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FERC Finds PJM ARR/FTR Market Design Flawed; Rejects Proposed Fix

By Suzanne Herel and Rich Heidorn Jr.

PJM must develop a new method for allocating auction revenue rights that doesn't consider extinct generators, FERC ruled last week.

The commission said PJM had correctly diagnosed that its existing rules for ARRs and financial transmission rights were no longer just and reasonable because modeling assumptions it adopted to address FTR revenue inadequacy had "resulted in unwarranted cost shifts between ARR holders and FTR holders" (EL16-6-001, ER16-121).

But it rejected PJM's proposal to address the problem by reducing Stage 1A infeasible ARRs by increasing its zonal load forecast growth rate. FERC said the proposed escalation factor "would trigger unnecessary transmission enhancements" because it would rely on outdated historical source and sink points.

"Instead, to address infeasible Stage 1A ARRs, we require PJM to revise its Tariff to remove the

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PJM Attempting to Usurp Market Mitigation Role, Monitor Says (p.23)

Interior Department Approves 1st Phase of California Desert Renewable Plan

By Robert Mullin

U.S. Interior Secretary Sally Jewell on Wednesday approved the first phase of the Desert Renewable Energy Conservation Plan (DRECP), a framework for California's development of renewable energy projects on 10.8 million acres managed by the Bureau of Land Management.

Continued on page 2

The DRECP is intended to streamline the permitting and development of high-quality renewable projects in California's desert areas. | *Tom Brewster Photography via the Bureau of Land Management*

IPPNY Fall Meeting

Natural Gas, Offshore Wind, Storage Seek Their Places in NY's Future

From left to right: Jackson Morris, NRDC; Anne Reynolds, Alliance for Clean Energy New York; Karen Moreau, American Petroleum Institute; and Denise Sheehan, New York Battery and Energy Storage Technology Consortium. | *© RTO Insider*

By Rich Heidorn Jr.

SARATOGA SPRINGS, N.Y. — The last panel of the Independent Power Producers of New York's fall conference last week featured an environmental activist and representatives of the energy storage, wind and solar industries.

And then there was Karen Moreau, charged with making the case for the long-term future of natural gas. She decided to try humor.

"If natural gas was on an online dating site … the profile would be 'clean, reliable, affordable and flexible,'" said Moreau, executive director for the American Petroleum Institute in New York. "I don't know how many people would take a look, at least not at first. They'd probably go to some of the other, more attractive, sexy forms of energy like wind and solar.

"But then again, online dating does involve a certain element of hope and fantasy, and so let's

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More IPPNY Coverage

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CAISO/WECC NEWS

Interior Department Approves 1st Phase of California Desert Renewable Plan

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Jewell's approval of the bureau's land use plan amendment marks the conclusion of Phase 1 of the DRECP, which identifies priority areas for developing renewable resources on federal lands within California while setting aside acreage for conservation and recreational uses.

Phase 1 is the product of a collaboration among the California Energy Commission (CEC), the California Department of Fish and Wildlife, the U.S. Fish and Wildlife Service and BLM.

"This landscape-level plan will support streamlined renewable energy development in the right places while protecting sensitive ecosystems, preserving important cultural heritage and supporting outdoor recreation opportunities," Jewell said.

The bureau's land use plan "designates development focus areas with high-quality solar, wind and geothermal energy potential and access to transmission, sited in low-conflict areas," the Interior Department said in a statement. Developers in those areas will benefit from "a streamlined permitting process, predictable survey requirements and simplified mitigation measures."

The DRECP's first phase is part of a broader California effort to open up a total of 22 million acres of public and private desert lands for renewable energy projects, an effort that could yield an additional 27 GW of additional renewable capacity, according to the CEC.

Phase II of the plan focuses on aligning local, state and federal renewable energy development and conservation plans, and building on CEC grants already awarded to California counties to foster renewable development.

Use of desert lands is a vital component in California's strategy to meet its greenhouse gas reduction goals and derive 50% of its electricity from renewable resources by 2030. Development in those areas will become especially important if the state's load-serving entities cannot obtain sufficient output from out-of-state resources. (See *California Policy Goals to Require Significant Transmission Upgrades*.)

"Renewable energy is a key part of California's approach to addressing climate change, and large-scale renewable energy projects in the California desert will play an essential role in California meeting climate and renewable energy goals," CEC Commissioner Karen Douglas said. "The DRECP provides a clear pathway for projects on public lands while giving the state much greater certainty about where those projects could be located."

The announcement was met with opposition from renewable energy groups, which say the DRECP fails to balance renewable growth with land preservation and "forecloses development" on millions of acres of federal lands in Southern California. The plan sets aside 388,000 acres for renewable development, much of which is not suitable for solar and wind projects, the groups say.

"No one is saying that utility-scale renewable energy should go everywhere, but done responsibly and with safeguards, it does have to go somewhere if we are to meet state, national and global carbon-reduction goals," said Nancy Rader, executive director of CalWEA, which estimates the plan will

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"The DRECP provides a clear pathway for projects on public lands while giving the state much greater certainty about where those projects could be located."

Karen Douglas, California Energy Commission

CAISO/WECC NEWS

Valley Electric Board Approves Sale of 230-kV Network to GridLiance

By Robert Mullin

The Valley Electric Association board of directors last week approved an agreement to sell the cooperative's 230-kV transmission network to GridLiance for about $200 million.

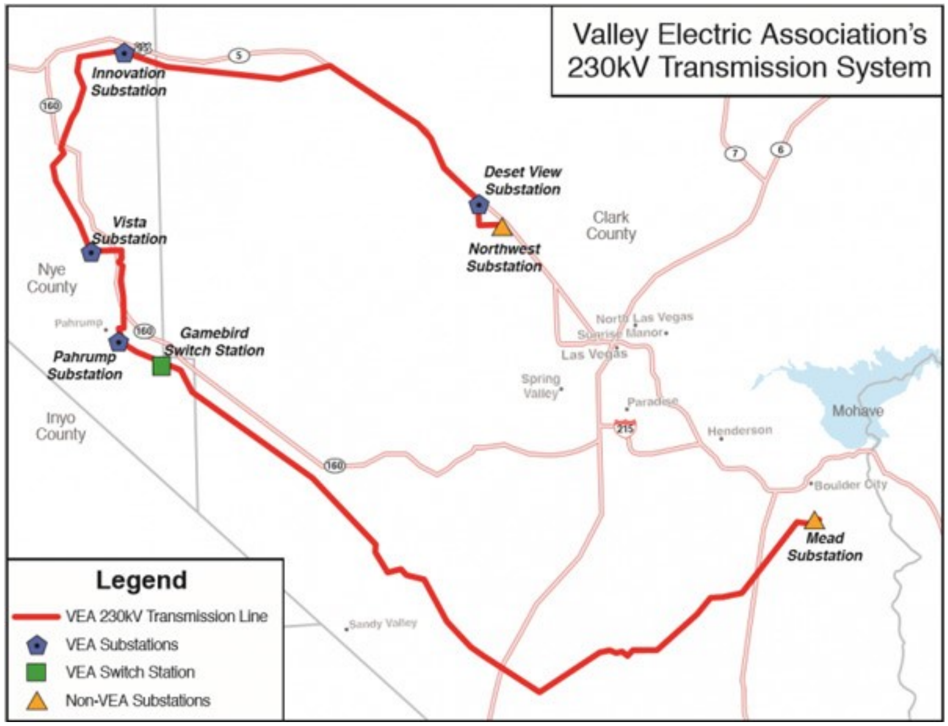
The transaction, which still requires approval by two-thirds of Valley Electric's members, is slated to close in late 2016 or early 2017.

Nevada-based Valley Electric is the only transmission-owning member of CAISO outside of California. The co-op serves 45,000 customers across a 6,800-square-mile service territory located along the southern Nevada-California border.

The deal will provide GridLiance with a foothold in an area that bridges the California market with the interior West.

"This transaction allows us to enter the region with assets located in a strategic area and with a utility partner with impressive foresight in developing the high-voltage transmission system as a gateway between California and the rest of the West," GridLiance CEO Ed Rahill said.

Those assets consist of 164 miles of 230-kV lines linking Valley Electric's base in Pahrump, Nev., with both Las Vegas and the Mead substation — a major delivery point for power wheeled into California — as well as substations along the length of the system. The co-op completed the network in 2013 in order to increase redundancy and improve reliability for its sprawling but sparsely populated service area.



Valley Electric's 230-kV system, which connects the cooperative's service area with key delivery points in Nevada, will provide GridLiance with strategic access to the CAISO market. | *Valley Electric Association*

The sale will return Valley Electric 2.4 times its investment in the system, which the co-op says significantly increased in value when it joined CAISO in 2013.

"At that time, our lines became a crucial part of the regional electric grid," Valley Electric CEO Thomas Husted said.

Husted said Valley Electric sought a buyer for the system because "the premium earned on a sale would be so substantial

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Interior Department Approves 1st Phase of California Desert Renewable Plan

Continued from page 2

create the potential for 1,000 MW of new wind resources.

"The Interior Department and BLM missed a golden opportunity to balance the preservation of parts of the California desert with clean, renewable energy development across some of America's richest renewable resource areas," said Tom Kimbis, acting president of the Solar Energy Industries Association.

Shannon Eddy, executive director of the Large-scale Solar Association, called the plan "a Model T in a Tesla world," arguing that it fails to consider the "enormous" policy changes that will require renewable development on public land.

"Rather than fostering sustainable clean energy development as a part of a conservation plan, it severely restricts wind and solar," Eddy said.

Environmentalists praised the plan, which sets aside nearly 2.9 million acres as new federal conservation land.

"This plan is a win for California," said Doug Wheeler, former California secretary for natural resources. "Not only does it help the state meet renewable energy goals, it also protects some of California's best places — lands that provide a recreational escape and protect important wildlife species."

"The DRECP provides a responsible path for future development while permanently protecting the most important places as California desert conservation lands," said Danielle Murray, senior director at the Conservation Lands Foundation. "We thank Secretary Sally Jewell and the Bureau of Land Management for this landmark plan and hope it serves as a model for public lands planning in the future."

CAISO/WECC NEWS

CAISO Monitor Seeks Congestion Revenue Rights Auction Reforms

By Robert Mullin

CAISO paid congestion revenue rights holders $27 million more than it took in from CRR auctions during the first half of the year, according to the ISO's Department of Market Monitoring.

That equates to 63 cents in auction revenues for every dollar paid out, leaving California electricity consumers to foot the difference — which mostly goes to speculators, the Monitor says.

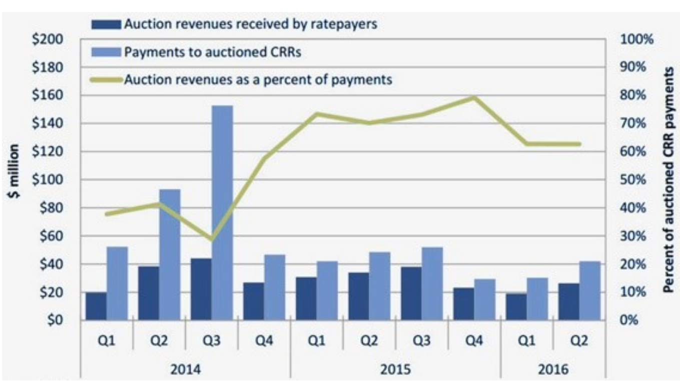
The department wants the ISO to address the issue by eliminating or reforming the auction process.

"There's a shortfall between payments and revenues in the auction, and this money is really ultimately paid by the ratepayers in the market," Gabe Murtaugh, a department senior analyst, said during a Sept. 14 call to discuss the department's second-quarter market performance report.

The Monitor reasons that ratepayers — who ultimately bear the costs for transmission access charges paid by load-serving entities — are entitled to receive the revenues from transmission.

"When auction revenues are less than the payments transferred to other entities purchasing congestion revenue rights at auction, the difference between auction revenues and congestion payments represents a loss, which is paid out from the day-ahead congestion rent," the department's quarterly report explained. "The losses therefore cause ratepayers, who ultimately pay for the transmission, to receive less than the full value of their day-ahead transmission rights."

Financial traders are the biggest beneficiaries of the current CRR market design, the Monitor has found. During the first half of 2016, those companies made $22.7 million in profits, more than doubling their investments as they paid 49 cents into the ISO's auctions for every dollar earned.



The graph shows that payments to congestion revenue rights holders consistently exceed the amounts taken in by the ISO during auctions. | *CAISO*

Over the same period, power marketers and generators took in about $3.9 million and $800,000, respectively, paying 82 and 85 cents for every dollar of congestion revenues earned.

This year's mismatch extends a pattern that has persisted for nearly five years, Murtaugh said. Since 2012, CRR payments have exceeded auction revenues by more than $500 million.

It all adds up to a need for a change in how the ISO administers the CRR process, the Monitor contends.

One specific recommendation is that the ISO should end the practice of auctioning off excess transmission capacity to third parties after LSEs have received their CRR allocations.

"With this approach, the ISO could still run a *market* for congestion revenue rights," the Monitor said. "However, this market would be run only with bids voluntarily submitted by various participants willing to essentially buy or sell congestion revenue rights."

In other words, the only CRRs available to market would be those allocated to LSEs. CRRs would only be sold if there was a market participant willing to take on the obligation to pay congestion revenues at the market clearing price, thereby reducing ratepayer exposure to market shortfalls.

"In this market, any entity that values hedging against locational price differences, such as generators or marketers, could submit bids to purchase congestion revenue rights," the Monitor said. "Financial entities, other participants willing to sell hedges or entities wishing to speculate on locational price differences could submit bids to sell congestion revenues rights."

The Monitor said it is prepared to work with the ISO and stakeholders on additional options to change the CRR market and noted that the ISO's management is considering adding the issue to its stakeholder initiative catalog this fall.

Valley Electric Board Approves Sale of 230-kV Network to GridLiance

Continued from page 3

that it far exceeds the rate of return we currently are earning." The sale will allow the co-op to retire $82 million in debt and distribute $17.2 million in funds to active and former members who paid into the system. The co-op also plans to reduce its retail rates by 9.9%.

Under the terms of the sale, Valley Electric will still operate and maintain the system. The acquisition will not affect the co-op's distribution system.

"This is a great moment for Valley Electric member-owners," Husted said, referring to the agreement as a "partnership" with one of the country's "foremost" transmission companies. "That's the way GridLiance looks at it too: forming a relationship with our cooperative as they enter the Western markets. There are no downsides to this partnership."

Launched in March 2015 with backing from the Blackstone Group, GridLiance bills itself as the nation's first competitive transmission company focused on collaborating with public power entities. It made its first two acquisitions — 420 miles of 69-kV and 115-kV lines in Missouri and Oklahoma — a year ago. (See *GridLiance Makes First Acquisitions*.)

CAISO/WECC NEWS

CAISO Issues Revised Proposal to Expand LSE Definition

By Robert Mullin

CAISO last week released a final draft proposal to expand the definition of a "load-serving entity" to include organizations purchasing wholesale power to serve their own needs.

The ISO's latest draft seeks to address market participants' concerns that the wording of the initial proposal could subject them to unwanted obligations. (See *CAISO Proposes Broadening LSE Definition*.)

CAISO's Tariff currently recognizes LSEs as only those entities that sell electricity or serve load to end users, a description that covers utilities, federal power marketing agencies and community choice aggregators. A special provision is made for the State Water Project (SWP), a California agency that directly engages the wholesale market to cover its own energy requirements.

The ISO seeks to broaden the definition to accommodate the San Francisco Bay Area Rapid Transit District (BART), which, like the SWP, serves its own load but does not meet the standard definition of an LSE. BART's transmission contract rights on Pacific Gas and Electric's network — which predate the existence of the ISO — are set to expire at the end of the year. Those rights will automatically convert to CAISO service, leaving the agency exposed to congestion charges.

A recognized LSE facing a similar circumstance can cover that exposure by seeking a free allocation of congestion revenue rights (CRRs) in the initial round of CAISO's annual allocation process. In that case, the ISO would treat the expiring contract rights as if they were expiring annual CRRs.

Under current practice, BART is unable to seek that remedy because it does not meet the Tariff definition of an LSE.

For LSEs, the CRR benefit comes with a corresponding obligation: the need to procure enough resources to support their loads plus a reserve margin — the "resource adequacy" provision.

That requirement prompted unease for at least one ISO stakeholder — the Metropolitan Water District of Southern California. While the district is authorized to serve its own load, it currently relies on Southern California Edison to meet its energy needs under a long-term agreement.

During an Aug. 23 call to discuss the proposed definition change, a representative from the water district said his agency was concerned that it would face a resource adequacy obligation upon expiration of its transmission contract rights on SoCalEd's system.

The latest draft attempts to address that concern by adjusting the language of the revised definition.

"The ISO clarified that an entity must be an end user, have the authority to serve its load through the wholesale purchase of power and choose to exercise its authority to serve its load through the wholesale purchase of power," CAISO said.

The updated proposal addresses additional issues raised by market participants, including:

- Clarifying that the proposed definition applies only to entities serving their own load through the purchase of energy, and not to those generating power on site for their own use;
- Describing the CRR allocation impact under multiple scenarios related to entities with or without existing transmission contracts and ownership rights to demonstrate that there will be little or no impact to current CRR allocation participants; and
- Removing the term "California" from the definition to include entities such as Nevada-based Valley Electric Association, an existing ISO member.

CAISO has scheduled a Sept. 21 call to discuss the proposal and plans to submit a final amendment for approval to the Board of Governors in late October.

CAISO/WECC NEWS

Macquarie Gets FERC OK for Simultaneous Northwest Transactions

By Robert Mullin

FERC last week approved Macquarie Energy's request to revise its market-based rate tariff to allow the company to engage in short-term simultaneous transactions along a key Pacific Northwest transmission system partly controlled by Puget Sound Energy — a Macquarie affiliate (ER16-2198).

The commission's decision enables Macquarie to trade energy and capacity with an unaffiliated counterparty on the California Oregon Intertie (COI) north of the California Oregon Border (COB) trading hub while at the same time executing an opposite transaction at the John Day hub in central Oregon.

COB is a major delivery point for wheeling Northwest generation intended for markets in California. The John Day hub is predominantly used to price bilateral transactions involving output from hydroelectric and wind resources in central and eastern Oregon and Washington, often intended for delivery into California.

