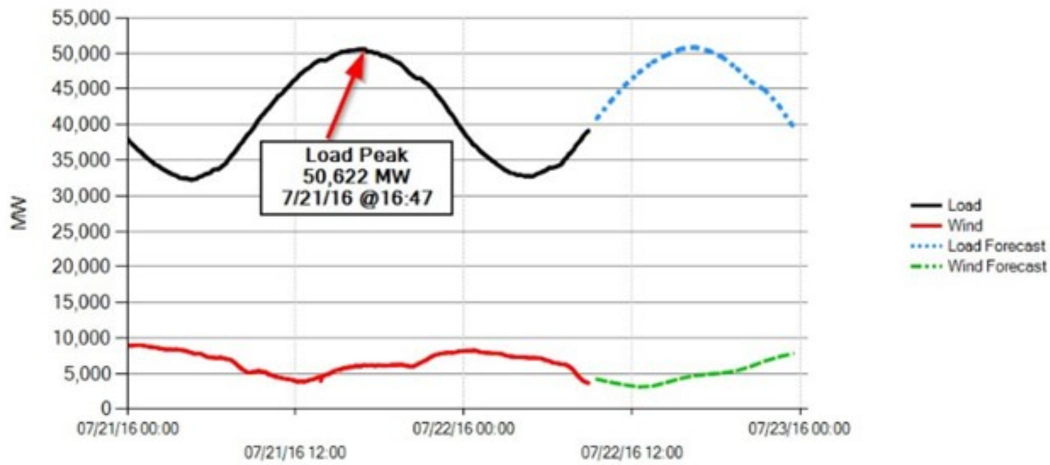
Continued on page 22

SPP NEWS

SPP Sets New Record for Peak Load — Twice

As expected, SPP's first summer since the Integrated System joined its system last year has resulted in a new record for peak load, as well as the RTO's first two peaks above 50,000 MW.

The RTO recorded a peak load of 50,083 MW at 4:35 p.m. July 20, surpassing that record the next day at 4:47 p.m. with 50,622 MW. The previous record of 48,323 MW was set in June.



Source: SPP

The record peaks were not a surprise, given the addition of the Integrated System's 5,000 MW of added peak demand and the oppressive heat wave in the Great Plains. Bruce Rew, SPP's vice president of operations, told the Regional State Committee last week the RTO will "likely continue to see increases in peak numbers, primarily driven by the addition of new members."

— Tom Kleckner

FERC Briefs

Continued from page 21

FERC said it terminated the mandatory purchase requirement because QFs in NPPD's territory have "nondiscriminatory access" to wholesale markets. NPPD had argued that as an SPP member, it had satisfied its regulatory requirements under the Public Utility Regulatory Policies Act and was not subject to the commission's authority under the FPA.

The order made an exception for NextEra Energy's Cottonwood QF, which initiated a proceeding before NPPD's board of directors "that may result in a legally enforceable obligation." The commission grandfathered the Cottonwood contract because the facility sent a purchase request to NPPD last November, before the utility's original Feb. 12 application to FERC. It found Cottonwood's letter had established "a contract or legally enforceable obligation."

NextEra was among a handful of SPP members and QFs that intervened, saying it had three self-certified QFs in NPPD's service territory. NextEra did not challenge NPPD's assertion it had satisfied PURPA's requirements, but it said NPPD failed to acknowledge two letters seeking the utility's purchase of the output from two of its QFs.

FERC found that the second letter, sent by Sholes Wind on the same day NPPD filed with the commission, was not filed prior to Feb. 12, and thus was not grandfathered.

— Tom Kleckner

COMPANY BRIEFS

Great River Energy to Close 'Uneconomic' ND Coal Plant

Great River Energy will retire its Stanton Station power plant by May 2017, saying the central North Dakota plant is no longer economic given current low prices. The 189-MW coal-fired plant began generating power in 1966 and has a staff of 65 people.

"It became clear that retiring the plant was in the best interest of our member cooperatives," CEO David Saggau said. The company will develop plans over the next nine months to decommission the plant, he said.

Stanton has been generating electricity on a limited basis since March, firing up only 65 to 75% of the time when market prices made it economical.

More: *The Bismarck Tribune*

Empire Launches EV Initiative With Joplin Charging Station

Empire District Electric unveiled an on-campus charging station for electric vehicles at Missouri Southern State University. The station is open to the public at no charge.

The station is part of Empire's "Evolve" campaign, in which the company has committed to spending 5% of its annual vehicle fleet budget on EVs. The company is also offering rebates ranging from $750 to $2,000 to customers who purchase an EV.

