RTO Insider
Your Eyes and Ears on the Organized Electric Markets
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ISSN 2377-8016 : Volume 2018/Issue 6
February 6, 2018

Nuke Owners' Split Widens

NextEra Accuses Trade Group of 'Extortion'

NextEra Energy says losing access to a database used to screen workers could threaten refueling outages at its nuclear plants, including one set for Feb. 7 at Florida Power & Light's St. Lucie station. | *FPL*

By Rich Heidorn Jr.

NextEra Energy, which quit the Nuclear Energy Institute last month over the trade association's push for subsidies, last week accused the group of "extortion," saying it was spitefully denying the company access to a database used to screen workers.

The company initially declined to say publicly why it was leaving NEI when it informed the organization of its decision on Jan. 4.

But NextEra ended its silence after NEI notified it on Jan. 30 that it was terminating its access to the Personnel Access Data System (PADS). NextEra said NEI informed it that it would be cut off Feb. 4 unless it paid $860,000, "the vast majority of which is NEI membership fees unrelated to PADS."

"NEI's actions were taken for no purpose other than to retaliate against the NextEra companies because of their withdrawal as NEI members," said the suit, filed Feb. 2 in U.S. District Court for the Southern District of Florida.

NEI CEO Maria Korsnick issued a statement Monday saying she "vehemently denies" NextEra's allegations and "will vigorously defend our position in court."

NextEra said losing access to PADS could threaten seven scheduled refueling outages at its nuclear plants in 2018, including one

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FERC Orders Review of PJM, MISO, SPP Generator Studies

By Rich Heidorn Jr.

FERC on Friday ordered a technical conference on how PJM, MISO and SPP coordinate generator interconnection studies on projects near their seams, saying their practices may not be just and reasonable.

The commission called the conference to address issues raised in an October complaint by EDF Renewable Energy, which contends that inconsistencies and a lack of clarity in the RTOs' rules for "affected systems" interferes with developers' ability to judge the commercial viability of proposed projects (EL18-26).

FERC Order 2003 requires a transmission provider to coordinate interconnection studies and planning meetings with affected systems — electric systems other than the host transmission provider that may be affected by a proposed interconnection.

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New Hampshire Rejects Permit for Northern Pass

By Robert Mullin

New Hampshire officials voted unanimously Thursday to reject Eversource Energy's Northern Pass transmission project, stymying the company's effort to deliver 1,090 MW of hydropower to Massachusetts.

The rejection comes just a week after New Hampshire's southern neighbor awarded Eversource and Hydro-Québec a contract to deliver 9.45 TWh of renewably energy each year via Northern Pass. The project was the only winner in the highly anticipated solicitation. (See *Northern Pass Cleans up in Mass. RFP*.)

New Hampshire's Site Evaluation Committee voted 7-0 after a three-day hearing to reject Northern Pass after expressing concerns that the 192-mile HVDC line would have negative impact on property values, tourism and land use, the *Concord*

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Payment Frequency	PDF-Only	PDF & Web
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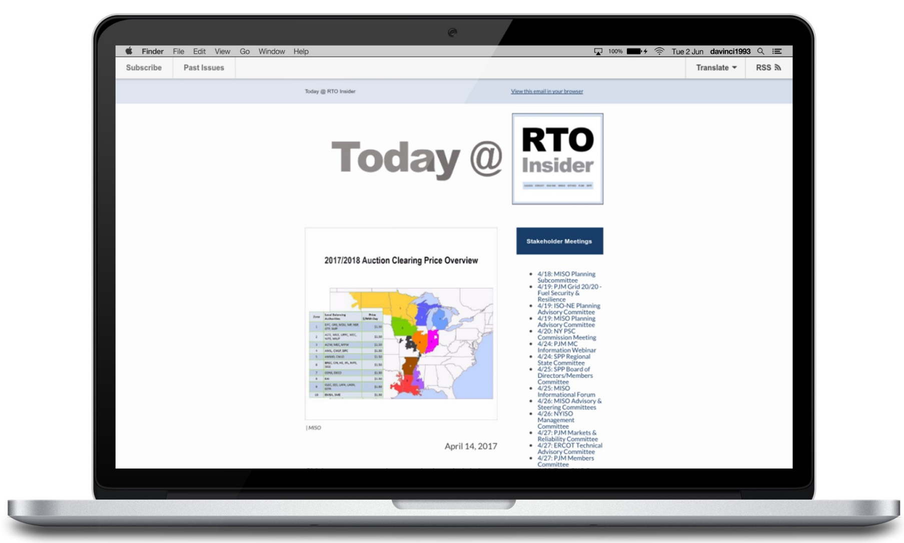


STAKEHOLDER SOAPBOX

PJM and the Bomb Cyclone: A Case Study for Why We Need a Coal Fleet

By Paul Bailey

Paul Bailey

On Jan. 24, the Senate Energy and Natural Resources Committee held a hearing "To Examine the Performance of the Electric Power System Under Certain Weather Conditions, Focusing on the Northeast and Mid-Atlantic Regions." The witnesses included Andy Ott, CEO of PJM. (See *FERC, RTOs: Grid Performed Better in Jan. Cold Snap vs. 2014*.)

In 2016, PJM's fuel mix was 35% nuclear, 34% coal, 26% gas and almost 5% renewables.[1] The data PJM collected during the recent bomb cyclone proves at least two important points. The first is that we need coal-fueled power plants. The second is that we should be cautious about relying too much on natural gas to generate electricity.

Coal Fleet

Over a four-day period (Jan. 3-6, 2018), when the average daily temperature was 12 degrees Fahrenheit, PJM relied heavily on so-called conventional sources of baseload electricity, namely coal and nuclear. Some have implied that these fuel-secure sources of baseload electricity are outmoded, which seems to suggest that we don't really need them anymore. However, over the four-day period, these "outmoded" electricity sources were responsible for almost two-thirds of PJM's electricity:[2]

- Jan. 3: 61% (coal + nuclear)
- Jan. 4: 64% (coal + nuclear)
- Jan. 5: 64% (coal + nuclear)
- Jan. 6: 64% (coal + nuclear)

Overall, coal was responsible for 37% of PJM's electricity over the four-day period, with nuclear providing 27%, natural gas 22% and wind 2%.

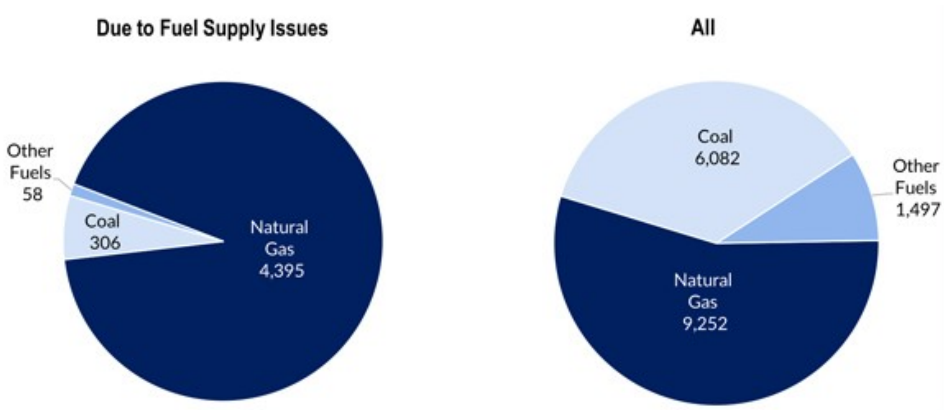
Natural Gas

PJM provided data on forced (unplanned) outages caused solely by fuel supply problems, as well as forced outages for all causes.[3] The chart on the left below is based on PJM data and shows that on Jan. 5 when electricity demand peaked (wind chill temperature was minus 5 degrees that day[4]), natural gas-fired power plants experienced 14 times more forced outages (4,395 MW) because of fuel supply issues than the PJM coal fleet (306 MW). The chart on the right shows all forced outages. This chart shows that natural gas-fired power plants experienced 9,252 MW of forced outages versus 6,082 MW for the coal fleet. In short, the coal fleet outperformed the gas fleet when electricity was needed most by PJM.

What's my point?

During the bomb cyclone, PJM relied heavily on its coal fleet. Unfortunately, some 54,000 MW of coal-fueled generating capacity in PJM, MISO, ERCOT and SPP will have retired by the end of 2020.[5] Nationwide, more than one-third of the coal fleet — 111,000 MW, so far — has shut down or plans to close.[6] According to the U.S. Department of Energy, the retirement of fuel-secure electricity sources, such as coal, is threatening the reliability and resilience of the electricity grid.[7] There are a number of steps that should be taken to preserve the coal fleet, including properly valuing the reliability and resilience attributes of the fleet in wholesale electricity markets.

Paul Bailey is CEO of the American Coalition for Clean Coal Electricity.



Unplanned outages on Jan. 5, 2018 | *ACCCE, based on PJM data*

[1]Testimony of Andy Ott, "Examining the Performance of the Electric Power Systems Under Certain Weather Conditions," Senate Energy and Natural Resources Committee, Jan. 23, 2018. https://www.energy.senate.gov/public/index.cfm/files/serve?File_id=F15697F8-F7F1-411B-AC26-40AF0337DF2D

[2]Data based on PJM Operating Committee PowerPoint presentation, "Cold Weather Summary, Dec. 27, 2017–Jan. 7, 2018," Jan. 9, 2018 http://www.pjm.com/-/media/committees-groups/committees/oc/20180109/20180109-item-04-cold-weather-summary.ashx

[3]Data based on PJM Operating Committee PowerPoint presentation, "Cold Weather Summary, Dec. 27, 2017–Jan. 7, 2018," Jan. 25, 2018. ("Jan. 25 PJM presentation") Besides unplanned outages due to fuel supply problems, PJM lists other causes as "boiler system, fuel system, electrical, emissions/environmental, pumps/fans, start failure, unit trip and other." http://www.pjm.com/-/media/committees-groups/committees/mrc/20180125/20180125-item-10-cold-weather-summary.ashx

[4]Jan. 25 PJM presentation.

[5]ACCCE, "Retirement of U.S. Coal-Fired Electric Generating Units, Status as of Jan. 17, 2018." As of mid-January, some 45,000 MW of coal-fueled generating capacity in RTO/ISO regions had retired. An additional 14,500 MW are expected to retire over the 2018-2020 period. Two-thirds of these future retirements have been attributed to wholesale electricity market conditions. http://www.americaspower.org/wp-content/uploads/2018/01/Coal-Unit-Retirements-Jan-2018.pdf

[6]*Ibid.*

[7]Sept. 28, 2017, letter from Energy Secretary Rick Perry to FERC Commissioners Neil Chatterjee, Cheryl LaFleur and Robert Powelson regarding the need for grid resiliency rules. https://energy.gov/sites/prod/files/2017/09/f37/Secretary%20Rick%20Perry%27s%20Letter%20to%20the%20Federal%20Energy%20Regulatory%20Commission.pdf

CAISO NEWS

CAISO Overhauling CRR Auctions

By Jason Fordney

CAISO last week unveiled a plan to restructure its congestion revenue rights auction to address long-running complaints that the process has saddled California electricity ratepayers with more than $500 million in excess costs over the past five years.

The debate over CRRs has pitted the ISO's Department of Market Monitoring against the interests of financial traders, which the department says are the biggest beneficiaries of the current CRR market design.

The department has previously called on CAISO to disband the auctions and replace them with a bilateral market for forward contracts-for-differences, and it is becoming increasingly public about its opposition. (See *CAISO Monitor Proposes to End Revenue Rights Auction*.)

"We have stopped beating around the bush when we speak publicly about the auction," DMM Group Manager Ryan Kurlinski said at a Feb. 2 meeting of the CAISO Market Surveillance Committee, at which the ISO introduced its proposal. He added that the problems are also present in other RTOs. (See *Role, Value of Financial Trading Debated by OPSI Panel*.)

CAISO last May said it needed to undertake a detailed study of the CRR process before dealing with the issue. (See *CAISO: Analysis Needed Before Reforms on CRR Auctions*.)

Eric Hildebrandt | © RTO Insider

The department, headed by Eric Hildebrandt, is adamant that the CRR auctions are bad for consumers, and on Friday provided the MSC with eight sets of comments, white papers and presentations it has published on the matter. A presentation by the Monitor described "the myth" and "stories" advanced by proponents of the current auction structure.

Proposal Restricts CRR Auctions

While CAISO is still refining the details of a draft proposal it plans to issue this week, its own presentation to the MSC laid out a two-track approach to tackling CRR auction reforms. The first track would consist of "stopgap" measures to be developed in time to be submitted to the Board of Governors for approval in March. The second would be a more extensive set of changes submitted to the board in the middle of the year.

The ISO is proposing to restrict the allowable sources and sinks of CRR transactions to only those pairs that are needed to hedge the physical delivery of energy. Currently, there is no such limitation and market participants can purchase any pair of CRRs, such as between generators or load aggregation points, CAISO noted in its presentation.

The proposal would limit source and sink pairs of CRR transactions to nodes between generators and interties, as well as between trading hubs, loads and interties. The purpose: to align the auction with hedging of physical energy delivery and increase the competitiveness of the auction.

CAISO has also proposed to decrease the amount of system capacity released in the CRR auction process from 60% to 40% in the long-term allocation, and 75% to 45% for the annual allocation and auction process — a move intended to reduce overselling of transmission capacity. The ISO would also eliminate disclosure of certain modeling information and align existing outage reporting rules with the annual CRR process.

Traders Question CRR Changes

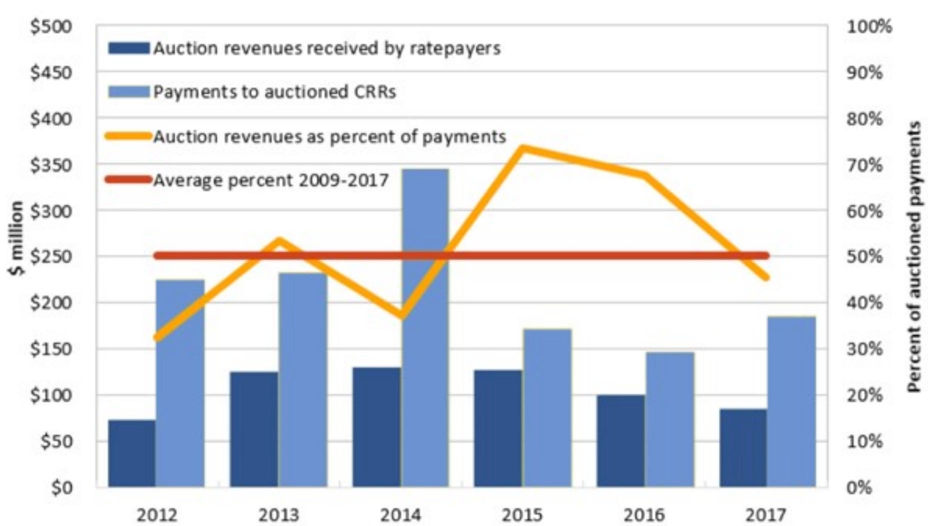
Speaking for the Western Power Trading Forum, Ellen Wolfe of Resero Consulting said the ISO had not properly explained how the proposal would address its stated problems. For example, the DMM had identified low participation as one of its concerns about the auction, but the proposal to restrict auction parameters would possibly exacerbate that, she said.

"You are taking precision out of the auction, supposedly for some benefit," Wolfe said, adding that the MSC should help determine whether the proposal would actually solve the problems. "In a way, you are kind of dumbing down the functionality to prevent something that is not perfectly articulated yet," she said.

MSC member Scott Harvey, of FTI Consulting, replied that "we are interested in facilitating hedging. We are not trying to force people to buy risky financial instruments at a discount and price them that way.

"We need to understand what type of hedging activity would be infeasible in this approach" and then address any issues in the proposal, he said.

CAISO said it will issue the draft proposal on Feb. 7 and has scheduled a Feb. 13 meeting for market participants to weigh in.



| CAISO

CAISO NEWS

CAISO, Stakeholders Debate RMR Revisions

By Jason Fordney

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FOLSOM, Calif. — Current flashpoints over grid reliability, market outcomes and ratepayer costs were on full display last week at a CAISO forum to discuss how the grid operator should overhaul its backstop procurement policies.

Representatives of generators, power traders and the California Public Utilities Commission are raising questions about the scope of an overhaul CAISO outlined in a straw proposal for its reliability-must-run (RMR) and capacity procurement mechanism (CPM) programs. While the ISO is saying changes for 2019 will only address must-offer requirements, most stakeholders contend it should move more quickly to make broader changes.

The ISO is in Phase 1 of the 2018 "RPM/CPM" initiative, saying it needs to get certain changes in place quickly before more fundamental changes are made in a future Phase 2. (See *CAISO Floats Reliability Programs Revamp*.) Phase 2 will include development of a cohesive RMR/CPM framework and a possible merging of the programs.

CAISO has already filed with FERC a set of updates to CPM that was approved by the Board of Governors in November. (See *Board Decisions Highlight CAISO Market Problems*.) The ISO's Keith Johnson said that set of changes will not be modified in the current process but will be informed by it.

"We are not changing the filing as a result of this process," Johnson said. CAISO's filing of the CPM changes at FERC is due to be approved later this year, when the new package of enhancements will still be in the proposal stage.

But some at the forum pushed back at Johnson, saying that there seems to be more fundamental issues with the RMR programs, which are unpopular in the market. Two developing debates are whether RMR and CPM units should have a must-offer requirement, and whether settlement terms requiring a broad look at CPM have been triggered.

"We would agree that perhaps there are some things that should be addressed," Johnson said as forum participants raised various issues, adding that they could consist of clarifications or more substantial changes. He pointed out that the current RMR provisions took years to develop. "I can imagine we will get all kinds of comments as to where we should take this initiative."

The RMR and CPM have different designs and provisions and are used to keep generators online that want to retire but are still needed for reliability. Misalignments between RMR, CPM and the CPUC's resource adequacy (RA) programs are creating reliability gaps that are costing consumers and creating tensions in the market.

But utilities such as Pacific Gas and Electric object to the hastily forged RMR agreements and their increasing usage. The ISO signed up 687 MW of Calpine generation to RMRs in 2017, including the 593-MW Metcalf Energy Center and the Yuba City and Feather River gas plants, each with 47 MW of capacity.

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CPUC Staff, WPTF Disagree on Must-Offer

The ISO has proposed that Phase 1 explore whether resources under both of the RMR designations — condition 1 and condition 2 — be subject to a must-offer requirement. CAISO's Department of Market Monitoring has recommended the measure because the

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CAISO NEWS

CAISO, Stakeholders Debate RMR Revisions

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condition 2 units are kept online by ratepayers but only used in certain hours.

During the forum, Resero Consulting's Carrie Bentley, representing the Western Power Trading Forum (WPTF) debated with CPUC staff member Michele Kito over whether generators being paid to supply capacity should be subject to a must-offer obligation in the energy market. WPTF argues that the payments drive down LMPs, reducing incentives to build new generation or keep existing plants online, while the CPUC contends that units kept online 24/7 by ratepayers should be utilized more.

Carrie Bentley | © *RTO Insider*

Bentley told *RTO Insider* that "WPTF believes that requiring 24/7 at-cost offers into the energy market is a means of subsidizing the fixed costs of the RMR resource on the backs on other generators. Forcing in at-cost energy into a market setting will unnecessarily distort prices downward in an already struggling ancillary service and energy market."

Settlement Provisions Triggered?

Kito also contended that recent actions by CAISO had triggered a provision in a 2014 CPM settlement agreement that requires the ISO to open a stakeholder process to ensure that load-serving entities are not relying on the CPM as a means to meet RA obligations. Section 7 of that agreement stipulates the ISO will open the process "with the first occurrence of use of CPM by an LSE for either an annual or monthly LSE deficiency to meet 50% or more of the LSE's RA obligation for the annual or monthly period."