PSE is one of six holders of capacity on the northern portion of the COI, with Seattle City Light, Pacific Northwest Generating Cooperative, Snohomish County Public Utility District, Tacoma Power and PacifiCorp's merchant arm making up the rest of the group. The COI's owners — Bonneville Power Administration, PacifiCorp and Portland General Electric — also control capacity on the system, which consists of three parallel transmission lines.

Macquarie Energy and PSE are both subsidiaries of Australia-based investment bank Macquarie Group.

Headquartered in Houston, Macquarie Energy operates as an independent power marketer throughout the U.S. The company does not own or operate generation or transmission assets in the Northwest, controlling only a small amount of generation, in the PJM balancing authority area, through long-term contracts. PSE is a vertically integrated utility serving about 1.1 million electricity customers in northern Washington. The utility also operates a wholesale marketing arm.

In 2012, the commission ruled that "when a simultaneous exchange transaction involves the marketing function of a public utility transmission provider, the public utility must seek prior approval from the commission if the transaction involves its affiliated transmission provider's system." Approval of such transactions would be made on a case-by-case basis, the commission said.

Macquarie's July 14 FERC filing requesting the tariff change contested the need for the company to obtain prior authorization to engage in transactions at COB and John Day. The company said that while it is technically an affiliate of PSE, it does not function as PSE's wholesale marketer or buyer.

The commission rejected that contention.

"We are not persuaded by Macquarie Energy's argument that, because Macquarie Energy neither markets any of Puget Sound's generation nor purchases any power for or on behalf of Puget Sound and only purchases point-to-point transmission from Puget Sound, its affiliate relationship with Puget Sound is not equivalent to acting as the wholesale merchant function of a transmission provider and therefore merits different treatment," the commission wrote, adding Macquarie could potentially perform PSE's wholesale market function.

The commission nonetheless authorized Macquarie to engage in the proposed trades, saying the company provided FERC with sufficient information to evaluate the transactions.

"We find that Macquarie Energy has adequately addressed the commission's concern regarding circumvention of open access requirements and has demonstrated that its proposed transactions are not an attempt to offer transmission service without reserving transmission," the commission wrote.

The John Day Dam and its substations comprise a primary pricing point for bilateral transactions involving output from hydroelectric and wind resources in central and eastern Oregon and Washington — often intended for delivery into California. | *Oregon Department of Energy*

More important to the commission was the fact that Macquarie cannot use PSE's network transmission to engage in the transactions, but must instead purchase point-to-point service in order to move energy between COB and John Day.

"The inability to use network transmission service mitigates the concern that Macquarie Energy's proposed transaction will allow Puget Sound to earn revenue from both the explicit sale of transmission service and the implicit sale of transmission service via Macquarie Energy's proposed transactions," the commission wrote.

Furthermore, given the diverse ownership of capacity on the COI, Macquarie is not limited to purchasing point-to-point service from just PSE.

"Moreover, any transmission service obtained by Macquarie Energy on the COI would be under the [tariff] of the entity providing the service, including Puget Sound," the commission said.

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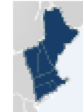
ISO-NE NEWS



Proposed RI Power Plant Loses Cooling Water Source, Seeks Delay

By William Opalka

A proposed Rhode Island power plant has lost its planned cooling water source, and its developers are asking state siting officials for another month to secure a new one.

Invenergy said the Pascoag Utility District, which had signed a letter of intent to provide water to the $700 million, 1,000-MW Clear River Energy Center dual-fuel power plant, withdrew from the agreement last month.

The company had proposed reopening a PUD well that was closed in 2001 because of contamination from a nearby underground storage tank. The municipal utility backed out, citing its determination that a

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Clean River Energy Center rendering | *Invenergy*

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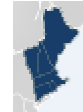

Maine PUC Proposes Net Metering Phase-out

By William Opalka

Maine regulators last week proposed a 15-year phase-out of net metering for current rooftop solar systems and a 10-year limit for new systems.

The proposal came as a part of a rulemaking process that the Maine Public Utilities Commission hopes to complete by the end of the year and implement in 2017.

"In light of changes in the technology and costs of small renewable generation, particularly solar PV, we felt that opening a rulemaking process to consider changes to the rule was the prudent course of action to ensure that all ratepayers are treated fairly," Chairman Mark Vannoy said in a statement.

The rulemaking also proposes gradually reducing compensation for new solar customers, increasing the size of an eligible customer facility by more than 50%, from 660 kW to 1 MW, and additional consumer protections.

House of Representatives Assistant Majority Leader Sara Gideon, a solar proponent who helped craft a compromise solar power bill that was vetoed by Gov. Paul LePage in April, blasted the PUC proposal.

"Maine needs a comprehensive solar policy. Unfortunately, the PUC's narrow focus on a single part of the broader solar policy doesn't help our state's ability to open new markets that create jobs and lower costs for homeowners, businesses and communities," Gideon said. "This past session's solar bill did not simply look at net metering in isolation but was crafted to help our constituents who are clamoring for access to community, commercial and municipal solar. That responsiveness and broad view is why policymaking should be left to lawmakers."

The net metering review was automatically triggered by a PUC rule after solar exceeded 1% of Central Maine Power's installed capacity. The utility reported solar at 1.04% at the end of 2015.

Proposed RI Power Plant Loses Cooling Water Source, Seeks Delay

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proposed water treatment system is inadequate to protect its aquifer. A backup plan to use water from the nearby Harrisville Fire District also was turned down.

As a result, Invenergy asked the Rhode Island Energy Facility Siting Board on Sept. 9 for a 30-day extension that would push the plant's hearing schedule into mid-November.

"Our proposal had been that we would put that water through our own treatment system to clean up that well," John Niland, Invenergy's development director, told the ISO-NE Consumer Liaison Group meeting on Thursday. "So we're currently looking to find an alternative to that source, and we're hoping to provide folks with more clarity on what our supply will be in the near future."

The Town of Burrillville, where the plant is located, last week asked the board to dismiss Invenergy's application and close the case.

"Invenergy's application currently contains no information at all about a proposed water source. The application therefore cannot be evaluated in a meaningful way without this information," the town wrote.

The power plant's daily water needs would vary from about 100,000 gallons under normal conditions to nearly 1 million gallons, according to its permit application.

Several state agencies weighed in on the plant with advisory opinions filed with the siting board Sept. 12.

The Public Utilities Commission said the plant would support the region's reliability needs and also hold down capacity prices. Only Commissioner Herbert F. DeSimone Jr. signed the opinion, because the other two commissioners had to recuse themselves.

Chairperson Margaret E. Curran also heads the EFSB, and Commissioner Marion Gold, who was appointed in the summer, previously served as commissioner of the state Office of Energy Resources.

The state energy office said the plant would help meet Rhode Island's reliability, energy efficiency and cost goals and would not prevent the state from meeting the carbon reduction goals of the Resilient Rhode Island Act.

The Department of Environmental Management said Invenergy failed to provide enough information about the impacts on fish and wildlife and raised questions about noise and air quality. The lack of information about a water source and other unfinished environmental reviews means the agency is not yet able to render an opinion, the DEM said.

The plant would require clearing more than 121 acres of forestland in northwestern Rhode Island. The site is adjacent to an Algonquin Gas Transmission pipeline and compressor station and a National Grid right of way needed to connect it to the ISO-NE grid.

Invenergy says the plant will reduce emissions by replacing older, less efficient units. It will also add capacity to the constrained Southeast Massachusetts-Rhode Island transmission zone. One 500-MW unit is scheduled to be in service in June 2019 and the second a year later. The first unit was successfully bid into the ISO-NE Forward Capacity Auction for the 2019/20 commitment period.

MISO NEWS

MISO Board of Directors Week

MTEP 16 Proposes 394 Projects at $2.8 Billion

By Amanda Durish Cook

ST. PAUL, Minn. — MISO's 2016 Transmission Expansion Plan recommends 394 projects totaling $2.8 billion.

The preliminary MTEP 16, unveiled at the Sept. 13 System Planning Committee of the Board of Directors, proposes:

- 114 baseline reliability projects valued at $734 million;
- 27 generator interconnection projects at $123 million, nine of which will be cost-shared;
- One transmission delivery service project at $350,000;
- One market efficiency project, the Huntley-Wilmarth 345-kV line project in southern Minnesota projected to cost $81 million; and
- 251 other projects driven by local needs at $1.8 billion.

Vice President of System Planning and Seams Coordination Jennifer Curran said the top 10 priciest projects in MTEP 16 are evenly distributed between MISO North and MISO South. Spending under MTEP 16 includes more projects than MTEP 15's 334, but total spending would be $6 million less.

The projects are spread across all MISO quarters, with 33% in MISO South, 39% in MISO West (in parts of northwestern Illinois, Montana, South Dakota and Michigan's Upper Peninsula and all of North Dakota, Minnesota, Wisconsin and Iowa), 22% in MISO East (in northern Indiana and Michigan's Upper Peninsula) and the remaining 6% in MISO Central (in parts of Missouri, Illinois, Indiana and Kentucky).

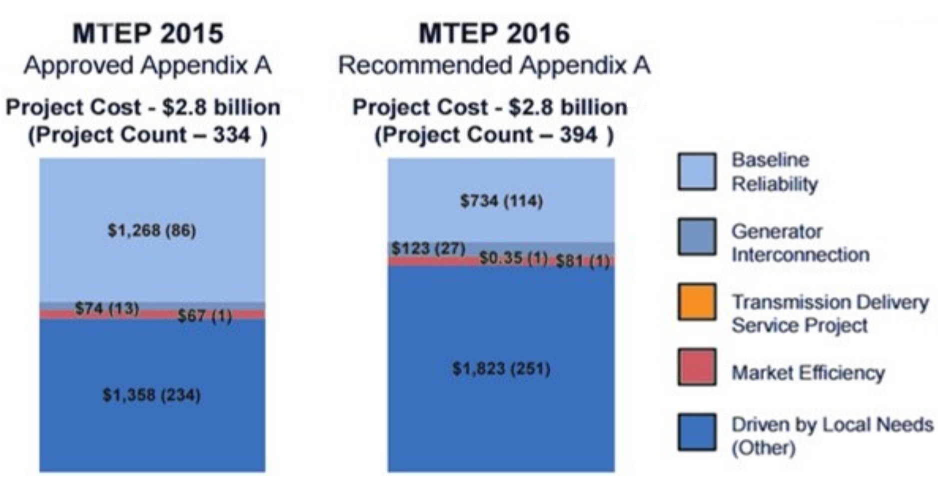
The projects are also varied by type, with 44% of projects dedicated to upgrading substation equipment, 28% dedicated to transmission line upgrades, 20% dedicated to the installation of new transmission lines, 5% dedicated to transformer upgrade and replacement and 3% dedicated to voltage control improvements.

Curran said the lone market efficiency project submitted for approval, the Huntley-Wilmarth 345-kV line, will accommodate wind additions in Iowa and Minnesota. Curran said the cost of the project, which was recommended by North/Central Market Congestion Planning Study and has benefit-to-cost ratio of 2, would be spread 20% across the MISO North and Central regions, with the rest allocated to the local zone. MISO South does not yet share in cost allocations for market efficiency projects.

Director J. Michael Evans asked why the project wasn't built 20 years ago if it was meant to handle wind power. Curran said the project will be constructed primarily for new wind buildout.

Board Chair Judy Walsh asked if the MTEP would always involve an expensive bundle of transmission upgrades that chases new generation locations. Vice President of Transmission and Technology Clair Moeller said MISO's multi-value project category seeks to predict the location where transmission is most needed.

The MISO System Planning Committee of the Board of Directors | © *RTO Insider*



MISO

Curran said if approved, MTEP 16 may contain a hitch because the $80.9 million Huntley–Wilmarth line project is located wholly inside Minnesota, which has a right-of-first-refusal statute. Curran said that while the project "by definition is eligible for the competitive transmission process," Order 1000 and MISO's Tariff respect state and local laws.

MTEP 16 also includes four economic projects resulting from MISO's South Market Congestion Planning Study:

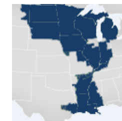
- An $88 million 230-kV line and substation in southeastern Louisiana with a 1.96 to 3.40 B/C ratio, to be in service by 2022;
- The $1.9 million Minden–Sarepta 115-kV line upgrade in northwestern Louisiana with a 1.83 B/C ratio to be in service by 2020;
- The $7.6 million Trumann–Trumann West 161-kV line project in northeastern Arkansas with a 13.4 B/C ratio to be in service by 2018; and
- The $6.7 million Lakeover 500/230-kV transformer upgrade in southeastern Louisiana with a 1.4 B/C ratio to be in-service by 2020.

Costs for the four projects will be assigned to the local zones that they benefit.

MISO's Planning Advisory Committee members will vote on the MTEP 2016 report in October. A MISO review of sector feedback will begin in November before the board votes at its December meeting.

"You know, Ernest Hemingway wrote his best novels when he was young, but MTEP keeps getting better. MTEP 16 is better than MTEP 15," Evans said.

MISO News



MISO Board of Directors Week

Hot Topic: MISO Stakeholders Weigh in Again on Forward Auction Proposal

By Amanda Durish Cook

ST. PAUL, Minn. — MISO stakeholders last week continued their critique of the RTO's proposed Competitive Retail Solution.

MISO's proposal and the broader issue of resource adequacy were the "hot topic" at last week's Advisory Committee discussion moderated by consultant Robert Gee.

Gee began by asking sectors if MISO's separate forward auction for retail-choice zones was reasonable — or even necessary.

Dynegy's Mark Volpe said the Independent Power Producers sector believes that a serious problem exists, pointing to the forecasted generation shortfalls in Illinois and Michigan and the 1.9 GW of generation that's currently pseudo-tied out of Illinois into PJM.

5 GW Departing

"You've got 5 GW of generation in southern Illinois — if you count the retirements and suspensions — that's departing MISO. That's huge. … It's clear evidence that a problem exists and has existed for years that needs to be addressed yesterday," Volpe said.

The IPP sector submitted comments suggesting MISO conduct voluntary forward auctions for regulated states and a "mandatory auction for retail-choice load."

The Transmission-Dependent Utilities sector has not reached consensus on whether MISO's forward auction addition is necessary, WEC Energy Group's Chris Plante said. "I think we have a plurality of members who are opposed to the Competitive Retail Solution," Plante said. He added that incremental changes could be made, including raising the cost of new entry to two or three times its current amount.

Northern Indiana Public Service Co.'s Paul Kelly said the Transmission Developers sectors is not answering whether the CRS is needed anymore, as it's clear MISO will file the auction redesign for FERC approval anyway.

"What we're willing to say as a sector is that the concerns we had have been addressed by MISO, and we're appreciative of that,"

Alliant Energy's Mitch Myhre and Madison Gas and Electric's Megan Wisersky | © *RTO Insider*

Kelly said. "It's not as if a forward auction hasn't existed in America, so we're not blazing a new trail."

'Totally Dysfunctional'

Madison Gas and Electric's Megan Wisersky, of the TDU sector, said just because a forward auction has been done elsewhere, doesn't mean it's been done correctly.

"The eastern forward capacity markets are completely, totally dysfunctional," Wisersky said. "More and more people are dragged into it, kicking and screaming. We're not solving it by chasing this ephemeral idea that changing capacity markets are the way to fix it. If you really want to think about it, capacity isn't even a real product — energy and ancillary services are." (See related story, *Monitor: NYISO Needs Locational Focus, Flexibility — not Forward Capacity Market*, p.18.)

The Illinois Industrial Energy Consumers' Jim Dauphinais, speaking for the End-Use Customers, reminded the Advisory Committee that Lower Michigan and Illinois will pay for what is decided. Dauphinais said he was not convinced that a major market change was needed at all and that MISO's current proposed market rules are "unnecessarily complicated."

"It treats retail load like an outcast," Dauphinais said. He said the Independent Market Monitor and MISO's hybrid solution, which kept both merchant and regulated load on the same prompt auction schedule and applied a sloped demand curve to merchant load, was more reasonable.

Volpe said MISO's Board of Directors and management should pay attention to the Monitor's "deep-seated" concerns on price formation in a bifurcated market.

The Public Consumer Group sector voiced concerns that generators in regulated states could voluntarily bid into the forward auction, making them unavailable for local customers. The sector called on MISO to conduct annual testing to confirm actual available capacity amounts.

The Power Marketers sector said moving the auction for competitive areas three years out gives market participants time to plan and budget. The TDU sector countered that argument, claiming MISO has changed the capacity process so often year to year that it has become difficult for utilities to get their bearings. "MISO's processes in this area have been changing every year since 2009, and the lack of consistency and predictability from year to year creates problems for utilities trying to do their own planning," the sector wrote.

'Slippery Slope' Fear

Bonavia

After multiple stakeholders called the forward auction "a slippery slope," MISO Director Paul Bonavia asked why stakeholders believed the forward auction construct would eventually cross into traditionally regulated areas.

Once filed with FERC, "I cannot imagine … the possibility that MISO … would apply this proposal to the entire footprint," Volpe said.

"FERC is not shy about pushing jurisdictional boundaries," Wisersky fired back.

Matt Brown, representing the Transmission Owners sector, said that while the risk of spreading applies to any new regulation, his sector wasn't worried MISO would apply a PJM-style forward capacity market to the entire footprint.

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MISO Board of Directors Week

Hot Topic: MISO Stakeholders Weigh in Again on Forward Auction Proposal

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"Last I checked, MISO wants to be an RTO five years from now," NIPSCO's Brown said, referring to the voluntary nature of RTO membership. "I think MISO has done a good job recognizing that what Michigan and Illinois needs is very different from what the rest of the market needs."

Bonavia said that while the board wasn't going to "jump in and start writing Tariff language," it has heard the concerns.

"It doesn't sound like — to nobody's great surprise — that there's a lot of accord on the Competitive Retail Solution. But I'll say this as one director: It feels that there's a pretty strong sense to assure it's a regional solution that doesn't bleed over or create the slippery slope that sucks other states into it."

Awaiting the Details

Indiana Utility Regulatory Commissioner Angela Weber, representing the State Regulatory sector, said she is not sure whether the proposal is reasonable because details, such as the shape of the forward demand curve, have not yet been provided.

© RTO Insider

Weber said she wanted to make sure that the demand curve is shaped so both competitive and regulated areas in MISO achieve equal reliability and uphold the one-day-in-10-year loss-of-load expectation.