Promoting EV use makes sense as the energy industry transitions to renewable resources, Empire CEO Brad Beecher said. He noted that SPP gets 15% of its electricity annually from renewables, particularly wind. "Any time that you're driving an electric car and it's been charged, at least partially, with renewable resources, it is not just less emissions, it is no emissions," Beecher said.

More: *The Joplin Globe*

Lawsuit Seeks $30M from Chesapeake, SandRidge

Chisholm Partners and 16 oil and gas investors filed a lawsuit in U.S. District Court in Kansas seeking $30 million in damages from Chesapeake Energy and SandRidge Energy under the Sherman Antitrust Act.

Chisholm says it sold oil and gas leasehold interests to Chesapeake at prices that were "artificially depressed" because of a conspiracy alleged in a federal criminal indictment of Chesapeake CEO Aubrey McClendon. The sale of the leases produced $10 million less than they would have absent a conspiracy, the suit said.

McClendon was indicted March 1 on charges he led a scheme to coordinate bidding for oil and gas interests with another active bidder, which the lawsuit claims was SandRidge. He died a day later when the vehicle he was driving smashed into a bridge embankment in northeast Oklahoma City.

More: *The Kansas City Star*

Enel Expanding Wind Farm in Oklahoma

Enel Green Power North America began construction last week on the 64-MW Chisholm View Wind Project II wind farm in north-central Oklahoma.

The project is expected to be completed late this year at a cost of $90 million. Construction on the 235-MW Chisholm View I was completed in 2013.

More: *Enid News & Eagle*

Entergy Puts 22 Guards on Leave to Probe Fire Records

Entergy, operator of the Palisades nuclear station in Michigan, has placed 22 security guards at the plant on leave while it investigates allegations that fire inspection records were falsified.

"The bottom line is that we cannot tolerate employees stating they completed a task when they didn't, and we are obligated to fully investigate any such instances," Palisades spokeswoman Val Gent said.

Palisades has had other workforce problems in the past, when the Nuclear Regulatory Commission determined that workers were laboring under a "chilled work environment" after some guards claimed they were fired for pointing out safety issues.

More: *The Herald-Palladium*

NM Company Seeks to Extend Pipeline into Mexico

New Mexico Gas said last week it will seek a presidential permit to extend a natural gas pipeline into Mexico, New Mexico's first such connection across the border. Construction on the $5 million project is expected to be completed within a year.

The project involves extending the company's existing pipeline in Santa Teresa about 5 miles to the border, as well as widening it to allow more capacity. Additional facilities in Mexico will also need to be built. The project will be funded at shareholder expense, according to a company spokesperson.

More: *Albuquerque Journal*

ISO-NE Approves Northern Pass Tx Line

ISO-NE has determined that the Northern Pass transmission project can reliably interconnect with the regional electric grid.

The grid operator approved the project's application, saying Northern Pass will not have a significant adverse effect on the reliability or operating characteristics of the regional grid and its participants.

Northern Pass, a proposed HVDC line that would carry 1,090 MW of Canadian hydroelectric power to New Hampshire, is still under review by the state's Site Evaluation Committee.

More: *ISO-NE*

Federal Briefs

Judge Orders *De Novo* Review in Maxim Case

A federal judge in Massachusetts on Thursday ordered a full civil proceeding, including a jury trial if necessary, in FERC's enforcement of a $5 million fine for alleged market manipulation by a power generator (IN15-4).

U.S. District Judge Mark G. Mastroianni said the proceeding is necessary to preserve the due process rights of Maxim Power, which the commission said billed ISO-NE for oil-fired generation when the company was actually burning cheaper natural gas at one of its plants. (See *Maxim to FERC: Prosecute or Drop Probe*.)

Mastroianni said Maxim is entitled to a full *de novo* review, allowing it the full range of discovery, rather than be limited to reviewing FERC's evidence.

"While respondents were free to submit evidence and responsive arguments, they were unable to seek discovery, depose witnesses interviewed by FERC, gain any insight into the presentation of the case made by FERC's enforcement staff to the commissioners during the investigative phase or present their own witnesses," Mastroianni wrote.

More: *Law360*

Court Stays EPA Haze Plan for Texas

The U.S. 5th Circuit Court of Appeals has stayed implementation of an EPA-imposed regional haze plan for Texas and rejected the agency's motion to move the case to the D.C. Circuit Court of Appeals, agreeing with petitioners who said they "could suffer irreparable injury in the absence of a stay."