It wasn't immediately clear what LSE Kito was referring to, and she did not return a follow up email. CAISO in November announced 2018 CPM designations for 1,055 MW of capacity in the PG&E and San Diego Gas & Electric areas. In November, CAISO said LSEs were about 2,000 MW short of local RA requirements for 2018. (See *California Utilities Short on Local RA Capacity*.)

"I didn't realize that the conditions of the settlement had been triggered, at least arguably," said Mark Smith, Calpine vice president of regulatory affairs. He told Johnson that "the scope of Phase 2 could be dramatically larger than what you have said here."

Smith added that "the whole structure is in question. We have a clean slate, I think is what I'm hearing could occur here."

PG&E representative Peter Griffiths asked whether the changes in the RMR process are in the scope of Phase 1, adding that he would be "concerned" if they aren't.

"The history that the ISO has with the latest RMRs leaves a lot to be desired," Griffiths said, noting that the process could be changed without changing the ISO's Tariff. "If it is not going to be discussed in this stakeholder process, I would like to know that, because there are other grounds by which the process could be changed."

Throughout the forum, Johnson advised that the scope of Phase 1 will be limited and will apply to new RMR units as of Jan. 1, 2019. The ISO is taking comments on the straw proposal through Feb. 20 and hoping for approval of Phase 1 by the board in May.

CAISO NEWS

Utilities File San Onofre Settlement

By Jason Fordney

California utilities and other parties say they have reached a new settlement over the costs of shutting down the San Onofre nuclear power plant, replacing a contested 2014 agreement.

Southern California Edison and San Diego Gas & Electric, co-owners of the plant, said last week that they submitted the agreement for approval by the California Public Utilities Commission, which in December 2016 ordered renegotiations after it came to light that former commission President Michael Peevey had engaged in undisclosed *ex parte* communications with SCE. The original settlement stuck ratepayers with 70% of the costs related to the early closure of the plant. (See *CPUC Orders Renegotiation of San Onofre Settlement*.)

The settlement stipulates that the two utilities would cease rate recovery of $775 million in costs related to San Onofre. It also reduces the regulatory asset value used to calculate recovery by $72 million by applying funds from litigation between the utility and the U.S. Department of Energy over fuel disposal responsibilities. Depending on the commission's decision on the reduction in asset value, rate recovery would cease on either Dec. 19, 2017, or April 21, 2018.

SCE would retain amounts collected under the prior agreement before the cessation of rate recovery and will keep $47 million from arbitration with Mitsubishi Heavy Industries over the plant's faulty generators. The utility would also retain the right to keep proceeds from selling nuclear fuel, which "may be significant."

The proposed agreement also reduces from $25 million to $12.5 million the amount the utilities would spend to fund greenhouse gas reduction programs. SCE said the total after-tax earnings charge from the settlement will be $448 million.

"SCE and plant co-owner, SDG&E, have already returned more than $2 billion to customers under the 2014 settlement, which ensured that customers did not pay for the faulty steam generators, which prompted the closure of San Onofre, from the time this equipment failed," SCE said.

Elizabeth Echols, director of California's Office of Ratepayer Advocates, said: "This deal saves SCE and SDG&E customers hundreds of millions of dollars over the next several years. ORA and others worked hard to put together a strong case and succeeded. Now customers won't end up unfairly paying for many of the costs associated with the [plant's] premature failure."

Other parties to the settlement include the Alliance for Nuclear Responsibility, the California Large Energy Consumers Association, California State University, Citizens Oversight, the Coalition of California Utility Employees, the Direct Access Customer Coalition, ratepayer Ruth Henricks, The Utility Reform Network and Women's Energy Matters.

ERCOT NEWS

Sempra, Oncor Reach Agreement with Texas Intervenors

By Tom Kleckner

| © RTO Insider

Sempra Energy and Oncor have reached a settlement with all parties involved in Sempra's proposed $9.45 billion acquisition of Energy Future Holdings, the two companies said Thursday.

The companies said Texas Legal Services Center (TLSC) has joined nine other intervenors in resolving all issues in the proceeding before the Public Utility Commission of Texas, with Oncor filing a request that the commission cancel a scheduled Feb. 21 hearing on the merits of its acquisition (Docket 47675). (See *Sempra, Oncor Reach Deal with Texas Stakeholders*.)

"The revised stipulation has the unanimous support of commission staff and the nine intervening parties, and there are no outstanding requests for a hearing," Oncor said. The company asked that the settlement agreement be presented to the PUC for consideration "as soon as reasonably practicable."

TLSC, a nonprofit law firm that provides free legal representation and advice to low-income persons and Medicare recipients, had opposed the acquisition because the electric rates of low-income consumers "may be adversely affected." The firm had filed a brief two days before the agreement was reached, responding to joint objections by the companies and a motion to strike the testimony of its key witness.

Sempra CEO Debra Reed said gaining unanimous stakeholder support "represents an important milestone for our proposed acquisition."

"We and many others in our state believe that Sempra Energy will be a great partner for Texas," Oncor CEO Bob Shapard said.

Besides TLSC and PUC staff, the other intervenors include: the Office of Public Utility Counsel; Steering Committee of Cities Served by Oncor; Texas Industrial Energy Consumers; Energy Freedom Coalition of America; Golden Spread Electric Cooperative; Nucor Steel; the Alliance for Retail Markets; and the Texas Energy Association for Marketers.

EFH, which declared bankruptcy in 2014, holds an indirect 80% interest in Oncor. Hunt Consolidated, NextEra Energy and Berkshire Hathaway Energy have all come up short in previous attempts to acquire Oncor, the largest electric utility in Texas.

San Diego-based Sempra announced its intentions to acquire EFH last August and received approval from the U.S. Bankruptcy Court for the District of Delaware in September. FERC gave its approval for the acquisition in December, but the transaction remains subject to further approvals by the bankruptcy court and the PUC.

ISO-NE NEWS

CASPR Filing Draws Stakeholder Support, Protests

By Michael Kuser

Stakeholders have responded to ISO-NE's filing of a proposed two-stage capacity auction with a flurry of comments to FERC — many of them opposing the measure.

The vetting process for the Competitive Auctions with Sponsored Policy Resources (CASPR) proposal, and the late changes made by the RTO, left state regulators and stakeholders divided. Vermont, Connecticut and Rhode Island opposed the CASPR proposal filed with FERC, while Massachusetts, New Hampshire and Maine supported it. (See *ISO-NE Effort to Accommodate States Leaves them Alienated*.)

The proposal (ER18-619) grew out of the New England Power Pool's Integrating Markets and Public Policy (IMAPP) initiative, launched in August 2016 to address state regulators' concerns about ratepayer costs associated with policy-driven resources and generators' fears that out-of-market procurements of renewable generation would suppress capacity prices.

Bay State Division

The controversy has even split officials within Massachusetts. In separate comments filed Jan. 29, the state's attorney general urged the commission to reject or change the proposal, while the Department of Public Utilities "strongly" supported it.

Attorney General Maura Healey said in her filing that "the current incarnation of CASPR does not allow for any regular or reliable integration of sponsored policy resources" into the Forward Capacity Market.

Healey asked the commission to reject CASPR "because it will lead to unjust and unreasonable rates for New England consumers, who will pay twice for the same capacity," and remand it with an order for remedial action to incorporate a mechanism like the "backstop" proposed by the New England States Committee on Electricity, which would guarantee entry into the FCM every year for a minimum of 200 MW of sponsored policy resources.

She also suggested the commission could remand the proposal with an order to reinstate the renewable technology resource (RTR) exemption to the minimum offer price rule (MOPR), which CASPR proposes to eliminate.

The DPU, on the other hand, argued that CASPR would "provide a competitive, market-based approach" to allowing policy-driven resource into the FCM and "prevent direct harm to Massachusetts ratepayers and the inefficient development of more generation resources than the region requires, while preserving competitive price formation and nondiscriminatory participation in New England's FCM."

Auction Commitment Period	Total Capacity Acquired (MW)	New Demand Resources (MW)	New Generation (MW)	Clearing Price ($/KW-Month)
FCA #7 2016/2017	36,220	245	800	$3.15 (FLOOR PRICE) NEMA/Boston: $14.99
FCA #8 2017/2018	33,712	394	30	$15.00/new & $7.025/existing
FCA 2018/2019	34,695	367	1,060	System-wide: $9.55 SEMA/RI: $17.73/new & $11.08/existing
FCA #10 2019/2020	35,567	371	1,459	$7.03
FCA #11 2020/2021	35,835	640	264	$5.30

| ISO-NE

Conditional Support

In its Jan. 29 filing, NESCOE said the RTO's "commitment to monitor CASPR's performance and to propose appropriate remedies is critical — and a condition of NESCOE's support." The group also pointed to the RTO's pledge to work with stakeholders to "refine or replace" CASPR if it fails to achieve its intended purpose of accommodating state entry over time.

"ISO-NE *must* revise CASPR if it falls short of its intent to accommodate the participation of state-sponsored resources or if it proves inflexible to the execution of state laws, which are not static," NESCOE said.

Calpine sided with the New England Power Generators Association in supporting the proposal, calling it "a considered and reasonable compromise to allow state-sponsored new resources into the Forward Capacity Market, while minimizing the impact on competitive market pricing."

In guardedly supportive comments filed Jan. 19, NEPOOL noted that its Participants Committee failed in December to approve the CASPR proposal, with a 57.75% vote in favor (60% being required to represent substantial approval).

Despite that shortfall in institutional support, NEPOOL said its stakeholder process on CASPR "narrowed, and in many cases resolved, a number of complex and interrelated issues, and certainly broadened the understanding and perspectives of all interests in the region."

NEPOOL predicted FERC would confront disparate opinions and urged the commission "to exercise caution in parsing through these concerns and their interrelationship with each other."

Does the FCM Matter?

Consumer advocacy group Public Citizen questioned the RTO's motives and the overall need for the FCM.

"By prematurely submitting this CASPR experimental rate design against the wishes of its stakeholders, it appears as though ISO-NE is more concerned with preserving its competitive markets from the encroachment of non-market capacity additions, regardless of whether extending a 'market-based' mechanism over policy-procured capacity will result in just and reasonable rates," the group said.

Public Citizen argued that "the question should therefore *not* be how to force policy-deployed capacity into the ... market, but whether the capacity market is needed at all. Because non-market factors are clearly adding adequate capacity for New England."

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ISO-NE NEWS

DC Circuit Orders FERC to Review ISO-NE Auction Orders

By Michael Kuser

The D.C. Circuit Court of Appeals ruled Friday that FERC failed to adequately explain why it approved capacity market rules for ISO-NE in 2014 like those it had rejected in PJM for suppressing prices.

The Feb. 2 ruling granted petitions for review by Exelon and the New England Power Generators Association on rules allowing new suppliers to lock in their first-year clearing prices for six additional years while requiring them to offer at $0 in years 2 through 7 (15-1071).

The decision remanded to FERC its orders rejecting the petitioners' challenges (EL14-7, EL15-23), saying the orders had "failed to offer adequate rationale and explanation." (See *FERC Upholds ISO-NE New Entry Pricing; Rejects Challenges by Generators*.)

"On the record before us, we conclude that FERC did not engage in the reasoned decision-making required by the Administrative Procedure Act," the court said. "FERC failed to respond to the substantial arguments put forward by petitioners and failed to square its decision with its past precedent."

PJM Ruling

NEPGA and Exelon contended the rules reduce clearing prices paid to both new and existing suppliers.

The petitioners said the commission's approval of the rules is at odds with its 2009 ruling rejecting a similar construct in PJM (ER05-1410, *et al.*). In the 2009 ruling, FERC ruled that zero-price bidding would result in unjust and discriminatory pricing. It said a bid-floor was needed to ensure that a price-locked new entrant "will not reduce [the] price to the existing resources by submitting a $0 bid in years 2 and 3, knowing that it is guaranteed to be paid its first-year bid price no matter what it bids."

NEPGA and Exelon contend the New England rules are likely to result in more severe price suppression than would have occurred in PJM, which has only a three-year lock-in. In addition, the lock-in — available to any new market entrant in New England — was rarely triggered in PJM.

No 'Reasoned Analysis'

The opinion by a three-judge panel led by Robert L. Wilkins said FERC "brushed aside the seeming contradiction" between its ISO-NE and PJM rulings.

"FERC's responses to petitioners' arguments below amounted to conclusory statements that dismissed petitioners' concerns without providing reasoned analysis. To respond to petitioners' main contention that the ISO-NE Tariff rules suppressed prices and discriminated against existing suppliers in a way that the commission rejected in PJM, FERC first stated that conditions in the two markets were different, and then pointed to the vertical demand curve in place at the time under the ISO-NE Tariff. The commission issued this explanation despite the fact that it issued an order the very same day adopting an ISO-NE proposal to start using a sloped demand curve."

The petitioners argued that the commission should have either rejected ISO-NE's lock-in rules, required it to eliminate the zero-price offer requirement when it accepted a sloped demand curve or found another way to address the price suppression for existing suppliers.

The court noted that FERC cited "numerous cases to stress the broad array of practical difficulties to balance and interests to consider, including higher consumer prices, reliable price signals, producer flexibility, producer confidence, system reliability, and increasing system capacity and efficiency."

"FERC contends that it truly has changed its view about the lock-in and capacity-carry-forward rules since its PJM decision and even doubled down by suggesting at oral argument that it would be more receptive to the Tariff changes at issue in PJM if they were proposed today," the court said. "All this may be true. But FERC's complex mandate doesn't relieve it of the requirements of reasoned decision-making. ... Although FERC may be sincere in its change of heart and, as a substantive matter, correct that its new rationale is just and reasonable, the commission must provide some analysis and explanation in its orders regarding why it changed course."

The court declined to rule on whether the petitioners had met their burden to demonstrate that the ISO-NE rules resulted in unjust and unreasonable rates. But it said, "FERC must provide a more robust rationale for its seeming inconsistency with past precedent and practice."

CASPR Filing Draws Stakeholder Support, Protests

Continued from page 9

In a joint filing, the American Wind Energy Association, Conservation Law Foundation, Natural Resources Defense Council, RENEW Northeast, Sierra Club and the Sustainable FERC Project urged the commission to either retain the current RTR exemption or direct the RTO to provide a sufficient similar, alternative mechanism that would enable state-mandated renewable energy resources to participate in the FCM and make the market account for the capacity contributions of these resources should CASPR fail to do so.

The groups encouraged the commission "to re-examine the logic of applying the MOPR to clean energy resources being driven by legitimate state policies, which we believe inappropriately encroaches on state authority while lowering market efficiency and imposing unjust and unreasonable costs on customers."

Block Island Wind Farm | *Deepwater Wind*

ISO-NE NEWS

Patriots Drive Unique Super Bowl Load Spikes

By Michael Kuser

It seems that New England's grid reacts just as excitedly as the region's fans when the Patriots play for the NFL championship.

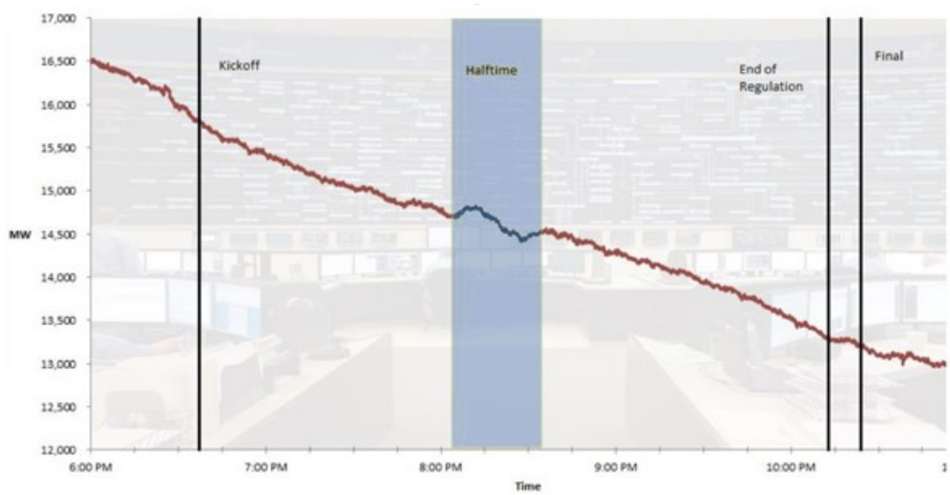
On Thursday, ISO-NE's newsletter, *Newswire*, featured a timely article about the Patriots' ninth Super Bowl appearance last year, which saw the team come from behind in a dramatic overtime win.

As the game moved into overtime, grid operators saw demand suddenly level off and then inch back up. At times, demand increased by as much as 50 MW during overtime, the RTO said.

"We can definitely see the demand changes on the system, in real time, by what's happening in the Super Bowl," said John Norden, the RTO's director of operations. "Whether it's the beginning of the game, halftime or the end of the game, we can see changes in levels of consumer demand. Understanding what is going on in real time, from a societal level, is very important to us, and we monitor that from our control room."

Sounds like someone has a very good excuse to watch the big game on company time.

ISO-NE has had plenty of chances to study the "Patriots effect" — and ran a similar analysis prior to last year's Super Bowl.



New England electricity usage during Super Bowl LI (Feb. 5, 2017) | *ISO-NE*

The RTO is not alone in its interest in the topic. Matt Chester, an energy and policy professional in D.C., posted a Jan. 31 blog piece analyzing electric power usage data during the last five Super Bowls showing that "versus a typical Sunday afternoon/evening in the winter, home power usage was 5% lower during the Super Bowl, with big consequences for overall energy use."

ISO-NE said Super Bowl load curves have formed consistent patterns over the years, with upticks in demand coinciding with halftime, commercials and the end of the game. These mini spikes occur when millions of people all choose the same moment to open their refrigerators, use microwave ovens and flush toilets. Many homes in New England use wells, and any use of water triggers an electric pump.

For its part, PJM showed its support of the underdog Philadelphia Eagles by posting photos of pregame festivities on Twitter. It also promoted its new PJM Now mobile app for tracking the load curve and LMPs in real time during the game.

PJM (right photo) and ISO-NE staff (above) showed their colors before the Philadelphia Eagles' upset of the New England Patriots in Sunday's Super Bowl. Was it an omen when an Eagles fan infiltrated ISO-NE's festivities? | *ISO-NE*

| *PJM*

NECA Renewable Energy Conference

NECA Panelists Talk Carbon Pricing, Northern Pass

AUBURNDALE, Mass. — Speakers at the Northeast Energy and Commerce Association Renewable Energy Conference on Feb. 1 discussed the merits and viability of different methods to achieve New England's aggressive emission reduction goals.

These topics included carbon pricing, the Northern Pass transmission project and offshore wind energy. Utility and energy service representatives were joined by state and federal officials.

| © RTO Insider

Carbon Tax, Anyone?

Michelle Gardner, Northeast director of regulatory affairs for NextEra Energy Resources, promoted her company's alternative market model, the Forward Clean Energy Market, developed with the Conservation Law Foundation and Brookfield Renewable Partners. The model is designed to attract new clean energy resources and also retain existing clean energy resources to reduce greenhouse gas emissions in New England.

Gardner said the first question of any state policy is: Does it work?

"To date, the answer has been yes," Gardner said. "But over time, now in the [ISO-NE] system we're seeing wind displace wind. We're not necessarily seeing the same synergies moving forward that mean, if you build a wind farm you move the ball towards a clean energy future."

NextEra's alternative market proposal could work with a carbon tax, or carbon pricing, "though to date we have not received a warm reception from the other New England states about moving a carbon tax," Gardner said.