Comments from the State Regulatory sector urged the RTO to "keep in mind that resource adequacy within MISO is largely a state and local responsibility" and said it was "imperative that the current Competitive Retail Solution is shown not to impact existing state and local authority and processes."

A day later at the MISO board meeting, Director Thomas Rainwater wondered if the problem in Southern Illinois was being "overstated" by the RTO.

Richard Doying, executive vice president of operations and corporate services, said that whether or not the predicted shortfall in the Organization of MISO States survey is accurate, new generation that "no one is building" will be needed in Zone 4. Efficient pricing achieved through the forward auction, Doying said, will encourage investment in new generation.

Steering Committee Considers Rules on Task Teams, Conference Calls

By Amanda Durish Cook

ST. PAUL, Minn. — MISO Steering Committee members are asking if there is a need to formalize the creation and retirement of task teams following the Resource Adequacy Subcommittee's contentious decision in July to retire the Competitive Retail Solution Task Team.

"There's no formal process for retiring a task team, and there's good reason for that. Task teams do not follow the Stakeholder Governance Guide," Steering Committee Chair Tia Elliott said. "I heard from stakeholders that it's important to keep that process outside of formalization."

American Electric Power's Kent Feliks said he opposed formalizing task team creation and that, like PJM, MISO could use special meetings to discuss issues that would cut down on the number of task teams that parent entities create.

Resource Adequacy Subcommittee Chair Gary Mathis said it may be helpful to insert language into the Stakeholder Governance Guide to define how task teams are formed and dissolved.

Ameren's Ray McCausland said Robert's Rules of Order currently govern the creation and disbanding of task teams, because the Stakeholder Governance Guide defers to Robert's Rules when directions "aren't otherwise stated."

Mathis said the bylaws are worded so that only parent entities are required to follow Robert's Rules, not task teams. Feliks said he preferred leaving the creation and dissolution of task teams up to parent entity leadership.

After discussion, the issue was tabled until the Steering Committee's Nov. 3 Stakeholder Governance Guide workshop.

Conference Call Protocol

Steering Committee members also discussed whether changes are needed to get callers queued up more quickly during meetings. Currently, entity chairs are in charge of recognizing callers with opinions and questions.

Currently, McCausland said, operator-assisted calls are in violation of the governance guide. He said callers should be able to interrupt the speaker directly by deselecting their mute buttons. He argued that people attending in-person have rights that those dialing in do not have.

"It's a brainer. We have to think about this," Mathis added.

Elliott said the issue could be handled by MISO with a technology fix, possibly through a function that allows callers to immediately open lines without operator assistance.

MISO NEWS

MISO Board of Directors Week

Markets Committee of the Board of Directors Briefs

IMM Makes Pricing Suggestions Following First Max Gen Event Since Polar Vortex

ST. PAUL, Minn. — Independent Market Monitor David Patton said that although MISO markets and operations performed well over a warmer-than-usual summer, there is room for improvement, namely in price-setting protocols.

Patton said MISO's all-in energy price increased 9% from spring to summer, owing to increased gas prices and load. Summer load peaked at 121 GW on July 21, when a maximum generation alert was called, Patton said during a quarterly report at the Sept. 13 Markets Committee of the Board of Directors meeting.

"On several of these days, we committed a large amount of peaking resources," Patton said. The Monitor said he was concerned that although July 21 was the hottest day of the year, prices weren't the highest because utilities self-curtailed and demand response resources were not called on during the emergency maximum generation event. Real-time energy prices peaked at $36/MWh while the day-ahead price hit $78/MWh.

The voluntary curtailments led to a spike in revenue sufficiency guarantee (RSG) payments. Patton also said MISO committed more resources than necessary on some days because of incorrect load forecasting, leading to a "significant" uptick in RSG costs.

Todd Ramey, MISO vice president for system operations and market services, said July 21's maximum generation event was the RTO's first since the 2014 polar vortex and the first such event during summer in four years.

Patton also said only a few peaking resources were allowed to set prices on July 21. He said his proposal to expand the amount of resources able to set prices in extended LMP would alleviate dips in pricing during maximum generation alerts. Patton said if his ELMP recommendations were adopted, July 21's average real-time system marginal price would have been 31% higher and real-time RSG would have been 14% lower.

MISO has said its simulations don't support Patton's proposal, which he first made in June's State of the Market Report. (See *MISO Study Undercuts IMM Proposal on Expanding ELMP Pricing*.)

Patton also said voluntary load curtailment is "somewhat troubling" because it is not integrated well into MISO's market and distorts pricing.

"As far as control goes, there's very little control with voluntary curtailment," Patton said.

Patton recommended increasing the visibility of load curtailment and categorizing it as DR. He also said MISO could better integrate load curtailment into market products.

"You're simply raising your hand and saying please curtail?" Director Paul Feldman asked MISO management.

"How much of [the event] was operational versus how much of it was procedural? Are there things we could do from a market perspective?" asked Director Baljit Dail.

"The prices ought to go through the roof in emergency situations," Feldman added.

Richard Doying, executive vice president of operations and corporate services, said MISO was planning to present alternatives to the Monitor's ELMP suggestion soon.

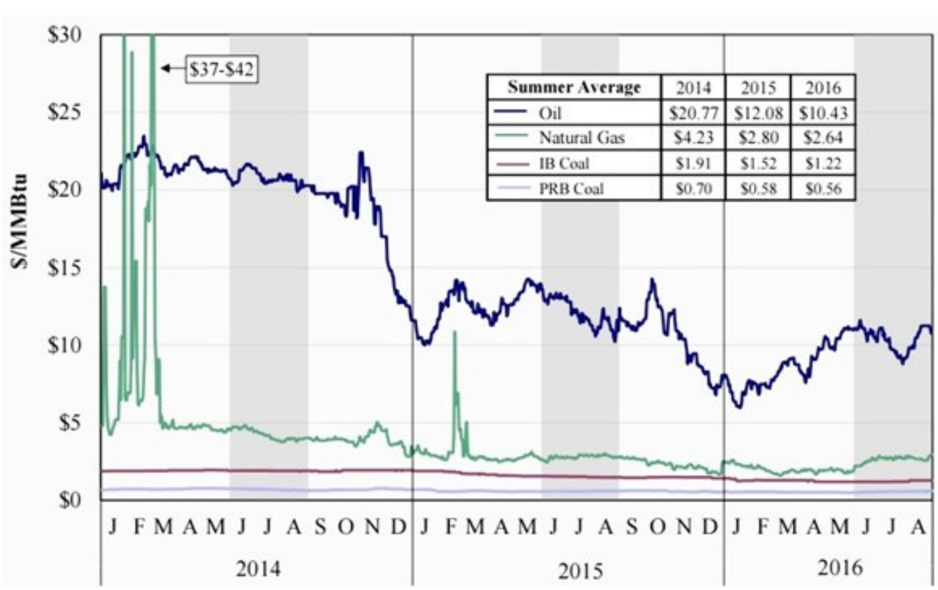
"I think it's good that we have the point of view from Dr. Patton, but we'll also get the alternatives from a practical point of view," Director Phyllis Currie said.

Additionally, Patton said the summer was characterized by high congestion in MISO South early and high congestion in MISO North throughout August.

Director Michael Curran asked if market products were keeping pace with emerging issues. "It struck me that there are so many operational and procedural issues. It seems that the market is becoming operationally challenged, and I wonder if we have the tools," he wondered.

Patton said the results weren't gloomy, although MISO did experience one operating reserve shortage and local emergency conditions on several days. He said MISO was able to operate at 3% above its planning reserve margin requirement and there were no significant operating reserve shortages. He also said the market performed competitively and reliably and mitigation needs were "infrequent."

"We're going to be in emergency conditions much more often," MISO CEO John Bear said. "Does that mean we're right at the



MISO fuel prices, 2014-2016 | *MISO*

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MISO NEWS

MISO Board of Directors Week

MISO Seeking Website Reboot

Will There be an App for that?

By Amanda Durish Cook

ST. PAUL, Minn. — MISO's external affairs operation wants to reboot its website and is seeking a separate $1 million budget to begin research and development.

The RTO's project is aimed at freshening its online presence for the public and its membership, and increasing the use of website-usage analytics.

The external affairs division handles MISO's online communications, meetings, and member and stakeholder relations. Its current $11 million budget is expected to become a $13 million budget over the next five years while membership grows.

Vice President of MISO South Todd Hillman told the Board of Directors' Corporate Governance and Strategic Planning Committee that the RTO may be lagging behind customers' technology expectations, as it has performed only two website redesigns in 12 years. It still uses a call center — each of the 430 market participants are assigned customer representatives — to handle issues that Hillman said could be better addressed online or with an app.

"We've focused on the touch of our customers, but not the tech of our customers," Hillman said.

Hillman said MISO has just "scratched the surface" of data analytics. He asked the board to approve a $1 million budget for next year to hire a third party to conduct a comprehensive analysis on a possible new online interface and social media presence that can be adjusted using data analytics.

Directors asked if $1 million was enough to develop improvements. Hillman said if MISO was "diligent," the amount could work. He said consultants could bid against each other for the best prices.

Director Paul Bonavia also said he hoped MISO would get "a little crazy" with the scope and not restrict it unnecessarily.

Hillman said there is no reason MISO should be limited in its web presence. It could look to other companies who communicate online across multiple channels. "We need to stop looking to other RTOs' [websites]; maybe we look at Amazon for some ideas," suggested Hillman, who said a MISO membership app could become a reality.

Hillman said MISO relies heavily on an annual customer service survey for feedback, which Bonavia called "a blunt instrument." CEO John Bear agreed that more periodic feedback would be helpful.

The MISO Corporate Governance and Strategic Planning Committee of the Board of Directors | © *RTO Insider*

Markets Committee of the Board of Directors Briefs

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edge? No."

Currie asked if MISO had learned any lessons in communicating with balancing authorities over the summer in light of the higher loads. "I think that the current communication protocols are sufficient today," Ramey said.

Ramey reported that the average summer day-ahead energy price was $29.55/MWh, 3.7% higher than summer 2015, propelled by a 3% increase in load. However, summer saw a 7.5% decrease in natural gas prices compared to summer 2015, averaging $2.60/MMBtu. Wind power production grew 18% from last summer, while installed wind capacity increased by 9%. Planned generation outages averaged 6.3 GW, up 10.7% when compared to last summer, and forced generation outages averaged 14.5 GW, up 6%.

MISO Attorneys Address Board Role in Capacity Auction Conflict

With the capacity auction redesign debate as a backdrop, three attorneys were on hand to clarify the board's role when MISO's management, stakeholders and Monitor can't agree. (See *MISO Sees Nov. 1 Filing on Forward Auction; Simulation Shows Price Disparities*.)

MISO Senior Vice President of Compliance Services Stephen Kozey said no one should govern the board's actions, but the board should "certainly" listen to all sides.

Counsel to the board Karl Zobrist said that while the board doesn't make design changes, it can review proposals and provide or withhold endorsement. Zobrist also said the Monitor can make recommendations and intervene in FERC filings, but the board is under no obligation to advocate the Monitor's recommendations.

"It's important that there be a robust dialogue," MISO General Counsel Andre Porter added.

"We need to make sure we're listening not only to the IMM but the Advisory Committee and the stakeholders," Dail said. "But I don't think we should be saying, 'This is how market design should work.'"

Zobrist said the board should not blindly defer to management. "You have the duty of care and duty of loyalty … and if you're confident management is making a good decision, you should support it," he said.

— Amanda Durish Cook

MISO NEWS

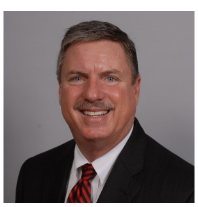
MISO Board of Directors Week

Board of Directors Briefs

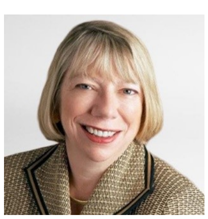
MISO Membership Voting on 3 New Board Members

ST. PAUL, Minn. — The MISO Board of Directors' Nominating Committee has settled on three candidates to fill the three seats up for election for three-year terms that begin in January. (See "Board Member Search Down to 6 Candidates," *MISO Advisory Committee Briefs*.) Director Michael Curran said MISO will consider:

- **Todd Raba**, who is preparing to exit Twenty First Century Utilities in D.C., a startup company that invests in regulated utilities looking to modernize. Raba also served as CEO of Berkshire Hathaway's Johns Manville and president of its MidAmerican Energy. He is a former CEO of GridPoint, an energy management company, where he remains a board member. He has a bachelor's degree in forestry from the University of Vermont.



- **H.B. "Trip" Doggett**, a former ERCOT CEO who has more than 38 years of experience in the electricity industry. While employed with Duke Energy, Doggett helped to launch CAISO. Doggett also holds a seat on the advisory board of the Texas A&M University Smart Grid Center. He holds a bachelor's in engineering from the University of North Carolina at Charlotte.



- **Barbara Krumsiek**, former CEO of Calvert Investments, a $14 billion asset management firm. Krumsiek began her career in investments more than 40 years ago, and her board experience includes a recent, nine-year stint on Pepco Holdings Inc.'s board of directors. Krumsiek holds a master's in mathematics from New York University.

Board Chair Judy Walsh and directors Michael Evans and Paul Feldman will reach MISO's term limit Dec. 31. MISO enacted a limit of three consecutive three-year terms last year.

"I think this is a great slate of new directors," Walsh said.

MISO Senior Vice President of Compliance Services Stephen Kozey said voting on the candidates began immediately and will continue through Oct. 24. Results will be announced at the October Informational Forum. Kozey said 25% of MISO members need to cast ballots to reach a vote quorum.

Additionally, Curran was elected to lead the board as chairman in 2017, replacing Walsh.

MISO Projected to End Year Close to Budget

MISO management said the RTO is projected to spend between $223.9 million and $226.1 million of its $225 million 2016 budget by the end of the year.

The RTO's actual year-to-date spending of $149.3 million is under budget by $1.3 million (0.9%).

"We anticipate being within a half percent of the budget by the end of the year," Vice President of Strategy and Business Development Wayne Schug said during a finance report at the Sept. 15 board meeting. Schug stepped in to deliver the report after former Vice President of Finance Jo Biggers left MISO unexpectedly last month. (See *Vice President of Finance Biggers Exits MISO*.)

Schug also said MISO is $4.7 million, or 18.6%, under budget year-to-date on its $31 million capital projects spending plan.

Director Baljit Dail expressed concern that not enough capital projects were going to be completed. "I struggle to see how you're burning through $4.7 million by the end of the year," he said.

Schug said although some capital spending will be deferred into 2017, MISO will come closer to its capital spending target in the fourth quarter. "We're going to get closer back to budget but not get all the way back. We're probably going to be under budget by $0.5 million," he told the board.

"These numbers are somewhat lagging, [but] because it's the third quarter, I don't think we need to be overly concerned. I know you'll make these adjustments by the end of year," Director Phyllis Currie said.

MISO has spent $700,000 on NERC's Critical Infrastructure Protection v.5 cybersecurity compliance and its competitive retail solution for the capacity auction. By year-end, the number is expected to reach $1.2 million.

In response to a question from Currie, Schug said MISO is still considering whether to switch from a 501(c)(4) organization to a 501(c)(3) organization, a topic that was broached at the June board meeting. (See "MISO on Budget in Mid-2016, Considers Becoming 501(c)(3)," *MISO Board of Directors Briefs*.)

For Now, MISO Bylaw Changes Minimal

Director Thomas Rainwater said the board is making revisions to MISO's Bylaws/Transmission Owners Agreement that are largely "cleanup" from when the board increased to nine members from seven.

Rainwater also said the board's Human Resource Committee decided to postpone making changes to pre- and post-service restrictions on directors. MISO is considering reducing the current two-year pre- and post-service prohibition in a utility or the wholesale energy markets. (See "MISO Asks Members to Consider Bylaw Changes," *MISO Informational Forum Briefs*.)

Board Wants to Quantify IT Benefits

Dail said the board's Technology Committee has begun investigating the return on investment for MISO's information technology spending. Walsh said she would like to see tracking of IT investment returns in an accounting report. Currie called for a more formalized process altogether on budgeting.

Other items also were addressed at the board meeting:

- CEO John Bear asked stakeholders to offer ideas for "hot topics" to discuss during in-person Advisory Committee meetings in 2017. Bear said next year's

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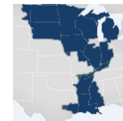
MISO News



MISO Board of Directors Week

MISO 5-Year Plan Seeks New Products, Workforce Improvements

By Amanda Durish Cook

ST. PAUL, Minn. — MISO released a five-year operations business plan last week that calls for new products, technology upgrades and a better-trained workforce.

The Board of Directors reviewed the plan at its Markets Committee meeting last week.

The plan includes "investment in forward-looking, strategic products to respond to tightening reserve margins, increasing reliance on renewables and need for increased gas-electric coordination."

"Looking forward, the confluence of technology, market, policy, regulatory and other external drivers will accelerate the pace of change," MISO said. "To continue to deliver and to extend [MISO's] value proposition, we must invest in our markets, organization and technology."

It also calls for developing existing staff and "modifying hiring criteria" to improve the organization's strategic and commercial skills while also streamlining current processes and incorporating more automation.

MISO said the plan would cost $13 million and yield $30 million in benefits next year. The RTO expects the entire plan to cost $51 million in operating and capital expenses and deliver annual benefits of more than $100 million through 2021.

"I'm not accustomed to seeing [returns on investment] in the thousands percent, so … it makes me somewhat skeptical. We're going to need some more information," Director Thomas Rainwater said.

Jeff Bladen, MISO's executive director of market design, said the annual benefits assume that the RTO can allocate the research costs and that the technology is in place in time. He said MISO would make more presentations on the plan.

"This assumes that we have the people and technology in place that allow us more flexibility," Bladen said.

The plan includes MISO's introduction of a separate forward capacity auction for competitive areas next year, followed by seasonal and locational capacity market changes in 2018.

The plan also sets the following goals for 2018-21:

- Replacing the 2004 "freeze date" reference point in MISO's flowgate allocation process by 2018;
- Allocating feasible auction revenue rights and nominating infeasible long-term transmission rights in 2019;
- A multiday financial commitments market, a multiyear financial transmission rights auction and a short-term capacity reserve market by 2020; and
- A special pricing structure for voltage and local reliability (VLR) commitments and a virtual spread market product by 2021.