The court was unconvinced by EPA, which said a lack of a haze plan would harm the public and visibility at national parks. The agency itself acknowledged that the federal implementation plan would not reduce emissions for at least three years, the court noted. ERCOT also expressed reliability concerns over the plan.

EPA rejected Texas' regional haze plan as insufficient. The federal plan sets sulfur dioxide emission limits on eight coal-fired plants in the state.

More: *Bloomberg BNA*

BOEM to Hold Online Drilling Rights Auction

The Bureau of Ocean Energy Management will auction drilling rights for nearly 24 million acres in the Gulf of Mexico via live streaming on Aug. 24, the first time the agency has conducted a lease sale online.

"Making government data immediately available is a valuable resource for taxpayers, both in terms of dollars and cents but also in efficiency," BOEM Director Abigail Ross Hopper said. "Through the use of technology, we can deliver our lease sale information in a much more effective and accessible way to a much wider audience."

It will be the final lease sale in the Western Planning Area under the Obama administration.

More: *Morning Consult*

US Improves Ranking In Energy Efficiency

The U.S. moved up to 8th from 13th in a study of energy efficiency among nations. The country still lags behind Germany, Italy and Japan (tied for second), France, the U.K., China, Spain and South Korea, according to a report issued by the American Council for an Energy Efficient Economy.

According to the report, 23 countries account for 75% of the energy consumed on Earth. The U.S. was able to boost its ranking because of improvements in energy use per dollar of gross domestic product, as well as a change in the way energy policies are weighted in the study.

"Despite its leadership on a number of policies, the United States falls behind most of the [European Union] countries on our list in addition to China and Japan," according to the report. "The United States still has no binding energy savings goals, unlike Germany, France, Japan and other countries, which have a national energy conservation plan in place."

More: *ACEEE*

Former Employee: SoCalEd to Blame for San Onofre Leak

A report by a former engineer employed by Southern California Edison concluded that workers ran the San Onofre nuclear station near San Diego at higher temperatures and pressures than allowed, eventually causing a radiation leak that forced the plant to be permanently shut down.

Vinod Arora based his report on Nuclear Regulatory Commission documents obtained through a Freedom of Information Act request. Arora is still seeking daily control room logs from the company. "If those logs have not been destroyed, they will show immediately whether or not Edison risked the lives of 8.5 million Southern Californians by redlining the Unit 3 generators," he said.

The company blames Mitsubishi Heavy Industries, which designed the steam generators at the plant for the problems.

More: *The San Diego Union-Tribune*

Nations Working on Rule to Limit HFCs

EPA Administrator Gina McCarthy said she is confident the U.S. and other countries will be able to reach an agreement on a rule limiting the release of hydrofluorocarbons (HFCs) before the end of the year. McCarthy, who is leading a U.S. delegation that includes Secretary of State John Kerry, said she has seen clear signs of progress.

Negotiators from about 200 countries are in the midst of meetings in Vienna under the Montreal Protocol, a 1987 treaty that limited the emission of hydrochlorofluorocarbons (HCFCs), which severely damage the ozone layer.

HFCs, potent greenhouse gases used as refrigerants that were developed as

Continued on page 25

FEDERAL BRIEFS

Continued from page 24

alternatives to HCFCs, do not fall under the original agreement, as they do not affect the ozone layer. A rule resulting from the meetings taking place would amend the Montreal treaty to include the gases. A final deal is expected to be reached in October at a meeting in Rwanda.

More: *Bloomberg BNA*; *Reuters*

White House Pledges $4.5B For EV Charging Stations

The Obama administration announced it is freeing up $4.5 billion in Energy Department loan guarantees for commercial electric vehicle charging stations.

The funds are part of the administration's broader initiative to accelerate the use of

EVs. It will also designate and develop "charging corridors" to form of a national network of stations by 2020.

The initiative to provide more stations "serves the goal of providing consumers with more comfort that they will be able to move across regions and across the country in their electric vehicles," a White House official said.

More: *The Washington Post*

Navy, Dominion to Partner On 21-MW Solar Facility

The U.S. Navy and Dominion Virginia Power plan to build a 21-MW solar facility at the Navy's Oceana Naval Air Station near Norfolk, according to the Solar Energy Industry Association.

Dominion expects the plant to be operational by the end of next year. Under the agreement, Dominion will own and operate the facility for 37 years in exchange for electrical upgrades at the base.

More: *The Virginian-Pilot*

STATE BRIEFS

REGIONAL

Electricity Price Plunge Continues in ISO-NE

ISO-NE said that prices and consumption remained low throughout New England in June.