In fact, many Massachusetts legislators favor a carbon tax, said state Rep. Jennifer Benson (D), who spoke during the conference lunch.

Benson's bill, H.1726, calls for a $20 tax on every ton of carbon produced by corporations, with 80% of the revenue rebated to taxpayers and the other 20% going to fund a green bank for the state. It and a competing Senate bill are scheduled for a vote Feb. 7.

The bill weights a larger proportion of the rebates to low-income residents, who often miss out on the benefits of existing energy-efficiency programs. "Because if we can't touch them, our 2050 goals will never be met," Benson said. "And we really are not on track to meet those today. We have to do something.

"So is it a tax?" Benson said. "Is carbon pricing a tax? This is the debate. I don't care. Because we have to start putting real money behind these issues. We're not going to solve the problem of coastal communities that we just saw a few weeks ago drowning in seawater."

Pass on Northern Pass

Several speakers expressed disappointment at Massachusetts' decision to award Eversource Energy and Hydro-Québec a contract to deliver 1,090 MW of hydropower each year via the Northern Pass transmission project. (See Northern Pass Cleans up in Mass. RFP.)

They spoke before word buzzed through the crowd near the end of the conference Thursday that New Hampshire siting officials had voted unanimously to reject the project. (See related story, *New Hampshire Rejects Permit for Northern Pass*, p.1.)

Benson said "a legislator cannot go in and try to regulate ... but it's wild that they could find an option that met none of the criteria."

Colin Schofield of Altenex, an Edison Energy subsidiary that advises non-utility energy buyers, said corporate buyers were largely "agnostic" about the Massachusetts solicitation.

Northern Pass "is probably somewhat of a lost opportunity to pair a utility procurement with some corporate deals that could enable transmission to move resources, but on the other hand, there may be projects out there that would have been contracting with the utility that maybe sharpen their pencil and get creative about other ways to fund and bring a project to market," he said

"We're also disappointed in the decision and have the same process concerns that were mentioned," said **Jamie Howland**, director of climate and energy analysis at the Acadia Center. "We certainly would have preferred a project that picked up other renewables along the way if you're building a new transmission line. It also picked the highest-impact transmission line of all the ones that were on the table."

"I think there was disappointment from a lot of people, but I don't think there was a lot of surprise," said **Peter Zaborowsky**, managing director of Evolution Markets,

Continued on page 13

NECA Renewable Energy Conference

NECA Panelists Talk Carbon Pricing, Northern Pass

Continued from page 12

an institutional brokerage service for energy and environmental markets. "If the issue is meeting the Clean Energy Standard at the lowest cost, [Northern Pass] probably is a low-cost solution … Economics were the big driver likely."

Massachusetts Assistant Secretary for Energy **Patrick Woodcock** did not address the Northern Pass issue but spoke on a panel about the grid of the future.

"While the state has been very successful with deployment of clean energy performance-based rate design, more sophisticated price signals and additional grid modernization are areas of focus for Massachusetts to provide a stronger foundation for long-term growth," Woodcock said. He added that since taking office last April, he's seen the state focus especially on energy storage and promoting electric vehicles. (See *Mass. Prepares for EV Growth, Alternative Energy Standard*.)

Offshore Wind has 'Turned the Corner'

New England has "the trifecta with regard to wind resources and wind energy," said **Jim Bennett**, chief of the Office of Renewable Energy Programs at the Bureau of Ocean Energy Management. "First off, we have world-class winds on both the East Coast and on the West Coast, but particularly up here in the Northeast."

The second piece of successfully developing wind energy projects is "a buildable environment, and we have a shallow slope on the outer continental shelf, particularly up here in the East and the Northeast, which is not the case where there are other good resources, like out on the West Coast," Bennett said.

Finally, the recipe for success must include market demand, and the Northeast has world-class markets, he said.

As a result, BOEM has conducted a number of sales over the last several years and now has 13 leases for offshore wind farms. Seven competitive lease sales generated $68 million, and nearly 1.4 million acres are under lease.

"We have at least one commercial lease off every state from Massachusetts to North Carolina, from Cape Cod to Cape Hatteras," Bennett said. "We think the wind industry has turned the corner. It's economically viable, and we should be looking, as the industry tells us, to have a steady stream of leases for years to come."

ISO-NE NEWS

New Hampshire Rejects Permit for Northern Pass

Continued from page 1

Monitor reported. However, committee members acknowledged the $1.6 billion project would boost tax revenues, reduce electric rates and create jobs in the communities along the corridor, the paper said.

"At a minimum, it appears today's development requires re-evaluation of the selection of Northern Pass," said Chloe Gotsis, a spokeswoman for Massachusetts Attorney General Maura Healey, the Associated Press reported. "The attorney general's office remains committed to an open and transparent review and we will be following this closely."

The final decision, which came earlier than expected, is likely to spur an appeal from Eversource, which said it was "shocked and outraged" at the outcome of the yearslong process.

"The process failed to comply with New Hampshire law and did not reflect the substantial evidence on the record," the company said in a statement. "As a result, the most viable near-term solution to the region's energy challenges, as well as $3 billion of N.H. job, tax and other benefits, are now in jeopardy."

Eversource said it would seek reconsideration of the decision and review other options for continuing the project.

The International Brotherhood of Electrical Workers Local 104 "decried" the decision and said it "looked forward" to working with Eversource to advance the project.

"Today's actions by the N.H. Site Evaluation Committee to deny a permit to Northern Pass are a major disappointment to the working families of New England. After years of collecting evidence and data, in the end it appears that the SEC made their decision based on special interest opinions and not the facts," the IBEW said in a statement.

Project opponents lauded the committee's decision.

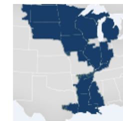
"The people of New Hampshire rejected the unreasonable burden of international transmission lines proposed by Eversource and Hydro-Québec," said Catherine Corkery, chapter director of the New Hampshire Sierra Club. "The Site Evaluation Committee heard our objections to Northern Pass because it would ruin our landscapes, small towns and forests."

"Northern Pass has bullied its way through this process, and today's decision says loud and clear that the people of New Hampshire won't stand for it," Conservation Law Foundation attorney Melissa Birchard said. "The committee served us well. It heard the overwhelming opposition of towns and communities, and it rejected Northern Pass's false claims that New Hampshire's properties, tourism industry and treasured resources would be unmarred by this proposal."

In commending the SEC decision, RENEW Northeast urged Massachusetts "to reconsider the dozens of other bids to bring new renewable generation to the region." The nonprofit said Northern Pass and its associated energy from Hydro-Québec would have cost state ratepayers $500 million annually for 20 years.

"Despite this high cost, it would only bring energy from old generation rather than from new renewable resources that can enable Massachusetts to achieve its required greenhouse gas emissions reductions," the group said.

MISO NEWS



MISO Board Approves Texas Competitive Tx Project

By Amanda Durish Cook

MISO's Board of Directors met via conference call Friday to grant belated approval of the RTO's second competitive transmission project, the only one in the 2017 Transmission Expansion Plan.

The board voted unanimously during a five-minute conference call to approve the 500-kV Hartburg-Sabine project, MISO's second-ever competitively bid transmission project and the first such project to include a substation. The $130 million line is intended to alleviate constraints in MISO South's West of the Atchafalaya Basin load pocket area bridging Texas and Louisiana. MISO has added two new staff members to oversee the competitive process behind the project and will send a request for proposals last week, leaving the bidding window open until late July. MISO plans to announce a developer no later than Jan. 2, 2019.

Board Chairman Michael Curran said the line is on track to be "a very worthy project."

Vice President of System Planning Jennifer Curran said the project will provide better than a 1.25 benefit ratio "in a highly congested area."

Although it's technically part of MTEP 17, approval of the project was delayed because of stakeholders' concerns over the cost estimate and a late Tariff change to separate Texas and Louisiana into their own zones for cost allocation.

In November, regulators from both states asked MISO to create the separate zones for the two states to allow for a more specific cost allocation of market efficiency projects. All of the 353 other MTEP 17 projects were approved by the board in early December. (See *MISO Board Approves $2.6B Transmission Spending Package*.)

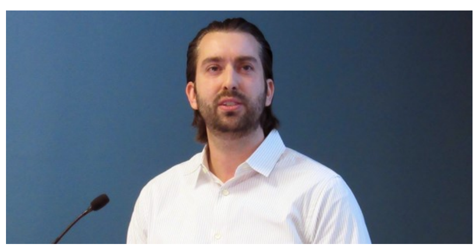
FERC approved MISO's Tariff change to separate the zones last week. In a Jan. 29 order (ER18-364), the commission said the creation of zones based on state boundaries is just and reasonable, overriding East Texas Electric Cooperative's arguments that MISO didn't give enough notice to stakeholders to comment on the filing and that its cost estimates were inadequate.

The commission said the state-divided zones result in "an allocation of costs that is at least roughly commensurate with the benefits of market efficiency projects" and make "the adjusted production cost savings analysis more granular and arguably increases the precision with which beneficiaries are identified and costs are thus allocated."

MISO Winter Survey Shows Small Gas Supply Improvements

By Amanda Durish Cook

CARMEL, Ind. — Midwest gas-fired generators have made incremental improvements to ensure fuel supply over the past year, MISO stakeholders learned Thursday.



Phil Van Schaack | © *RTO Insider*

At a Feb. 1 Reliability Subcommittee meeting, MISO Electric-Gas Operations Coordinator Phil Van Schaack said the RTO's winter fuel survey shows generators made "modest improvements to fuel assurance" this winter when compared to statistics from the 2016/17 annual survey.

The report indicates that 44% of MISO's 70.7 GW in natural gas capacity have either access to firm transportation or dual-fuel capability, up from the 40% reported last year.

The RTO's remaining capacity either relies on a combination of firm transport and interruptible transport (33%) or all interruptible transport (8%). MISO also reported that 17.8 GW of natural gas plants holding firm transportation contracts say their firm transport is shared across multiple generators within their resource portfolios, a small decrease from last year's results.

Van Schaack also said the number of generators subscribing to flexible pipeline services increased moderately over the last year.

More needs to be done in testing dual-fuel capability ahead of time, he said. Thirty percent of MISO's dual-fuel generators have tested their backup fuel in the last three months, while 50% have operated on backup fuel within the last year.

Gas-fired facilities with dual-fuel capability account for just under 18 GW (25%) of the gas capacity in the MISO footprint. Approximately 63 GW of MISO's gas-fired capacity answered the 2017 survey, representing 89% of the capacity registered in the RTO's commercial model. MISO's total natural gas capacity accounts for 41% of its total capacity.

Van Shaack said independent power producers and qualifying facilities predominately located in MISO South comprised the remaining 7.5 GW of natural gas generation that did not respond to the survey.

MISO credited its improved gas-electric communication, including the survey, for helping the RTO reliably navigate the cold snap that swept most of MISO in early January. (See *MISO Breaks down Recent Cold Snap*.) The survey specifically improved situational awareness during the extreme weather, the RTO said.

The survey also revealed that 58% of responding gas-fired generation owners are comfortable that their current pipeline service offerings meet their generation needs, with 11% saying they are dissatisfied and another 18% admitting they could use additional service.

MISO NEWS

MISO Touts $3 Billion in 2017 Savings

By Amanda Durish Cook

MISO says it saved its members upward of $3 billion last year, but some stakeholders are questioning whether the RTO is overstating some of the benefits it provides.

The grid operator last week released a 2017 Value Proposition study showing that its members reaped net benefits ranging from $3 billion to $3.7 billion over the year, after accounting for the RTO's $278 million in operating costs.

MISO estimates overall benefits increased by $366 million, or 12%, when compared to 2016, when the benefit ranged from $2.6 billion to $3.3 billion.

"Again in 2017, our value proposition demonstrates the value members receive through improved reliability, market efficiencies and footprint and resource diversity," CEO John Bear said in a statement.

During a Jan. 31 special conference call, RTO staff said the value propositions represent a range of savings because of the many variables in estimating total savings.

"An exact benefit for each of these would be extremely difficult to pinpoint," business adviser Leonard Ashley said. The RTO excludes savings that are difficult to quantify, including energy price transparency and seams management efforts with other balancing authorities.

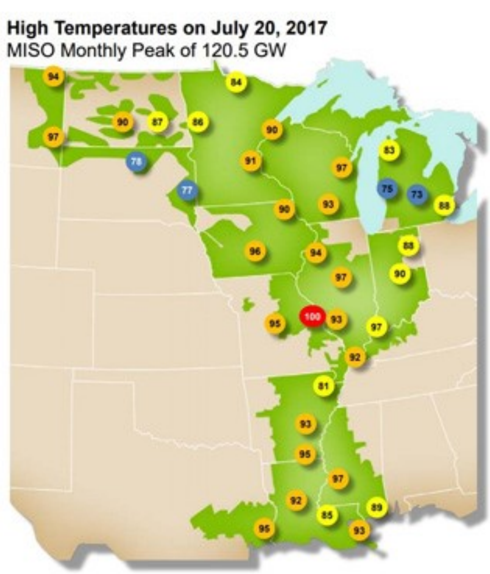
MISO estimates that it has provided about $20.8 billion worth of cumulative net benefits since 2007.

"Our work helps members evaluate the impact of environmental regulations, improve coordination with neighboring systems and develop new products and services to adjust to a transitioning grid," said Wayne Schug, vice president of strategy and business development.

Ashley said the MISO South region experienced "meaningful benefit" throughout 2017, with RTO membership providing Entergy and other generators anywhere from $800 million to $900 million, accounting for $67 million in region-specific operating costs. South's benefit increased $60 million, or 3%, over the previous year, according to MISO.

Ashley said those amounts are better than MISO's 2013 projections, prepared when Entergy was in the process of integrating into the RTO.

Indiana Utility Regulatory Commission staffer Dave Johnston asked if MISO has ever performed a study evaluating the administrative costs for Midwest members since the addition of South. He said he remembered the RTO promising to reduce costs for its Midwest membership during a 2011 meeting. Staff responded that they might conduct more research to isolate those costs.



| MISO

Planning Reserve Margins

without MISO	22.15%
with MISO	15.80%

Load Diversity Explained

The high temperature map illustrates that the peak for each Load Serving Entity (LSE) does not occur at the same time.

Prior to MISO, individual LSEs maintained reserves based on their monthly peak load forecasts. Due to MISO's broad and diverse footprint, LSEs now maintain reserves based on their load at the time of the MISO system-wide peak. This creates significant savings.

Show Me the Benefits

MISO attempted to break down exactly what factors contributed to the $3 billion-plus in benefits.

In terms of increased transmission availability and reliability, the RTO estimated it saved its membership $234 million to $261 million last year through avoidance of blackouts. Each likely saved megawatt was valued between $11,000 and $13,000.

MISO touted that its centralized dispatch system and modeling software resulted in a cost savings between $229 million and $259 million from improved unit commitment among the RTO's 30 balancing authorities.

Use of the RTO's ancillary service market reduced regulation needs by 1,162 MW, resulting in a $53 million to $58 million in savings. Ashley said each single megawatt decrease equated to about $40,000 in savings.

MISO also said its control of spinning reserves saved local balancing authorities $25 million to $27 million, compared with what BAs would have spent carrying their own reserves. Ashley said the use of spinning reserves resulted in a 530-MW reduction, with each megawatt worth $45,000 to $50,000 in production costs.

Northern Indiana Public Service Co.'s Bill SeDoris asked if MISO might be inflating the benefit of centralized spinning and contingency reserves, as many local balancing authorities had already engaged one another in a reserve sharing group prior to MISO's creation.

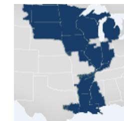
Ashley said MISO could look into that, but he warned it is often difficult to unearth statistics on such collaborative efforts among utilities before the RTO's creation.

"A footnote on the facts of life before MISO would be appreciated, so it doesn't look like you're trying to take credit for something you shouldn't," Indianapolis Power and Light's Lin Franks added.

MISO also monetized a wind integration benefit, derived from its studies to model and pinpoint the most economic placement of wind generation to meet state renewable

Continued on page 17

MISO NEWS



DC Circuit Rejects Appeal of Entergy Bandwidth Decision

By Amanda Durish Cook

The D.C. Circuit Court of Appeals last week refused to overturn FERC's decision to require Entergy Arkansas (EAI) to make $11 million in retroactive payments to its affiliate companies.

The Arkansas Public Service Commission last month appealed FERC's rejection of its request to exclude EAI from making the backdated 2005 "bandwidth" payments stemming from Entergy's system operating agreement, which EAI exited in 2013 (EL01-88-013). (See *Ark. Regulators Contest Entergy Bandwidth Payments*.)

The state regulator contended the agreement made no provision for assessing payments after withdrawal, which meant the utility had no continuing obligation to its sister companies.

A three-judge panel for the D.C. Circuit disagreed with the PSC's argument, saying EAI's withdrawal does not mean it "extinguished its obligation to make incurred bandwidth payments" (No. 16-1193).

The court said contract law principles "support FERC's conclusion that a party's accrued contractual obligations continue beyond its withdrawal from a contract." It cited commercial code that provides that "all obligations which are still executory on both sides are discharged" upon a contract's termination, but "any right based on prior … performance" — that is, any accrued obligation — "survives."

The PSC "points to no case or authority suggesting otherwise," the court said.

The judges also disagreed with FERC's contention that it should refrain from deciding the case because it "lacks the finality and/or ripeness necessary for judicial review." They said FERC's earlier decision consummated the agency's decision-making process and determined EAI's obligations.

Delaying consideration of EAI's liability "would not 'permit better review of the issues,'" the court said, "because the issues on review largely revolve around contract interpretation uninfluenced by future events."

The ruling was issued by Chief Judge Merrick Garland and Circuit Judges Sri Srinivasan and Patricia Millett, who heard oral arguments in December.

The Arkansas commission is evaluating the ruling and considering "the options we may have," Executive Director John Bethel told *RTO Insider*. "We want to make sure the Arkansas ratepayers are fairly treated."

Under the Entergy system agreement, which expired in 2016, low-cost operating companies made annual payments to the system's highest-cost company. The "bandwidth" remedy was used to ensure that production costs for Entergy's five utilities were no more than 11% above or below the system average.

MISO Touts $3 Billion in 2017 Savings

Continued from page 16

goals. The RTO said its economic studies avoided the construction of 9,300 MW of excess wind generation, preventing $348 million to $413 million in additional spending.

The RTO also estimated it saved members about $104 million to $132 million in compliance work throughout 2017 based on the average compliance needs for its small, medium and large generators. MISO keeps pace with about 4,000 Tariff requirements and 1,000 NERC requirements.

Customized Energy Solutions' Ted Kuhn asked MISO to consider balancing those compliance cost savings with the money and man-hours member companies spend to attend stakeholder meetings and follow the RTO's FERC filings. Kuhn said several members have hired dedicated employees to monitor and report on MISO's activities and projects.

"We do have a cost of engagement," Franks said. "You might want to talk with stakeholders to get an idea of how much is spent. … In our case, we actually hired people."

Footprint Diversity

MISO said the single biggest financial benefit from membership stems from the RTO's footprint diversity, which enables load-serving entities to carry just enough supply to meet its peak one-day-in-10 standard, instead of the peak estimates for each balancing area, saving customers $2 billion to $2.5 billion in avoided costs for building new generation.

Using the avoided costs of building an average combustion generator, MISO valued each avoided megawatt at $13,200 to $15,200. If LSEs went it alone, MISO estimated that they would have to carry an average 22.15% planning reserve margin instead of the 15.8% requirement the RTO used in 2017.