Among the benefits cited by MISO are a reduced likelihood of outages; more capacity availability; improved reliability; improved congestion hedging; reduced production costs; and more efficient real-time interchange and better price convergence with its neighbors.

Independent Market Monitor David Patton said it would be helpful if MISO designed more flexible software so entirely new code isn't needed every time the RTO makes a market change.

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topics could include a review of the competitive transmission process, transmission cost allocation on multi-value projects and the "disconnect" on the interconnection queue.

- Organization of MISO States President Sally Talberg said OMS is working on its own seams policy. Talberg also said that because too few generator owners and operators are completing MISO's Winter 2016/17 Generator Fuel Survey, OMS will provide reminders to MISO members starting next month. The survey data are used in the yearly fuel assurance report. "With OMS as an intermediary, it's going to be critical to work together," Talberg said.
- Advisory Committee Chair Audrey Penner wants to include a volunteer event in MISO's quarterly Board of Directors Week. Penner said when the committee meets in-person, it would be good for members to spend a few hours volunteering with local nonprofits.

— Amanda Durish Cook

Advertisement

NYISO NEWS

Farm Family Wins Long Fight over Substation, Tx Lines

By William Opalka

> **"We didn't really understand the nature of local opposition. But once we did, I think we came up with a good result**
>
> **Gregg Sayre, New York Public Service Commission**

ALBANY, N.Y. — A Rochester-area farm family scored unusual concessions on Thursday when state regulators approved a plan for a substation and power lines that removed previously approved facilities from their property (11-T-0534).

The New York Public Service Commission approved a modified Certificate of Environmental Compatibility and Public Need for the Rochester Area Reliability Project south of the city. The original plan approved by the PSC in 2013 would have taken arable land out of production from the Krenzer family farm, according to the family's rehearing petition.

The plan also would have taken the most valuable land on the property used for farm infrastructure, according to the family. The family grows wheat, corn and soybeans on more than 3,000 acres.

$37M Increase

Avangrid, whose Rochester Gas & Electric is building the project, said the delays and changes will increase the project's cost by $37 million to $291 million. The company said $23 million is related to changes in site costs, routing and structure types, with $14 million linked to the delay and extended construction timeline.

RG&E began eminent domain proceedings in 2011 to route the project through the farm.

The family says it was unaware of the proceedings for about a year, a charge RG&E denied. The family said it had informal meetings with RG&E representatives in their home in November 2011, but no definitive plans were discussed that indicated their property would be condemned.

The utility said it had a series of meetings with family members to discuss the project and produced a June 2011 letter sent to a family member that indicated financial compensation for the acquisition of the substation site.

After granting rehearing, the PSC appointed an administrative law judge in 2013 and conducted hearings in 2014, but efforts to negotiate a compromise were unsuccessful.

Negotiations restarted earlier this year, which culminated in a joint proposal filed in July. It was endorsed by the family, RG&E, PSC staff, and the state departments of Environmental Conservation and Agriculture and Markets.

Marie Krenzer told *RTO Insider* that Thursday's order prompted "a lot of mixed emotions, but we were pleased with the outcome." The family spent "well into six figures" on attorneys' fees and other costs through the process, she said, money that they will not recoup.

"We didn't know what we were taking on when we started this, but we knew this wasn't right," she said.

'An Example of Government Working'

PSC officials lauded the outcome as an example of regulators responding to competing interests in a difficult case. "This is an example of government working," PSC Chair Audrey Zibelman said at the meeting. "The commission listened to the Krenzers and took their concerns seriously" while also fulfilling its obligation to preserve system reliability.

"We didn't really understand the nature of the local opposition," Commissioner Gregg Sayre, a Rochester-area native, said at the meeting. "But once we did, I think we came up with a good result."

Several local and state officials became involved, including U.S. Sen. Charles Schumer.

The affected property would have totaled about 670 acres. The substation would have taken 12 acres, while the remaining land would have been used for a "zig-zag" pattern of transmission lines across the farm's productive fields, which would have cut the farm in half.

The order approved Thursday moves the substation from the Krenzer farm about 1 mile east to vacant land across the Genesee River. The routing of two new 115-kV lines eliminates the zig-zag route through the property and instead will go through land with a U.S. Department of Agriculture conservation easement to reach an existing New York Power Authority line.

The project calls for the construction of approximately 23 miles of new 115-kV transmission lines, reconstruction of 2 miles of an existing 115-kV line, a new 1.9-mile 345-kV line, a new 345 kV/115-kV substation and the improvement of three existing substations.

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IPPNY Fall Meeting

Monitor: NYISO Needs Locational Focus, Flexibility — not Forward Capacity Market

By Rich Heidorn Jr.

From left to right: Pallas LeeVanSchaick, Potomac Economics; Stu Bresler, PJM; Robert Ethier, ISO-NE; and Paul Hibbard, The Analysis Group. | © *RTO Insider*

SARATOGA SPRINGS, N.Y. — A forward capacity market may have worked for PJM and ISO-NE, but it isn't the solution for NYISO, the Market Monitor told the Independent Power Producers of New York's fall conference last week.

PJM and ISO-NE officials told an audience of about 100 that their forward markets have successfully incented new generation to replace retirements in their regions.

But The Analysis Group's **Paul Hibbard** said the consulting firm's 2015 study for the ISO found no compelling benefit to changing from New York's current monthly prompt auctions. "We couldn't find in our analysis … a real overwhelming level of support or level of rationale for … going through the effort of moving to a forward capacity market design," said Hibbard, who moderated the session.

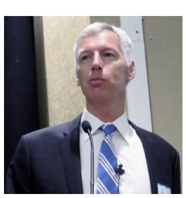
And **Pallas LeeVanSchaick** of Potomac Economics said instituting a forward market would be a time-consuming distraction from addressing the ISO's biggest problems.

The Monitor called for "more logical local capacity requirements" and predefined capacity zones "so that resources know that if they come into a particular area to meet a reliability need … that there's an economic signal that they'll be rewarded for helping to satisfy."

"Those would be important whether you have a spot market for capacity or a forward capacity market," he added.

The Monitor made recommendations on those issues in its 2015 State of the Market report in May. (See *NYISO Monitor: Modify Capacity Export Planning*.)

Reluctant Converts



Robert Ethier, vice president of market operations for ISO-NE, said his RTO was forced to accept the forward capacity model in FERC-moderated settlement talks. "We were actually focused on a monthly market with a sloped demand curve much like you have here in New York," he recalled.

Despite its origins, and the repeated changes to market rules since then, Ethier said, "it's working pretty well." The RTO says it has attracted 4,700 MW of new capacity resources — versus 4,200 MW of retirements — since 2013.

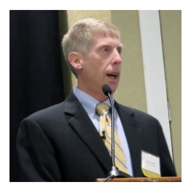
"That's sort of the bottom line … for a capacity market: Is it getting you new resources to replace the resources that are exiting the market?" he continued. "At that high level, it's been successful."

Among the changes ISO-NE made was adjusting the calendar to address a disconnect in the auction timeline.

Retirements had been allowed up to one month before auction, while new resources had to declare their intent to enter the market a year in advance. Because it was impossible for new resources to respond to late-announced retirements, the RTO found itself with capacity shortfalls in Forward Capacity Auctions 8 and 9.

In April, FERC approved rules requiring retiring generators to declare their intention in March rather than October, while moving the "show of interest" deadline for new capacity market entrants from February to April. (See *FERC Approves Changes to ISO-NE Retirement Rules*.)

'Not Here to Sell Anything'



Also on last week's panel was **Stu Bresler**, PJM's senior vice president of operations and markets, who responded to LeeVanSchaick's criticism by making it clear "I'm not here to sell anything" to NYISO. He also acknowledged that PJM's Reliability Pricing Model is "not immune" to changes, an apparent reference to a call by some stakeholders for an overhaul. (See *Proposal to Revisit PJM Capacity Model Receives Tepid Response*.)

But he noted that PJM has added almost 17,000 MW of capacity resources in the last five Base Residual Auctions, well in excess of the less than 2,500 MW of retirements announced. "If we didn't have the forward capacity market, we'd have needed something else" to attract the new supply, he said.

Continued on page 19

"It focuses the mind and sharpens the pencil when you're playing without a net."

Robert Ethier, ISO-NE

IPPNY Fall Meeting

Monitor: NYISO Needs Locational Focus, Flexibility — not Forward Capacity Market

Continued from page 18

The new resources mean that PJM, unlike NYISO and MISO, has rarely had to rely on reliability-must-run units. "If you define your region and your locational requirements for capacity sufficiently, you may have [only] some extremely localized issues that … will require some minor out-of-market actions."

Ethier said ISO-NE has never had to invoke "backstop intervention" for reliability and has limited authority to do so. The capacity market, he said, is what ensures reliability.

"It focuses the mind and sharpens the pencil when you're playing without a net," he said.

Different Era, Different Needs

LeeVanSchaick said, however, that the concerns that prompted the capacity markers in the neighboring RTOs don't apply to New York today.

Unlike the rapid load growth eras in which PJM and ISO-NE developed their capacity markets, New York is facing very little load growth, and new renewable resources are entering the market, driven by public subsidies, he said.

LeeVanSchaick also said the one-year commitment with a three-year forward time horizon is a bad fit for existing resources considering making capital investments they expect to pay back in five to 10 years. "And … the time frame in which they would make that decision is not three years ahead; it might be more like one year ahead," he added. Forward markets don't "line up well with those investment decisions, certainly not with the time frame in which demand response providers are looking to increase or decrease their position in the market."

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He said the ISO also needs to increase its reliance on the energy and ancillary services markets to recognize the value of more flexible resources needed to supplement intermittent generators.

And he called for tougher rules on buyer-side mitigation and combatting uneconomic retention.

Cost, Time

The Analysis Group's Hibbard said his firm's report estimated it would cost $10 million and take three years to create a forward capacity market.

Both Ethier and Bresler said the additional administrative costs of the forward auctions are insignificant given the size of their $3 billion and $7 billion-plus markets, respectively.

Ethier estimated the forward market increased ISO-NE's administrative costs by about $1 million annually compared to a prompt market. Bresler said seven PJM employees administer the RPM.

But Ethier acknowledged LeeVanSchaick's concern about the "opportunity cost" of implementing the market.

"It basically slid all our initiatives out a couple of years. We would have had hourly markets much sooner, for example."

LeeVanSchaick said the rationing of resources to pursue market initiatives suggests "the ISO budgets are lower than maybe the efficient level of funding for an ISO. … There's often haggling over a small amount of money to develop a new project [even though] any of the projects that we're talking about could potentially pay for themselves from the social welfare standpoint in a matter of months."

Michael A. Mehling, executive director of the Massachusetts Institute of Technology's Center for Energy and Environment Policy Research, gave a keynote address at the Independent Power Producers of New York's fall conference on Germany's efforts to phase out fossil fuel and nuclear generation. Mehling said that those employed in coal have dropped to less than 50,000 from more than 1 million, while more than 370,000 jobs have been created in renewable energy. Although the shift to renewables has meant much higher costs, Mehling said it has not hurt the nation's industry because most of the cost increase has been borne by households and energy-intensive industries have been shielded. | © RTO Insider

IPPNY Fall Meeting

IPPNY: Demand Curve Reset 'Top Priority'

SARATOGA SPRINGS, N.Y. — **Gavin Donohue**, CEO of the Independent Power Producers of New York, opened the group's fall meeting last week by declaring as its top priority NYISO's reset of the installed capacity demand curve.

Donohue noted the ISO's prediction that New York's Clean Energy Standard will significantly increase the need for reserve capacity and highly dispatchable resources.

"Combined with the uptick in announced plant retirements, it has never been more critical to get the demand curve reset right," Donohue said. "The demand curve is responsible for setting reference prices. It will determine what resources enter the market over the next four years."

The reset, which has been conducted every three years, is moving to a four-year cycle (with annual updates of some parameters). The ISO staff released its final recommendations Sept. 15 on the new parameters, which include net energy and ancillary services revenues and the gross cost of new entry in addition to reference point prices.

Staff adopted the recommendations of its consultant, The Analysis Group, for reference points for all but the New York Control Area. The firm recommended the reference points for all regions be based on dual-fuel requirements, while staff said the NYCA — the rest of state, excluding Long Island, New York City and the Lower Hudson Valley — should be based on gas only. Staff also shaved the proposed price for NYCA by 4.5%, rejecting the consultant's proposal of $11.22/kW-month in favor of $10.72/kW-month.

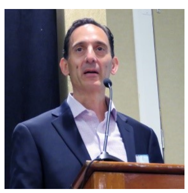
Donohue also noted generators struggled with low load growth and record low gas prices, which he said are "driving previously economic facilities to the brink and resulting in various forms of state intervention."

"It's not clear how this effort will play out. But it's clear that market-based solutions are always preferable to out-of-market solutions in New York state," he said.

The ISO will accept written comments on the proposed demand curve through Oct. 3, with oral presentations to the Board of Directors on Oct. 17. The board's finalized parameters will be filed for FERC approval by Nov. 30 with the revised curves taking effect May 1, 2017.

— Rich Heidorn Jr.

NY Transco Chief: Tx Buildout 'A Marathon, not a Sprint'



SARATOGA SPRINGS, N.Y. — **Stuart Nachmias**, president of New York Transco, said that New York's plan to build as much as 1,000 miles of new transmission to accommodate renewables and meet its emission targets will be "a marathon, not a sprint."

NY Transco, a joint venture of Consolidated Edison, Avangrid, National Grid and Central Hudson Gas & Electric, was formed to propose new transmission projects in response to FERC Order 1000 and Gov. Andrew Cuomo's New York Energy Highway initiative.

Speaking at the Independent Power Producers of New York's fall conference, Nachmias noted that the Transmission Owner Transmission Solutions (TOTS) projects, completed in June to counter the potential loss of the Indian Point nuclear plant, were the first major projects built in the state since the 1980s.

NYISO is currently conducting a viability and sufficiency report on proposals submitted in response to the state Public Service Commission's AC Transmission Upgrade proceeding. Those projects — the Edic-New Scotland and Knickerbocker-Pleasant Valley 345-kV lines — were slowed because they got caught in the transition to rules under FERC Order 1000, said Nachmias, also a vice president of energy policy and regulatory affairs for Consolidated Edison of New York.

In May, the ISO identified 10 proposed transmission projects as finalists to relieve congestion in western New York and connect wind and solar generation to load centers. The ISO acted in response to a 2015 PSC order that said relieving congestion in the Buffalo area would produce environmental and reliability benefits and satisfy a public policy requirement under Order 1000. (See *NYISO Identifies 10 Public Policy Tx Projects*.)

Nachmias said the ISO, which will ultimately select developers, is learning as it goes.

"The first couple of times it's not going to be fast because the NYISO is doing this for the first time. They've never actually had to select a transmission developer before. So when they do it, they're probably going to go a little more slowly than they otherwise could."

Order 1000's public policy requirement should make more projects possible, Nachmias said. "We had been trying to develop transmission based on economics alone for some time, and it was very difficult to justify."

— Rich Heidorn Jr.

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IPPNY Fall Meeting

Natural Gas, Offshore Wind, Storage Seek Their Places in NY's Future

Continued from page 1

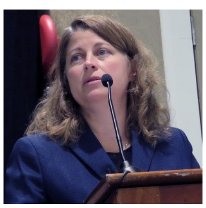
talk about statistics," she continued.

And the statistics, she said, indicate gas will be needed for the foreseeable future to help balance intermittent renewables.

Reserve Margins and Ancillary Services

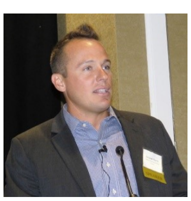
Moreau quoted a 2016 National Bureau of Economic Research study that concluded a 1% increase in fast-reacting fossil fuel generating capacity was needed to support a 0.88% increase in renewable capacity. She also cited NYISO's controversial prediction that full implementation of the state Clean Energy Standard will require increasing the installed reserve margin to at least 40% from the current 17.5%.

And renewables are not well suited to provide ancillary services such as voltage support, regulation and frequency control, operating reserves and black start, currently provided by gas-fired generation, she said.



Anne Reynolds, executive director of the Alliance for Clean Energy New York, agreed that gas will have a role. Jackson Morris, Eastern energy director for the Natural Resources Defense Council, said that role could persist even through midcentury under the state's plan to reduce greenhouse gas emissions by 80% by 2050.

Stranded Assets?



But **Morris** said policymakers must beware of overinvesting in gas infrastructure that could become stranded assets.

"What's going to happen is if we're not careful — if we're building out 40- to 50-year infrastructure, whether its pipelines or combined cycle plants — we could easily be either running into a brick wall and not meeting the necessary climate trajectory we need to be on, or alternatively … you could end up with a ton of sunk costs.

"If you don't have that time horizon right, if you don't build out a regulatory framework that has the right foresight, you could literally be on a path that looks really promising and run square into a giant brick wall when you get to 2030."

Karen Moreau | © *RTO Insider*

Need for Storage

Moreau acknowledged that gas's future is tied to the cost curve for energy storage. If storage gets cheap enough, it could compete particularly with simple cycle gas peaking plants, some say.

New York's climate goals also will require as much as 4 GW of energy storage by 2030, said Denise Sheehan, senior advisor to the New York Battery and Energy Storage Technology Consortium. The group is proposing a "no regrets" target of 1 GW of multihour storage by 2022 and 2 GW by 2025.

"These projects are happening. They're real," she said.

Offshore Wind Essential to 2030 Target

While conceding a continuing need for gas, Morris and Reynolds were far more bullish on the role offshore wind will play in New York's future.

"You cannot get to 50% [renewables] by 2030 without offshore wind. Period," Morris said. "If we lay the groundwork right now [for] 2030, could we have potentially thousands of megawatts of over 50%-capacity-factor, carbon-free resources located close to the highest load pockets in the state? We absolutely could. There's no question."

Levelized costs for offshore wind in Europe have dropped 50% in the last seven years, with recent projects coming in below 8.5 cents/kWh, Morris said. A June 2016 paper by the National Renewable Energy Laboratory and Lawrence Berkeley National Laboratory forecast that offshore wind costs will drop as much as 30% more by 2030.

But that assumes a pipeline of projects, according to Reynolds, who said that "critical mass" could be reached by developments in New York, Massachusetts, New Jersey and Maryland.

Offshore wind, common in Europe, has been slow to gain a foothold in the U.S. The Cape Wind project in Massachusetts, which advertised itself as the first offshore project in the U.S., has stalled following years of litigation, local opposition and legislative battles.

