

# RTO Insider

**YOUR EYES AND EARS ON THE ORGANIZED ELECTRIC MARKETS**

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

**FERC & Federal**

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# Stakeholder Soapbox

## The Prevalence of Rent-seeking in Public Utility Regulation

By Kenneth W. Costello



Kenneth W. Costello

Public utility regulation falls within the lexicon of *economic regulation* with its main objective to protect consumers from the monopoly power of a utility. The presumption is that public utilities

provide essential services that require strong service obligations and price controls. It also is inferred that a single private firm would be preferable to allowing the entry of a number of potentially competing firms.

In recent years, state utility regulators have exhibited much more political posturing that deviates from their original mission, often mandated or coerced by the legislature and governor. For example, we have seen regulators approving higher utility rates to advance the agendas of politically influential interest groups like social justice activists. Many regulators have become advocates of the *environmental, social and governance (ESG)* movement that has spread widely across the corporate and political worlds.

The upswing in special-interest demands afflicting most states comes from clean air advocates, vendors and others who are not utility customers. Their presence in the regulatory arena has proliferated to squeeze out public interest goals. Some interest groups regard anything less than a maximum effort to tackle climate change and a net-zero carbon future as a *social injustice*. But an obsession with these objectives has threatened long-held policy objectives, like reasonable and stable utility rates, economic growth and reliable utility service. California and several other states have gone down this primrose road.

Politicization of utility regulation — that is, using regulators to gain favors — means many things, mostly bad; that is more special-interest influence with the potential to jeopardize the public interest by:

- further emphasizing myopic effects;
- making more difficult execution of the “*balancing act*” long held by regulators, with the addition of new interests and social objectives;

- parting from the charge of regulation to serve the long-term interest of utility customers;
- escalating rent-seeking costs and increasing the likelihood of subsidies and mandates; and
- spreading the cost and risk for uneconomical, politically driven investments onto utility customers.

Although politicization does not inevitably mean a negative outcome for society, it typically ends up with one interest group unduly affecting governmental actions that harm the public good.

The culprits are politicians and bureaucrats who envision utilities as “social agencies” by extending their domain beyond a for-profit commercial enterprise. Utilities have had to offer special rates and other concessions to low-income households; accommodate, facilitate and even subsidize their competitors (e.g., *net metering*) and renewable energy; invest in uneconomic new technologies where cost is subordinate to other factors (e.g., the effect on carbon emissions); subsidize energy efficiency; and achieve clean-air targets beyond federal and local mandates. These demands on utilities, which are costly, have complicated their ability to operate in their proper role as profitable entities providing basic services reliably and economically.

Public utility regulators, like other government entities, are susceptible to *rent-seeking* efforts by advocates with different agendas to achieve self-serving outcomes paid for by utility customers. The electricity industry in particular has several features that make it highly visible and disposed to politics and interest-group lobbying. The major ones are a substantial environmental footprint, a large user of energy (e.g., fossil fuels), provision of an essential service and high social cost from service interruptions.

As pressures intensified for more new social investments, driven largely by politics and other outside forces, utility regulators have had to wrestle more with the economic inefficiencies of cost socialization and subsidies. Subsidies are especially socially damaging, typically the product of increased politicization; they are:

- unfair to funding parties (namely, utility



customers);

- economically inefficient by conveying false price signals; and
- unfair to competing energy sources like natural gas.

One common bizarre practice is for electric utilities to subsidize their customers to use less of their service via EE initiatives; and to subsidize their competitors like rooftop solar. Overall, subsidies almost always fail a cost-benefit test when viewed as a public good.

Because of these developments, regulatory failures and capture have magnified. Historically, *capture* referred to undue influence by utilities at the expense of their customers and the public interest. More recently, capture has encompassed new stakeholders with the same effect of harming utility customers and the public interest.

This modern-day capture has sprung from the progression of certain interests with utilities protected against financial concerns. We are seeing utility customers being “taxed” with *surcharges and “innovative rate mechanisms”* guaranteeing that utilities recover their investments directed at the general public, rather than just utility customers. Think of subsidies to clean technologies that reduce carbon emissions, which benefit the whole world. One must ask, why should utility customers alone pay for those investments?

Much of what we see today that passes for the public good really is rent seeking, which benefits a distinct minority at the expense of the majority. Overall, regulators need to think hard about distinguishing truth from virtue. We know from experience that government

# Stakeholder Soapbox

often rationalizes its actions as morally unobjectionable when in fact it bequeaths handouts to a narrow group at the expense of the public good.

Skepticism is called for when government officials declare, for example, that we would all be better off if we consume less electricity and other fossil fuels and produce more renewable energy. Such claims may be out of sync with what is best for society.

Regulators should ask themselves whether utilities' primary customers are on the short end of the stick. Are customers funding the advancement of social objectives through inflated electricity rates and even lower service reliability without compensatory benefits? These actions are likely to have a regressive effect by disproportionately burdening below-average income households. For example, the beneficiaries might mostly include high-income households while the *payers are households of lower incomes*. Think of subsidies funded by utility customers for advancing rooftop solar, electric heat pumps and electric vehicles.

What we see is politics and interest groups driving change toward a clean, lower energy-consumption future, whereas utilities are not necessarily opposed, but demand changes in rate-making and other regulatory practices to protect their financial interests. Regulators, pressured by utilities and advocates of clean energy, have acquiesced and even exhibit zeal about this development. They commonly pass through cost increases and *revenue losses* to utility customers. Regulators should ask: What are the benefits to the majority of utility customers from "footing the bill" for subsidizing clean energy technologies and EE?

We can make one glaring observation: Special-interest groups are the true catalysts of change, with government cultivating their agendas. Either for ideological or monetary reasons, these groups want to shape the future, and the sooner the better. Their interest encompasses only themselves — not the broader public interest. Their vision of the future entails filling up their pockets or satisfying their favorite doctrine.

Yet the job of utility regulators is to balance the interests of different groups to best serve the public good. That places extreme urgency on state utility regulators, to enforce the "balancing act" that trades off different

legitimate interests for the common good — a difficult task, yes, but one that society expects regulators to do.

That naturally leads to the question of whether society requires too much from electric utilities. We expect utilities to maintain financial viability, provide reliable and resilient service, make electricity affordable to all customers, adopt and accommodate new technologies that compete with their core business, decarbonize their generation portfolio, and promote less usage of electricity by their customers. No other private business comes to mind in which society expects firms to tackle such a wide range of social issues.

As an illustration, take the case of utility subsidies for EE. While government officials and utilities won't admit it, *the best evidence* shows that their ratepayer-subsidized EE programs are likely to fail a cost-benefit test.

The plain question policymakers should ask is whether the market for EE technologies is free of major "market failures." If so, one can conclude the marketplace is providing energy consumers with the right incentives to "purchase" EE when it is in their self-interest, and energy consumers are rational and unobstructed in making decisions by market barriers. After all, if society feels consumers are rational in making decisions on what other goods and services to buy, what would cause the same consumers to be irrational when they decide on EE investments for their homes and businesses?