But some stakeholders again asked if MISO's footprint benefit was based on the assumption that each utility would function as a complete island, rather than considering the pre-MISO tendency to share resources. Wisconsin Public Service's Chris Plante said that prior to MISO's formation, some utilities created planning reserve sharing programs to create some measure of peaking diversity.

MISO also estimated $135 million to $142 million in benefits for members through generator availability improvements in a networked system versus LSEs going it alone, based on the value of deferred generation construction. The RTO said last year it delayed the need for 882 MW of new capacity.

Franks asked if MISO's estimates accounted for the RTO's more nuanced dispatch method, which calls for increased stops and starts that increase wear on generators — and for the monetary penalties that unit owners incur for not responding to dispatch instruction.

"There are some downsides to this increased performance. We've always been ready to provide generation. With this so-called generator availability improvement comes some wear and tear on the generator," Franks said.

MISO staff promised to consider factoring maintenance costs and penalties into the benefit calculation.

Finally, MISO said its demand response management efforts yielded anywhere from $97 million to $163 million in savings.

MISO NEWS

Solar Developer Contests Michigan PURPA Freeze

By Amanda Durish Cook

Consumers Energy's Campbell plant | *Michigan Building Trades Council*

A solar developer is attempting to block a Michigan utility giant's effort to halt its energy purchases under the Public Utilities Regulatory Policy Act for the next 10 years.

The conflict pits Cypress Creek Renewables against Consumers Energy, which supplies electricity to more than half of Michigan.

Consumers Energy in December asked the Michigan Public Service Commission for permission to decline purchasing capacity from qualifying facilities, contending that it will not need any new generation over the next decade (U-18491). The company also requested that the PSC reset the value of Consumers' avoided capacity cost to match MISO's Planning Resource Auction price for all new QFs' offers to sell capacity. PURPA requires utilities such as Consumers Energy to purchase electricity from QFs at avoided-cost rates that reflect a utility's own cost to build new generation.

In its filing, Consumers pointed to a 2017 case in which the Michigan commission ruled that the PURPA purchase obligation does not exist "if no additional capacity need is forecasted." The company included a 10-year capacity proposition with its application.

But Cypress Creek this month filed in opposition to the plan, arguing that Consumers did not satisfy the grounds for a stay of PURPA obligations because the company could not prove it would be damaged in the absence of the waiver. The renewables developer also said a PURPA stay for Consumers would harm the public interest by hindering small solar development. Under PURPA's implementation in Michigan, projects 2 MW and smaller are guaranteed a 20-year, fixed-price contract.

Cypress Creek's complaint also contends that Consumers has itself admitted that it will need an additional 625 MW of renewable energy capacity to comply with Michigan's 15% renewable portfolio standard.

Cypress Creek is joined in its arguments by the Environmental Law and Policy Center, which objected that Consumers' 10-year capacity assumption "rests on faulty assumptions — including an inadequate analysis of coal-plant retirements." The environmental non-profit said Consumers failed to conduct a cost-benefit analysis on retirement of existing coal units, simply assuming that two units apiece at its Karn and J.H. Campbell plants will stay online through 2030. Consumers retired seven of its oldest coal plants in 2016, representing about 30% of its generating capacity.

$3 Billion, 700 MW

Cypress Creek said it has more at stake than Consumers in the debate over PURPA.

"The harm to Cypress Creek and other interested parties from granting a stay exceeds any harm to Consumers if a stay is not granted," Cypress Creek said. The company said it is ready to invest $3 billion in low-cost, solar energy in Michigan through its affiliates, which already have approximately 700 MW of solar capacity under development in Consumers' service area.

"These projects will be out on indefinite hold if Consumers' request for a stay is granted," the company said.

The company also alleged that Consumers' timing of its application was opportunistic because the utility didn't file for the waiver until after the Michigan PSC had set new avoided costs to file its application.

The PSC in November approved Consumers' avoided cost rate at $117,203/MW-year or $140,505/MISO zonal resource credit year (U-18090) but put the ruling on hold on Dec. 20, anticipating petitions for rehearing. A day later, Consumers filed its request for a stay.

"Consumers waited until after the Commission set new avoided cost rates to now claim that it does not have a capacity need," Cypress Creek said.

Consumers maintains that PURPA will require it to purchase an additional 300 MW per year from QFs, burdening its customers "with up to $519 million of added expense over the next 20 years for a commodity that is unnecessary to serve their demand."

Cypress Creek has found itself in a similar row over challenges to PURPA rates in Montana. The company has filed suit in both state and federal courts over the Montana PSC's 2016 decision to first suspend, then slash PURPA rates and contract lengths offered to small solar producers. (See *Montana PSC Racks up 2nd Lawsuit over PURPA Rates*.)

NYISO NEWS

Management Committee Briefs

RENSSELAER, N.Y. — Soaring natural gas prices, customer satisfaction and credit requirements were all on the agenda during a meeting of NYISO's Management Committee on Wednesday.

The committee also approved several measures recommended by the ISO's Business Issues Committee, including modifying price correction deadlines to use business rather than calendar days in the period calculation, and changing the Tariff to recover costs related to acquiring solar forecasts for front-of-the-meter, utility-scale solar facilities in New York. (See *NYISO Business Issues Committee Briefs: Jan. 17, 2018*.)

Cold Snap Spikes Natural Gas Prices 1,374%

This winter's cold snap saw New York City's Transco Zone 6 natural gas prices surge to an average $47.34/MMBtu during a 13-day period, a 1,374% increase over the average for the period in December before the deep freeze hit on Christmas Day.

But grid operations were largely unhindered by the price jump, according to NYISO Vice President of Operations Wes Yeomans, who presented a cold weather operations report to the committee.

"Transmission was really excellent this time around, and transmission owners rescheduled maintenance outages to after the cold snap," Yeomans said. "The two Ramapo [phase angle regulators] really provided value. We saw full utilization of the 500-kV line, which definitely wouldn't have been possible without the replacement of the second PAR last fall."

Yeomans noted that the Central East interface was the primary binding constraint — as predicted in the ISO's winter preparedness report. Load-weighted electric locational-based marginal prices averaged $135.96/MWh during the cold snap, a 297% increase over December's pre-Christmas average of $34.27/MWh. Power prices did not increase in line with gas prices because NYISO market systems selected lower-cost resources, primarily dual-fuel units capable of operating on lower-cost oil.

The recent cold snap differed from the January 2014 polar vortex in occurring over 13 consecutive days rather than spread over a month of fluctuating temperatures, Yeomans said. New York City went two weeks with temperatures never rising above freezing, but interstate and local delivery company gas pipelines all remained in service.

The period of extreme cold ended with a Jan. 4-6 blizzard that "originated in Florida, which is hard to believe, but that's what the weatherman said," Yeomans said.

NYISO's load peaked at 25,081 MW on Jan. 5, exceeding the seasonal forecast of 24,365 MW but falling short of the high of 25,738 MW recorded in January 2014. Hydro-Québec registered a new all-time peak of 39,710 MW on Jan. 6, Yeomans said, noting that Montreal relies heavily on electric baseboard heating.

FERC early last month granted NYISO's request to waive incremental energy offer caps for Jan. 4 through Feb. 8, allowing generators to recover minimum costs in excess of $1,000/MWh. As of Jan. 24, the ISO had not received any such cost recovery requests, Yeomans said. (See *FERC Grants NYISO 'Cold Snap' Offer Cap Waiver*.)

Customer Satisfaction and Performance Assessment

Don Levy, director of the Siena College Research Institute, presented a full-year 2017 survey of customer satisfaction and assessment of NYISO performance showing respondents are satisfied overall with the ISO.

NYISO has now completed two full cycles of the program, with about 27% of market participants responding to the survey, Levy said.

"I'd love to get up to a full third, and would be doing cartwheels if we got to 35%, but the participation we get is a statistically significant response. When we did it monthly, the fatigue was palpable," Levy said. The new method entails surveying market participants twice a year.

The satisfaction survey comprises three platforms: a customer inquiry survey, a market participant survey and a CEO strategic outreach survey. An "assessment of performance" combines the CEO survey and the performance portions of the market participant surveys, which have stayed consistent throughout the year.

Respondents said they liked the profession-

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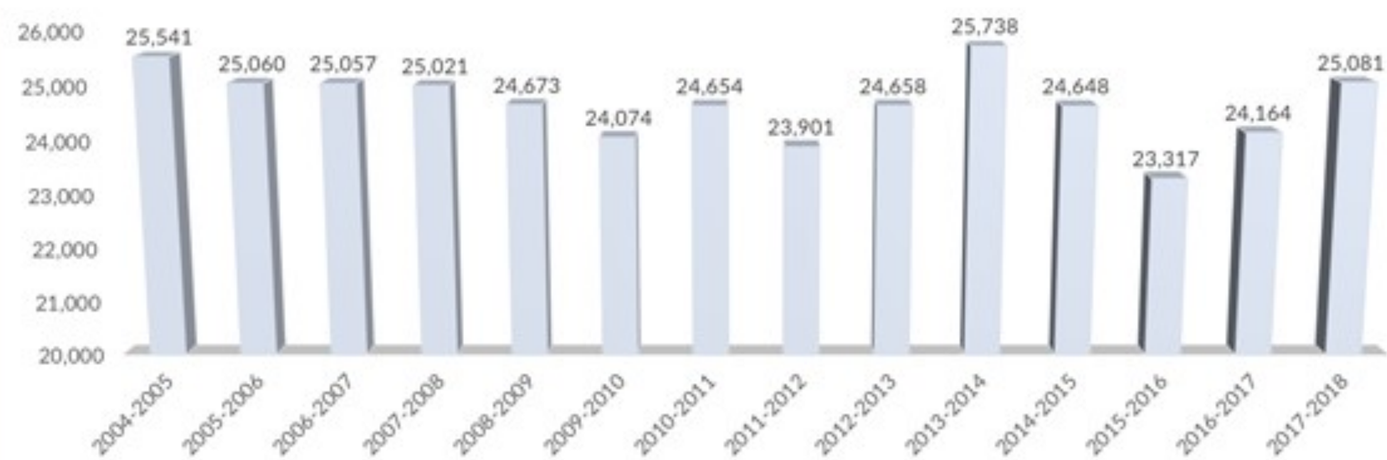


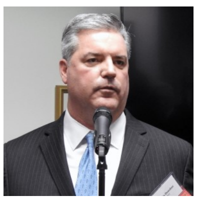
Actual winter peak loads (megawatts) | *NYISO*

NYISO NEWS

IPPNY Unveils New Look, 2018 Priorities

By Michael Kuser

ALBANY, N.Y. — The Independent Power Producers of New York rang in the new year last week with a barbecue, a list of priorities, and a new logo.



"Topping the list regarding New York's wholesale electricity market is the issue of pricing carbon," said IPPNY CEO **Gavin Donohue**.

Donohue said IPPNY would work closely with the carbon pricing task force set up by NYISO and the state's Public Service Commission "[to monitor] the process for fair and open competition in the wholesale electricity market for all solutions, especially generation, transmission, and energy storage — and the viability of existing investments operating in the competitive market."

IPPNY has said it "strongly supports" a carbon pricing approach that would add a carbon value to a resource's commitment and dispatch costs based on its emission rate, with the price-per-ton set by the PSC.

A number of elected state officials attended the Jan. 29 reception, including Sen. Joseph A. Griffo (R), chairman of the Senate Energy and Telecommunications Committee, and Assemblyman Michael Cusick (D), chairman of the Committee on Energy.

PSC Commissioner Diane Burman also attended the event, which took place just hours after Gov. Andrew Cuomo released the state's master plan for developing offshore wind. (See NY Offshore Wind Plan Faces Tx Challenge.)

Entering his fourth year as chairman of his committee, Griffo said he looked forward to working with IPPNY on free market issues — and the state's master plan for offshore wind could "conflict with" the philosophy of free enterprise. He questioned the wisdom of the proposal to put a state agency — the New York State Energy Research and Development Authority — in charge of contracting for the energy output of offshore wind farms.

Griffo also said it was unlikely that he or IPPNY members would accept any form of utility-owned generation, which was one of seven market structure proposals in NYSERDA's comments filed with the commission last week.

Cusick said he had "a good working relationship" with Griffo on several non-energy issues and looked forward to working together on energy.

"I just hope I'm not being set up here," Cusick said, "but that's just the instinctive reaction of a kid from Staten Island."

Donohue said IPPNY was established in 1986 and last year he and other board members pondered "ways to breathe fresh life into the organization."

The new logo was a product of that effort.

"Now at least we don't look like a waste management company," he said.

Management Committee Briefs

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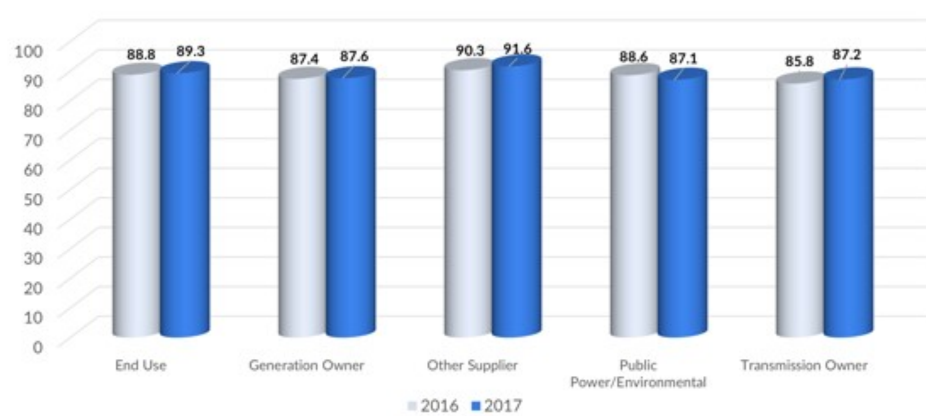
alism of NYISO personnel and saw the ISO and its procedures as fair and efficient, but the results suggested the ISO could improve on how it explains policies and procedures and how it conducts long-term planning for New York's electric power system.



Stakeholder satisfaction by sector | *Siena College*

Projected True-Up Exposure Enhancement

The Management Committee approved changes to the ISO's credit requirements implemented in February 2015 after the 2014 polar vortex. The changes, recommended earlier in the month by the BIC, are slated to be deployed in June following approval by the board in April and FERC in May.

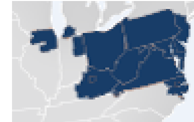
Corporate Credit Manager Sheri Prevratil presented the proposed filing under Section 205 of the Federal Power Act, which would revise Attachment K of the Tariff.

Under the current methodology, NYISO calculates the projected true-up exposure credit requirement for all market participants in the energy and ancillary services markets. A market participant is required to post credit support in the amount of its projected true-up exposure if its four-month true-up shows an average credit exposure greater than 10% of the initial settlement, or if the participant is no longer active in the markets but will still be subject to unsettled true-up obligations.

The alternate methodology would still retain the 10% trigger and require market participants to post credit support in the amount of the projected true-up exposure, but it would simplify the method for calculating the true-up to better align the credit requirement with market risk.

— Michael Kuser

PJM NEWS



PJM TOs, Customers Continue to Clash on Transmission Maintenance

By Rory D. Sweeney

| © RTO Insider

VALLEY FORGE, Pa. — One thing is clear in the PJM turf war over control of the transmission replacement process: Neither side is conceding an inch until a FERC decision forces them to.

Representatives of transmission owners and their customers once again staked their claims at last week's meeting of the Transmission Replacement Processes Senior Task Force (TRPSTF). TOs argued it's their sole right and responsibility to manage their infrastructure, while transmission customers called for increased transparency of the processes TOs use to determine when towers and other equipment should be replaced. The projects are part of a class of transmission development that doesn't require PJM approval, known as "supplementals."

PJM staff stuck to a strict definition of the RTO's role over such projects.

"We look at the reasonability of the information [TOs provide] and that they have followed the procedures that have been specified, but validation is a much stronger word," Vice President of Planning Steve Herling said. "We validate that they follow their procedures. We cannot validate the individual elements of the actual material condition."

The task force has made little progress since it was chartered in May 2016 to "develop alternatives for providing more transparency and consistency in the communication and review of end-of-life projects in the Regional Transmission Expansion Plan." (See *PJM Demands Agreement on Tx Replacement Definitions*.)

FERC issued a show cause order in August 2016 questioning whether PJM TOs' procedures for planning supplemental projects provided stakeholders opportunity for "early and meaningful input and participation," as required by Order 890 (EL16-71). TOs included in their response a proposed addition to the Tariff known as Attachment M-3, which they argue would improve transparency.

The show cause order precipitated a 10-month hiatus of the task force, which ended in July. Since then, American Municipal Power and Old Dominion Electric Cooperative — who say they are advocating for their customers — have proposed an alternative to Attachment M-3 that would give PJM more say over when and how TOs can replace aging equipment. Currently, TOs fully control that process through Form 715.

The sides spent much of last week's meeting walking through AMP and ODEC's responses to questions TOs had posed about their proposal. The TOs argued that many of the AMP/ODEC provisions violate PJM's governing documents and the organizational structure TOs agreed to when they joined the RTO. Exelon's Gary Guy and Gloria Godson led much of the TO criticism.

"I cannot agree to" the AMP/ODEC proposal, Guy said. "We subjected ourselves to PJM, to their operational control ... but not to any other third parties, and we're not going to use the Tariff of PJM to write rules of compliance between us and third parties."

PJM staff maintained their neutrality, saying that they expect TOs to provide explanations of their decisions but not information necessary to replicate their studies. Staff said the control they have over projects needed to address system reliability issues — known as "baseline" projects — doesn't extend to supplementals.

"If it's a baseline project, we get involved in that conversation [on sizing and specifications]. If it's a supplemental ... I don't believe we have a role," Herling said.

"I maintain my water heater ... but after a while, when the bottom fell out of it, I went ahead and I had to get a new one. But I'm not characterizing my new water heater as maintenance," AMP's Ed Tatum said.

"You may choose to replace your water heater when the bottom falls out. Others may choose to replace it when it starts to get rusty on the top," PJM's Paul McGlynn responded.

PJM staff then walked through proposed solutions they developed internally. The proposals received substantial feedback from stakeholders, but TOs clarified at the end that their engagement didn't represent approval.

"We're not negotiating against our [M-3 proposal] in the FERC docket," PPL's Frank "Chip" Richardson said. "PJM's proposal may go well beyond what transmission owners filed in that docket. We don't know yet. We have to take it back and look at it."

PJM NEWS

FERC Judge Faults PJM, TOs in Transmission Upgrade Process

By Rory D. Sweeney and Rich Heidorn Jr.

In a potential victory for merchant transmission developers, a FERC administrative law judge has concluded that PJM's system impact study (SIS) process is unjust and unreasonable because of a lack of transparency (EL15-79).

ALJ Philip C. Baten's Jan. 19 initial decision ordered PJM to reinstate three interconnection queue positions he said were unfairly eliminated when developer TranSource refused to pay for a facility study, the next stage of its interconnection process after the SIS. He also ordered the refund of TranSource's SIS application fees.

Baten dismissed several other remedies TranSource — not to be confused with Transource Energy, a joint venture of American Electric Power and Great Plains Energy — sought, including its claim for $63.6 million in "lost business" opportunities. Parties have 30 days to file exceptions to Baten's decision.

PJM spokesman Ray Dotter said the RTO will challenge the ruling.

"We have concerns about the judge's proposed remedy to put the project back into the planning queue because it would be disruptive to other interconnection customers with pending projects," he told *RTO Insider*. "PJM has looked at and revised its processes. We have made great progress on the identified transparency points. As the next step in the proceeding, we will file with the commission a brief on exceptions to the initial findings."

Inflated Costs?