But the potential — particularly in the shallow waters of the Atlantic coast — is compelling and advances have begun occurring at a faster pace.

The U.S. Bureau of Ocean Energy Management has awarded 11 commercial offshore wind leases, including two sites each off New Jersey, Maryland and Massachusetts, one off Virginia and two off the Rhode Island-Massachusetts border.

In June, BOEM identified New York's first "wind energy area," 12 miles off Long Island. BOEM is expected to auction off development rights in December.

Construction of the nation's first offshore commercial wind farm, off Block Island, R.I., was completed in August and is expected to begin operations by the end of 2016.

Earlier this month, the U.S. departments of Energy and the Interior released their second National Offshore Wind Strategy.

On Sept. 12, Morris' group, which represents wind and solar developers, announced a spinoff organization, the New York Offshore Wind Alliance.

And on Thursday, New York Gov. Andrew Cuomo and the New York State Energy Research and Development Authority released an offshore wind blueprint outlining the state's plan to identify the most promising wind development sites within a 16,740-square-mile area.

Meanwhile, the Long Island Power Authority could vote as soon as Wednesday to authorize a 90-MW offshore project 30 miles northeast of Montauk.

Morris said he was undaunted by the fate of Cape Wind. "You had technology in a different place. You had public policy in a different place," he said. "We've learned a lot from Cape Wind."

PJM NEWS

Analysis Recommends Continuing Reduced Con Ed-PSEG ‘Wheel’ for Grid Stability

By Rory D. Sweeney

> **“A lot of people see ... New York continuing to lean on PJM’s transmission system.**
>
> **Dave Pratzon, GT Power Group**

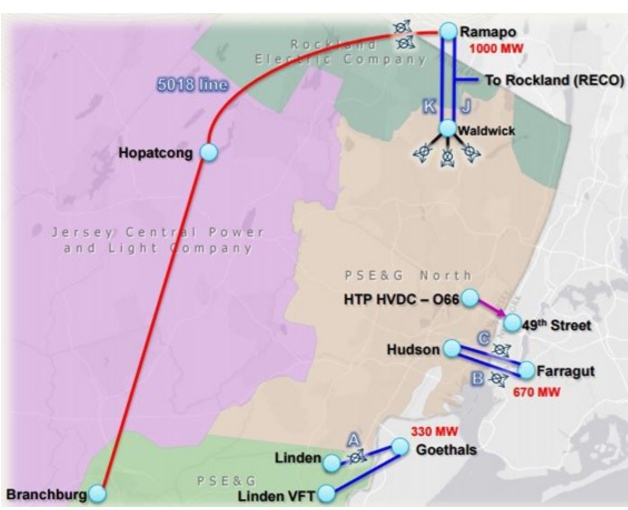
VALLEY FORGE, Pa. — A power-flow analysis indicates a reduced version of the current flow pattern is the most reliable resolution when the Con Ed-PSEG ‘wheel’ ends on April 30, PJM and NYISO officials said last week.

The grid operators are recommending an “operational base flow” that continues to route 400 MW from upstate New York to New York City through northern New Jersey, a reduction from the 1,000 MW in the current wheel.

Consolidated Edison decided not to renew the wheel arrangement — which it used to move power from upstate New York through Public Service Electric and Gas facilities in northern New Jersey to serve its load in New York City — in a transmission cost allocation dispute. (See *PJM, NYISO Seek Input on Replacing Con Ed-PSEG ‘Wheel’*.)

To ensure operational flexibility during emergencies, the analysis used three “extreme” cases that focused on high load and high interchange and included 16 scenarios for various interchange distribution options, PJM’s Phil D’Antonio told the Operating Committee last week. It assumed 2,500 MW in exports to NYISO and 1,500 MW in imports to PJM, which are the historical maximums, he said. The analysis applied various percentage distributions of AC interchange on the eastern interfaces (5018, JK and ABC) to determine impacts, feasibility and operational flexibility.

The eight phase-angle regulators (PARs) involved in the analysis were fixed in their pre-existing positions during an initial analysis to determine the percentage of AC interchange that flows over the eastern interfaces. “We didn’t adjust any PARS in the analysis,” D’Antonio said. “We adjusted generation to determine what the flows were.”



Limitations

The analysis identified limitations both in delivering from NYISO to PJM on three lines (A, B and C) between New York City and northern New Jersey, and from PJM to NYISO on two lines (J and K) between Waldwick in northern New Jersey and Ramapo in upstate New York — a reverse of the existing wheel flows. Limitations included exhausted PAR taps, congestion in northern New Jersey and forcing flow from a 230-kV system at Waldwick to a 345-kV system at Ramapo. That system difference seems to be “the most limiting” factor from PJM’s perspective, D’Antonio said. NYISO also found delivery issues on the A, B and C lines using an N-1-1 analysis, he said.

PJM is considering a combination solution that first accounts for the operational base flow and then applies a percentage of the remaining interchange distribution. The J and K lines would shoulder 15%, while A, B and C would receive 21%. Line 5018, a 500-kV span between Ramapo and Branchburg in central New Jersey would receive 32%, and the remaining 32% would continue to flow on several western ties that cross the Pennsylvania-New York border as currently happens.

The flows would remain largely the same, but at reduced levels. A study of that option set an operational base flow bandwidth on the J/K and A/B/C lines between 300 MW and 500 MW. That option allowed the grid operators to meet their target flows and adhere to protocols, D’Antonio said.

No Surprise

“I don’t think that should come as a surprise to anybody [that] for 30-plus years we’ve been upgrading the Public Service North system with respect to the nonconforming wheeling service, so physically that’s naturally what the system would want to do outside of trying to force flows using the PARs,” D’Antonio said.

From a market perspective, maintaining a full -1000/1000 operational base flow creates the least additional congestion costs at 1.16%. The -400/400 option creates about 50% more at 1.8%, while the strict 0/0 creates the most at 2.14%. All three options are comparable in the productions costs and load payments they create.

Dave Pratzon of GT Power Group asked if NYISO is planning to reinforce its side of the system to better balance the flows now that Con Ed will no longer pay to maintain the wheel.

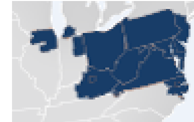
Several stakeholders have voiced concerns that the proposed solution provides benefits to Con Ed similar to the existing situation but absolves the utility from any responsibility for transmission upgrades. “A lot of people see ... New York continuing to lean on PJM’s transmission system,” Pratzon said.

At a joint PJM/NYISO meeting Friday, NYISO reiterated its position that the proposed solution officially canceled the wheel, even if the flows continue.

NYISO will seek stakeholder approval for the joint operating agreement changes before a planned FERC filing in November. The RTOs are targeting the first quarter of 2017 for training and implementation of the new protocols.

— William Opalka contributed to this report.

PJM NEWS



PJM Attempting to Usurp Market Mitigation Role, Monitor Says

By Rory D. Sweeney

PJM is trying to usurp the Independent Market Monitor's authority to regulate fuel-cost policies and consequently increasing market participants' ability to exercise market power, the Monitor argued in a protest Friday (ER16-372).

PJM's proposed plan for evaluating fuel-cost policies, filed Aug. 16, "would substantively change the roles of PJM and the Market Monitor in the review of offers for market power in a manner inconsistent with the Tariff's specifications of roles," IMM staff wrote. "Participants will have the ability and incentive to submit inaccurate cost-based offers."

The debate over the rules governing fuel-cost policies stems from a 2015 FERC order requiring the RTO to allow day-ahead offers that vary by the hour and the ability of generators to update offers in real time. (See *Heeding Stakeholders, PJM Reduces Proposed Fuel-Cost Penalties*.)

The Monitor said that daily offers limited generators' "ability to exploit real-time constrained conditions." The switch to hourly offers, it said, requires "increased rigor" in mitigation design and the implementation of the three pivotal supplier test in addition to fuel-cost policies.

Other responses to PJM's filing largely supported the RTO's effort to develop hourly offer rules, but they differed on how fuel-cost policies should be handled and what role the Monitor should play.

'Define the Roles'

The Pennsylvania Public Utility Commission said "PJM's [fuel-cost policies] proposal undermines the Independent Market Monitor's role in detecting and addressing market power concerns" and urged FERC to adopt the Monitor's standards.

In a joint filing supporting PJM's proposal, American Electric Power, Dayton Power and Light, FirstEnergy, Duke Energy, Buckeye Power and the East Kentucky Power Cooperative asked the commission to "plainly define the respective roles" of PJM and the Monitor in the process.

"Market sellers are squarely in the middle of a perfect storm created by ambiguous governing documents, new commission directives and a complete lack of clarity concerning the role of the IMM," the group wrote. "The result is untenable risk associated with submitting cost-based offers without approved fuel-cost policies. Failing to act timely, or at a minimum to preserve the status quo while the commission deliberates, will perpetuate an already fraught state of affairs."

Dominion Virginia Power reiterated those sentiments in its filing, asking "that the commission establish final authority with one entity."

The Organization of PJM States Inc. asked FERC to view the docket in a larger context. "Discounting the IMM's current role could provide a signal to resources that they would no longer be held fully accountable to IMM oversight, potentially eliminating the proper incentive to submit accurate cost-based offers," OPSI wrote. "The commission should consider the broad implications of approving any filing that usurps the IMM's existing market power authorities."

The American Petroleum Institute focused on the structure of the policy itself, saying the rules "need to provide generators some degree of flexibility to procure fuel in the lowest cost manner." Specific rules about how to procure fuel "may restrict generators in a way that could lead to higher consumer costs."

API also protested PJM's proposal that all policies on which the RTO and the Monitor can't agree on should be referred to FERC's Office of Enforcement. The group called for a dispute-resolution process instead.

No 'Bright Line'

The PJM Power Providers Group agreed procurement practices shouldn't be dictated. "The purchasing of fuel for power generation is a complicated and thoughtful piece of any generator's business strategy," P3 wrote. "PJM and the IMM should not attempt to replicate the market or impose a formulaic evaluation on generators, as such a task would prove nearly impossible and more likely lead to chaos during times of system stress."

Dominion agreed that PJM's proposal is too restrictive. Fuel-cost policies should not be "a pre-existing, bright-line formula for all market conditions," Dominion wrote. "This expectation is unrealistic and made more unreasonable by PJM's failure to first require consultation regarding suspect cost-based offers before they are deemed to be not in compliance with a resource's fuel-cost policy."

The company called for a system similar to ISO-NE's, in which its Internal Market Monitor estimates a competitive offer that creates a "reference price" against which all market offers are compared. It also asked that PJM's proposed penalty — requiring units without an approved policy to submit an offer of $0 — be replaced with a less punitive option and that companies not be required to submit a policy for each type of fuel at a unit, estimating it would need to maintain more than 100 separate policies.

No matter what FERC's decision, it should be made quickly, P3 urged. "Every winter that passes without hourly offer flexibility is a winter in which the market is less efficient, suppliers are exposed to inadequate cost recovery and reliability is potentially" compromised, the group wrote.

Monitor's Proposal

The Monitor proposed a clear delineation between the responsibilities of PJM, which would conduct a compliance review with IMM input, and the Monitor, which would conduct a market-power review without PJM involvement. The Monitor said its review will ask that policies are algorithmic, verifiable and systematic. They would need to show:

- a set of defined, logical steps;
- a fuel price that can be calculated by the Monitor after the fact with the same data available to the generation owner at the time the decision was made and documentation for that data from a public or a private source; and
- a standardized way for calculating fuel costs including "objective triggers" for each method.

PJM proposed a joint review that it would control with input from the Monitor. The RTO's proposal creates "a critical flaw" because it doesn't "preserve the Market Monitor's role in market-power reviews and to tie the consequences for noncompliance to that review," the Monitor said.

PJM NEWS

Operating Committee Briefs

Load Lags Despite Hottest Summer in 4 Years

Summer 2016 was the hottest in four years for PJM, but increased energy efficiency and behind-the-meter solar dampened loads.

PJM called 23 hot weather alerts during June, July and August, and Philadelphia, D.C., Richmond, Va., and Louisville, Ky., each recorded more than 30 days above 90 degrees. D.C. led with more than 50 days.

Under Capacity Performance rules, "we want to get these hot weather alerts out early, and probably a bit more frequently," PJM's Chris Pilong said.

Nevertheless, the peak load this summer — Aug. 11 — totaled only 151,293 MW, about 4% lower than the 157,509 peak for 2013 (July 18) despite similar temperatures and humidity.

Pilong said the drop likely resulted from conservation efforts, contributions from distributed resources and more efficient air conditioning, light bulbs and televisions.

Performance Assessment Hour Evaluation a Matter of Following Directions

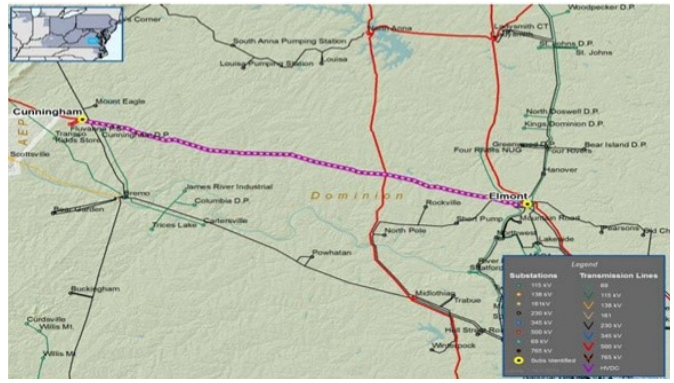
Generators will maximize their revenues and avoid penalties during performance assessment hours by just doing what they're told, PJM told the Operating Committee last week.

"Here's the overall concept everyone should be taking away from this: You need to be following your regulation signal," PJM's Rebecca Stadelmeyer said.

PJM provides generating units with a signal in real time to follow regarding how much power they should provide. The closer that units stick to providing the requested amount, the better their performance assessment will be — even if the output is below the amount of capacity it cleared in the auction.

"If you're following the signal to 100%, you will be adjusted to that signal even if we're keeping that unit down," Stadelmeyer said.

Stadelmeyer presented several hypothetical examples to explain how regulation bias factors can be used to determine a unit's set point during an assessment hour. The factors adjust a unit's assessment measure based on an average over the hour of the assigned regulation PJM sends to the unit. It protects generators from incurring penalties should PJM regulate a unit below its set point and defines bonuses for those regulated above their set points. However, units will not receive any bonus for operating beyond PJM's scheduled or dispatched level, Stadelmeyer said.



Elmont-Cunningham rebuild | *PJM*

The bias factor, which ranges from -1 to +1, hasn't been used since PJM transitioned to performance-based regulation, which is more granular.

Preliminary 2017 Capital Budget Focused on Enhancing Reliability

PJM expects to spend approximately $38 million on capital projects in 2017, largely on enhancements and renovations to existing infrastructure. Of the total projected budget, nearly 82% — or about $31 million — is earmarked for software upgrades, application revamps and renovating the Technology Center.

PJM's Jim Snow presented the proposed budget, which next gets presented to the Members Committee before going back to the Finance Committee for final recommendations. A final proposed budget is scheduled to go before the Board of Managers at its Oct. 17 meeting.

The investment in existing equipment is an increase over the 2016 budget, when $28 million was allocated to the same categories. The remaining $7 million in the proposed budget is allocated to interregional coordination and new products and services, which include funding to implement five-minute market settlements and a more user-friendly public data repository.

Nearly Yearlong Outage Planned for Line Replacement in Va.

Dominion Resources' Elmont-Cunningham 500-kV line in the company's north-central Virginia territory will go out of service for about a year for a rebuild starting in October. It is planned to briefly go back into service next summer and be fully in service by June 2018.

The line has reached its end-of-life criteria, and continued operation could cause voltage and thermal violations. The outage — which will run from Oct. 23 to June 2, 2017, and then Sept. 6, 2017, to Dec. 30, 2017 — isn't expected to force any reductions in generation capacity in the area, but it may cause minor thermal overloads and low voltages. Local capacitors will provide reactive support.

"We're working with [transmission owners] to find some potential switching solutions that could resolve the issues," PJM's Lagy Mathew said.

ComEd to Remove Cordova Stability SPS

The special protection scheme (SPS) ensuring stability at the Cordova Energy Center is no longer required now that all 345-kV circuit breakers at Commonwealth Edison's Quad Cities Station 4 have been upgraded to independent pole-operated devices, ComEd said

The system trips combustion-turbine units at the center for a three-phase fault within a roughly 3-mile zone of Quad Cities that persists for more than six cycles. With the upgrades, the generators are now stable for all faults specified by ComEd and PJM criteria, and the severity of a breaker failure following three-phase faults is reduced.

The SPS is targeted for removal by the end of 2016. The units also trip from Quad Cities' multiline outage unit trip scheme, which will remain active.

— Rory D. Sweeney and Rich Heidorn Jr.

PJM NEWS

Market Implementation Committee Briefs

Voting on Operating Parameter Definitions Delayed

VALLEY FORGE, Pa. — PJM will try again next month to gain stakeholder approval for codifying several generator operating parameters after a Market Implementation Committee discussion led to last-minute changes.

After about an hour of debate, the options to vote on had been rearranged so much that committee Chair Chantal Hendrzak decided to put the vote on hold. But there will be "no excuses next month," she said.

The original ballot offered two alternatives to the status quo. However, there was enough confusion about the difference between the two that Bob O'Connell, who had submitted the first package on behalf of PPGI Fund A/B Development, offered to remove it if stakeholders wanted to support Package B, which had been submitted by the Independent Market Monitor.

Exelon, however, said it couldn't support that package without some of the wording from O'Connell's proposal that included in the definition of notification time an allowance for traveling to and procuring fuel for unstaffed units. Market Monitor Joe Bowring questioned the request, saying it contradicts elements of Capacity Performance's design and isn't consistent with the neutral nature of the definitions.

After the discussion, O'Connell's Package A was removed and replaced with Package C, a combination of the Monitor's Package B with the additional notification time language from Package A.

Stakeholders were concerned the changes could leave them with unrecoverable costs. "We're looking at some costs associated with the proposed changes, and we have to look closely at whether the benefits merit the costs," FirstEnergy's Jim Bencheck said.

Bowring questioned that concern as well. "I don't believe from what I've heard that the cost to implement this is very high," he said. Package A violated the Tariff and wasn't fully "unnested," he said, while Package B was. Bowring said he would support the status quo if his package isn't approved.