Regretfully, the best evidence has had little effect on utility EE programs because the public is unaware of the transfers; EE is widely popular; and politicians, bureaucrats and utilities can enjoy their support. Utilities gain, for example, goodwill with their regulators without suffering any financial consequences or even profiting as a consequence because of new rate mechanisms like revenue decoupling and a premium rate of return for complying with EE mandates.

We should be mindful of the words of Milton Friedman: "One of the great mistakes is to judge policies and programs by their intentions rather than their results." For many observers, utility (government-subsidized, as well) EE programs transmit good feelings (i.e., virtual signaling) about using less energy. Instead of expanding the subsidies for EE — which many today advocate for — we should give serious consideration to phasing

them out or, preferably, eliminating them all together.

Another example of a misdirected policy is the recent efforts to artificially induce energy consumers to switch from fossil fuels for home use and transportation to electricity, which observers call electrification. Proponents of *electrification* — notably politicians, bureaucrats, electric utility companies and environmentalists — prefer it to happen sooner than later and be accelerated by subsidies and other governmental enticements. Some even advocate mandated electrification or natural gas bans to prevent hyperbolic climate catastrophes. Many view electrification as essential to combat climate change or even as a free lunch.

As with most things, there are two sides, and electrification is no exception. Most champions of electrification fail to consider, or intentionally ignore, its downsides. A major one is the high cost to households and businesses of converting from natural gas and other fossil fuels to electricity — a cost that can amount to *thousands of dollars for an individual home*. Another downside stems from the efficiency losses in energy markets from prematurely advancing electrification with subsidies (sometimes funded by utility customers with the approval of state utility regulators) and governmental mandates.

Instead of artificially bolstering electrification with subsidies and mandates, policymakers should allow electric technology to evolve on its own without government support. Technology will determine the ultimate success of electrification — not subsidies and other governmental actions that largely are politically driven to serve special interests.

To conclude, one philosophical inquiry is whether bad policies descend from society's ignorance of their effects, or do strong-armed and self-interested politics always prevail, regardless of the public interest?

An optimist would say truth will prevail. One perception of truth relates it to policymakers' decisions that rely on impartial information to balance the interests of different stakeholders for the public good. Yet such optimism appears far from compelling when one observes the myriad policies adopted by society and their consequences for the public good. ■

**Kenneth W. Costello is a regulatory economist and independent consultant.**



## FERC/Federal News



# PURPA Case Offers FERC Early Glimpse of Post-Chevron World

By James Downing

FERC is getting an early taste of life without *Chevron* deference after the Supreme Court remanded a case involving the Public Utility Regulatory Policies Act (PURPA) back to an appeals court.

In a brief *order* issued July 2, the Supreme Court granted a petition for writ of certiorari in *Edison Electric Institute v. FERC*, remanding it to the D.C. Circuit Court of Appeals for further consideration in light of *Loper Bright Enterprises v. Raimondo*. (See [Supreme Court Ends Chevron Deference to Administrative Agencies](#).)

The case involves a solar plant Broadview Solar developed in Montana that FERC certified as a “qualifying facility” under PURPA, which are supposed to be rated at 80 MW or less. The power plant can produce up to 160 MW, but it can only deliver up to 80 MW to the grid.

FERC certified the facility as a QF under PURPA over the protests of EEI and its member NorthWestern Energy, the utility required to buy its output. The complainants argued that a plain reading of PURPA indicates that

any resource that generates more than 80 MW cannot be a QF and that FERC exceeded its authority in the approval.

The D.C. Circuit previously upheld the decision, finding that PURPA was unclear on the exact meaning of “power production,” so it deferred to FERC’s interpretation. (See [DC Circuit Upholds FERC on Montana PURPA Project](#).)

In their petition to the Supreme Court, EEI and NorthWestern argued that the lower court misapplied *Chevron* by rushing to agency deference while ignoring the plain language of PURPA.

“But if *Chevron* is properly understood to condone the result reached here, then this case is further evidence that the time has come to reconsider *Chevron* by, at the very least, clarifying its limits,” they said in the petition filed last June.

FERC based its approval on its “sendout approach” for PURPA qualifying facilities that measures how much power they can ship out to the grid, it said in a response filed with the Supreme Court in September. The commission has been using the sendout approach since

1981.

“The net power that a qualifying facility sends out to the grid is also the amount of power that is ‘capable of being avoided on the [purchasing utility’s] system,’ i.e., the amount of power that the purchasing utility need not get from elsewhere,” FERC said.

While the solar array at the Broadview facility can produce up to 160 MW, and a co-located battery can discharge up to 50 MW for four hours, it has to convert that direct current electricity into alternative current through an inverter connected to NorthWestern’s grid that is just 80 MW.

The facility as a whole can supply no more than 80 GW of grid-usable alternating current to the grid at any one time.

“The battery does not permit the facility to supply more than 80 MW to the grid at any time,” FERC said. “But the array-and-battery design does mean that the Broadview facility can more consistently deliver 80 MW of power to the grid than the facility would be able to deliver using only a 160-MW solar array with the same inverters.” ■



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# FERC/Federal News



## FERC Approves LS Power Gas Plant Purchase Despite PJM Monitor's Concerns

By James Downing

FERC on July 5 approved LS Power's purchase of an 810-MW natural gas plant in central Pennsylvania despite some qualms from PJM's Independent Market Monitor (*EC24-42*).

The deal has LS Power setting up an affiliate, Hunterstown Gen Holdings, to buy the plant, which was owned by Kestrel Acquisition, a subsidiary of the investment firm Platinum Equity Partners.

LS Power already owns 6,865 MW of electric generating capacity, but the merger would raise the Herfindahl-Hirschman Index (HHI) of market concentration by only 12 points, which is not meaningful when a market qualifies as concentrated starting at 1,000 points on the index, Kestrel said in its *application*. Once the deal closes, LS Power will control 7.17% of installed capacity, its analysis showed.

The Monitor argued FERC should take into account different local markets, which are changing frequently along with transmission congestion and more accurately reflect the operation of PJM's wholesale power markets.

The merger increases LS Power's structural market power in the aggregate energy market and the capacity markets as well, the Monitor said. It argued for some restrictions on LS Power's bidding to get around those issues, which would have dealt with market power concerns.

LS Power and Platinum argued that the Monitor failed to show the deal is inconsistent with FERC policy or precedent and that its claims are based on a nonpublic dataset that is not available for evaluation.

FERC agreed that the Monitor failed to offer enough evidence that it should use smaller geographic markets based on congestion. Some of the constraints are in place for just

100 hours a year, which FERC has previously said is too low to show the persistence the commission requires for a new submarket to be considered.

Others are well above that threshold, but FERC said the Monitor failed to provide enough information for the potential boundaries of a new submarket around the Nottingham transmission constraint in its analysis. The Monitor also used the three-pivotal-supplier test, which is important for market power in PJM, but FERC said it has never used it in a merger case.

Increasing LS Power's market share from 6.71% to 7.17%, while increasing the HHI by just 6 points, shows the deal will have a limited impact on the aggregate energy market, FERC said.