The six-state region's average real-time, monthly wholesale power price during June was $21.24/MWh, up 8.3% from June 2015's average price of $19.61/MWh, but lower than May's $21.29, which held the record for the third-lowest price since 2003 for only a month.

Total energy consumption during June was at the second-lowest level of any June since 2000, likely because of continued mild weather, the RTO said. The lowest average monthly price ever is $17.20/MWh, set in March.

More: *ISO-NE*

CALIFORNIA

Regulator to Probe SCE Long Beach Outages

The Public Utilities Commission has opened a penalty case against Southern California Edison over a series of underground electrical fires that caused explosions and cut power to thousands of customers in Long Beach last July.

The proceeding will determine whether the utility violated any regulations and provided an adequate emergency response to the events, which left some customers without service for as many as five days and caused explosions strong enough to blow manhole covers into the air.

More: *KPCC*

Continued on page 26

State Briefs

Continued from page 25

INDIANA

NIPSCO Electric Rate Increase Approved

The Utility Regulatory Commission sanctioned a 6% electric base rate hike for Northern Indiana Public Service Co. last week, the first change to base rates since 2011.

NIPSCO said it needs the money to pay for higher expenses and service upgrades. The utility said a typical residential customer will pay $5.70 more per month.

The base rate agreement was previously struck by the Office of Utility Consumer Counselor, NIPSCO's industrial customers, a coalition of eight municipalities and the United Steelworkers in February. Consumer Counselor David Stippler called the agreement "a fair resolution for NIPSCO's residential and commercial customers."

More: NiSource

KENTUCKY

Court Nixes Utility's Plan to Buy Power from Biomass Facility

A state Court of Appeals panel has struck down ecoPower Generation's contract to sell electricity to Kentucky Power.

The court said there was no evidence that ecoPower's biomass-burning plant would result in an economic benefit to customers or the region. The court cited testimony that the agreement would result in an increase of up to 7% in the average monthly residential bill in the first year and a jump of up to 13% in later years.

The ruling puts the future of the plant, which would burn wood and sawdust to generate enough electricity for 30,000 homes, into doubt. Kentucky Power is reviewing the ruling before it decides whether to appeal, a spokesperson said.

More: Lexington Herald Leader

MARYLAND

Delmarva Power Requests $66.2M Rate Increase

Delmarva Power, now under Exelon ownership, is asking regulators to approve a $66.2 million electric rate base increase to pay for reliability improvements and smart grid upgrades conducted over the past four years. The increase would boost a typical monthly bill by 14.5%.

If approved by the Public Service Commission, the rate adjustment would translate to a $21.42 increase on the monthly bill of residential customers using 1 MWh, to $168.64 a month.

Delmarva said it has spent more than $330 million on improvements in the state since 2012. Its last rate-increase request was in 2013.

More: Delmarva Power

MASSACHUSETTS

Pipeline Loop Opponents Head to State Court

Opponents of a proposed natural gas pipeline loop through a state forest want to block a water-quality approval certificate issued June 30.

A coalition of environmentalists and landowners appealed the state Department of Environmental Protection's approval of Kinder Morgan's 4-mile Connecticut Expansion Project with the agency. The final decision would come from DEP Commissioner Martin Suuberg.

More: The Berkshire Eagle

MONTANA

Developer: Low Rates Endanger Wind Project

Developer Greycliff Wind Prime's proposed 25-MW wind farm is unlikely to move forward following the Public Service Commission's decision to set its wholesale price to NorthWestern Energy at $45.49/MWh, about 16% lower than the price it says it needs to make a profit.

"It's not a rate that works. It's also not a rate that's realistic," said Steve Tyrell, a Greycliff stakeholder. Developers said they needed a price in the mid-$50s, which would have been similar to the rate for another NorthWestern renewable energy source.

Renewable energy projects are on a two-month losing streak with the PSC. The commission in June pulled the plug on guaranteed rates for small solar projects at the request of NorthWestern.

More: Billings Gazette

NEVADA

Peppermill Casinos Seeks to Sever Ties with NV Energy

Reno-based Peppermill Casinos became the third hotel casino operator in recent months to notify state regulators that it intends to leave NV Energy and acquire electricity from other sources.

The move will entail a costly exit fee. Las Vegas Sands reversed its decision to leave the utility after the Public Utilities Commission determined the company would have to pay $24 million to do so.

Peppermill has invested $9.7 million in onsite geothermal generation. "We are committed to continuing that investment in responsible and renewable energy sources," a company executive said. Wynn Resorts and MGM Resorts International have also announced their intentions to leave NV Energy.