PJM's Tom Hauske said the RTO supports maintaining the status quo. He said it would take about a year to implement the changes once hourly offers have been deployed. Several changes, such as soak time and how ramping parameters are handled in the day-ahead market, will need to be addressed during the implementation process, he said.

PJM's Straight-Line Offer Curve Recommended for Capacity Sellback

After more than an hour of debate, stakeholders overwhelmingly supported PJM's straight-line offer curve for selling back excess capacity in February's third intermediate auction for the 2017/18 delivery year. The proposal was recommended to the Markets and Reliability Committee for endorsement.

The proposal received 144 votes (81%) while no other proposal received more than 48%. It was also heavily preferred over not selling the capacity back at all, receiving 86% of that vote.

Bowring reiterated his position that PJM should not procure more capacity than it needs, nor sell back any capacity it purchases. If necessary, he said, excess capacity should be offered back at the prices at which it was obtained. The Monitor submitted a proposal to reflect that.

"We think the right starting point is what load actually paid," Bowring said, adding that it's not possible to fully optimize the resale without an algorithm that isn't disclosed to would-be buyers. "Why is PJM tipping its hand when it's selling back load's capacity?" he asked.

Stakeholders had dickered over whether to entertain a last-minute proposal from Public Service Enterprise Group. In the end, the proposal was allowed, but it received the fewest votes.

The PJM proposal contains three parts. The first retains the status quo for how the RTO determines the quantity and price at which it procures or releases megawatts in an incremental auction because of changes in load forecast or reliability requirements. (See "Proposal Would Set Higher Prices for Capacity Released in 3rd I.A. for 2017/18," *PJM Market Implementation Committee Briefs*.)

The second part would release the 10,017 MW obtained in the 2017/18 transition auction separately, according to an upward-sloping price curve.

Lastly, any of the separately released capacity that did not clear would be excluded from the determination of excess commitment credits. PJM must file its plans

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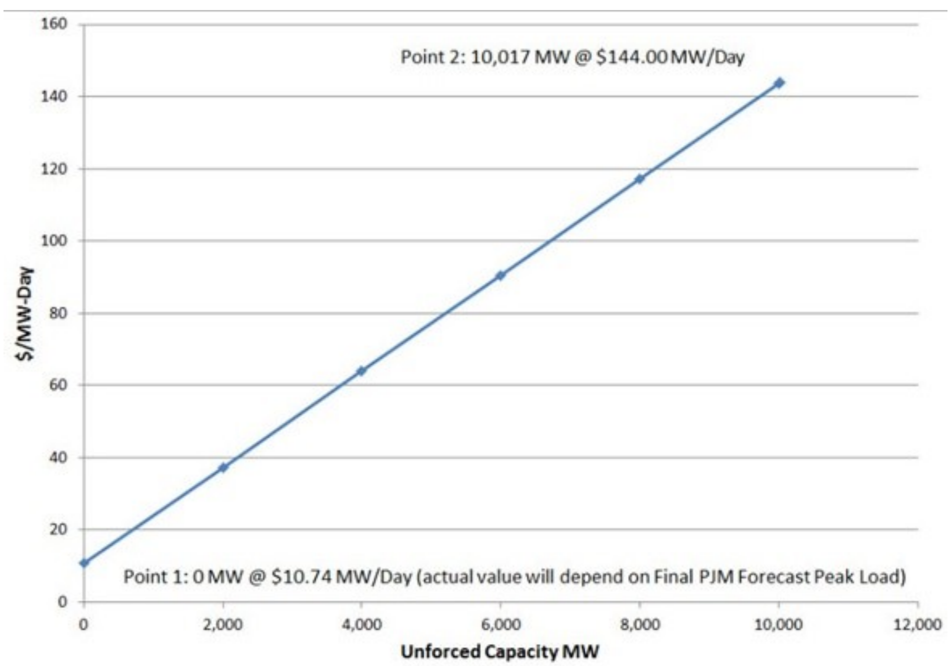


Proposed sellback of new commitment megawatts | *PJM*

PJM NEWS

PC/TEAC Briefs

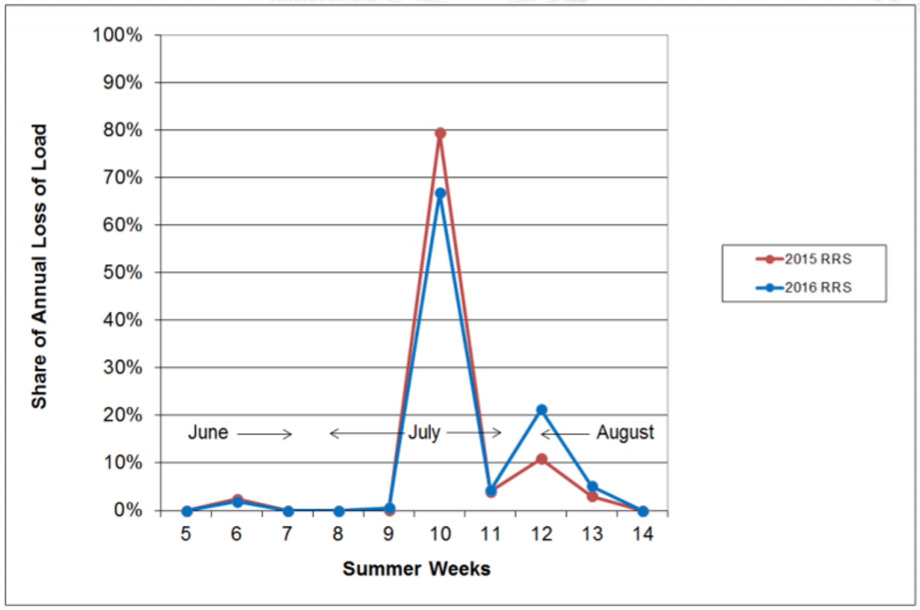
IRM Study Finds Flattened Load Profile

VALLEY FORGE, Pa. — A study of the installed reserve margin found that the recommended percentage has risen 0.1% to 16.6% since last year. The analysis will establish the initial IRM for the 2020/2021 Base Residual Auction in May and reset the IRMs for delivery years 2017/2018 through 2019/2020.

"The IRM has been quite stable," PJM's Tom Falin said.

The analysis found that the August-to-July peak ratio, which measures the August peak as a percentage of the annual peak in July, rose from 95.5% in 2015 to 96.9% this year. The flatter load increased the IRM, but the capacity benefit of ties partially mitigated the increase.

The loss-of-load-expectation risk also was more spread out this summer compared to last year, another factor that increases the IRM. In 2015, 80% of the LOLE risk occurred in the peak week. This year, it dropped to 68% in that week and more shifted to week 12 in early August, where it nearly doubled from 11% to 21%.



Weekly loss-of-load expectation profile | *PJM*

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Market Implementation Committee Briefs

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for releasing the capacity with FERC by November.

Dan Griffiths, executive director of the Consumer Advocates of the PJM States, said the debate is at its core a balance-sheet issue for the companies involved. "Costs go to load. Benefits do not necessarily go to load; they go to [load-serving entities], so let's just remember that," he said. "The deals are often cut ahead of time, and load doesn't see refunds."

Following FERC Filing, Fuel-Cost Policy Changes Continue to Cause Consternation

PJM's hope to receive approval for its fuel-cost policy changes at the October Board of Managers meeting is looking less likely.

A special MIC session Sept. 13 to review the necessary Manual 15 changes ended with stakeholders saying they felt pressured to approve incomplete language. That resulted in the changes being withdrawn from voting during the regular committee meeting the following day.

All of that occurred with the promise of the imminent filing at FERC of a protest by the Monitor. Bowring filed his protest Friday (ER16-372-001), one of several protests and comments in response to PJM's Aug. 16 compliance filing. (See related story, *PJM Attempting to Usurp Market Mitigation Role, Monitor Says*, p.23.)

Although the compliance filing focused largely on improving flexibility for hourly generation offers, the fuel-cost policy issue has received the majority of scrutiny from PJM stakeholders. (See *Heeding Stakeholders, PJM Reduces Proposed Fuel-Cost Penalties*.)

PJM wants the changes implemented in time for winter.

Bowring pointed out that the board can assemble over the phone for a vote, so having this prepared for either the October or December board meetings isn't necessary.

Stakeholders have brought up a bevy of concerns, from costs that appear to be counted twice to implementation unknowns to filing timeframes.

PJM staff have agreed to review stakeholder input and provide responses at an upcoming meeting.

PJM Addressing Timing Discrepancy for Publication of Day-Ahead Results

PJM has referred stakeholder concerns about changes to the posting of day-ahead market results to the Tech Change Forum.

Prior to recent systems upgrades, PJM released day-ahead results in all information outlets at the same time: 4 p.m. Now that results are approved and posted as they're ready, it varies how much time it will take for that information to show up in different systems, PJM's Adam Keech explained.

Jason Barker of Exelon asked if the RTO could provide a hierarchy of how the systems receive the information, which Keech said he'd look into providing.

— Rory D. Sweeney

PJM NEWS

PC/TEAC Briefs

Continued from page 26

PJM Plans to Exclude Certain Upgrades in Order 1000 Upgrade Process

PJM will add a new section to its Operating Agreement specifying that substation equipment issues that can be solved by transmission owner upgrades are excluded from Order 1000 competitive windows, PJM's Mark Sims told the Planning Committee last week.

The usual solution to an overload of substation equipment is to replace it with higher rated equipment or add additional equipment to achieve required performance, Sims said during a presentation that identified the types of equipment typically involved.

Sims said PJM will open a competitive window if an analysis shows that a greenfield project is possible, but the default assumption will be that substation equipment violations be excluded from competition. PJM will seek stakeholders' endorsement of the OA language next month.

Last month, FERC approved a PJM proposal to exclude from competitive windows upgrades on facilities below 200 kV, which are also unlikely to result in greenfield projects (ER16-1335). (See *FERC Orders PJM TOs to Change Rules on Supplemental Projects*.)

RTEP Case Build Scheduled

PJM is requesting feedback by Sept. 23 on draft summer, winter and light load cases for the Regional Transmission Expansion Plan. Updated load profiles and contingencies are scheduled to be released by the end of October, with feedback requested by Nov. 17. PJM is asking that TO-submitted cases provide bus numbers at the primary buses so it can better line up short-circuit and power-flow cases.

"These activities are really central to our ability to … get the whole case-development process moving earlier and have consistency from year to year," Vice President of Planning Steve Herling said. "This hopefully will put us in a much better position to manage the RTEP cycle [and] all the Order 1000 work, so this is really a big effort for us."

Input Sought for TEAC Redesign

PJM is seeking stakeholder feedback as it considers a redesign of the Transmission Expansion Advisory Committee. PJM's Fran Barrett said he envisions a more dynamic system that incorporates video streaming, blogging and social media.

He said his team has younger staff that are familiar with those media. "I have challenged the team … to be industry leading. ... This by its very nature introduces generational differences," he said. "Our processes were built way before Order 1000. Just because this is the way we've done things, doesn't mean it should continue that way."

— Rory D. Sweeney

PJM Planners Seek Input on Order 1000 Process

By Rory D. Sweeney

VALLEY FORGE, Pa. — PJM's Planning Committee held a special session last week to begin soliciting stakeholder input on changes to the RTO's selection process for Order 1000 projects.

The goal of the ongoing sessions is to develop consensus on how decisions are made prior to the opening of the Regional Transmission Expansion Plan's long-term proposal window Nov. 1, said Steve Herling, PJM's vice president of planning and chair of the committee. The window, for market efficiency projects, will remain open through March 2017.

Eventually, the rules will be incorporated into PJM's governing documents and receive FERC approval, but Herling acknowledged "there's no way in the world that we're going to have this approved at FERC before Nov. 1."

At the meeting, PJM staff explained their concepts for the process, outlined a workflow diagram and highlighted a variety of examples to help stakeholders understand how PJM is likely to evaluate proposals.

"We're trying to lay out our past thinking on this," Herling said, "but … one of the whole points of this exercise is to start collecting metrics that you think need to be" included.

PJM hopes the input will provide perspectives it hadn't considered so that proposals receive accurate, fair comparisons. While staff is attempting to be holistic in its evaluations, "we can't say with absolute certainty that there won't be a question raised by one of you that [shows] we missed some key benefit of one of your projects," Herling said.

The RTO's first Order 1000 project, the stability fix for Artificial Island in New Jersey, has been the subject of years of controversy and delay, both over PJM's developer selection process and the resulting cost allocation. (See *PJM Board Halts Artificial Island Project, Orders Staff Analysis*.)

For market efficiency projects, PJM factors net load payment benefits, production cost benefits and overall PJM congestion benefits into its evaluation and requires a benefit-to-cost ratio greater than 1.25 to pass. Proposals that pass the B/C test then get evaluated for congestion reductions and overall changes, load payments, production costs and associated sensitivities, such as gas and renewable penetration, carbon policy and import/export requirements.

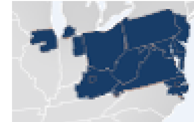
Stakeholders asked that development cost be considered and requested as much quantitative guidance as possible. They voiced concern about how carbon dioxide assumptions, forecasted long-term benefits and proposals offering cost caps are factored into the evaluation.

"We can't have economic thinking thrown out the window here once a project crosses the B/C ratio," Sharon Segner of LS Power said. PJM's Suzanne Glatz pointed out that projects estimated to cost more than $50 million require independent cost analyses and constructability analyses.

"We do reserve the right to kind of break [proposals] down and put them back together to create a better, more cost-effective solution," Herling said.

Further meetings on this topic are scheduled for Oct. 3, Oct. 21 and Nov. 11, during which PJM staff will introduce the regional metric for project selections.

PJM NEWS



FERC Finds PJM ARR/FTR Market Design Flawed; Rejects Proposed Fix

Continued from page 1

use of historical generation resources for requested ARRs in Stage 1A of the allocation process if those resources are no longer in service and develop a just and reasonable method of allocating Stage 1A ARRs based on source points that reflect actual system usage."

FERC also shot down PJM's proposal to eliminate the netting of negatively valued FTRs against positively valued ones in holders' portfolios, saying the RTO had not proven that the netting rules were unjust and unreasonable.

In addition, the commission agreed with PJM that underfunding can be reduced by excluding imbalance costs not related to day-ahead congestion from FTR settlements. It ordered that PJM allocate balancing congestion to real-time load instead.

PJM has 60 days to submit a compliance filing reflecting the Tariff changes directed by FERC.

Technical Conference

FERC's ruling relied in part on comments at a technical conference held in February. (See *No Consensus on PJM FTR/ARR Allocations*.)

The commission called for the information-gathering session after the Financial Marketers Coalition and others protested PJM's proposal to eliminate the netting provision, which would have increased ARR results by 1.5% annually.

The coalition — representing DC Energy, Inertia Power, Saracen Energy East and Vitol — objected to the elimination of netting, saying PJM hadn't proved that the rules were unjust and unreasonable, nor that the proposed changes would fix underfunding.

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

'Sidestep'

FERC noted that PJM described its proposed escalation factor "as a targeted reform intended to sidestep the underlying allocation dispute (and corresponding stakeholder impasse)."

Since March 2011, the RTO has held three separate stakeholder processes to address FTR revenue adequacy.

Stakeholders and PJM had been wrangling with the issue of FTR underfunding for more than a year when Steve Lieberman of Old Dominion Electric Cooperative offered a proposal combining recommendations from the RTO and the Independent Market Monitor.

Although the proposal fell short of reaching the consensus necessary to make a filing under Section 205 of the Federal Power Act, PJM offered it as a unilateral filing under Section 206. (See *PJM to File FTR, ARR Rule Changes with FERC*.)

FERC said that short-term changes implemented by PJM because of the lack of stakeholder consensus on a comprehensive fix had improved revenue adequacy "to better than historical levels" but unfairly shifted revenues from ARR holders to FTR holders.

"When it is required to issue a *pro rata* reduction in transmission congestion credits due to underfunding, its netting policy … results in a cost shift from participants with larger shares of positive target allocation FTRs to participants with larger shares of negative target allocation FTRs," reducing the hedging value of prevailing-flow FTRs, the commission said.

Because PJM's current Tariff requires it to use historical paths in its Stage 1A ARR allocation, the RTO has modeled "dummy generators" where the historic source points are no longer in service, creating a disconnect between the Stage 1A ARR allocation and actual system usage.

That can result in infeasible Stage1A ARRs, "as some pathways may appear to be infeasible even though, in actual system usage, these lines are not overloaded. As the PJM Tariff has no mechanism by which to update this requirement, future changes in the resource mix and retirements will only further exacerbate this issue," FERC said.

The commission clarified that Order 681, its 2006 rulemaking on long-term firm transmission rights, "does not guarantee, or require PJM to use, historical paths" in its ARR allocation.

Doesn't Address Root Cause

FERC said PJM's proposal to increase zonal load growth "is an inappropriate solution that does not address the underlying root cause" of infeasible ARRs.

It said the proposal "could trigger transmission enhancements to paths that are not needed for reliability and are not able to be justified through the benefits of relieving congestion through PJM's economic planning process."

"Any transmission enhancement identified under escalated load projections distorts the planning process, such that transmission planning is not based on expected system conditions. Additionally, in some cases, these paths may reflect generators that no longer exist or generation that load no longer utilizes (due to sale of the generation unit or the termination of a bilateral contract). PJM's existing [Regional Transmission Expansion Plan] process would not identify a need to build the transmission enhancements for projected reliability or

"Developing transmission enhancements solely to address infeasible ARRs ignores the more fundamental issue of why PJM should continue to model requested ARRs based on historic generation paths that load no longer utilizes."

FERC

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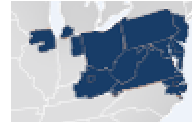
PJM NEWS



FERC Finds PJM ARR/FTR Market Design Flawed; Rejects Proposed Fix

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market efficiency needs without using an adjustment unrelated to system needs. Moreover, developing transmission enhancements solely to address infeasible ARRs ignores the more fundamental issue of why PJM should continue to model requested ARRs based on historic generation paths that load no longer utilizes."

Netting Proposal

PJM said its plan to eliminate netting was justified because participants with fewer negative target allocations subsidize those with more negative allocations.

But the commission said it was "not persuaded that counterflow FTRs actually contribute to FTR revenue inadequacy or that the elimination of netting would improve FTR funding."