"With respect to the PJM IMM's request that the commission impose behavioral mitigation measures, we decline to require the requested mitigation measures or to otherwise address general issues concerning the PJM markets in this proceeding," FERC said.

Broad arguments about the inadequacies of FERC's merger review process and PJM's market power mitigation are the basis for the Monitor's requested behavioral limits. But "as the commission has previously found, arguments based on general concerns about certain elements of PJM's market design that are not specific to a proposed transaction under review are beyond the scope of the commission's review of the proposed transaction," FERC said.

None of the parties raised issues with the deal's impact on vertical market power, rates or regulation, and the deal did not raise issues around cross-subsidization, the commission found.

Commissioner Mark Christie concurred with the order, agreeing that the deal satisfies FERC's merger review process while also saying the Monitor highlighted a real issue.

"Taken together, the PJM IMM's evaluation and conclusion signal that the commission's policy and regulations implementing [Federal Power Act] Section 203 may miss the forest for the trees and fail to see the larger impacts that transactions may have on the health of RTO markets," Christie said.

Christie added that he would welcome a review of FERC's policies that *implement Section 203*. ■



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## FERC/Federal News



# Overheard at Infocast's Transmission & Interconnection Summit

## Will FERC Reforms Resolve Interconnection Queue Bottlenecks?

ARLINGTON, Va. — Industry leaders, experts, policymakers and regulators gathered near the nation's capital June 25-27 to discuss how recent FERC orders will affect regional transmission planning, cost allocation, permitting, advanced transmission technologies and other factors that could improve the ability to quickly add capacity to the grid.

Over the last two years, FERC has issued several orders designed to revise transmission planning, cost allocation and permitting processes, including:

- *Order 2023*, which revises the commission's pro forma generator interconnection queue rules to speed up the backlogged process. It has already led to a flurry of interconnection and queue reforms by grid operators and utility balancing areas. (See [FERC Updates Interconnection Queue Process with Order 2023](#).)
- *Order 1920*, which requires regional transmission planners to model at least 20 years ahead of time using multiple scenarios while taking into consideration a set of seven benefits. (See [FERC Issues Transmission Rule Without ROFR Changes, Christie's Vote](#).)
- *Order 1977*, which implements FERC's new congressionally mandated authority to site transmission lines in a National Interest Electricity Transmission Corridor, despite state regulators' rejections.

While the actions have begun to bear results, the extent of the reforms and their pace vary significantly in the nation's organized markets.

Joseph Rand, an energy policy researcher at Lawrence Berkeley National Laboratory, kicked off the summit by sharing the lab's [annual analysis of interconnection data](#) from all seven RTOs and ISOs and 44 non-RTO utilities, representing more than 95% of the U.S.' currently installed capacity.

The report found potential new capacity in interconnection queues is growing dramatically, with nearly 2.6 GW of total generation and storage seeking connections to the grid last year. More than 95% of that capacity is for zero-carbon resources. Solar and battery storage are the fastest-growing resources, accounting for over 80% of new capacity entering queues last year.

"I've been working in the energy and electric industry for maybe about 15 years now, and



FERC Commissioner Allison Clements reflects on her tenure with the commission. | © RTO Insider LLC

I don't often get to use the unit of terawatts. One terawatt — my mind was blown," Rand said. "Then we got to 2 TW last year and now we're at 2.6 TW, and my mind continues to be blown by this number.

"To put that in context a little bit," he added, "that's actually more than two times the installed capacity of our entire electric generation fleet in the United States."

Rand urged attendees not to place too much importance on recent industry chatter regarding concerns with load growth, resource adequacy, data center energy needs and the impulse to quickly build gas generation. He said there's enough capacity in grid operators' queues to meet rapidly increasing load.

"I think that kind of indicates that, again, it's not necessarily a need to kind of shove through a lot of generation," he said. "There's, in fact, a need to kind of unlock this bottleneck that we're seeing in the interconnection process to meet that resource adequacy. But, like I just alluded to with the word 'bottleneck,' we have some problems in this process, right?"

The chief problem, Rand said, is the "very low" completion rates for projects. He said researchers have found that only about 20% of projects that enter queues reach commercial operation and over 72% have withdrawn their

applications.

Not that low completion rates are "entirely a bad thing," Rand said.

"Low completion rates could be a sign of a very active and competitive interconnection process and a competitive market," he said. "But on the other hand, when you see very low completion rates, those of you from ISOs and RTOs could probably attest to this, it's really a drain on transmission provider resources to have to study all of these requests. It might be an indicator of so-called exploratory or speculative requests being in this process."

The other problem? Timelines, especially in FERC-jurisdictional regions, and the rising cost of interconnections.

"This stuff matters and it's important and it's why interconnection is sort of top of mind and getting headlines in *The New York Times* these days," Rand said.

### ERCOT Offers GI Lessons

If there's a model to ease the bottlenecks in GI queues, it could be ERCOT's "connect and manage" approach to transmission interconnection. The Texas grid operator focuses its studies on the local upgrades needed for a project to connect to the grid. It manages grid



# FERC/Federal News



congestion caused by a new generator through market redispatch and curtailment.

ERCOT has added more generation to its system than any other grid operator and transmission provider during the last few years. It connected 14.2 GW of capacity during 2021 and 2022. PJM, with demand twice as large as ERCOT's, added 5.6 GW during that same period. ERCOT says its lack of FERC jurisdiction status allows it to energize transmission lines in three to six years, compared to seven-and-a-half to 13 years elsewhere.

During a panel discussion on the "connect and manage" approach, Mario Hayden, Enel North America's transmission director and a former ERCOT staffer, said familiar concepts in other regions get thrown out the window in the grid operator.

"There's no such thing as a queue priority, which is sort of a fundamental concept in other parts of the country. There's no sense of other readiness milestones, the concept of site control being a big barrier of entry," he said. "You do not have a sense of withdrawal penalties, a sense of harming your competitors next to you, direct-cost allocation as a part of the negotiating process, but no idea of transmission upgrades that may cause high costs and make people want to withdraw.

"If you're a lucky generator, the process is fairly simple," Hayden said.

Except allocated transmission costs come later. Zero Emission Grid founder Mike Tabrizi said that without a cluster-study process, developers are connecting to the grid at their own risk.

"You're not going to be responsible for transmission operating costs upfront but once the project becomes operational, then you're fully exposed to what's going to happen to the transmission from the congestion ... especially if you're a network resource," he said.

"[ERCOT lacks] any sort of proactive transmission planning which, as we've seen, there can be [generation transmission constraints] that pop up and that will lead to cascading outages if they're not managed properly," Pine Gate Renewables' Regan Fink said, referring to ERCOT's South Texas constraints.

Tyler Norris, formerly with Cypress Creek Renewables and now working on a doctorate at Duke University, calls ERCOT's use of curtailment for renewable energy "flexible interconnection," although he would prefer the curtailment be "occasional."