TranSource filed a complaint in June 2015 contending that PJM and transmission owners Public Service Electric and Gas, PPL, Jersey Central Power & Light and Delmarva Power & Light inflated the cost of upgrades necessary to approve three requests for incremental auction revenue rights (IARRs). (See *Transmission Developer: PJM TOs Inflating Upgrade Costs for ARRs*.)

Baten said he could not determine whether the $1.7 billion in upgrades PJM identified were indeed necessary, noting that the case focused on the impact studies, which are supposed to produce only "good faith" cost estimates.

But he sided with FERC trial staff in faulting PJM for failing to provide transparency throughout TranSource's efforts to secure IARRs for making upgrades that would reduce congestion on the transmission grid.

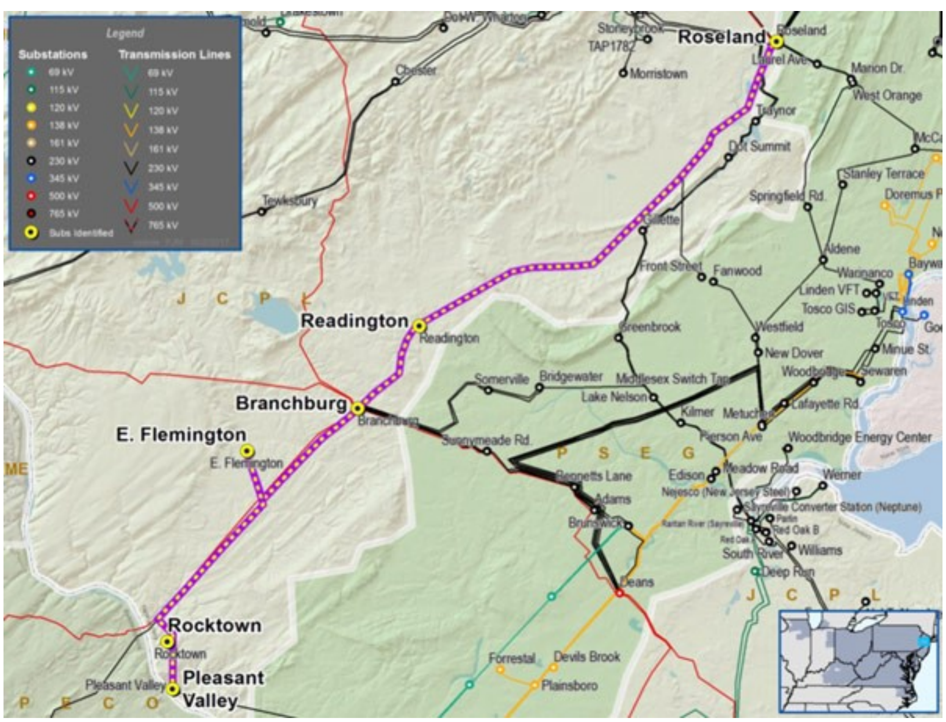
TranSource's upgrade proposals used facility ratings from FERC Form 715 filings made by PJM on behalf of the TOs. Baten said that was a "reasonable" assumption based on "statutory and regulatory provisions" and language in PJM's Tariff.

But the RTO testified its cost estimates were based on the line ratings expected at the time that the project being studied would be in service — including planned upgrades.

PJM's estimates also incorporate the host TO's review of limiting elements based on the methodologies they file under NERC reliability standard FAC-008-3. The methodologies are not public and not the same as those used for Form 715, Baten said.

A TranSource witness, electrical engineer Dale Douglass, testified in the case that FirstEnergy's FAC-008-3 ratings methodology was "clear and logical" but that the other three TOs did not clearly specify the maximum conductor temperature used to determine the line ratings.

"For some years the commission has fostered policies to pry open the transmission grid to greater competition. … The commission does recognize that interconnection customers should be able to reasonably estimate their cost before entering the queue," Baten wrote. "Nowhere in the PJM [Open Access Transmission Tariff], Operating Agreement, or manuals or any written manifestation, which may be presented to outside parties, does PJM explain or indicate that the FERC Form 715 ratings are not used to process IARR requests. … The evidence is sufficient to show that TranSource was not advised of these parts of the model within a time frame to afford it the opportunity to make sound business judgments."



Analyses of the condition of the Readington-Roseland line was a source of contention in the TranSource case. | *PJM*

Continued on page 23

FERC Judge Faults PJM, TOs in Transmission Upgrade Process

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Readington-Roseland Line

A primary conflict was over estimates for upgrading PSE&G's Readington-Roseland 230-kV line in New Jersey.

PJM's analysis of transmission upgrade requests under Tariff Attachment EE is done in two steps. The SIS provides developers with an estimate of what their plan will cost with +/- 40% accuracy.

The first component of the SIS is the simultaneous feasibility test, in which PJM tests whether the developer's IARR request can be accommodated without diminishing the income of the current ARR holders. After that, PJM identifies the facilities that are impacted by the IARRs and the relevant TOs conduct "desk-side" studies — so called because they do not involve site visits — using the confidential methodology to identify upgrades needed to accommodate the IARRs and their estimated cost.

If the developer chooses to proceed based on the SIS results, PJM conducts an in-depth facilities study that requires a refundable deposit of at least $100,000 and is supposed to provide a more accurate itemization of required upgrades.

A facilities study done for Exelon in late 2014 pegged the cost to repair the Readington-Roseland line at about $14.2 million. Although the towers had been in service for 80 years, "based on visual observation only, tower replacements are not anticipated," the study said.

But an SIS done for TranSource six months later increased the estimate more than nine times to nearly $126.5 million. When Richard Crouch, a PSE&G electrical engineer, reviewed the project three months later, he called for a complete wreck and rebuild for more than $142.7 million, a $16 million increase that he couldn't adequately explain, the decision said. In his testimony, Crouch said he based his replacement decision on his "institutional knowledge" of the conditions of several other lines that are similar in age and terrain, which he used as surrogates in his own "desk-side" study.

By 2016, PSE&G engineers had put the line on its list of facilities violating the company's Form 715 end-of-life criteria.

"If the line had such a dire status by 2016, it could not have been in a better condition in 2014 when the [TranSource study] began. The FERC Form 715 of that earlier period should have noted the condition," Baten wrote. PSE&G "did not timely report the end-of-life condition of this line on FERC Form 715."

"PSE&G follows the FERC-approved PJM process for all planning decisions, including with regard to the facilities discussed by Judge Baten in the TranSource decision," spokesman Mike Jennings said.

TranSource contested the SIS for Readington-Roseland and its other requested upgrades, saying it lost financing because of what it called PJM's "badly inflated" estimates. The RTO eliminated TranSource's queue positions when it refused to pay for the studies.

Unduly Discriminatory

Baten ruled that the lack of transparency in PJM's SIS process made it "unduly discriminatory" to merchant developers by depriving them of business opportunities. He noted that, because IARRs were implemented in 2007, only two projects out of 100 submissions under two separate Tariff sections have been awarded IARRs.

The judge said that trial staff generally sided with PJM in the case, but that a staff witness, economist C. Shelley Norman, agreed that "PJM's process for reviewing and evaluating IARR requests was significantly lacking in clarity and transparency.

"Even PJM's witness David Egan [manager of the Interconnection Projects Department] agreed during his deposition," Baten added.

"PJM's lack of clarity and transparency in its IARR study process has likely caused systemic issues and contributed to the low completion rate of successful merchant IARR projects," wrote Baten, who noted the record included hundreds of pages of email correspondence between TranSource and the RTO between June 2013 and March 2015. PJM's "dribbling out of piecemeal information over time … is not consistent with the level of transparency that the commission orders have envisioned. … These obvious failures in this case are indicative of a severely flawed SIS process."

Revised IARR Manual

During the hearing in the case, PJM and its Independent Market Monitor developed a manual detailing the procedures that the RTO followed to determine the TranSource upgrades. Baten said that although the manual was intended to improve transparency, it "does not provide any methodologies that the TOs use or will use to rate their facilities when they get the request from PJM to determine the extent and any necessary upgrades to meet an IARR request."

Because the manual was not litigated at the hearing, Baten said he could not rule on whether it is sufficiently transparent.

"The commission on its own motion may order that PJM should offer the manual to a stakeholder process for proper vetting. At this point, the manual represents the efforts of PJM and the IMM to clarify the IARR process. On its face it does neglect a discussion of the role of the TOs in the process. More flaws could be undiscerned at this point in its development."

Two-Stage SIS?

The judge rejected as beyond the scope of the docket TranSource's request that PJM add another phase of impact studies before the facilities study so that requests by merchant transmission developers are handled in the same manner as requests for generation interconnection studies. Baten said the commission "should consider" TranSource's request. PJM's Planning Committee began a discussion on whether an additional study phase is necessary in September. Tariff revisions, which include replacing an initial study for projects with a feasibility study prior to an SIS, were approved by the Markets and Reliability Committee in December and the Members Committee in January. PJM plans to present additional manual revisions at Thursday's Planning Committee meeting. (See "Interconnection Study Process to be Rearranged," *PJM Planning/TEAC Briefs Oct. 12, 2017*.)

SPP NEWS

Mountain West, Cost Allocation Top SPP RSC Concerns

By Tom Kleckner

| © RTO Insider

OKLAHOMA CITY — Spurred on by two of its newest members, the SPP Regional State Committee last week tasked its Cost Allocation Working Group (CAWG) with drafting a report on adding new members and determining their impact on existing cost allocations.

Geri Huser | © RTO Insider

Geri Huser, chair of the Iowa Utilities Board, led the push for the motion, which passed unanimously and came during a report from SPP CEO Nick Brown on the integration of Mountain West Transmission Group into the RTO. She was supported by DeAnn Walker, chair of the Texas Public Utility Commission, and long-time RSC member and Oklahoma Corporation Commissioner Dana Murphy.

"I would like to know we are getting information from our staff on the CAWG and be able to discuss that with other members," Huser said during the RSC's Jan. 29 meeting. The CAWG, composed of state commission staff members, reports to the RSC and its commissioners.

"I find it's difficult for information to be shared in a manner that is timely for those of us that serve on other commissions or boards," Huser said. "We would like to have as much information as early as possible in the process, so we can make decisions."

Brown told the regulators that a small negotiating team composed of himself, Board of Directors Chair Jim Eckelberger, Director Larry Altenbaumer, Westar Energy's Kelly Harrison and Golden Spread Electric Cooperative's Mike Wise have been meeting "almost daily" with Mountain West representatives as part of a "very concerted effort" to reach a final decision by the end of February. (See *SPP, Mountain West Resolving 'Contentious' Issues*.)

He said SPP is intent on scheduling a "decision meeting" in mid- to late February with the board and Members Committee, to review the results of those negotiations and other closed-door meetings.

"Assuming the board and member companies accept those policy statements, we will engage our normal and very public stakeholder process to take those policy decisions and put them into specific language that would become part of our Tariff," Brown said. He reminded the RSC that Tariff language and other changes would go through the board before being filed with FERC.

"Many had hoped we would have reached a decision by now," Brown said. "In my personal view, while we are very close, we're just not quite there. We have a lot of details that need the full vetting of our Members Committee, which has yet to see the details arrived at by our smaller negotiating team."

Murphy responded that there were "many who had hoped" a decision wouldn't have been reached by now. She said she has met with Oklahoma SPP members whose constant concern seems to be the timeline.

"The overarching concern I have, and it was raised by the Integrated System [and its 2015 integration], was the pattern of special meetings," Murphy said. "I know at least three other states had that issue as well. It's a little bit concerning to be having off-pattern meetings, given the scope and complexity of this potential integration."

The commissioners have primary responsibility for cost allocation, financial transmission rights, resource adequacy and remote resources planning issues, and have held two Commissioners Forum meetings on Mountain West. Most of the CAWG members have signed nondisclosure agreements that have allowed them to participate in Strategic Planning Committee meetings on the integration.

That is not enough for some members of the RSC.

"SPP staff has done a good job trying to provide us with information that's needed, but when things change so quickly, we don't have time to digest them," Murphy said. "When we talk about a possible decision being made, I get concerned. We just found out what some of the changes are" in a closed education session.

Brown asked the committee whether it wanted the CAWG report before negotiations end and the board and members consider "high-level" policy matters.

"We're simply telling them to perform the duties that have been laid out [for the CAWG]," Huser said. "If we provide them with this direction, they can begin preparing and providing us with information."

"If you started today, it would not be a wasted effort," Brown said. "We're prepared to provide a lot of information that's not going to change."

The CAWG's John Krajewski, a private consultant, agreed that, under the group's New Member Review Process document, enough information on Mountain West's pending integration had been disclosed to trigger a mechanism to allow the work to proceed.

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SPP NEWS

Mountain West, Cost Allocation Top SPP RSC Concerns

Continued from page 24

The RSC asked for an action plan and that the CAWG's report include — but not be limited to — information on the new members' transmission facilities and planning, generation and load numbers, and proposed modifications to SPP's governing documents. The report will also include a cost allocation review of rate standards, impacts to existing members, facilities and entities to which cost sharing applies, and a benefit-cost analysis.

Huser, who said transparency is very important to her, did not let the matter rest. Concerned that the previous discussion might not be reflected in the minutes, just before the meeting adjourned she requested a motion for a special meeting or closed session in April so that the commissioners can deliberate the Mountain West integration. The motion carried unanimously.

Committee Takes on Cost Allocation Issues

The RSC also directed the CAWG to work with staff on identifying cost allocation issues and report back to the committee in April. Members unanimously passed an action item rather than a motion, following a lengthy deliberation over how to word the action.

The vote followed a presentation on cost allocation in wind-rich areas by Sunflower Electric Power's Al Tamimi, chair of the Generation Interconnection Improvement Task Force. The group has been working to suggest improvements in SPP's study processes that address the "extreme amounts" of new generation in its interconnection queue and new requirements from FERC-proposed rulemakings.

Tamimi, representing a small entity focused on keeping its customer rates low, said SPP has undergone a paradigm shift in why it builds transmission infrastructure. Projects used to be based on changes in load or in designated resources in the same geographical area where the facilities were built, he said, but today's renewable generation is built at great distances from load centers, with many wind projects in small load zones exported elsewhere.

"Load growth is mostly stagnant … in our footprint," Tamimi said, "but we're still seeing transmission getting built, we're still seeing wind being integrated on our system."

Al Tamimi, Sunflower Electric Power

This additional wind benefits the SPP market, but not necessarily the local zones, Tamimi said. He said those zones are saddled with two-thirds of the costs of byway projects in SPP's highway/byway methodology but don't benefit from the reduced energy costs.

"Load growth is mostly stagnant … in our footprint," Tamimi said, "but we're still seeing transmission getting built, we're still seeing wind being integrated on our system."

The presentation was eventually swallowed up in the larger discussion of cost allocation and how to frame direction to the CAWG.

"I agree with expanding and looking at the total impact," Tamimi said. "The wind-rich areas, especially those with small loads and ratepayers, are the ones I'm looking to protect."

"This is something that needs to be addressed. You did a great job of teeing up the issues," Southwestern Public Service's Bill Grant told Tamimi. "We ruled out other possible solutions because of Z2 and other issues we have. The study needs to be comprehensive, not just highway/byway funding. It's how we plan the system … studying wind deliverability is the low-hanging fruit."

Tamimi shared with the RSC study results that showed Sunflower, which accounted for 2.41% of SPP's load from 2011 to 2018, wound up paying $143,874/MW in byway costs for its share of the load. It was the only company above six figures, with second-place SPS at $98,788/MW.

The study, which didn't include the Integrated System entities, was conducted with data from energy management firm ACES. Working with SPP staff will enable the CAWG to widen its pool of data.

"This is obviously well within the RSC's authority," said Kelson Energy's Rob Janssen, who represents Dogwood Energy and helped develop the highway/byway methodology. "[We] came up with a very strong process that led to wind development and a robust grid, but we've gone well beyond the amount of wind we originally thought the customers would want to pay for. I've become more and more convinced we need to have a serious look at cost allocation again. I see Sunflower's presentation as a plea for help, but my concern is where does the stakeholder involvement come in?"

"I'd like to move forward, but not on a really narrow path," Walker said. "This discussion has gone beyond wind-rich areas. I don't think you can look at the wind-rich areas and what Sunflower has raised in a vacuum or a silo."

SPP staff pushed back on the RSC's direction, pointing out the Strategic Planning Committee had just held a long discussion on transmission planning and energy-only resources two weeks prior. (See "Energy-only Resources Report Leads to Discussion, not Results," SPP Strategic Planning Committee Briefs.)

"We're respectful of the urgency Sunflower has shown, but this is just one of half a dozen issues that all need to be addressed together, rather than in one-off ways that tend to create unintended consequences," Brown said. "We're trying to get our hands around all the issues we've discussed over the last six months and determine the best way to tackle these in a comprehensive way."

"I don't know if the RSC members are aware of what the SPC issues are," pointed out RSC Chair Shari Feist Albrecht, of the Kan-

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SPP NEWS

Mountain West, Cost Allocation Top SPP RSC Concerns

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sas Corporation Commission.

Eckelberger expressed his support for the motion, before it was transformed into an action item.

"From my point of view, broader would be better," he said. "What bothers me a lot is that we've seen this come along for three to four years now in the wind-collection areas. They're being hurt. We need to do something to make sure equity comes out of the planning process as soon as we can. Let's take that small step to see what's really wrong here with the lack of equity and who's paying the bills."

RSC Agrees with Working Group's Recommendations

While not being saddled with additional work, the CAWG also brought forward several recommendations to the RSC, all of which passed.

The committee endorsed the working group's lessons learned from its work on SPP's aggregate study safe harbor criteria. Safe harbor is applied when the utility granted a transmission service request (TSR) has no more than 20% of its designated resources (used to meet a load-serving entity's capacity margin requirement) coming from wind or has designated resources greater than 125% of forecasted load, and when it has a five-year minimum commitment for the TSR.

Among the CAWG's suggestions were to work with staff and stakeholders to come up with a reasonable methodology in updating the $180,000 safe harbor amount, determine whether the 125% criterion adversely affects smaller transmission customers and verify whether the original concerns that led to the 20% wind limit still exist.

"We just don't have the algebraics [on the CAWG]," joked Adam McKinnie, chief utility economist with the Missouri Public Service Commission who was deeply involved with the group's work.

The CAWG also recommended the RSC endorse the Supply Adequacy Working Group's revision request (RR251) that addresses three issues FERC used in rejecting SPP's resource adequacy package last year. (See *FERC Again Rejects SPP's Resource Adequacy Revisions*.)

SPP Works on Response to FERC Resiliency Inquiry

But the CAWG didn't monopolize the RSC's agenda. Brown also briefed the committee on SPP's planned response to FERC's review of how RTOs define and ensure resiliency, which was initiated following the commission's rejection of the Department of Energy's call for cost-of-service payments to coal and nuclear generators. (See *FERC Rejects DOE Rule, Opens RTO 'Resilience' Inquiry*.)

Brown said staff have crafted its initial thoughts on the set of 39 questions FERC has asked in the docket (AD18-7) and will work with the SPC to compile stakeholders' thinking on a "topic that is extraordinarily broad."

"FERC raises any number of questions, many of which are outside the roles of at least this RTO," he said. "We initially considered seeking an extension of time, but after seeing the questions, they're so broad that the most the commission could be looking for at this point is initial thinking. We realized there's no way in the world we could attain any consensus."

The SPC has scheduled a Feb. 23 webinar to discuss the draft of responses, which will be distributed by Feb. 20, and will solicit additional input. Final comments will be due March 2, so that SPP can meet FERC's March 9 deadline.

"It will be interesting to see what this morphs into," Brown said. "I could see this going nowhere on one extreme, or on the other extreme we end up with a whole portfolio of resiliency standards, to which the industry must comply."