More: Reno Gazette-Journal

NORTH CAROLINA

Duke Energy on Track to Buy Piedmont Natural Gas

Regulators completed a two-day evidentiary hearing examining Duke Energy's $4.9 billion acquisition of Piedmont Natural Gas, moving the merger toward a decision by the Utilities Commission as early as October.

The commission's staff supports the merger,

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STATE BRIEFS

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the costs of which will be charged to shareholders, not customers, the companies said.

Under the deal, Duke will give Piedmont's customers in the state a $10 million break on bills over two years. It also will donate $17.5 million to charity over four years and earmark $7.5 million to help low-income customers and support community job training.

More: Charlotte Business Journal

Duke Asks Fed Judge To Block Ash Testimony

Duke Energy has asked a federal judge to block the testimony of a state toxicologist in a lawsuit, filed against the utility concerning its handling of coal ash, from being made public.

The company argued that the testimony of Dr. Kenneth Rudo, of the epidemiology branch of the state Department of Health and Human Services, about his views on the toxicity of coal ash and its effect on drinking water supplies is "largely hearsay" and would prevent the company from getting a fair hearing. The lawsuit was filed by environmental organizations.

Residents have received mixed messages from state officials about the safety of their drinking water, who were told to avoid using it last month after receiving assurances that it was safe. Testimony transcripts already released by the plaintiffs show disagreement among state scientists about the advice to give residents.

More: WRAL

NORTH DAKOTA

Application for State's Largest Wind Farm Filed

A Renewable Energy Systems Americas subsidiary filed an application with the Public Service Commission last week for what would be the largest wind farm in the state. Glacier Ridge Wind Farm proposed a 300-MW project with nearly 100 turbines in Barnes County.

Glacier Ridge aims to start construction in November and complete work in 2019.

More: The Bismarck Tribune

OKLAHOMA

Regulators Approve Opt-out Fees for PSO Smart Meters

The Corporation Commission approved a plan allowing Public Service Company of Oklahoma to charge a $28 monthly fee to customers who opt out of installing a smart meter. The three-person commission unanimously approved the fee. Customers will also need to pay a one-time fee of $71, which will increase to $110 next year.

PSO originally requested a $28 monthly fee and one-time fees between $183 and $261. Its customers already are paying $3.11 monthly fees for smart meter installation, part of a $133 million rate case settlement the commission approved in April 2015.

Commission Chairman Bob Anthony said estimating costs is tricky because the commission is starting from scratch on the opt-out program. "We haven't done this before; we don't know if there's going to be 200, 500 or 1,000 people [who] sign up for this program," Anthony said.

More: The Oklahoman

Fire Damage to GRDA Plant Could Reach as Much as $200M

The Grand River Dam Authority says its costs could reach $200 million to recover from a July 1 fire at its main generating facility in Chouteau. Officials from the state-owned utility say the final bill will depend on the cost of rebuilding the larger of the two coal-fired units affected.

The utility believes the fire was started by a lightning strike that knocked out the unit's cooling pumps, causing it to overheat and creating a friction fire. The fire spread to the roof of the building and caused the other coal-fired generator, Unit 1, to automatically shut down.

Assessing the damage to Unit 2 and the building that houses both units is expected to take about a month. GRDA recently completed an $86 million environmental upgrade to the 30-year-old Unit 2.

More: Tulsa World

PENNSYLVANIA

FE Subsidiary Starts Work on 5-Year Grid Improvement Plan

West Penn Power, a subsidiary of FirstEnergy, is starting work on $17 million of grid improvement projects to enhance reliability for its 720,000 customers.

The projects are part of the company's five-year infrastructure improvement plan approved earlier this year by the Public Utility Commission.

The long-term plan calls for $88 million to be spent through 2020 on upgrades, including installing protective devices on wires and poles, rebuilding transmission lines and installing automated and remote control devices.

More: FirstEnergy

RHODE ISLAND

Community Boos, Lambasts Governor over Gas Plant

Gov. Gina Raimondo offered little comfort to residents opposed to a 1,000-MW natural gas plant in Burrillville, where she said at a community meeting that gas-fired generators are needed to bridge the gap until clean generation is built at a larger scale.

"I'm for green energy and moving as fast as we possibly can from fossil fuels and towards cleaner sources of energy," she said. "But I'm also for keeping energy prices as low as possible for the people of Rhode Island." Raimondo has previously said that the $700 million plant proposed by Invenergy would create jobs and moderate electricity prices.

"What I need to do as governor is balance the interests of all the people," she said. "In the near term, natural gas is a piece of that puzzle." This final comment drew boos from those in attendance. Raimondo then had to fend off criticism from speakers.

More: Providence Journal