"Once you've decided to use the interconnection process to identify and allocate funds for network upgrades, that introduces a lot of complications and sort of the fundamental linkage that we've made as we have linked interconnection service to capacity eligibility," he said. "That's sort of what I think is driving a lot of the issues that we're seeing in our intercon-

nection queues."

FERC staff have scheduled a workshop Sept. 10-11 on *GI innovations and efficiencies*, Norris noted. He expects flexible interconnection options to be part of the discussion.

"There's ever more pressure to get more generation on the system," Norris said. "The FERC staff generally really get that there are a lot of colliding trends. ... FERC will be interested in exploring reform options for energy-only interconnection service and provisional service to streamline them and make them more aligned with generator willingness to be curtailed, to get online more quickly."

## More Transmission Coming

A panel discussing the effects of Order 2023's compliance plans said many regional markets are already a step ahead of FERC. That and competition between the states will continue to lead to strong projects, they said.



Matt Pawlowski,  
NextEra Energy |  
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Matt Pawlowski, vice president at NextEra Energy Transmission and a "transmission guy" who wants to "build more transmission," pointed to reforms SPP has made in its GI process to eliminate a backlog of project requests that dated back to 2017.

The RTO hopes to clear all requests submitted through 2022 by the end of this year. (See "Staff Reveals Error in GI Queue Studies; Clearing Backlog Still on Course," *SPP Markets and Operations Policy Committee: April 16-17, 2024.*)

"[SPP's reforms] increased site control requirements, increased study deposits and more at-risk study deposits. We supported that because we felt like that would create stronger projects in the interconnection queue," Pawlowski said. "It certainly sharpened the pencils on our side for ensuring other projects that get into the queue are some of our top projects that we've that we're looking at from both from a demand standpoint, but also from site control and other aspects. Having a little bit more stringent requirements ... just forced developers to just think harder about their projects."

Bill Bojorquez, a former ERCOT executive and now CEO of technology firm Splight, said competition between states for transmission solutions has increased, with siting decisions "taken in by more and more regulatory and government forms."



Tyler Norris (right) chats with a fellow attendee during a break. | © RTO Insider LLC



# FERC/Federal News



Bill Bojorquez, Splight | © RTO Insider LLC

"If they don't do something, we'll have transmission in other states, wherever is more proactive in justifying that addition," he said.

"I can't agree with you more," Pawlowski said. "I think the states that are being proactive

right now in thinking about economic development first and then the steps that are needed in order to fulfill those jobs and economic development plans are going to win. [States] like Oklahoma and California, with some of their plans, are recognizing these. These [massive data centers and cloud infrastructure] want to be close to eyeballs and there are certain areas that they want to pick. If you've got them in that area and you don't have the ability to serve them, they will go somewhere else, because they don't have the power needs that serve them. It's as simple as that."

## Allocating Costs the Issue

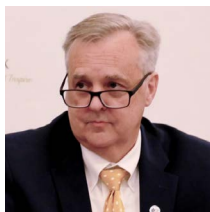
Finding herself sitting next to FERC senior energy industry analyst David Tobenkin, North Dakota Commissioner Sheri Haugen-Hoffart, an apparent opponent of Order 1920, was quick to respond after his explanation of the order and the states' role in its cost allocation.

"For full disclosure, when David sat down, he said, 'Be nice.' I said, 'I promise. I will,'" she said as Tobenkin allowed himself a smile. "But I kind of have to give you a look. 1920?"

"We are an export state. We have different challenges compared to other states, but cost allocation — and I wish I wrote down every time I heard cost allocation is challenging — is very challenging and complex," Haugen-Hoffart added. "We have viewed it in North Dakota as cost-causation principles must be a year two, transmission and interconnection investment caused by companies that state a desire to new generation, regardless of type, should be paid by those parties, the cost causers. To allocate costs of such investment to all customers, in particular RTOs, we see as unjust and unreasonable."

Yes, allocating costs for transmission is tricky, said WIRES' executive director, Larry Gasteiger.

"The two biggest obstacles we keep seeing with getting transmis-



Larry Gasteiger, WIRES | © RTO Insider LLC



FERC's David Tobenkin explains Order 1920 as North Dakota PSC Commissioner Sheri Haugen-Hoffart listens. | © RTO Insider LLC

sion built, and this is really a gross oversimplification, are nobody wants to see it and nobody wants to pay for it," he said. "Believe me, I get it. We're talking about a lot of investment. We've got a lot of policies going on concerning the issues of paying for this infrastructure, and frankly, it's going to cost a lot of money.

"I think it's going to require a conversation and being more honest with ratepayers about what we may be seeing down the road," Gasteiger added. "That doesn't mean we don't look at ways to try to minimize the costs associated with building this infrastructure, absolutely. We have to do that. But we're not going to cheat our way out of this."

Speaking on a panel focused on grid-enhancing technologies (GETs), EDF Renewables' Temujin Roach shared similar opinions.



Temujin Roach, EDF Renewables | © RTO Insider LLC

"People are going to start talking about transmission. It's become a bigger and bigger issue because it's going to become a bigger part of their bill. Before it was just pennies. Nobody cared about whatever transmission is," Roach said. "Now, it's that much more, so we've got to find a way to cut some of the costs while we're increasing the costs, because we are going to increase the cost. It is going to cost more. We are going to have to charge people to build this transmission, period. So now it's about how can we manage the cost?"

## Clements' Contributions Recognized

Conference organizers thanked outgoing FERC Commissioner Allison Clements, making her annual appearance to the Infocast summit on her penultimate day on the job, for being "a champion of the industry."

The WATT Coalition went one better, presenting its 2024 Grid Innovation Champion Award to Clements for being "a true leader in embracing innovation" and advancing transmission technology policy at FERC.

"[Clements] has looked for opportunities to use common-sense solutions like [GETs] to support the FERC's mission to ensure just and reasonable rates and reliable power," WATT Chair Hilary Pearson said. "The WATT Coalition thanks Commissioner Clements for taking the time to understand the value of [GETs] on the transmission grid and for consistently advocating for policy to address the structural barriers to grid modernization ... we hope her colleagues on the commission will carry forward after her term ends."

Clements has been an outspoken supporter of GETs. She has praised the technologies in FERC Orders 881 and 2023, in *letters to legislators*, and in her remarks at NARUC's Federal-State Joint Task Force on Electric Transmission and other forums. (See *FERC's Clements Gets GETs' Benefits to Grid.*)

"I didn't think I'd become a champion for grid-enhancing technologies. I didn't know what one was, and I feel like this real Pollyanna running around cheering for this hardware and

# FERC/Federal News



software,” Clements said. “But it kind of came on to me because you get one group come in and they say, ‘These are the actual results in savings. These are the actual congestion-cost savings that we got in one year. And this is how much it costs to put it in place.’

“And then you get the advanced conductor guys coming in and saying, ‘This is actually the difference you can make to what’s happening on the grid, whether it be related to sag and wildfire safety, whether it be to making more training or sending more electrons through what-have-you’ ... the numbers are so staggering. I think there are pretty credible studies related to the opportunity that hardware and software have to create space and even especially to increase reliability,” she added.