RSC-Related Membership Changes

January's RSC meeting was the first for Albrecht as its chair. She replaces Steve Stoll, who left the committee when his term on the Missouri PSC ended. Stoll was replaced on the RSC by Missouri Commissioner Scott Rupp.

The committee expects to add Louisiana Public Service Commissioner Foster Campbell for April's meeting.

Albrecht and Paul Malone, chair of the Markets and Operations Policy Committee, are working to fill two vacancies on the Regional Allocation Review Task Force, which works with both committees to define the analytical methods using in reviewing the reasonableness of regional and zonal cost allocation.

Dennis Grennan, with the Nebraska Power Review Board, assumed the task force's chairmanship on Jan. 1.

— Tom Kleckner

RSC Chair Shari Feist Albrecht (left) and Nebraska Power Review Board member Dennis Grennan | © RTO Insider

SPP NEWS

NERC Seeks to Oversee SPP Reliability Compliance

By Tom Kleckner

OKLAHOMA CITY — SPP CEO Nick Brown told the RTO's Board of Directors and Members Committee last week that NERC is proposing it replace SERC Reliability Corp. as the compliance authority for the RTO's registered functions for two years following the termination of its Regional Entity.

NERC's Board of Trustees will vote on the plan to oversee the RTO at its Feb. 8 meeting in Fort Lauderdale, Fla.

Brown said he, Chairman Jim Eckelberger, Directors Larry Altenbaumer and Bruce Scherr, and SPP senior staff recently visited with NERC senior officials to share their thoughts about the arrangement.

"We expressed our concerns and our thinking about this," said Brown, declining to offer further details. "The meeting was informative, with information hopefully gleaned from both sides."

SERC has had responsibility for compliance monitoring and enforcement of the RTO's registered functions since 2010.

According to the proposed agreement, NERC will act as SPP's compliance enforcement authority (CEA) to "facilitate the transition." It's a function the agency has performed before on "multiple occasions," a NERC spokesperson said.

SPP had sought to have ReliabilityFirst take over from SERC. "Based on our due diligence, we believe ReliabilityFirst is best positioned to perform our audits going forward," SPP spokesman Derek Wingfield said Thursday. "We'll continue to voice our concerns to NERC through standard channels and are confident they will be welcomed."

The RTO announced in July it had reached an agreement with NERC to dissolve the SPP RE, ending a reliability oversight role that had been a source of concern at the reliability organization and FERC. The RE is responsible for auditing and enforcing NERC reliability rules for 120 registered entities in three balancing authorities: SPP, Southwestern Power Administration and parts of MISO.

SPP CEO Nick Brown (2nd from left) briefs directors and members on the upcoming NERC vote, as OG&E's Greg McAuley (left) listens. | *© RTO Insider*

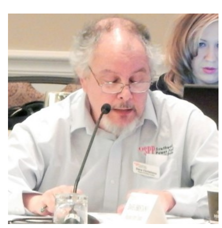
Since then, SPP has worked with NERC to help its registered entities find a new RE. NERC has placed the entities in either the Midwest Reliability Organization (MRO) or SERC, both of which are adding staff — some from the SPP RE — to handle their added responsibilities. (See *NERC Assigns SPP RE Registered Entities to MRO, SERC*.)

According to NERC board materials, the board will vote on:

- Authorizing NERC management to sign the termination agreement with SPP for an amended and restated delegation agreement that includes the agency's CEA role;
- Approving the proposed reassignment of the SPP RE's registered entities to MRO and SERC; and
- Approving proposed amendments to regional delegation agreements with MRO and SERC to reflect their new geographic boundaries.

Following the votes and assumed approvals by the MRO and SERC boards, NERC will file for acceptance with FERC. The agency says it expects to file "as soon as practicable" and no later than June 30.

That timing concerned Dave Christiano, chair of the SPP RE's Trustees.



Dave Christiano explains challenges facing the SPP RE. | *© RTO Insider*

"We don't understand why it should possibly take that long. If we go past that date, the viability of the organization is at stake," he said. "At some point, we will no longer be able to exist and do what we're supposed to do in our own delegated agreement. We're going to be lobbying strongly … to hopefully push this along as soon as we can."

Brown and Christiano said the RE's staff are down to 20 employees, a 25% drop. The two most recent departures landed with SERC.

In a Jan. 25 email to its members, SPP RE President Ron Ciesiel said he didn't have a timeline for how long FERC would deliberate, but that approval "could take through the end of 2018." He said the RE has created a "strenuous set of staff goals and metrics" to keep employees focused.

The proposed termination agreement requires SPP to:

- Transition relevant files and documents to transferee REs.
- Submit to NERC a breakdown of wind-down and dissolution costs; unaudited quarterly financial reports for the periods preceding the termination's effective date; and a reconciliation of actual expenses with budgeted expenses after the termination date.
- Transfer to the transferee REs any penalty payments, excess statutory assessments and reserves related to the SPP RE that will not be used for wind-down and dissolution of its delegated authority.

Under the agreement, NERC would:

- Assist with the transition of compliance monitoring and enforcement processes to each transferee RE.
- Indemnify and hold harmless SPP from certain claims and liabilities.

SPP NEWS

Board of Directors/Members Committee Briefs

SPS Withdraws Appeal of BTM Threshold Standard

OKLAHOMA CITY — Southwest Public Service last week withdrew its appeal of a rejected revision request, saying it was satisfied with SPP's direction to address reporting behind-the-meter network load.

Staff told the Board of Directors and Members Committee on Jan. 30 that it will continue to foster discussion and educate its members, with the intent of determining consistent reporting practices of network load. SPP is digging into the data from a recent survey of members with network integration transmission service (NITS) load and said it will work through the Strategic Planning Committee to develop a common methodology. It hopes to produce a final report in April.

The RTO's legal staff have met separately with FERC to gain a better understanding of what is and what isn't net metering, and are continuing their effort to clarify BTM rules. (See *SPP Stakeholders Still Struggling on BTM Reporting*.)

That was enough for SPS, which filed an appeal with the board after the Markets and Operations Policy Committee rejected a proposal in October that would have required a 1-MW threshold for reporting BTM retail load. (See "Stakeholders Unable to Reach Consensus on Network Load," *SPP Markets and Operations Policy Committee Briefs*.)

In its appeal, SPS said RR241 was "critical to ensuring that the costs of network service are fairly distributed to SPP network service customers and to prevent some SPP customers from subsidizing network service used by other customers."

"Our retail tariff requires everybody to follow the tariff and enter an interconnection agreement with us, so we do track that [load]," SPS President David Hudson said. "By others not reporting it, it is creating some sort of cost shift. We just want to ensure we take care of this problem."

Bill Grant | © *RTO Insider*

"We're not opposed to working through the stakeholder group," said Bill Grant, SPS' vice president of regulatory and strategic planning. "If the stakeholders want to do that and make an attempt at consensus and file something at FERC, we'll participate in that. Once we understand what the requirements are and the stakeholders want to come together, we will embrace that effort."

Board Chair Jim Eckelberger summarized stakeholders' agreement to move forward, saying the board's point of view is "equity across the system."

Left to right: SPP CEO Nick Brown, Board Chair Jim Eckelberger and Vice Chair Larry Altenbaumer. | © *RTO Insider*

Staff, MWG 'Looking into' Cold-Weather Price Spikes

Bruce Rew, SPP's vice president of operations, said staff are "looking into" several five-minute price spikes that occurred Jan. 16-17, when the RTO set several new highs for winter peak demand. (See *ERCOT, SPP Extend Winter Peak Records*.)

"The story is related to scarcity pricing," said Nebraska Public Power District's Tom Kent. He said he was concerned about "volatility in the market," but that staff have been "very helpful."

The Market Working Group (MWG) has also taken up the issue.

Rew said unit trips and outages on the neighboring MISO South system during a Jan. 2 cold weather event "created extra flows on our system that were quite challenging."

When the meeting ended, Rew handed out lapel pins celebrating 20 years of SPP's reliability coordinator (RC) function.

| © *RTO Insider*

"It would not have been a pretty picture two weeks ago, but for the consolidation of balancing authorities, the regionalization of the Tariff and the Integrated Marketplace, that has enabled us to commit units in the day-ahead [market]," SPP CEO Nick Brown said. "I think it's most appropriate we mark 20 years as an RC."

Stakeholders Remember Gerry Burrows

Stakeholders opened the meeting with a moment of silence for SPP Regional Entity Trustee Gerry Burrows, who died of cancer on Jan. 9. Burrows had a long industry career, much of it with Kansas City Power & Light. (See "SPP RE Trustee Gerry Burrows Dies," *Company Briefs*.)

"No one understood the importance of working together to consensus like Gerry did," Brown said. "Frankly, it was people like him who made me want to come and work at this corporation and help drive people to consensus."

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"This organization is going to miss Gerry, and we already are," Trustees Chair Dave Christiano said.

Board Clears 13 Revision Requests

The board approved a Supply Adequacy Working Group revision request (RR251) that addresses three issues FERC cited in rejecting SPP's resource adequacy package last year. (See *FERC Again Rejects SPP's Resource Adequacy Revisions*.)

The working group said the measure responds to FERC with numerous changes, while maintaining the previously approved foundational policy. It also moves the planning reserve margin percentage to the SPP planning criteria and keeps the study process for determining the margin in the Tariff.

Westar Energy's Kelly Harrison and Brent Baker abstained from the members' vote.

The board also approved an MWG proposal (RR257) that responds to a FERC compliance requirement (EL16-110) obligating SPP to limit the eligibility for auction revenue rights and long-term congestion rights of network customers with service subject to redispatch. The changes will ensure network service subject to redispatch is treated comparably with point-to-point service subject to redispatch. (See *FERC Again Rejects SPP Rules on ARRs, LTCRs*.)

The board and members approved 11 other revision requests on the consent agenda:

- BPWG-RR250: Documents market import service (MIS) as a transmission product in the Tariff (it has been offered in SPP's Integrated Marketplace since 2014) and places all information related to reserving and scheduling MIS in one location as a new business practice.
- CPWG-RR249: Corrects, updates and clarifies unclear or outdated letter of credit language to make it more acceptable to financial institutions.
- MWG-RR182: Removes the term "control area," which is no longer used by SPP, from the market protocols and Tariff.
- MWG-RR200: Removes bilateral settlement schedules (BSS) at hubs and generation settlement locations from the over-collected losses (OCL) distribution calculation. The revision allows only BSS at a withdrawal point to be included in the OCL distribution calculation. It caps the BSS at the maximum amount of the real-time withdrawal, minus any amount of grandfathered agreements and federal service exemptions.
- MWG-RR245: Allows market participants to include major maintenance costs associated with the number of starts or run hours in their mitigated start-up and no-load offers and recover true variable costs.
- MWG-RR247: Clarifies language to reflect how the market-clearing engine treats contingency reserves in the real-time balancing market when a contingency reserve event is deployed.
- MWG-RR253: Changes how dispatchable variable energy resources (DVERs) provide regulation down service. The change will lower structural barriers to DVERs providing regulation service and allow the system to operate more efficiently in times of high wind when SPP could use online turbines rather than requiring uneconomic commitments of other resources.
- MWG-RR256: Cleans up language in RR116 to eliminate a potential gaming opportunity and make clarifications necessary to implement the new quick-start logic correctly and with its true intent.
- MWG-RR258: Recommends modifications to the list of frequently constrained areas (FCAs) and resources from the Market Monitoring Unit's 2017 study. FCAs are electrical areas with one or more constraints that are expected to be binding for at least 500 hours during a given 12-month period and within which one or more suppliers are pivotal.
- MWG-RR265: A compliance filing in response to FERC's order on handling ramp shortages under Order 825. (See *FERC Approves SPP Shortage Pricing Changes*.) Modifies the methodology through which scarcity pricing reflects the value of regulation and operating reserves. The Tariff language was filed in October (ER17-772).
- ORWG-RR162: Requires phasor measuring units (PMUs) at new generator interconnections to aid in oscillation detection, generator model validation and post-event analyses.

The consent agenda's acceptance also resulted in the approval of a sponsored upgrade study for Central Power Electric Cooperatives, several staff recommendations on transmission projects and adjusted baseline costs for three previously approved projects. (See "North Dakota Sponsored Upgrade Study Approved," "MOPC Agrees to Pull Basin Electric Project's NTC-C" and "Consent Agenda Clears 10 Revision Requests," *SPP Markets and Operations Policy Committee Briefs: Jan. 16-17, 2018*.)

— Tom Kleckner

| © RTO Insider

SPP NEWS

FERC OKs Change for 3 SPP Interconnection Study Groups

FERC approved an SPP waiver request that allows the RTO to forego performing standalone evaluations in favor of a time-saving cluster scenario for three generator interconnection study groups (ER18-421).

The RTO asked for a limited waiver of its Tariff to enable it to expedite interconnection study requests in its Definitive Interconnection System Impact Study (DISIS) queue, which evaluates the effect of proposed generators on transmission system reliability. The request was limited to three DISIS clusters: DISIS-2016-002, DISIS-2017-001 and DISIS-2017-002.

SPP said the standalone scenario has proven costly, requiring significant time and resources to perform while providing minimal value to interconnection customers. The RTO noted standalone results are informational and not binding, unlike the cluster scenario's results, and said that as the size of its queue continues to grow, the standalone will become less valuable.

The RTO told FERC it intends to revise its Tariff to eliminate the standalone evaluation and will make the base case study models available earlier in the study process, allowing interconnection customers to perform their own standalone analysis. Several generation developers said their concerns about the loss of information from the standalone scenario would be mitigated by accessing the base case study models earlier, SPP said.

NextEra Energy Resources, Westar Energy, Sunflower Electric Power and Mid-Kansas Electric intervened in the proceeding.

SPP Granted Waiver Request to Resolve Billing Dispute

The commission granted a second SPP waiver request to help resolve a billing dispute over approximately $175,000 in transmission charges and penalties with Missouri's Carthage Electric & Water Plant (ER18-385).

SPP filed the request with the commission in December, along with revised transmission service agreements showing Carthage as the customer and the Southwestern Power Administration as the host transmission owner. The agreements included terms and conditions that did not conform to the RTO's Tariff, but they were included to implement the results of SPP's dispute resolution process related to Carthage's unreserved use of the transmission system.

The RTO said the agreements were intended to correct errors "made in good faith" and limited to only penalty amounts assessed to Carthage for instances of unreserved use between March 2014, when SPP's Integrated Marketplace came online, through February 2015. SPP said its billing process was delayed because of changes made in implementing the new markets.

FERC found the revised agreements' nonconforming changes "appropriately reflect" SPP's dispute resolution process, enabled the RTO to resolve the billing dispute and will not "lead to undesirable consequences, such as harming third parties."

MRES Escapes Obligation for QF Purchases

FERC approved a request by Missouri River Energy Services to terminate a mandatory obligation to purchase electric energy or capacity from qualifying facilities within SPP's footprint and with a net capacity larger than 20 MW (QM18-2).

MRES, an organization of 60 member municipalities that own and operate their own electric distribution systems, made the request on behalf of itself and 33 of its members, which are all SPP members. It said QFs within SPP have nondiscriminatory access to a market that satisfies the requirements of the Public Utility Regulatory

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Policies Act and warrants termination of a utility's mandatory purchase obligation under the act.

The commission agreed, rejecting a protest from a wind farm developer as being outside the proceeding's scope. FERC said the protest did not rebut MRES' application by showing factors unique to individual QFs, such as operational characteristics and transmission limitations that prevent them from having nondiscriminatory access to markets.

Tri-County CEO Loses Bid to Serve on 2 Boards

The commission denied a rehearing request from a utility CEO prohibited from serving on the boards of directors for both South Central MCN and Golden Spread Electric Cooperative (ID-8117).


Perkins

FERC denied Zac Perkins, who has served as Tri-County Electric Cooperative's CEO since May 2016, from holding the interlocking positions in April 2017. He claimed a position on the Golden Spread board by virtue of being a CEO at one of its distribution co-op members, and he said a long-term agreement between South Central and Tri-County entitled him to serve as the co-op's designated board member with South Central.

The commission said it "generally disfavors" interlocks between two or more unaffiliated public utilities, and that Perkins' justifications did not distinguish themselves from Federal Power Act's rules intended to curb corporate relationships.

Perkins said FERC did not satisfactorily explain why its findings were appropriate and did not substantively address the arguments in his application. He said no public or private interests would be adversely affected by his holding interlocking board positions.

The commission disagreed, saying his arguments did not overcome its "well-documented concerns" about interlocks among unaffiliated public utilities and the "arm's-length bargaining process" that could adversely affect competition and consumers.

Both South Central and Golden Spread are SPP members.

— Tom Kleckner

FERC & FEDERAL NEWS

Traders Seek Clarity in FERC Enforcement Under New Regime

By Rich Heidorn Jr.

Shaun Ledgerwood, principal, The Brattle Group; Tim Helwick, special counsel, FERC Division of Analytics and Surveillance; Chloe Cromarty, compliance manager, Mercuria Energy Trading; and Terence Healey, partner, Sidley Austin. | © *RTO Insider*

ARLINGTON, Va. — FERC's enforcement policy is unlikely to shift significantly despite the arrival of four new commissioners, a panel of present and former FERC staffers said last week. But the commission should consider some process changes and provide more clarity in defining violations, several speakers said.

"I think the fundamentals of enforcement don't change with any administration," **Tim Helwick**, special counsel in FERC's Division of Analytics and Surveillance, told the EUCI Financial Transmission and Auction Revenue Rights conference. "I think priorities can change with different personalities — it's not a question of politics, just different personalities."

Helwick's comments came at the end of a 90-minute discussion before an audience of about 40 traders, regulators, and others that noted the growth of FERC's enforcement unit since the Western Energy Crisis in 2000-2001. Once limited to a handful of staffers, FERC's Office of Enforcement (OE) now numbers more than 200, with greatly expanded power to impose penalties under the Energy Policy Act of 2005.

"I think it's too early to tell what type of change we're going to see, and I don't necessarily anticipate that we are going to see significant change," agreed attorney **Terence Healey**, a partner with Sidley Austin and the only one on the panel without a FERC resume listing. "You're dealing with an agency that's 200-plus folks that were there before the current administration. … I wouldn't expect the fundamentals to change."

Enforcement Director Larry R. Parkinson was appointed in April 2015, after five years as director of OE's Division of Investigations.

He noted the commission's annual enforcement report, released in November, indicated FERC would continue to focus on the same priorities in 2018 as in 2017: fraud and market manipulation; serious violations of NERC reliability standards; anticompetitive conduct; and conduct that threatens market transparency. (See *Investigations up Sharply in FY 2017, FERC Report Shows*.)

"I would take them at face value on that," he said. "Whether certain cases on the edge should be brought, I could see changes like that."

De Novo Procedures

He said the commission might consider changing its processes due to the number of enforcement cases ending up in federal court and because its decision to make early public disclosures about investigations has not worked as intended.

A 2009 policy change gave the Director of Enforcement authority to issue a Notice of Alleged Violations (NAV) that includes the identities of investigation subjects and a description of their alleged misconduct once the subject has responded to staff's preliminary findings but before it finalizes its findings and the commission issues an order.

Previously, the commission kept investigations and the identities of investigation subjects private until FERC initiated an enforcement action or issued an order approving a settlement. FERC said it hoped the transparency would warn other market participants to steer clear of questionable trades and prompt them to bring evidence to staff.

"Maybe it's time to rethink that. … because it's something that's not really produced what the commission intended it to be, which was to flag [concerns] for the market," Healey said.

Healey also noted the increasing number of subjects choosing *de novo* hearings in federal court rather than having an administrative law judge rule on the merits of FERC's allegations.