It agreed with arguments by the Financial Marketers Coalition that portfolio netting does not result in cross-subsidies among parties holding prevailing flow and counterflow FTRs because the current practice guarantees that both positive and negative target allocations are treated in the same manner.

"We further find that PJM's proposal would only reallocate FTR revenue inadequacy among various market participants without actually addressing the fundamental issues associated with FTR revenue inadequacy."

FERC disagreed with the Market Monitor's assertion that a market participant can protect itself from FTR revenue inadequacy by holding counterflow FTRs to shrink its net positive target allocation.

"The Market Monitor's argument is flawed because it ignores the fact that market participants take into account expectations of FTR revenue inadequacy when transacting in FTR auctions, a point that the Market Monitor even noted in its 2015 Quarterly State of the Market Report," the commission said.

It also disagreed with Exelon's contention that holders of counterflow FTRs are not exposed to underfunding under the current netting rules.

"PJM and commenters supporting the elimination of portfolio netting have not provided evidence sufficient to reverse established commission precedent that states that PJM's existing netting provision is just and reasonable," FERC said.

Balancing Congestion

The commission acknowledged that its ruling that PJM change its handling of congestion imbalance — caused when there is less transmission in the real-time energy market than was assumed in the day-ahead market — represented a shift from its 2013 *FirstEnergy Solutions* order, in which it ruled that challengers had failed to prove the methodology was unjust and unreasonable (EL13-47).

"Such a finding does not preclude the commission from re-examining the issue when circumstances have changed or additional evidence has been presented," it said. "By the time of the PJM filing in this case under Section 206, circumstances had changed considerably."

The commission said including balancing congestion in the settlement of FTRs "contributes to the identified unjust and unreasonable cost shift between ARR holders and FTR holders, is inconsistent with cost causation principles and reduces the efficacy of FTRs as a hedge."

Back to the Stakeholder Process

Following the technical conference, the commission solicited comments on other issues, including updates to the seasonal feasibility tests and source and sink points and whether transmission owners were incented to schedule outages in alignment with FTR/ARR rules.

But the commission said it would not order additional changes on those points. "While additional improvements to PJM's ARR/FTR construct may be warranted, including those proposed by commenters, we refer these proposals to the PJM stakeholder process for further consideration and development."

SPP NEWS

Preliminary Z2 Bills Released; Task Force Develops Options for Waiver Requests

By Tom Kleckner

SPP last week released tentative billing statements for transmission upgrades for 2008 to 2016, while its Z2 Task Force developed six options for addressing Group B and Group C waiver requests.

The task force hopes to recommend one of the options for handling $114 million in upgrades under Tariff Attachment Z2 to the Markets and Operations Policy Committee next month. (See *Board Approves Z2 Timeline Extension, Creates Task Force for Further Study*.)

SPP's most recent calculations show Group B members (transmission customers that SPP said didn't qualify for waivers from paying their Z2 bills) have $36.9 million in directly assigned upgrade costs. Directly assigned costs for Group C (members who didn't request waivers) total $77 million. The costs of Group A members, whose waiver requests were supported by SPP staff, totaled about $56.4 million.

The options for Groups B and C include:

- Rejecting all waiver requests, as staff recommended to the Board of Directors in July. The board did not adopt the recommendation at the time.
- Accepting all waivers as a one-time request to address catch-up concerns. Costs would be recovered through the Tariff's regional/zonal cost allocation.
- Regionally uplifting $44 million in directly assigned upgrade costs on Oklahoma Gas & Electric's Windspeed II, a 126-mile, $218 million project, following a suggestion from Sunflower Electric Power, which said the project affects more transmission requests than any other.
- Regionally uplifting the entire cost of the Windspeed project.
- Applying previously approved "roll-in" criteria for assigning certain transmission facilities' costs to the region.

American Electric Power resurrected its proposal from July's MOPC meeting as a sixth option. AEP's suggestion, which was rejected by the MOPC, would waive all of both group's directly assigned costs and recover them through SPP's base plan funding mechanism. (See *SPP MOPC Recommends 5-Year Timetable for Resolving $849M Z2 Bill*.)

At the members' request, staff will study the financial impacts of each option by zone and customer, and supply the numbers before the task force's Sept. 30 meeting.

The group approved a motion to consider both Groups B and C for waivers, though the Group C members never requested waivers. "Just because a group didn't ask for waivers, they shouldn't be treated any differently," reasoned Southwestern Public Service's Bill Grant.

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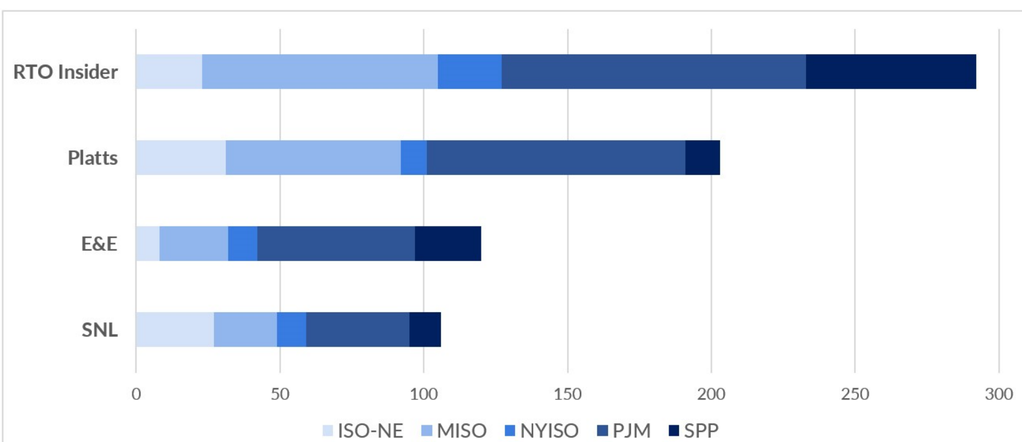


*Number of articles mentioning individual RTOs for all publications produced by publisher. Requires multiple subscriptions for E&E, Platts & SNL.

For information, contact Merry Eisner at Merry.Eisner@RTOInsider.com or 301.983.0375

SPP NEWS

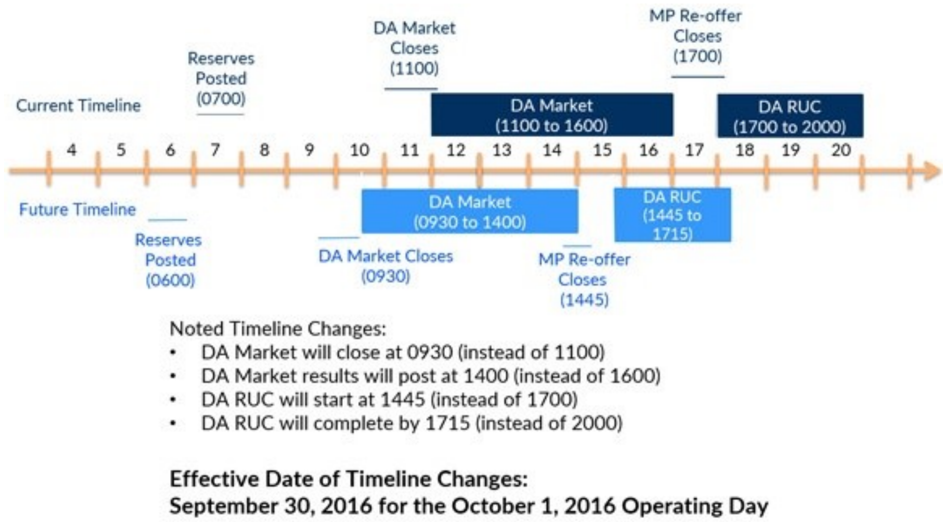
SPP Readies for Winter with Improved Wind Forecasts, Gas Coordination

By Tom Kleckner

SPP says improved wind forecasting and coordination with gas pipelines have the RTO well prepared for the coming winter.

SPP engineer Jon Langford said during the RTO's annual winter preparedness emergency operations call last week that its wind forecaster, Energy & Meteo Systems, has developed a full icing forecast. The forecasting tool, to be delivered in November, compensates for freezing temperatures that shut down wind turbines' directional systems.

Kelly Aerospace



SPP Marketplace timeline changes | *SPP*

"The wind farm works, but the equipment that turns the turbine [in the direction of] the wind stops working," Langford explained.

He said SPP's winter peak load is expected to near 38,000 MW, "if we get close to what we did last year." That number is less than half of the footprint's 83,465 MW of capacity.

The winter emergency operations plan is available online but requires a password.

C.J. Brown, manager of SPP's balancing-authority functions, reminded stakeholders of the Oct. 1 switch to the new gas-day timeline as a result of FERC Order 809. (See "New Gas-Day Nom Process on Track for Oct. 1 Go-Live," *SPP Briefs*.) Market participants will now submit their bids and offers by 9:30 a.m. instead of 11 a.m.

"From SPP's perspective, this presents a good step in the direction where we can be a little more efficient and a little earlier," Brown said. He also said the RTO has increased its communications with gas suppliers.

"We sure don't want to rest on our capacity margin and our infrastructure," Brown said.

Jeff Johnson, a meteorologist for Schneider Electric, predicted below-normal temperatures this winter for SPP's footprint. He said a slight warming trend in February would be followed by more cool weather in March.

Johnson said the Pacific Decadal Oscillation (PDO), a pattern of oceanic climate variability extending from Alaska to Hawaii, will result in a winter similar to the 2013-14 and 2014-15 seasons.

The PDO "tends to produce a more northerly component to the jet stream," he said. "That helps deliver more Arctic air out of Canada into the central part of the country."

Preliminary Z2 Bills Released; Task Force Develops Options for Waiver Requests

Continued from page 30

Z2 Summary Reports

As promised, SPP released draft summary reports on the Z2 revenue credits and charges incurred from 2008 to 2016. The information was made available to market participants through the RTO's member section of the Marketplace Portal.

SPP said it is providing this information so transmission customers can validate their revenue credits and charges and determine whether to opt for a payment plan.

The information reflects the results of a second run of historical data processing, covering the March 2008-June 2016 period. SPP said it plans to do a third run before issuing final Z2 settlement invoices in November. It warned customers they will see "small" differences between the summary reports and the November invoices.

The summary reports, based on initial settlement calculations, depict all financial amounts as positive amounts; receivable amounts are typically shown as negative amounts in SPP's normal transmission statements and invoices.

Companies registered as both transmission owners and transmission customers or generator-interconnection customers received one owner report and a second customer report.

SPP also posted additional data used to make the initial settlement calculations to a password-protected GlobalScape folder. Customers will have to complete a nondisclosure agreement to access the data.

Blackstone, ArcLight to Purchase AEP Merchant Plants for $2.2B

By Ted Caddell

American Electric Power has agreed to shed more than 5,000 MW of merchant generation in Ohio and Indiana to private investment firms The Blackstone Group and ArcLight Capital Partners for about $2.17 billion, the company announced Wednesday.

The Wall Street Journal first reported the deal Tuesday, citing anonymous sources.

The plants are the 2,640-MW coal-fired General James M. Gavin Power Plant in Cheshire, Ohio; the 850-MW natural gas-fired Waterford Energy Center in southeastern Ohio; the 480-MW gas-fired Darby Electric Generating Station, 20 miles south of Columbus; and the 1,096-MW gas-fired Lawrenceburg Generating Station in Dearborn County, Ind., on the Ohio border.

The company has said about 2,700 MW of merchant generation in Ohio not included in the reported deal are also being considered for sale. The remainder of AEP's total of 31,000 MW of generation is owned by regulated utilities in 11 states.

Merchant generators have seen profit margins evaporate as the fracking boom has flooded the market with cheap natural gas, reducing wholesale market clearing prices.

"AEP's long-term strategy has been to become a fully regulated, premium energy company focused on investment in infrastructure and the energy innovations that our customers want and need. This transaction advances that strategy and reduces some of the business risks associated with operating competitive generating assets," AEP CEO Nick Akins said in a statement.

AEP hopes to close the sale, which is subject to approvals by FERC, state regulators and a federal antitrust review, in the first quarter of 2017.

The company said it would net approximately $1.2 billion in cash after taxes, debt repayment and transaction fees, as well as an expected after-tax gain of about $140 million.

The company confirmed in January 2015 that it had hired investment bank Goldman Sachs to shop almost 8,000 MW of merchant generation in Ohio and Indiana, which then-AEP Ohio President Pablo Vegas called "on the economic bubble" and struggling to remain profitable. (See *AEP Considering Sale of 8,000 MW in Ohio, Indiana*.)

AEP and FirstEnergy have sparked opposition from PJM and others with their bids to convince Ohio regulators to effectively move their merchant plants back into their regulated rate base. (See *FirstEnergy Posts $1.1B Loss, Eyes Exit from Merchant Generation*.)

AEP's sale mirrors that of other utilities, including Duke Energy, which sold its retail business and its interest in 11 merchant plants in Ohio, Pennsylvania and Illinois to Dynegy for $2.8 billion in 2015.

PPL spun off its merchant generation — along with that of Riverstone Holdings — to create publicly traded Talen Energy in 2015. Riverstone announced in June it had agreed to purchase the company and take it private.

Exelon also has looked to shift its exposure away from market prices to regulated assets while also threatening to close struggling merchant nuclear plants.

So what's private equity's rationale for buying merchant plants that utilities no longer want?

"The private-equity firms' multiyear investment horizon gives them an opportunity to bet on a rebound in the wholesale power market," the *Journal* said.

Private equity giant Blackstone's recent investments have included transmission development (GridLiance), oil and gas (Permian basin shale properties) and LNG (Cheniere Energy Partners).

ArcLight, a smaller fund, focuses on "energy infrastructure assets with substantial growth potential, significant current income and meaningful downside protection."

It says it has spent $16.8 billion in 99 transactions since its founding in 2001, with "62 exits across diverse market cycles."

Blackstone and ArcLight have owned more than 38,000 MW of generation globally, AEP said, including operations in PJM, NYISO and ERCOT.

Company Briefs

ISO-NE Board Members Re-elected

Raymond Hill, Barney Rush and Vickie VanZandt last week were re-elected to three-year terms on the ISO-NE Board of Directors, effective Oct. 1, 2016.

Hill joined the board in 2010, Rush joined in 2013 and VanZandt joined in 2011.

More: *ISO-NE*

NRG Wins Bid for SunEdison Renewable Projects

NRG Energy successfully bid to acquire renewable energy projects around the country from bankrupt SunEdison for $144 million.

The sale, which needs to be approved in bankruptcy court, includes the 200-MW Buckthorn solar farm in West Texas. The project, slated for completion next year, would make the city of Georgetown the largest municipality in the nation powered solely by renewable sources. NRG already owns some wind projects in Texas; the deal would give the company its first solar plant in the state.

The deal could grow to $188 million if milestone benchmarks are met. It also includes solar and wind projects in Utah, Washington, California, Maine and Hawaii. Most of the projects remain in development and require additional investment.

More: *Fuel Fix*

AEP Seen Likely to Sell Remaining Ohio Coal Plants

American Electric Power, which just arranged a deal to sell four merchant generating stations in Ohio and Indiana, is still examining its options for four other coal-fired plants in Ohio with a capacity of 2,671 MW. (See above story.)

One option is to continue to push for reregulation in the Ohio legislature, which could prove to be a long and difficult fight. AEP would prefer to operate in a regulated environment in order to lock in rate certainty. But industry observers believe the more likely option is for AEP to put the plants up for sale.

"We think an outright sale of these assets in

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COMPANY BRIEFS

Continued from page 32

2017 is the most likely outcome," wrote analyst Andrew Bischof of Morningstar, which values the plants at $800 million.

More: *Columbus Business First*

Amazon Investing in Texas Wind Farm

Amazon is collaborating with Chicago's Lincoln Clean Energy to build a 253-MW wind farm in Texas that will open by the end of next year. The Amazon Wind Farm Texas will include more than 100 wind turbines that will power Amazon facilities, including its cloud data centers.

Lincoln will build and own the wind farm, but Amazon is contracting to buy 90% of the generated power. "Amazon Wind Farm Texas is our largest renewable energy project to date and the newest milestone in our long-term sustainability efforts across the company," Kara Hurst, Amazon's director of sustainability, said last week.

The wind farm is Amazon's most recent expansion into the Lone Star State. The online shopping giant opened a new "Silicon Hills" corporate hub last year in Austin and, in 2014, leased out office space at the Dallas Galleria complex. Amazon has two Dallas-area warehouses, or "fulfillment centers," and a large warehouse and customer service center outside of San Antonio.

More: *Houston Chronicle*

Apache Works to Calm Fracking Fears Around New Texas Site

Apache Corp. executives are migrating to the town of Balmorhea, Texas, to assure the public that its recent oil and gas discovery in the Permian Basin won't contaminate the San Solomon Springs. The nearby Balmorhea State Park is centered around a 3.5-million-gallon pool filled and fed by the springs, which keeps the park at a cool 72 to 76 degrees even in summer.

While Apache has leased the mineral rights under the state park, and under the town itself, the company promises not to drill on or under either. The company met with residents and officials in the region Friday to explain how it will keep the oil and water separated.

Apache announced the Permian Basin discovery this month. It said it expected to find more than 15 billion barrels of oil and gas under 350,000 acres near Fort Davis, Texas.

More: *Houston Chronicle*

GM Aims for 100% Renewable Use by 2050

General Motors says it has set a goal of increasing its renewable energy consumption from 3.8% currently to 100% of its needs by 2050. It plans to use wind, solar and landfill methane to attain its goal.

"Establishing a 100% renewable energy goal helps us better serve society by reducing environmental impact," GM CEO Mary Barra said in a statement. "This pursuit of renewable energy benefits our customers and communities through cleaner air while strengthening our business through lower and more stable energy costs."

The company is joining RE100, a group of 69 companies with the same goal. Other companies in the group include car companies Tata Motors of India and Germany's BMW, as well as IKEA, Google and Hewlett Packard.