A day before leaving FERC, Clements took solace in her award.

“This just means the world to me. I really appreciate it,” she said with a final commission meeting still on her schedule. “I’m going to take a long vacation and then I’ll be back cheering for grid-enhancing technologies in one capacity or another.”

The vacation began early. Clements stayed around after the ceremony, greeting well-wishers while clutching her award in one arm and a beer in her other hand. ■



— Tom Kleckner

Allison Clements (right) enjoys a laugh with attendees during her visit to the summit. | © RTO Insider LLC

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## CAISO/West News

# Busy Summer Ahead for Pathways Initiative

*Group Lays out Ambitious Schedule for Developing 'Regional Organization' for the West*

By Robert Mullin

Participants in the West-Wide Governance Pathways Initiative face a busy meeting schedule this summer as the group's leaders look to advance on parallel fronts to develop a "regional organization" (RO) to assume governance of CAISO's Western Energy Imbalance Market (WEIM) and Extended Day-Ahead Market (EDAM).

The Pathways Initiative hit a key milestone last month when CAISO commenced a stakeholder process to adopt the effort's "Step 1" proposal for the ISO to elevate the "joint" authority the WEIM's Governing Body shares with the ISO's Board of Governors over WEIM matters to "primary" authority. (See [CAISO Kicks off Stakeholder Process for Pathways Initiative](#).)

"The CAISO board will be taking up the final recommendation with the EIM Governing Body sometime later this summer, or early fall, and then we'll be working on the tariff language that will be required to actually make these changes," Western Freedom Executive Director Kathleen Staks said during a June 28 meeting of the Pathways Initiative's Launch Committee, of which she is a co-chair.

Step 2 of the group's efforts will be more complicated, said Launch Committee member Evie Kahl, general counsel at California Community Choice Association (CalCCA). That step, part of "Phase 2" of the committee's work, deals with both the legislation needed to transfer WEIM/EDAM authority to the RO and the issues around forming the RO.

Step 2 will consist of eight separate workstreams dealing with: the stakeholder process for an RO; CAISO-related issues such as the financial liability associated with governing an electricity market; analysis of the existing CAISO tariff; public interest issues; RO formation issues, such as form of incorporation; RO governance issues, such as board nominations and funding sources; California legislative issues; and other legal issues.

Kahl emphasized that the CAISO tariff analysis is a "really important" workstream that will "cross over" into other streams.

"The objective really is to define the portions of the tariff that will fall within the RO's new scope of authority," Kahl said. "And what it's requiring is this foundational analysis that the team has started, looking at the existing



Evie Kahl, CalCCA | © RTO Insider LLC

CAISO tariff and looking at what sections are uniquely market functions, [and] which are uniquely [balancing authority] or transmission operator functions."

The "most challenging question" is how to handle sections of the tariff that touch on both the market and BA functions, she said.

Kahl also said the public interest workstream will incorporate input from the state regulators who initiated Pathways a year ago, as well as work from consumer advocates and other "important voices."

"It's going to be examining things like, 'What are the public interest obligations that are going to be a part of the RO's responsibility?' For example, a responsibility to minimize consumer costs and, in undertaking market design, to respect state and local authority," she said. "It's also going to be looking at the role for state regulators and consumer advocates in the process of designing the market and tariff approval process."

Kahl set out the public workshop schedule for many of the workstreams, including:

- July 25 – RO formation and governance, which will discuss issues such as the RO's

state of incorporation, principal place of business and entity formation status. The workshop will also cover the nominating and selection process for the RO board and number of board seats; RO and CAISO board joint sessions for areas of shared authority; the potential for reserving board seats for particular sectors; and the transition from the WEIM Governing Body process to that of the RO.

- July 31 – Public interest, to discuss the roles for a states committee and consumer advocates.
- Aug. 2 – Tariff analysis and CAISO issues, which will deal with what authority might be retained by CAISO; RO compliance, financial obligations and liability; and RO/CAISO staffing structure. The workstream will also cover RO authority matters.

### Special Process for Stakeholder Process

Staks said the Pathways Initiative is undertaking a different approach for the largest workstream, the stakeholder process, for which the Launch Committee has retained nonprofit group Gridworks to facilitate four meetings. This workgroup will also include

# CAISO/West News

some non-committee members, she said.

Matthew Tisdale, executive director at Gridworks, said his company received funding from the Arthur M. Blank Family Foundation to support its work with Pathways. The workstream will focus on comparing how other RTOs/ISOs in the country, as well as the Western Power Pool's Western Resource Adequacy Program (WRAP), engage with stakeholders. It will examine seven key elements:

- Among competing priorities, who selects the policy topics for stakeholder attention?
- Who among stakeholders frames and presents a policy problem and proposes a range of solutions?
- In stakeholder workshops, who is responsible for facilitating discussion and advancing an agenda?
- Will the stakeholder process include voting, and if so, how frequently should sector-based voting occur?
- How should sectors be defined and weighted

for voting purposes?

- What kind of forums and committees use to organize themselves?
- How often and through what nomination process should topics be subject to a stakeholder process?

Gridworks' role in the workstream is to "organize" and "summarize," not to "editorialize," Tisdale said. It aims to provide stakeholders with a summary in early September.

The stakeholder process work group will hold virtual workshops July 11, July 24, Aug. 2 and Aug. 28, all starting at 9 a.m. PT.

## Budget Update

The Pathways Initiative raised about \$500,000 to complete its Phase 1 work (mostly committed to developing Step 1) but underran its budget by \$150,000. That money will be carried over and applied to Phase 2, according to Jim Shetler, general manager of the Balancing Authority of Northern California and co-chair of the Launch Committee's Administrative

Work Group.

The budget for phase 2, which the committee expects will run from this month to the fourth quarter of this year and produce a Step 2 proposal, remains about \$450,000, for which the committee is seeking funders, Shetler said.

Phase 3, which is intended to implement Step 2 and will likely run from this fall to the first quarter of 2026, has a budget of \$636,000.

"I will note that we are seeking and plan on going in for additional requests to [the U.S. Department of Energy] for DOE funding for that Phase 3 effort, and we're hoping we'll be able to get that to help defray those costs," Shetler said.