"At least six separate district courts have said if you remove [a case] to federal court, you get a trial" with the ability to supplement the administrative record created by Enforcement, cross-examine witnesses, and seek discovery, Healey said.

FERC had sought much more limited court reviews. (See *FERC Loses Again on 'De Novo' Review*.)

Healy said FERC could consider streamlining its process because it is subject to a five-year statute of limitations.

"FERC took the position that they satisfied the five-year statute of limits upon initiating an order to show cause," he said. "We had a decision in the Barclays case that found it is satisfied when you file in federal court, and because of that, one of the respondents had his case tossed out." (See *FERC Settlement*

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Traders Seek Clarity in FERC Enforcement Under New Regime

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Cuts Barclays Market Manipulation Fine.)

The panelists said they saw no indication the new commission would consider licensing power and gas traders as is required of securities traders.

Licensing would be opposed strongly by traders and is "not likely in this administration," said **Chloe Cromarty**, compliance manager for Mercuria Energy Trading and a former FERC analyst. "But all it takes is one big case to be a catalyst," she acknowledged.

'Vague Standard'

Panel moderator **Shaun Ledgerwood**, a principal in The Brattle Group and a former FERC economist and attorney, said the commission still has not provided a clear definition of "market manipulation." Ledgerwood recalled asking for a definition during his job interview at FERC in 2008 and only being told, "You know it when you see it."

"I thought, 'Man, that's a pretty vague standard,'" said Ledgerwood, who specializes in the economic analysis of market manipulation claims, "and as time has gone on, what I've seen is that the commission has tried to … show examples of what manipulation is … misrepresentation, gaming, cross-product manipulation … The reality is there is no definition yet of what exactly is manipulation nor — perhaps more importantly — what exactly is legitimate."

Healey agreed: "We're still struggling to try to understand what … FERC is going to view as manipulation. As of yet, we don't have a district court that has actually opined on some of the back and forth on what fraud means."

The lack of clarity creates headaches for compliance officials, Cromarty said.

She said her company runs its trades through screens to identify transactions that may trigger an investigation — for example, comparing proposed virtual transactions against financial transmission rights positions or flagging trades involving new products or a marked increase in trade volumes.

"As a major FTR trader, at any given time, we may hold more than 200,000 paths. Expecting one trader to know another trader's position is not practical," she said.

"One trader may hold an FTR position where another trader wants to execute some virtual trades — and we may be flowing physical power across that path as well," she explained. "We're making the decision to prohibit one trader from transacting — in my opinion, legitimately — in order to avoid tripping the [FERC] screens because any revenue we make from transacting in that way is not significant enough to justify the potential regulatory risk that we're facing. From my perspective, I think that's having a negative impact on liquidity."

Ledgerwood agreed. "You know if you get involved in the [investigative] process, it's likely to be protracted. Not only is that expensive, it also takes a lot of psychic energy away from traders and the companies and their compliance personnel."

Healey and others said they recommend traders put their plans in writing when they adopt a new strategy or engage in a particularly complex transaction. "It's not a silver bullet, but it does provide a contemporaneous account for the intent of the trader at the time," Healey said. "So long as it's truthful and contains all the information — otherwise it's problematic for obvious reasons."

"As a major FTR trader, at any given time, we may hold more than 200,000 paths. Expecting one trader to know another trader's position is not practical."

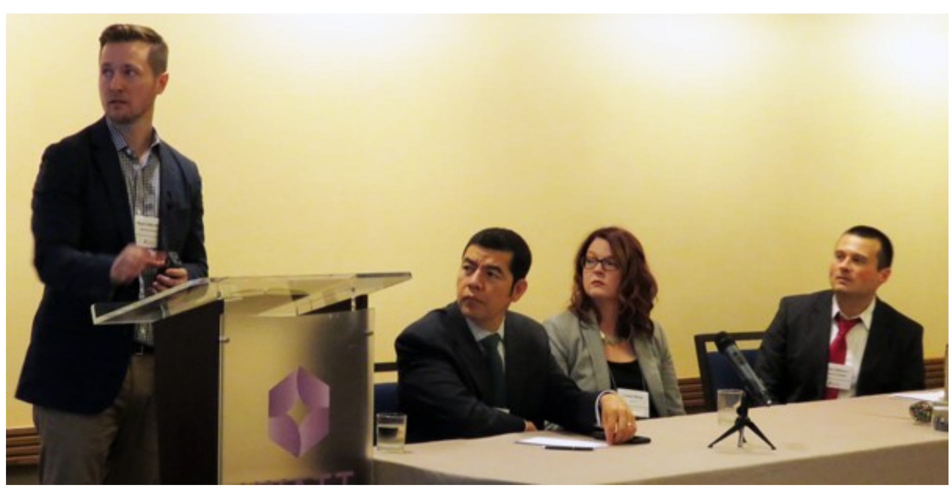
Chloe Cromarty, Mercuria Energy Trading

RTO Officials Discuss FTR Changes

In an earlier discussion Jan. 29, ERCOT's Carrie Bivens, MISO's Blagoy Borissov and PJM's Brian Chmielewski talked about how their regions addressed revenue shortfalls in their FTR markets, while a CAISO official acknowledged "revenue adequacy continues to be a challenge" in California.

Guillermo Bautista Alderete, CAISO's director of market analysis and forecasting, said the problem is a "misalignment" between CAISO's congestion revenue rights auction and its day-ahead market.

CAISO has said that ratepayers receive only 52 cents in auction revenues for every dollar the ISO pays out to FTR holders. (See Market Monitors Bring FTR Complaints to Congress.)



Brian Chmielewski, PJM; Guillermo Bautista Alderete, CAISO; Carrie Bivens, ERCOT; and Blagoy Borissov, MISO. | © *RTO Insider*

Tax Breaks Spur Dominion Deleveraging

By Rory D. Sweeney

Millstone nuclear plant | *NRC*

Dominion Energy CEO Thomas Farrell expressed confidence last week that his company's lobbying in Connecticut and Virginia are on track to benefit the company.

Executives speaking during the company's fourth-quarter and year-end earnings call also outlined strategies to take advantage of the recently enacted federal tax breaks and spoke about the political uncertainty surrounding the company's bid to take over SCANA, the South Carolina utility beleaguered by a failed nuclear project.

The company announced it performed right in the middle of its guidance for 2017, reporting operating earnings of $3.60/share. Mild weather throughout the year reduced earnings by 10 cents/share, though weather-normalized electric sales for the year increased 1.7% over 2016, led by growth and sales to data centers and residential customers.

Unadjusted earnings were $4.93/share for the year, thanks primarily to tax reforms that created a $988 million gain from adjustments to a deferred tax liability. Revenues increased 4% for the year to $3.21 billion but fell short of a consensus forecast of $3.47 billion.

Regulatory Progress and a Mystery Bill

"We have worked with the regulatory agencies, including the sharing of confidential financial information, to convey the actual cost of operating two dissimilar units in a high regional labor market," Farrell told analysts, referring to this month's preliminary report from Connecticut state agencies that determined the profitability of Dominion's Millstone nuclear facility in Waterford, Conn., can't be confirmed without additional financial disclosures from the company.

The report, jointly developed by the state Department of Energy and Environmental Protection and Public Utilities Regulatory Authority, recommends a statewide procurement of carbon-free electricity from new and existing sources. Without additional information proving Millstone's instability, its bids would be analyzed on price alone. With that information, the bids could be evaluated on broader criteria. A final draft of the report is expected Feb. 1.

"We are looking forward to the opportunity to compete with other non-emitting generating resources in a state-sponsored solicitation for zero carbon electricity," Farrell said.

Paul Koonce, who heads Dominion's generation arm, sounded eager to shut down any speculation about how Millstone might be bid into the solicitation. After misinterpreting a question about whether the plant would be bid into the process as an inquiry into the amount of its bid, Koonce declined to specify, calling the information "obviously competitively sensitive." He said the state's final report will likely lead to a request for proposals issued around May "and then we will submit our bid as any others."

Cove Point LNG facility | *Dominion Energy*

Farrell also addressed the potential benefits of a bill advancing through the Virginia legislature but offered scarce details.

"Virginia moves legislation through in a very rapid pace normally, and I don't think this will be an exception," he said. "We think there are some very good things in it. There are some things that we will have to accommodate ourselves to, but overall we think it's a constructive piece of legislation for our state and our customers."

Farrell said it was "premature" to speak about it in any more detail because "there is still lots of work to be done on it," but he assured analysts that "we'll be in a position to talk about it, I think, more thoroughly on the next call" in three months.

Dominion's executives said it's hard to assess the impact of the federal tax cuts because the company operates in seven states. The company is assuming that the benefits will be passed through to customers for all of its state-regulated entities but acknowledged the improved profitability for all non-regulated and long-term-contracted businesses. However, the changes create "strong credit headwinds" for accrual-basis taxpayers like Dominion, and some of the benefit will be offset by delays in Dominion's Cove Point LNG plant becoming operational, said Mark McGettrick, Dominion's chief financial officer. He estimated the cuts will increase the company's 2018 earnings by between 10 and 15 cents/share.

Tax Windfall

McGettrick confirmed that the federal tax breaks have allowed Dominion to begin plans to deleverage the holding company and clear away $800 million in debt. The cuts offset the delayed start at Cove Point, so the company could still issue $500 million in new shares earlier this month and reduce its capital expenditure budget by $1 billion

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WEC Energy's Yearly Earnings Surpass $1 Billion

By Amanda Durish Cook

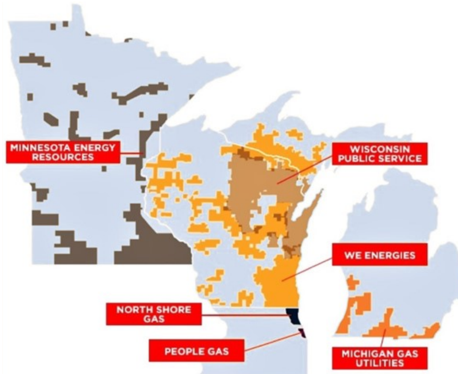
WEC Energy Group's 2017 earnings surged 28% to $1.2 billion, boosted by a late-year cold snap and federal tax cuts.

The frigid temperatures "particularly between Christmas and New Year, added 2 cents/share, and drove us above the top end of our guidance range," CEO Gale Klappa said during a Jan. 31 earnings call. The company earned $3.79/share.

WEC's strong performance was key in electronics manufacturer Foxconn's decision to connect a massive proposed plant to the southeastern Wisconsin grid, Klappa said.

"Our track record of reliability and competitive rates was a factor in the decision by Foxconn Technology Group to invest $10 billion in a high-tech manufacturing campus here in Wisconsin. This is one of the largest economic development projects in American history," he said.

MISO is expected to render a decision by March on American Transmission Co.'s expedited request to build the interconnection project to link Foxconn's manufacturing plant to WEC subsidiary We Energies' supply. The RTO found the project would have a low economic benefit over the next 20 years, making it an unlikely candidate for wider cost allocation. (See *MISO Seeks Stakeholder Input on Foxconn Decision*.)



WEC service area | *WEC*

Although Milwaukee officials are questioning the impact of the project on residential bills, the Wisconsin Public Service Commission last year approved a settlement that will maintain a flat base rate for WEC's utilities for the next two years.

"In total, this will keep base rates flat for four consecutive years and essentially gives us our customers' price certainty through 2019," Klappa said.

The project is slated to go in service in December 2019.

Klappa also said WEC will continue work on its Peoples Gas subsidiary's system modernization plan in Chicago, replacing 2,000 miles of at-risk mains and upgrading 300,000 customer services lines over the next three decades, possibly requiring excavation of half the city's streets. Illinois regulators last month ended a two-year investigation into the $6.8 billion project, which had been criticized for runaway costs and poor management.

"This program is literally critical to providing our Chicago customers with a natural gas delivery network as modern, safe and reliable," Klappa said. "For many years to come, we will need to replace outdated natural gas piping — some of which was installed more than a century ago and is rusting — with state-of-the-art materials." He added that WEC is working with the Illinois Commerce Commission on a "plan to flow savings from the new federal tax law back to customers in Chicago."

Klappa also said subsidiary Minnesota Energy Resources will work the impact of tax reform into a pending rate case before the Minnesota Public Utilities Commission, which seeks to raise natural gas base rates by $12.6 million, or approximately 5%. The PUC has approved an interim rate increase at $9.5 million (3.8%) since late November, and a final decision is expected by the end of the year.

WEC's 2017 results include earnings from recurring operations of $3.14/share and the net impact of a one-time gain of 65 cents/share from December's federal tax reform law. This compares to 2016's year-end earnings of $2.96/share.

For the fourth quarter alone, WEC recorded net income of $432.6 million ($1.36/share), compared to earnings of $194.4 million ($0.61/share) for the fourth quarter of 2016.

Tax Breaks Spur Dominion Deleveraging

Continued from page 34

while remaining committed to its current credit ratings, he said. He announced plans to increase the company's credit facilities to $6 billion, which is in addition to a $500 million credit line being put together for its Dominion Energy Midstream Partners subsidiary in order to replace its existing credit line with the parent company.

"We're committed to the ratings that we have. We will take the steps necessary to support that, and we took advantage of taxes to get a jump start," he said.

While the credit expansion will increase liquidity, McGettrick assured the new shares were not issued to help finance the proposed SCANA takeover, which the company announced Jan. 3. The company will maintain a 6% to 8% growth rate through 2020, he said, and the SCANA deal could bump it above 8%.

"So with or without SCANA, we're in terrific position with one of the best growth rates we believe in the industry and one of the highest dividend growth rates as well, but certainly SCANA would be a positive result for us," he said.

Farrell said he expects SCANA's shareholders to approve the deal in May and shrugged off what appeared to be a hostile hearing with South Carolina legislators earlier this month.

"We are optimistic that our proposal will be viewed favorably by lawmakers and regulators, and we can complete the transaction later this year," he said.

Despite delays, executives were also upbeat about developments at Cove Point in Calvert County, Md. Construction is complete at the natural gas liquefaction plant, and the process to bring the cooling infrastructure online is underway. The plant will be in service by early March, Farrell said.

The company is also completing work on the $1.3 billion, 1,588-MW Greensville County Combined Cycle Power Station. The plant was 73% complete at the start of the year, with all major equipment in place, including the primary natural gas line. Metering and regulation controls are awaiting final approval, and the plant is expected to begin operating near the end of the year.

COMPANY BRIEFS

Georgia PSC Won't Reconsider Vogtle Decision

The Georgia Public Service Commission voted unanimously Jan. 31 not to reconsider its decision allowing construction to continue on the troubled nuclear expansion project at Plant Vogtle.

Georgia Watch, a consumer advocacy group, had asked it to reconsider the decision to allow the project to continue at the plant, of which Georgia Power owns 45.7%.

The project is billions over budget and years behind schedule. Georgia Power is collecting money for the project from its customers.

More: WABE

SC House Blocks SCE&G from Charging for Failed Nuke Project

The South Carolina House of Representatives voted 119-1 to approve a bill that would temporarily block South Carolina Electric & Gas from charging its customers $37 million a month for the failed V.C. Summer nuclear expansion project.

The bill also would allow the Public Service Commission to nullify some of the nine rate increases it previously granted SCE&G to help pay for the project.

Senate leaders support the bill and a spokesman for Gov. Henry McMaster said he would sign it. The bill could lead Dominion Energy to withdraw its $7.9 billion offer to buy SCE&G's parent, SCANA.

More: The State

Georgia Power Customers to Pay Less for Nuclear Plant Expansion

Georgia Power last week notified the Georgia Public Service Commission that the amount its customers are paying for the expansion of its Plant Vogtle nuclear facility will drop $139 million in 2018.

The company said the decrease is due to the Tax Cut and Jobs Act, which reduced the corporate tax rate to 21%, and the payment it received from Toshiba, the parent of Westinghouse Electric, which was the lead contractor on the expansion until it filed for bankruptcy protection.

The reduction will cut the monthly bill of Georgia Power's typical residential customer using 1,000 kWh per month by $2.70.

More: Georgia Power

FERC Approves AES Request to Reduce Revenue Requirement

FERC on Jan. 22 approved a request by AES' Ohio subsidiary to reduce its fleetwide annual revenue requirement for reactive service in PJM after the company sold its interests in several generating units.

AES last month sold its interests in the Zimmer and Miami Fort facilities, leaving Dynegy subsidiaries as the sole owner of the facilities. The sale required AES to reduce its reactive revenue requirement from $6,978,092.93 to $4,655,768.06, which FERC approved.

More: FERC

FirstEnergy Cancels Transfer Of Pleasants Power Station

FirstEnergy and its Allegheny Energy Supply and Monongohela Power subsidiaries told the West Virginia Public Service Commission on Monday that it would not accept the conditions in an order issued Friday by the commission approving the transfer of the Pleasants Power Station from Allegheny to Mon Power.

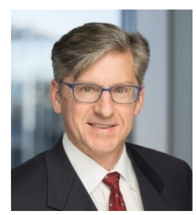
Pleasants Power Station | *FirstEnergy*

As a result, FirstEnergy said, it has decided it would not file a request for rehearing with FERC, which on Jan. 12 denied FirstEnergy's request to transfer ownership of the plant.

FERC said the deal wasn't in the public interest because it resulted from an "overly narrow" solicitation. On the day the commission issued its order, Commissioner Neil Chatterjee reported that attorney William S. Scherman had attempted to privately lobby him over it the day before. (See McIntyre: Won't Commit to Probe Leak to 'Good Friend'.)

More: FirstEnergy

GCPA Board Names Mark Walker President



Walker

Mark Walker was named president of the Gulf Coast Power Association Board of Directors at the board's January meeting.

Walker has been on the GCPA's board since 2010 and was its vice president last year. He is an attorney with Strasburger & Price and previously was vice president of regulatory affairs at NRG Energy.

FEDERAL BRIEFS

Reps Ask to Extend Carbon Capture Tech Credits

A bipartisan coalition of 43 U.S. representatives has asked House Speaker Paul Ryan and Minority Leader Nancy Pelosi to include a provision to extend and expand tax credits for carbon capture technology in upcoming legislation.

The group, led by Rep. Mike Conway (R-Texas), made the request in a letter to the house leaders. Sen. Orin Hatch (R-Utah) has included a similar provision in a bill to extend tax credits in the Senate.

More: Houston Chronicle

BLM Could Open More of California Desert to Renewable Development

The Bureau of Land Management on Feb. 1 said it will consider

Continued on page 37

FEDERAL BRIEFS

Continued from page 36

amending a plan governing usage of the California desert to make more acreage available for renewable energy development and wireless broadband infrastructure.

The Desert Renewable Energy Conservation Plan was put together by the state of California and the federal government. It covers 10.8 million acres but designated only 388,000 of them for renewable energy development.

The wind and solar industries praised the announcement, but California officials and environmental groups criticized it.

More: *Reuters*

TVA Still not Complying with NRC Orders, OIG Audit Finds

The Tennessee Valley Authority still is not complying with orders by the Nuclear Regulatory Commission to address employee safety at its nuclear power plants, according to audits from the TVA Office of the Inspector General.

The audits don't identify safety issues that would put TVA workers at risk. Instead, they say TVA needs more formal processes to address some of the corrective actions the NRC called for. They also say TVA needs to more effectively track and resolve employee concerns.

TVA first agreed to the commission's corrective actions in 2009, after two investigations found that managers at its Browns Ferry Nuclear Plant in Alabama had retaliated against workers who raised safety concerns.

More: *Knoxville News Sentinel*

California, Texas, Florida to be Hit Hardest by Solar Tariffs

California, Texas and Florida will be hit the hardest by President Trump's decision to impose tariffs on imported solar cells and modules, according to GTM Research.