More: *The Detroit News*

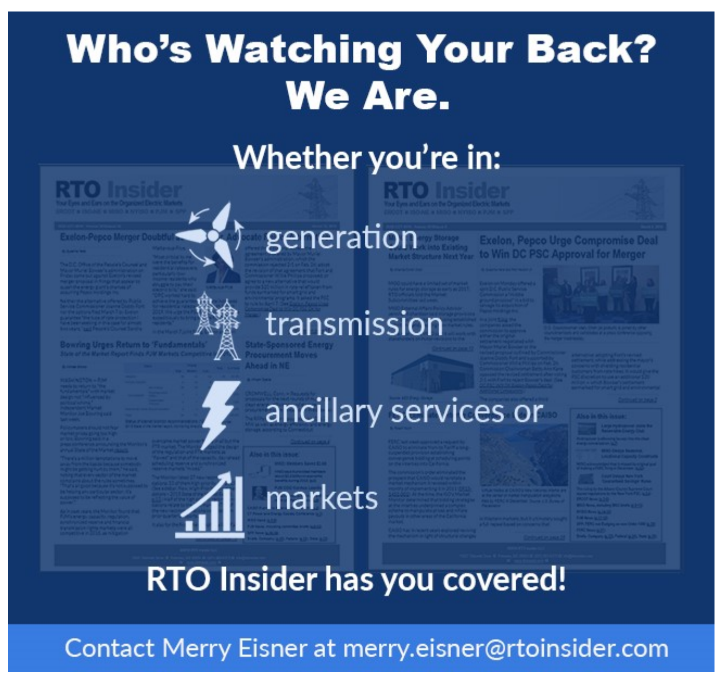
GE Gets $1.9B Hinkley Nuclear Contract in UK

General Electric said it will make $1.9 billion on its contract to provide steam turbines, generators and associated equipment for the Hinkley Point C nuclear plant in England.

The plant, approved by the British government last week, is the first nuclear project in the U.K. in decades. GE, which bought the French company Alstom last year, has already been doing engineering work in preparation for the approval. Alstom won the original contract with project owner EDF several years ago.

The contract calls for two 1,770-MW steam turbines and generators and associated equipment. The project is expected to cost $24 billion in total.

More: *Reuters*



CFTC Chair Flips on Private Rights of Action in RTO Markets

By Tom Kleckner

U.S. Commodity Futures Trading Commission Chairman Timothy Massad last week said he will recommend the commission abandon its proposal to allow private rights of action against energy market transactions in RTOs and ISOs, reversing his position on the issue (81 FR 30245).

Massad said that after a "careful review of the issue" and public comments, he plans to recommend CFTC's final order exempt RTOs and ISOs "from all private rights of action under Section 22 of the Commodity Exchange Act (CEA)."

"As regulators, I believe it is our goal to provide effective and efficient oversight of our markets," Massad said. "While private rights of action will remain critical overall in our markets, I am persuaded that … their preservation could result in greater costs and uncertainties without necessarily enhancing of markets or consumer protection."

Massad's comments came in a letter sent to U.S. Sen. John Boozman (R-Ark.), chairman of the Senate Appropriations Committee's Subcommittee on Financial Services and General Government. In April, Boozman included an amendment to CFTC's reauthorization bill that would have granted SPP the same exemptions the commission granted other grid operators in a 2013 order. (See *Congress May Order CFTC to Back Down on Private Rights*.)

"I appreciate the chairman listening to my concerns and those of others," Boozman said in a statement. "This is an important decision that will prevent unnecessary increases in electricity costs for consumers in Arkansas and around the country."

Private rights of action are judicially inferred rights to relief. Their use could have left the RTOs and their market participants as potential targets for lawsuits outside the FERC process.

The issue arose with the 2010 passage of the Dodd–Frank Wall Street Reform and Consumer Protection Act. The legislation revised the 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 when it became apparent its day-ahead market would be going live. In a 2-1 vote, the commission issued a draft order on the SPP request in May 2016, which included preamble language that said it never intended to exempt RTOs from private rights of action. (See *CFTC to Add 'Private Rights' to RTO Exemption*.)

Massad's change of heart will swing CFTC's final order in favor of the RTOs and ISOs. He joins Commissioner J. Christopher Giancarlo, who filed a dissent against the draft order and wrote an op-ed on the matter in August for *The Record*, the second-largest newspaper in New Jersey.

In a statement put out by his office, Giancarlo said he looks forward to "approving a final order soon that recognizes the clear intent of Congress that the CFTC and FERC work together to ensure effective and efficient oversight of America's electricity markets."

He said it was "welcome news" that the commission "has decided to cut consumers a break and not unleash a torrent of costly lawsuits against public utilities that would have certainly raised power bills for millions of Americans."

Commissioner Sharon Y. Bowen was unavailable for comment, as she is on a trip to China.

It's unclear when CFTC will make its final decision. The commission has held only four open meetings in less than two years, but it often makes it decisions via a *seriatim* process, in which commissioners vote in sequence and in private, rather than at an open meeting. Commissioners can still release public statements in connection with their *seriatim* votes, however.

SPP helped lead the effort against the draft order, inundating CFTC with 38 (out of a total 43) comments. Industry groups, the House of Representatives' Committees on Energy and Commerce and Agriculture, and FERC, which has had several jurisdictional tiffs with CFTC in recent years, were among those supplying comments before the June 15 deadline. (See *Electric Industry Lobbies, Waits on CFTC Private Rights Ruling*.)

The ISO/RTO Council said it was pleased with Massad's statement. "The ISOs/RTOs, which have maintained that current oversight of competitive markets provides adequate protections for consumers, appreciate the chairman's thoughtful consideration and recommendation."

SPP CEO Nick Brown expressed his gratitude to Boozman for helping resolve the proposed regulatory action and potential regulatory overlap.

"The wholesale electric markets are already regulated by" FERC, Brown said in a statement. "The proposed resolution to this issue will still provide CFTC with broad behavioral enforcement authority but will no longer expand their scope as they had considered doing."

FEDERAL BRIEFS

Moniz Calls for Tax Credits To Incent Clean Coal Projects

Energy Secretary Ernest Moniz said that Congress should pass tax credits to incentivize clean-coal projects, preserving coal's viability as a fuel.

The comments came as Moniz, speaking at the Mid-Atlantic Region Energy Innovation Forum in West Virginia, deflected charges the Obama administration has treated coal unfairly. "Plain and simple, 'War on Coal' is not what this administration has as a policy or has done," he said. "It starts with — make no bones about it — we and the world are heading to a low-carbon future."

But he still sees coal as an important fuel source going forward. "Getting the tax credits this year would be a very, very big deal," Moniz said. "And having the tax credits in place in a trajectory for carbon reduction, in my view, is what the investment community needs."

More: *The Associated Press*

Senate Passes Water Bill With Coal Ash Amendment

The Senate passed a water resource infrastructure bill with an amendment that would give states more authority over permitting and the enforcement of coal ash disposal.

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FEDERAL BRIEFS

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The Water Resources Development Act of 2016, which authorizes $10.6 billion in water project funding, also adjusts the Solid Waste Disposal Act to give states authorization to institute their own coal ash disposal rules instead of EPA's rules. The state standards would have to be "at least as protective" as federal standards.

Environmental groups said the new amendment could result in confusion. "The proposed legislation could effectively remove the EPA rule's federal minimum stands, which could lead to a patchwork of regulatory requirements," the Environmental Integrity Project and the Waterkeeper Alliance said in a letter.

More: Argus Media

NJ, Fed Agencies File Critical PennEast Comments with FERC

Ahead of Monday's deadline, several federal and New Jersey government agencies filed comments with FERC last week criticizing the commission's draft environmental impact statement on the proposed PennEast Pipeline.

Among the federal agencies that filed comments were the U.S. Fish and Wildlife Service, the National Park Service and EPA, the last of which concluded the proposed 118-mile pipeline would cause "significant adverse environmental impacts." The agencies also said the draft EIS omitted a significant amount of information.

The New Jersey Department of Environmental Protection and the New Jersey Rate Counsel were also critical, with the latter saying the developers failed to justify the need for the pipeline. The $1.12 billion project, being developed by a consortium of several companies, would deliver shale gas from Northeastern Pennsylvania into New Jersey.

More: NJ Spotlight

House Passes Advanced Nuclear Technology Framework Bill

The House of Representatives last week passed a bill that directs the Nuclear Regulatory Commission to create a regulatory framework and criteria that would allow for the licensing of advanced nuclear reactors.

The Advanced Nuclear Technology Development Act of 2016, sponsored by Reps. Bob Latta (R-Ohio) and Jerry McNerney (D-Calif.), requires the Energy Department and the commission to collaborate on the licensing process in order to provide certainty to developers of the technology, which includes molten salt reactors and supercritical water reactors.

"This bill will help provide certainty for innovators and entrepreneurs who are seeking to develop and license the next generation of nuclear technologies," House Energy and Commerce Committee Chairman Fred Upton (R-Mich.) said. "We should ensure that the Nuclear Regulatory Commission has the expertise and resources to review and license the latest in advanced reactor technologies, and this bill does just that."

More: House Energy and Commerce Committee

Tribe Wants Review of Enbridge Settlement

A Michigan Native American tribe said it was never consulted on an agreement between Enbridge and EPA in which the company will pay a $61 million fine and spend $110 million in pipeline upgrades to settle claims relating to the 2010 oil spill in the Kalamazoo River.

Part of the settlement calls for upgrades to Enbridge's Line 5, which carries crude oil beneath the Straits of Mackinac. The Grand Traverse Band of Ottawa and Chippewa Indians, which has fishing rights to the straits under an 1836 treaty, said it was never consulted on the settlement terms.

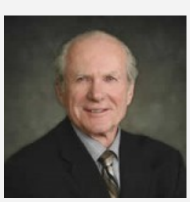
An attorney representing the tribe said it would have called for a full environmental review of Line 5. Any actions Enbridge takes on that line now are not covered by review requirements. The tribe wants the Kalamazoo spill settlement reopened for review. A Justice Department spokesman said the objection is under review.

More: InsideClimate News

STATE BRIEFS

ARIZONA

ACC to Hire Outside Counsel To Represent Commissioner


Burns

The Corporation Commission voted to hire an outside attorney to represent Commissioner Robert Burns, who is being sued by Arizona Public Service over his effort to investigate the utility's political spending.

Burns issued subpoenas to APS and its parent company, Pinnacle West Capital, last month to determine whether the company is the source of millions in funding that helped to elect two Republicans to the ACC in 2014.

The utility has filed a motion to quash the subpoenas and to charge Burns for its attorney fees. APS argues that state law does not require the utility to disclose the information Burns is seeking. Commission staff attorneys say they can't represent Burns because of conflict-of-interest concerns.

More: The Arizona Republic

CALIFORNIA

Utilities Come up with Mandated Storage Plans

San Diego Gas & Electric and Southern California Edison have arranged nearly 65 MW of energy storage to be ready by January in response to a call from state regulators to prepare for winter power shortages because of the loss of the Aliso Canyon natural gas storage field.

SDG&E lined up two lithium-ion battery

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State Briefs

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storage facilities that total 37.5 MW, and SoCalEd hired developers to build 27 MW of energy storage. The Public Utilities Commission is expected to approve the contracts soon.

The deals illustrate the rapid rise of the energy storage market in the state. "What this really shows is how quickly we can add diversity to the fleet in these critical areas," said Alex Morris, a spokesman for the California Energy Storage Alliance.

More: The San Diego Union Tribune

Six Cities File Protest Against Diablo Canyon Plan

A coalition of six San Luis Obispo County cities have filed a protest to Pacific Gas and Electric's plans to decommission the Diablo Canyon plant.

The cities of San Luis Obispo, Arroyo Grande, Atascadero, Morro Bay, Paso Robles and Pismo Beach have jointly filed a request with the Public Utilities Commission to intervene in the proceedings to ensure the agency formally considers their concerns about the local economic, environmental and emergency preparedness impacts of the closure.

The coalition says it is not opposed to the shutdown but is seeking guarantees about the cleanup and future uses of the plant site.

More: The Tribune

COLORADO

Xcel Reaches Settlement On 600-MW Wind Farm

Xcel Energy has reached a settlement with the Public Utilities Commission and intervenors that will speed up the development of the utility's 600-MW wind project and a 125-mile transmission line.

The Rush Creek Wind Project, proposed across five eastern counties, would rank as the state's largest wind facility, boosting wind generation capacity by 20%. Xcel estimates Rush Creek will save customers $400 million over its 25-year life and remove an estimated 1 million tons of carbon from the atmosphere each year.

Xcel needs to start construction on the $1 billion wind project this year to qualify for $443 million in federal renewable energy tax credits. If the start of construction is delayed until 2017, Xcel stands to lose $125 million in credits.

More: The Denver Post

ILLINOIS

Clean Line, ICC Appeal Court Rejection

Clean Line Energy Partners and the Commerce Commission are appealing a state appellate court's reversal of the Rock Island Clean Line's approval by the commission. The state Supreme Court will now determine the future of the $600 million project.

The International Brotherhood of Electrical Workers, the Natural Resources Defense Council and Wind on Wires joined the appeal of the 3rd District Appellate Court's decision. The court ruled last month that the project did not satisfy the definition of public utility under the state's Public Utilities Act and should not have received a certificate of public convenience and necessity. That certificate allowed the project to use eminent domain to secure a route for the 500-mile HVDC line.

Commonwealth Edison, the Illinois Landowners Alliance and the Illinois Farm Bureau had appealed the ICC's approval.

More: Quad-City Times

MISSOURI

PSC Approves Empire and Liberty Merger

The Public Service Commission last week approved the merger of Empire District Electric and Liberty Utilities, a subsidiary of Canada-based Algonquin Power and Utilities.

As part of a settlement with the Division of Energy, Empire has agreed to file an application for an energy efficiency portfolio under the state's Energy Efficiency Investment Act, which encourages utility companies to invest in energy-efficient programs. The company has also agreed to consider a community solar program and microgrid technology.

To close the deal, Empire also agreed to settlements with the Office of Public Counsel, the City of Joplin, several labor unions and Empire retirees.

More: The Joplin Globe; The Missouri Times

NEBRASKA

LES Adjusts to Shifting Use, Stagnant Demand

Lincoln Electric System says that demand for electricity has flattened, forcing the public utility that serves the state's capital to adjust its rate structure to gradually increase the fixed amount customers pay each month and to decrease its dependence upon revenue from kilowatt-hour usage.

Demand is expected to remain flat for the next five years, LES said in a report to credit rating agencies earlier this year, as customers embrace more efficient behavior and equipment.

"As an industry, a lot of us missed this dramatic drop in demand growth," LES Vice President of Power Supply Jason Fortik told the Lincoln Journal Star. "It wasn't just an LES thing. As the utility industry, we're out incenting people to be more efficient and place less demand on our system. I suppose we shouldn't be surprised when it actually starts to occur."

More: Lincoln Journal Star

NEW YORK

Groups Join to Form Offshore Wind Coalition

Several offshore wind companies, academics and environmental organizations have formed a coalition to encourage the development of offshore wind farms on the state's coast.

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STATE BRIEFS

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The newly formed New York Offshore Wind Alliance wants to push the state to develop 5,000 MW of offshore wind by 2030. The coalition is a project of the Alliance for Clean Energy New York and includes Deepwater Wind, DONG Energy, the National Wildlife Federation, the Natural Resources Defense Council and the Sierra Club.

More: *North American Wind Power*

NORTH DAKOTA

PSC to Hold Hearing On 300-MW Wind Project

The Public Service Commission has scheduled a hearing on the proposed 300-MW Glacier Ridge Wind Farm in Barnes County.

The $375 million wind farm would be sited on 34,450 acres about 5 miles east of Valley City and have up to 87 turbines, according to preliminary plans. The public hearing is set for Sept. 27 at Valley City State University.

More: *The Jamestown Sun*

SOUTH DAKOTA

Prevailing Winds Withdraws Wind Farm Permit Request

The Public Utilities Commission approved the request of developer Prevailing Winds to withdraw its application to build a 100-turbine wind farm near Avon.

The company pointed to a public hearing last month that drew about 300 people to a school gym, with 22 speaking, mostly in opposition to the project.

"The Prevailing Winds project is a community wind project and community is very important to the Prevailing Winds investors and board of governors," the company wrote in explanation. "Unfortunately, misinformation has been circulated about the project." It said the application withdrawal would allow the company "to better inform the community on the project and allow Prevailing Winds to revisit its options regarding the project."

More: *Rapid City Journal*

TEXAS

Study: 7 Coal Plants In State Uneconomic

Austin Energy's Fayette plant

A study conducted by the Institute for Energy Economics and Financial Analysis and published by Public Citizen found that at least seven of the state's 19 coal plants, representing more than 40% of the total coal-fired capacity in ERCOT, are in danger of closing.

The analysis paints a familiar picture: The growth of renewable energy, low natural gas prices and increased environmental regulations are making the coal plants financially inviable. They will likely lose more than $160 million a year, according to the report.

The seven plants, totaling 8,100 MW, are Luminant's Big Brown, Martin Lake and Monticello; Dynegy's Coleto Creek; and the publicly owned Fayette, Gibbons Creek and J.K. Spruce.

More: *The Texas Observer*

Consumer Advocates Challenge Nuclear Subsidy Cost Estimates

By William Opalka

AARP and the Public Utility Law Project want New York regulators to provide more documentation to justify the Clean Energy Standard's estimated $2/month rate increase for the average consumer.

The groups wrote to the New York Public Service Commission last week, saying the commission's Aug. 1 CES order did not explain the costs to keep upstate nuclear power plants operating with zero-emission credits. (See *New York Adopts Clean Energy Standard, Nuclear Subsidy*.)

"AARP and PULP are very concerned that the Clean Energy Standard implementation (particularly the subsidy for power plants) may have costly impacts on New Yorkers already facing among the highest electricity rates in the nation," the letter states. "The mention of a potential $2/month residential bill impact from the Tier 3 purchase of zero-emission credits in the order was not accompanied by any details or citation to where such an estimate was derived and fails to provide sufficient cost and bill impact information for each customer class, for each utility, or for the entire 12-year commitment to support these power plants."

The groups cite estimates by PSC staff that the ZEC program could cost up to $8 billion over its 12-year term.

They also cite other utility programs that will be borne by ratepayers, including a $1.5 billion smart meter program in the Consolidated Edison territory, cost recovery for distributed energy demonstrations projects and $5 billion for clean energy and energy efficiency programs run by the New York State Energy Research and Development Authority.

These cases and the CES "simply cannot be viewed separately," the groups add.

The letter comes days after downstate legislators complained that the ZEC program costs were disproportionately burdensome on New York City-area ratepayers. The PSC pushed back in a reply, saying the economic benefits and reduced emissions benefited ratepayers statewide. (See *New York Legislators Question Nuclear Subsidy*.)

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