DOE in April rejected the Pathways Initiative's first attempt to secure \$800,000 in agency grants. But later that month, Launch Committee Co-Chair Pam Sporborg, of Portland General Electric, said that, based on DOE feedback, the group would likely reapply with a "more detailed and specific proposal" on how it would spend the money. ■

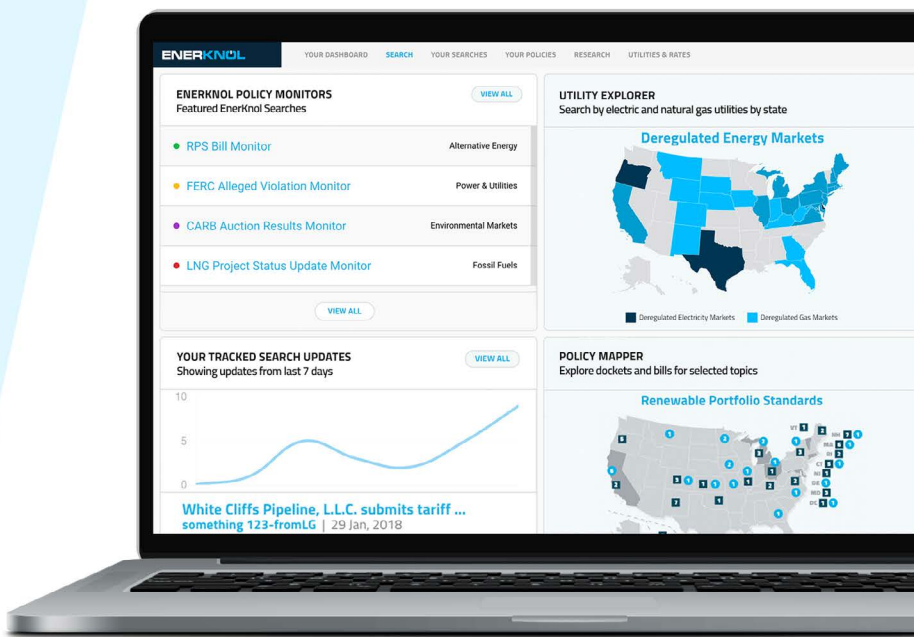
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## CAISO/West News

# Portland General Electric Formalizes EDAM Commitment

## Utility Signs Implementation Agreement to Join CAISO Day-ahead Market

By Ayla Burnett

Portland Gas and Electric (PGE) on July 2 formalized its commitment to join CAISO's Extended Day-Ahead Market (EDAM), making it the second entity in the Western U.S. after PacifiCorp to sign an implementation agreement.

CAISO CEO Elliot Mainzer commented on PGE's move in an [announcement](#).

"Portland General Electric has been an excellent partner in our real-time electricity market and has been very engaged in our work with stakeholders to design the Extended Day-Ahead Market," Mainzer said. "PGE's formal commitment to join EDAM provides more positive momentum for building a fully integrated Western day-ahead market that will benefit all market participants and their customers."

PGE serves 1.9 million customers in Oregon with a peak load of nearly 5,000 MW. The utility [announced](#) its intent to join EDAM in March, which will "enable greater access to lower-cost renewable energy resources that are available from a more geographically diverse system," CAISO's announcement said.

The implementation agreement, which CAISO and PGE signed June 28, marks an important step in efforts to shift the "joint" authority that the Western Energy Imbalance Market's (WEIM) Governing Body shares with the ISO's Board of Governors over WEIM and EDAM matters to "primary authority," which would require FERC approval but not a change to California law.

Tariff provisions to make that change won't be triggered until EDAM obtains implementation agreements from a "set of geographically



PGE distribution lines in Portland, Ore. | © RTO Insider LLC

diverse" WEIM participants representing load equal to or greater than 70% of CAISO balancing authority area annual load in 2022. (See [Pathways Initiative to Act Fast on 'Stepwise' Governance Plan](#).)

### Tariff Waiver Sought

In a related move, CAISO on July 1 filed with FERC for a limited tariff waiver to facilitate PGE's entry into the market.

The ISO's tariff requires that an EDAM implementation date not be less than six months or more than 24 months after the date the EDAM entity implementation agreement becomes effective. Because PGE isn't expected to begin participating in EDAM until fall 2026, CAISO requested a limited tariff waiver from FERC to support the utility's participation more than 24 months after the effective date of the agreement.

"The complexity of enabling PGE's transmission and technology to work in a compatible

manner with the CAISO systems may require additional efforts over a period of slightly longer than 24 months, meaning it is not possible for PGE to implement its participation as an EDAM entity until the fall of 2026," the ISO said. "Granting the waiver will provide additional time to allow the CAISO and PGE to effectively synchronize and coordinate their onboarding and readiness activities with PacifiCorp's spring 2026 schedule and vendor engagement activities."

The ISO and PGE agreed to perform parallel implementation work with PacifiCorp. (See [PacifiCorp Fully Commits to CAISO's EDAM](#).)

"Keeping PGE and PacifiCorp on the same EDAM implementation schedule is more efficient and creates the opportunity for joint implementation meetings and workshops and early vendor engagement that would otherwise not be available," CAISO said. "Granting this petition will benefit all customers participating in the day-ahead market by facilitating PGE's participation in EDAM." ■

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## CAISO/West News

# Wildfire Prompts CAISO's 1st Transmission Emergency of Summer

## Thompson Fire in Northern Calif. Forces PG&E to De-energize Lines

By Ayla Burnett and Robert Mullin

CAISO declared its first transmission emergency of the summer July 2 as a fast-spreading Northern California fire forced Pacific Gas and Electric to de-energize transmission lines near one of the state's key hydroelectric facilities.

By the morning of July 3, the *Thompson Fire* had burned more than 3,000 acres in Butte County, prompting the California Department of Forestry and Fire Protection (Cal Fire) to request PG&E de-energize circuits from the Wyandotte Substation that were in or near the fire, as well as several transmission lines, leaving about 4,200 residents without power.

Paul Moreno, a spokesperson for PG&E, told *RTO Insider* the utility was able to repair a few transmission lines, including one serving Lassen Municipal Utility District. The remaining three were expected to be restored July 4, but Moreno was unsure when staff will be able to re-energize the Wyandotte circuits.

"We've been closely tracking the weather forecasts and have geared up on staffing and are ready to respond to any heat-caused power outages," Moreno said.

PG&E also announced a public safety power shutoff (PSPS) that went into effect the morning of July 2, leaving 2,200 Northern California residents across eight counties without power. While the utility hoped to restore power July 4, it was unsure of the timeline because of wildfire danger and dry winds.

The transmission emergency, which the ISO extended into July 3, comes at the start of an

extended heat wave that will bring soaring temperatures to cities across much of the West, including Sacramento, Portland, Las Vegas and Phoenix.

While the ISO assured its power grid is stable and supply shortfalls weren't forecast through July 3, high heat in the interior of the state could set temperature records.

"We are continuing to closely monitor long-duration extreme heat in California, with triple-digit temperatures forecast in the valley over the next several days," an ISO spokesperson said. "We are also watching wildfire activity across the state. While fires are not currently affecting the bulk electricity system, wind direction can change quickly and impact generation and our transmission system."

CAISO also issued a restricted maintenance operation (RMO) alert effective midnight July 3 through midnight July 10 to caution utilities and transmission operators to avoid taking equipment offline for routine maintenance.

The RMO can help assure all generators and transmission lines are available to supply high-er loads, according to the ISO spokesperson.

### Hyatt Hydro Plant Taken Offline

The Thompson Fire started outside Oroville the morning of July 2. By late afternoon on July 3, the fire had grown to more than 3,500 acres and was 0% contained, according to Cal Fire. The agency has issued mandatory evacuation orders for many zones in Butte County and evacuation warnings were in place for others. The cause of the fire remains unknown, and there have been no reports of fatalities.