The research firm expects the tariffs to reduce new solar capacity in California by 1,079 MW between 2018 and 2022. It expects them to reduce new solar capacity in Texas and Florida by 674 MW and 513 MW respectively.

GTM said states won't feel the full impact of the tariffs until 2019, when current projects are completed and solar developers begin running out of stockpiled equipment.

More: *Greentech Media*

AWEA: 29 Wind Farms with 4,125 MW Came Online in Q4

Twenty-nine wind farms with 4,125 MW of capacity came online in the fourth quarter, bringing the total amount of new wind capacity added in the U.S. in 2017 to 7,017 MW, according to the American Wind Energy Association's "U.S. Wind Industry Fourth Quarter 2017 Market Report."

Texas added 1,179 MW of capacity in the quarter, more than any other state, according to the report. Oklahoma was second with 851 MW, followed by Iowa with 334 MW; Illinois with 306 MW; and Missouri with 300 MW.

The pipeline of wind farms under construction or in advanced development was 28,668 MW at the end of 2017, up 34% from the end of 2016.

More: *American Wind Energy Association*

Next Trump Budget Cuts Renewable Energy, Energy Efficiency Funding

Draft Trump administration budget documents obtained by *The Washington Post* contain a 72% cut in funding for the Department of Energy's renewable energy and energy efficiency programs in fiscal 2019.

The department had asked for smaller cuts to the programs, but the Office of Management and Budget insisted on the larger cuts, the newspaper reported, citing people familiar with the process.

More: *The Washington Post*

Pruitt Involved in Removing CPP Information from EPA's Website

EPA Administrator Scott Pruitt was personally involved in removing information about the Clean Power Plan and climate change from the agency's website, according to emails obtained by Environmental Defense Fund under a Freedom of Information Act Request.

The emails center on changes EPA made to its website in April 2017 that included the removal of webpages about the Clean Power Plan, climate change and climate science.

Since the changes, the URL for the Clean Power Plan webpage has redirected visitors to a webpage that features President Trump's "Energy Independence" executive order.

More: *Inside Climate News*

Study Shows TVA Boosted Residential Rates

Since 2011, Tennessee Valley Authority has been collecting an extra 5% per kilowatt-hour from residential customers and decreasing direct-serve and industrial rates by about 20%, according to a study by Synapse Energy Economics.

That amounts to a shift of about $1.4 billion from residential customers to large business customers over the period. The study was released as TVA considers imposing fixed-rate chargers for grid maintenance on residential customers.

S. David Freeman, a former TVA chairman who served on its board from 1977 to 1984, said shifting industrial customers' expenses onto residential customers is a violation of the TVA charter.

More: *Knoxville News Sentinel*

STATE BRIEFS

ARIZONA

APS Asks Regulators to Dismiss Rate Complaint

Arizona Public Service on Jan. 30 asked the Corporation Commission to either dismiss a petition signed by about 1,500 people calling for a rehearing of the proceedings that led to its recent rate hike or require the petitioners to be more specific in their complaint.

APS had said the rate hike, which it was granted in August, would increase its residential customers' bills by an average of 4.5%, but many customers say their bills have increased by more than that.

Stacey Champion, a community activist behind the petition, said she has cut her power use and still has higher bills and that she has heard from hundreds of APS customers in similar situations.

More: *The Arizona Republic*

Corporation Commissioner Intros Energy Modernization Plan

Tobin

Corporation Commissioner Andy Tobin last week unveiled a plan to make the state a leader in clean energy and energy storage.

"Arizona's Energy Modernization Plan" calls for 80% of the state's power to come from clean sources by 2050 and sets a goal of having 3,000 MW of energy storage deployed in the state by 2030.

Tobin hopes the plan will be discussed by the full commission at its Feb. 6-7 open meeting.

More: *Arizona Corporation Commission*

CALIFORNIA

CAISO: EIM Q4 Benefits Total $33.46 Million

CAISO on Jan. 30 said that its Western Energy Imbalance Market (EIM) produced $33.46 million in benefits for its six participating members during the fourth quarter of 2017, bringing the total benefits created by the market to $288.4 million since it was launched in 2014.

Market participants used 18,060 MWh of renewable energy that would have been turned off without the market, CAISO said. That reduced carbon emissions by 7,730 metric tons.

More: *CAISO*

PUC Appoints Executive Director

Stebbins

The Public Utilities Commission on Feb. 1 announced that Alice Stebbins has been appointed executive director, effective Feb. 21.

Stebbins has been the Air Resources Board's division chief over administration since January 2011. She first joined the state as a sales and use tax auditor with the Board of Equalization in 1986.

More: *California PUC*

CONNECTICUT

Report: Millstone Should be Allowed to Sell Power to State

The Department of Energy and Environmental Protection and the Public Utilities Regulatory Authority released a report Feb. 2 concluding that Dominion Energy's Millstone nuclear power plant should be allowed to sell power to the state under a program that has been reserved for renewable energy.

The report is a final version of a draft issued Jan. 22. (See *Conn. Regulators Signal Support for Millstone*.) It concludes that Millstone is profitable through 2035 under multiple scenarios, but that conclusion is affected by a few key cost inputs and that additional Dominion documents could show that the plant is at risk, the agencies said.

The report now goes to the General Assembly for review.

More: *Department of Energy and Environmental Protection*

IOWA

Bill Would Allow Auto Approval of Rate Increases, Gut EE Programs

Under a bill introduced in the Senate, revenue-neutral requests by utilities to raise rates or add tariffs would be automatically approved if the Utilities Board doesn't act on them within 30 days.

The bill also would allow utilities to charge renewable energy customers more and reduce the amount utilities are required to spend on energy efficiency programs. A different Senate bill would eliminate the requirement that utilities provide energy efficiency programs.

More: *Des Moines Register*

LOUISIANA

PSC Asks Utilities to Calculate Tax Cut Savings

The Public Service Commission has asked utilities to calculate the amount they estimate they will save from the Tax Cuts and Jobs Act, with an eye to passing the savings on to the utilities' customers.

"Many of these companies operate under annual rate reviews," said Commissioner Foster Campbell. "That allows the LPSC to ensure that the benefits of these tax cuts are shared promptly with Louisiana consumers."

Campbell said Entergy Louisiana estimates it will save up to $100 million a year.

More: *Minden Press-Herald*

MISSOURI

KCP&L Files for Rate Updates with PSC

Kansas City Power & Light said Wednesday that it and sister company Kansas City Power & Light-Greater Missouri Operations Co. have filed with the Public Service Commission for rate updates that take into account the savings they will receive from the federal Tax Cut and Jobs Act.

KCP&L is asking for a 1% increase to its base rates, while KCP&L-GMO is requesting a 0.3% decrease.

The companies also have asked the commission to continue reflecting the increases and decreases of the prices they pay for fuel and purchased power in the fuel adjustment clauses (FACs) on customer bills. KCP&L said that in this rate update case, the FAC will result in an additional 1% increase for

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STATE BRIEFS

Continued from page 38

its customers and slightly more than a 3% increase for KCP&L-GMO customers.

More: Kansas City Power & Light

NEW JERSEY

Murphy Admin Moves to Withdraw From Suit Against Clean Power Plan

Attorney General Gurbir Grewal filed paperwork last week to withdraw the state from a multistate lawsuit designed to block the Clean Power Plan.

"This case is completely contradictory to the values that we have in this state and to our commitment to clean energy," Gov. Phil Murphy said in a statement. Former Gov. Chris Christie had New Jersey join the lawsuit in 2015.

Murphy's action could be moot as EPA Administrator Scott Pruitt has said the agency plans to repeal the plan.

More: NorthJersey.com

Murphy Signs Order to Get State Moving Toward Offshore Wind Goal

Gov. Phil Murphy on Wednesday signed an executive order directing the Board of Public Utilities to fully implement the Offshore Wind Economic Development Act, which allows state agencies to craft an Offshore Wind Renewable Energy Credit (OREC) program.

Former Gov. Chris Christie signed the act in 2010, but gaps remain in the regulations governing the OREC program. The executive order directs the BPU to begin the rulemaking needed to fill them.

The order is meant to begin the process of getting the state moving toward a goal of 3,500 MW of offshore wind power by 2030.

More: Gov. Phil Murphy

NEW YORK

NYPA Awards 2 Contracts for $24 Million in Substation Upgrades

Gov. Andrew Cuomo on Feb. 2 said that the New York Power Authority has awarded two multiyear contracts totaling $24 million to upgrade substations connected to its St. Lawrence-FDR Power Project, a hydroelectric plant on the St. Lawrence River in Massena that it jointly operates with Canada.

The contracts will support the purchase of 35 high-voltage circuit breakers, as well as the installation of new surge arrestors, transformers, breakers and relays throughout the substations, which cover more than 100 acres.

O'Connell Electric Co. received a $10 million contract for construction services, and ABB received a $14 million contract to supply circuit breakers.

More: Gov. Andrew Cuomo

OKLAHOMA

PSO Base Rate to Increase $80 Million

Public Service Company of Oklahoma on Feb. 2 said that the amount it collects from its base rate will go up $80 million under the rate increase granted Jan. 31 by the Corporation Commission.

The company was granted a 9.3% return on equity by the commission, but it hadn't had the time to calculate how much that would boost its base rate.

More: The Oklahoman

PSO Granted ROE Increase, Must Account for Tax Savings

The Corporation Commission on Wednesday granted Public Service Company of Oklahoma a 9.3% return on equity, slightly less than the 10% than the American Electric Power subsidiary had requested.

The commission also ordered the company to cut its base rate to compensate customers for the savings it will realize from the Tax Cut and Jobs Act.

More: The Oklahoman

NextEra Accuses Nuclear Trade Group of 'Extortion'

Continued from page 1

set to begin Feb. 7 at the St. Lucie nuclear plant owned by its Florida Power & Light subsidiary. The company said St. Lucie's workforce would jump from 700 to 1,700 during the monthlong outage.

The nuclear industry developed PADs in the mid-1990s as a shared database for employee security information such as criminal history reports, fitness-for-duty test results and psychological screenings.

NextEra said it would be "exceedingly difficult" to meet Nuclear Regulatory Commission requirements without PADS, noting that staff can more than double during plant outages. "Many of the additional maintenance workers employed during these refueling outages are highly transient — moving from plant to plant across the country to work during outages," the company said. "Without access to PADS, nuclear operators would be forced to start from scratch in screening individual applicants for unescorted access, and they would do so without the benefit of consulting information already collected by other nuclear operators in an easily accessible electronic format. Similarly, without universal industry participation in PADS, the database would become incomplete. This would result in additional manual screening efforts even for continuing PADS participants."

The company contends the PADS participation agreement, which it signed in 1995, does not require participants to be NEI members. "NEI took this retaliatory action notwithstanding that the NextEra companies have been at all times in compliance with the agreement and have paid millions of dollars to develop and upgrade PADS," it said.

Korsnick disagreed with NextEra's interpretation of the participation agreement. "When NextEra voluntarily chose to discontinue its NEI membership, it was no longer entitled to continue participating in PADS," she said. "Even then, NEI conveyed to NextEra that it would supply the information in PADS necessary to maintain strict compliance with the NRC regulations. That exchange has been accomplished and will continue throughout each work week.

"To call NEI's approach retaliatory, or even

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NextEra Accuses Nuclear Trade Group of 'Extortion'

Continued from page 39

suggest the notion of extortion, is both counterfactual and offensive to the good faith effort the offer represents," she continued. "NEI's good faith outreach was intended to open a dialogue that would advance the industry's interest in remaining unified, or as unified as possible, on regulatory and other policy positions. Unfortunately, rather than even opening a dialogue, NextEra immediately followed its rejection of NEI's offer with a baseless lawsuit."

Break over Policy

NextEra owns all or part of the Duane Arnold Energy Center in Palo, Iowa; the Point Beach Nuclear Plant in Two Rivers, Wisc.; and the Seabrook Station in Seabrook, N.H., equivalent to 6% of total U.S. nuclear generating capacity. In addition to the St. Lucie plant near Fort Pierce, Fla., FPL owns the Turkey Point plant near Miami. As of the end of 2016, NextEra also owned about 16% of U.S. wind capacity and 11% of the country's solar capacity.

NextEra — which had been paying about $3 million in NEI dues annually — quit last month over what it called the trade group's "irrational and unreasonable policies that would distort electric energy markets."

Its suit cited NEI-funded studies "that call into question the reliability and costs of the electric system, attempting to create a false sense of panic and unfairly and incorrectly maligning the operations of its members, including the NextEra companies."

"NEI claims that the 'grid-based electricity supply portfolio in the United States is becoming less cost-effective, less reliable and less resilient,'" the complaint continues. "Such a thesis is unfounded. In fact, the policies that NEI is advocating would produce those very results by introducing artificial constraints on the way in which an electric system is planned and operated. ... As large nuclear generators, the NextEra companies obviously support nuclear energy. But the NextEra companies cannot financially, or otherwise, support an organization that fundamentally mispresents the state of grid reliability in this country."

Korsnick said NEI's lobbying in support of Energy Secretary Rick Perry's call for price supports for coal and nuclear plants followed "a rigorous process for gathering input from member companies to inform our policy positions."

"On most issues [NEI] does not advocate a position until it has been approved by members of the Executive Committee. NextEra may not have agreed with NEI's effort to support the continued operation of existing plants, but our work was guided by the interests of our member companies," she said.

"NEI remains committed to achieving its foundational mission: to preserve, sustain, innovate and grow the nuclear energy industry. All of NEI's actions should be and are consistent with that purpose. NEI also ensures all decisions and actions taken maintain a safe, effective and well operated nuclear energy fleet. NEI's commitment to each of those core principles will always be absolute without compromise."

NEI did not respond to a question about NextEra's contention that the group is "suffering from financial difficulties." NextEra cited NEI's Form 990 for 2015, which it said "shows negative six-figure net assets for the 2015 and 2014 tax years."

Entergy a 'Traitor'?

Entergy, which operates seven nuclear plants in the U.S., also quit NEI last month, but it has not commented publicly on its reason for doing so.

"NEI has been one of several vehicles through which to advocate our positions on important policy and regulatory issues impacting the nuclear power industry," Entergy spokeswoman Emily Bealke Parenteau said in response to a question about the company's departure. "Entergy has made the decision to leverage its other internal and external resources for advocacy efforts.

"While Entergy will no longer be a member of NEI, we have a system in place that replaces PADS. We will continue to engage actively and cooperatively with the industry in both the operations and public policy arenas," she added.

One industry official with knowledge of the situation said Exelon and some other NEI members view Entergy as a "traitor" for closing its uneconomic merchant nuclear plants rather than fighting for subsidies.

Exelon purchased Entergy's James A. FitzPatrick nuclear plant in New York after the latter said it would close the plant regardless of whether the state approved zero-emission credits. Entergy also has agreed to close its Indian Point plant under pressure from Gov. Andrew Cuomo.

"Exelon told other NEI members that Entergy effectively forced them to buy [FitzPatrick] — they believed that ... to get ZECs passed, they needed solidarity, and Entergy wasn't playing ball," the official said. "The fact that Entergy is closing Pilgrim [in Plymouth, Mass.] without a whimper and Palisades [in Michigan] when their contract ends in a few years has some NEI members upset. ... Every time that a nuclear plant closes, it hurts their specialty vendors and, as a result, vendors shrink, and remaining ones have some market power. And that raises costs for every remaining plant."

Exelon did not respond to a request for comment.

FERC Orders Review of PJM, MISO, SPP Generator Studies

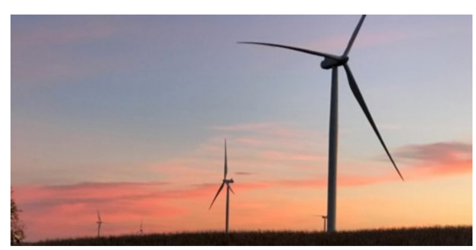
Continued from page 1

EDF complained that the RTOs' tariffs and the MISO-SPP and MISO-PJM joint operating agreements lack detail regarding: the timing of affected system analyses; the standards applied to determine impacts from proposed interconnections; and how network upgrade costs are assigned.

The company said the lack of clarity regarding the RTOs' study delivery requirements and modeling standards violates the commission's requirement for transparent open access interconnection service and its purpose for establishing *pro forma* interconnection processes.

The commission rejected the RTOs' re-

Continued on page 41



Red Pine Wind Project | *EDF Renewable Energy*

FERC Orders Review of PJM, MISO, SPP Generator Studies

Continued from page 40

quests to dismiss the complaint, saying their "tariffs and JOAs do not fully explain the guidelines and timelines that the RTOs use to coordinate with affected system RTOs during the interconnection process."

It noted that the MISO-SPP and MISO-PJM JOAs require SPP and PJM to provide MISO with affected system results twice a year — in conflict with MISO's Tariff, which requires four to five system impact studies, including affected system results, each year, per sub-region.

EDF cited several problems it said have resulted:

- The timing mismatch delayed MISO's system impact studies for its February 2016 West, February 2016 East and August 2016 Central interconnection study groups; MISO will not receive affected system information from PJM for its August 2016 Central study group until this month.
- Affected system data were provided late to generation being studied in the PJM queue.
- Affected systems information sent to MISO from SPP erroneously included a $38 million affected system network upgrade to be assessed to generation projects in the MISO February 2016 West study group, although the line SPP listed had already been included in its Integrated Transmission Plan.

The company also said it is unclear whether MISO and SPP are using the same base case models for their studies and that there is no clarity over the process the three RTOs use to assign network upgrade costs for interconnection projects located near their seams.

In the MISO February 2016 West study process, for example, EDF said SPP's 2016 study of new generation near its MISO seam (SPP DISIS 2016-1) identified network upgrades near the Cooper South constraint in SPP.

SPP's studies were completed before the MISO February 2016 West studies began, yet the MISO February 2016 West SIS included SPP affected systems costs of $311 million for a new line to upgrade the Cooper South constraint. EDF said the RTOs inappropriately shifted costs for upgrades identified in the SPP study from generation locating within SPP to generation locating within MISO.

The commission ruled that EDF had provided sufficient evidence that the lack of transparency and clarity may result in "inappropriate affected system network upgrade costs; a lack of information necessary to accurately estimate the cost of interconnection service; and delayed interconnection study results."

The commission also rejected the RTOs' request to dismiss EDF's complaint as duplicative of the commission's December 2016 Notice of Proposed Rulemaking on its *pro forma* large generator interconnection rules (RM17-8). The commission said EDF's complaint raised issues specific to the MISO, SPP and PJM tariffs and JOAs that were not raised in the NOPR. (See *FERC Proposes Changes to Interconnection Rules*.)

"We find that a technical conference is an appropriate vehicle to develop a more complete record concerning these issues and the specific reforms proposed by EDF in the complaint," FERC said. "We note that commission staff at the technical conference will also consider issues related to affected systems coordination that were raised in response to the Generator Interconnection NOPR. We find that holding a joint technical conference on affected systems issues identified both in this complaint and in the Generator Interconnection NOPR will offer the commission and interested parties the opportunity to consider specific reforms in MISO, SPP and PJM at the same time as more generic reforms."

FERC said it expects to issue a ruling within 12 months of the technical conference.

Chairman Kevin McIntyre did not participate in the ruling.


RTO Insider
MISO: Energy Storage Could Work into Existing Market Structure Next Year
Exelon, Pepco Urge Compromise Deal to Win DC PSC Approval for Merger
FERC Eliminates Intertie Convergence Bids in CAISO
DC Circuit Puts Hold on CPP, MATS Challenges
Don't Miss ...
No 2nd Term for FERC's Collette Honorable
DC Circuit Upholds FERC Ruling in PURPA Dispute
Salt River Project Signs on to Become 9th EIM Participant
MacBook