In a statement *posted on X* on July 2, the California Department of Water Resources (CDWR) said the fire ignited just north of its Oroville Field Division facilities and that "several" state water project facilities were under evacuation orders from the Butte County sheriff.

Among those was the Hyatt Powerplant, a 645-MW hydroelectric facility near Oroville Dam that CDWR temporarily shut down because of de-energized PG&E transmission lines. Plant staff were relocated to the nearby Thermalito Pumping-Generating Plant, the agency said.

The department was able to resume Hyatt's operations on July 3, it said in a *follow-up post*. Staff found minor damage to nonessential infrastructure at the dam, but "there was no damage to the dam or spillway structure, and Oroville Dam remains safe," it said.

### No Alarms on West Coast, but EEA 2 Declared Inland

Despite the forecast for extended heat, utilities across the region have not expressed alarm about energy shortages, likely in part because of the lower demand seen during holiday weekends.

The Sacramento Municipal Utilities District, which is not part of CAISO but participates in the ISO's Western Energy Imbalance Market, said last week it was prepared to meet electricity demand, "barring a grid or other emergency such as wildfire or unexpected significant power shortfall."

Portland General Electric noted on its website that it too is prepared for "high temperatures and high electric use." Portland-based Pacific Power urged its customers to take steps to conserve power during peak periods between 3 and 7 p.m. to reduce strain on the grid.

Nevada-based NV Energy hasn't issued calls for conservation, but the utility did *alert* customers about its newly implemented PSPS policy in the event of high fire danger.

But in New Mexico, according to a source, the El Paso Electric balancing authority area in the SPP reliability coordinator footprint on July 2 was placed into an Energy Emergency Alert 2, in which the RTO requests emergency energy from available resources, activates emergency energy programs and calls for conservation from consumers. ■



The Thompson Fire in burning near Lake Oroville has prompted the shutdown of PG&E transmission lines and the California Department of Water Resources' Hyatt hydroelectric plant. | *Cal Fire*



# ERCOT News



## Hurricane Beryl Leaves 2.7M Customers Without Power CenterPoint Energy, Entergy Texas Turn to Restoration Efforts

By Tom Kleckner

CONROE, Texas — Hurricane Beryl ripped through the Houston area after making landfall on the Texas Gulf Coast on July 8 as a Category 1 storm, leaving a trail of death and destruction in its wake.

Downgraded to a tropical storm by late morning, Beryl’s high winds caused significant tree damage in the heavily wooded region of Texas. Cleanup and restoration are expected to take days during muggy conditions with near-term projected temperatures in the low to mid 90s.

Falling trees killed at least two people and took down numerous power lines. As of 4 p.m. CT, more than 2.78 million Texas customers were without power, according to [PowerOutage.us](https://www.poweroutage.us).

CenterPoint Energy, the primary utility in Houston, accounted for more than 2.18 million customers without power; it has about 2.6 million overall. It said it had a restoration workforce of approximately 4,500 ready to assist in the efforts.

Entergy Texas, with more than 247,000 customer outages, said its crews would begin a damage assessment throughout its 27-county service area once the storm passed. It has 500 additional restoration workers on standby to assist its crews.

Beryl came ashore around 4 a.m. near Matagorda Bay south of Houston, packing 80 mph winds. It was downgraded to a strong tropical storm about six hours later, with maximum sustained winds of 70 mph. Winds were down



Garage crushed by downed tree. | © RTO Insider LLC

to 45 mph as the storm continued north at 4 p.m. CT.

The National Weather Service placed the Houston and Galveston metro areas under a flood watch through the morning hours of July 9. Rain and windy conditions were expected intermittently through early evening July 8.

Both of Houston’s airports had ceased operations by noon July 8, but they restored traffic later in the day.

ERCOT said on social media it was monitoring the storm and its aftermath. It said any outages

are “local in nature and not an ERCOT grid reliability issue.”

Beryl brought with it painful reminders for some residents of a derecho that hit the Houston area in May with wind gusts of more than 100 mph. The storm killed eight people, brought down trees, blew out windows in downtown skyscrapers and left some people without power for more than two weeks.

Ironically, a Texas House State Affairs Committee scheduled for July 8 to conduct oversight of utility resilience plans was canceled because of the storm. ■

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# ISO-NE News



## Avangrid Details Progress on NECEC Tx Line

By Jon Lamson

Construction on Avangrid’s hotly contested New England Clean Energy Connect (NECEC) transmission project has made significant progress following a two-year pause, according to a [filing](#) submitted to the Maine Public Utilities Commission on July 1.

NECEC is a 1,200-MW transmission line intended to send power from the Québec border to Lewiston, Maine, a city in the southern part of the state. The project is the result of a competitive Massachusetts clean energy solicitation and ultimately will be funded by ratepayers, as well as by Hydro-Québec.

The project includes about 145 miles of new 320-kV HVDC transmission line, a new converter station, an upgrade to an existing substation and an AC line connecting the converter station to the substation. It also requires a series of upgrades to the local grid once it reaches the substation, including a new 26-mile 345-kV line and rebuilds of several other line segments.

According to the July 1 filing (PUC docket 2017-00232), Avangrid said it has installed 504 pole bases, 441 poles and wires on 178 poles for the HVDC line. The project’s website says the line will require 829 structures, with most structures being monopoles.

This marks significant progress from the update filed at the beginning of this year, which [indicated](#) 187 pole bases had been set with 128 poles installed.

Regarding the AC network upgrades needed to support the line, “since construction activities resumed in December 2023, access is approximately 81% complete, foundations are 41% complete (294 complete), pole setting is 31% complete (217 complete) and wire work is 34% complete (36 circuit miles),” Avangrid wrote.

Work also is underway at the new converter station, where the foundations are in place, the company noted.

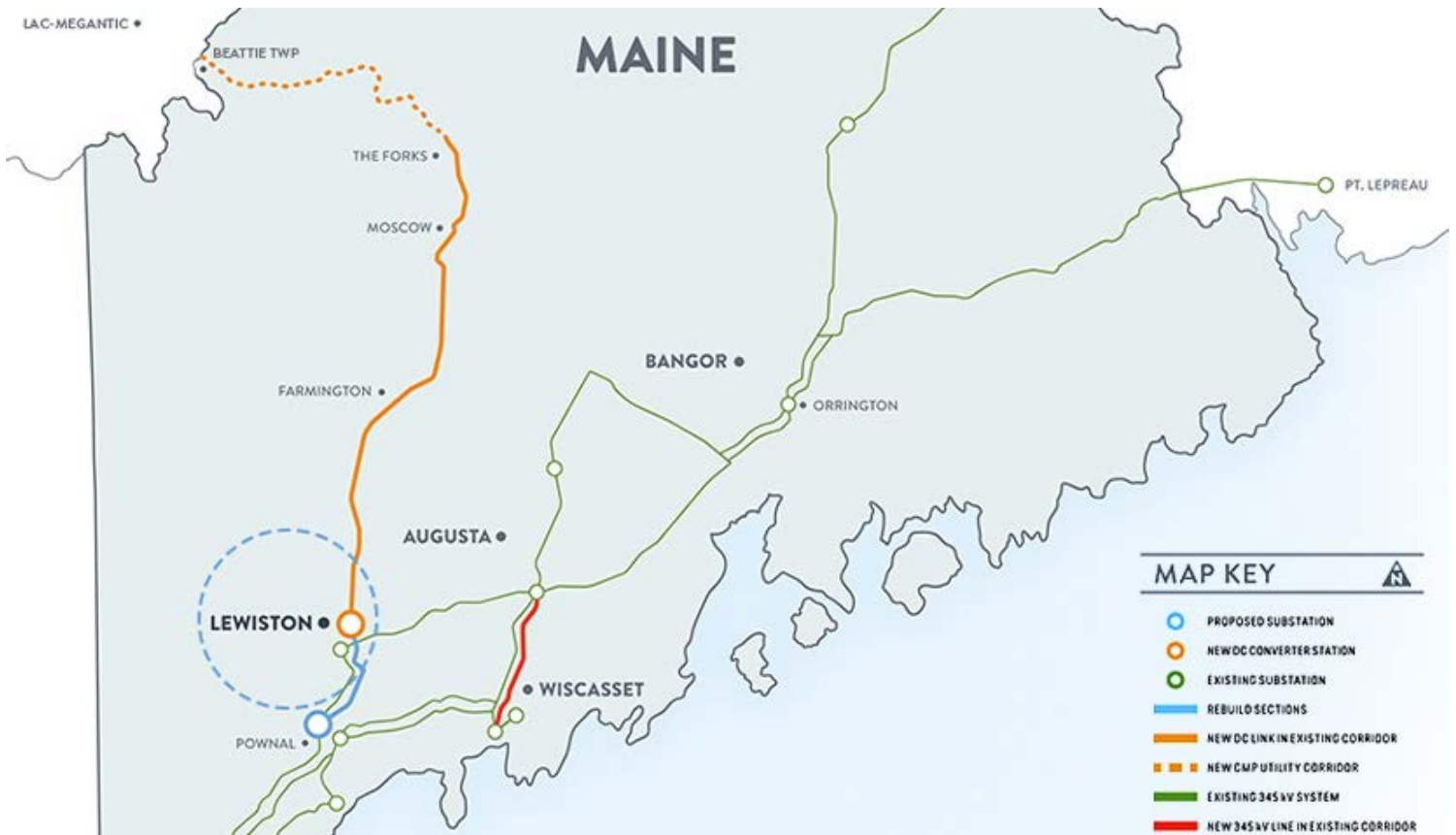
The filing indicated the total taxable investments for the project as of April 1 have reached \$904 million, an approximately \$200

million increase compared to April 2023, after construction resumed in October 2023. These costs represent “actual construction work in progress and an applicable allocation of overall development costs as appropriate,” the filing noted.

While the project initially was expected to cost about \$1 billion, the delays have led to an approximately \$500 million cost [increase](#). In late 2023, Massachusetts passed a budget bill enabling its electric distribution companies to [recover costs](#) associated with the construction delays.

When in service, the Maine PUC’s permitting [approval](#) indicates the line and its associated power contracts will help lower energy and capacity costs in New England, bolster grid reliability and fuel security, and help reduce carbon emissions by increasing hydropower imports.

According to the project website, the line is tracking to be in-service “by 2025.” Avangrid declined to provide further comment on the status of the project. ■



NECEC project map | Avangrid



## MISO News

# Federal Judge Stays Biden's LNG Export Application Pause

By James Downing

The U.S. District Court for Western Louisiana on July 1 issued a stay on the Biden administration's pause in considering new applications for LNG export facilities.

The [decision](#) from Judge James Cain approved a motion from 16 Republican state attorneys general, led by Louisiana's Liz Murrill.

President Joe Biden announced the pause in processing new applications to export gas to non-free-trade-agreement (FTA) countries this January in order for the Department of Energy to update its approval process and study the impact of additional LNG export facilities.

The pause did not impact applications that were already moving through the process, including Venture Global's Calcasieu Pass 2 project being planned for Cameron Parish, La., that FERC approved last month at its monthly open meeting ([CP22-21](#), [CP22-22](#)). The project, which still must be approved by DOE, would be able to export 20 million metric tons per year. Commissioner Allison Clements dissented from the approval because she said the commission had failed to fully consider the project's greenhouse gas emissions and its impact on the local fishing industry.

Cain noted in his decision that the pause in processing new applications was done without any publication in the *Federal Register* that explained or justified it and that DOE has not opened any rulemaking related to it.

"The defendants' choice to halt permits to export natural gas to foreign companies is quite complexing to this court," Cain wrote. "Defendants remark that the purpose is to update its information as to how these exports to non-FTA countries might affect the economy and inherently consumers of natural gas here in the United States, and the effect on the environment. However, ... DOE has made updates to its studies on several occasions without the president making an announcement of an unprecedented climate change action, and without ... DOE declaring a wholesale 'pause' on pending current and future applications of exports to non-FTA countries."

Cain wrote that "it is undisputed that natural gas is cleaner than coal" and that gas being cheaper leads to reduced coal use around the world. Thus, "it appears that ... DOE's decision to halt the permit approval process for entities to export LNG to non-FTA countries is completely without reason or logic and is perhaps



Calcasieu Pass LNG Facility | Venture Global LNG

the epiphany of ideocracy," he wrote.

The court agreed with the AGs that their states would face irreparable harm from the pause because of lost revenue and market share. They were also deprived of a procedural right because the policy was not properly announced under the Administrative Procedure Act's processes, it found.

Murrill welcomed the court's ruling.

"As Judge Cain mentioned in his ruling, there is roughly \$61 billion of pending infrastructure at risk to our state from this illegal pause," Murrill said. "LNG has an enormous and positive impact on Louisiana, supplying clean energy for the entire world, and providing good jobs here at home."

The Sierra Club noted that the stay does

not require authorization of new facilities, but DOE will have to continue its review of pending projects that were paused. DOE can also continue working on its review of what analysis the "public interest determination" requires for approval of LNG facilities.

"Deciding whether or not to approve LNG export applications has serious consequences for how much Americans pay for energy and whether there is clean air and water to support healthy local communities and ensure thriving local industries, like fishing," Sierra Club Staff Attorney Louisa Eberle said. "DOE has the authority — and obligation — to adequately review the true impacts of LNG exports, and we believe they will come to the same conclusion we have, which is that expanded LNG exports are not in the public interest and the pending applications should be denied." ■

# NYISO News



## Stakeholders Battle over Battery as Proxy in NYISO Demand Curve Reset

By Vincent Gabrielle

NYISO stakeholders are divided over consultants' proposal to use a two-hour battery as the peaking plant in the ISO's capacity market demand curve, as part of its quadrennial demand curve reset for 2025-2029.

Comments on the draft report, produced by Analysis Group and 1898 & Co., were due July 1. Generators were generally opposed to the proposed proxy unit, while state agencies were in support.

To set the curve, NYISO looks at the gross cost of new entry, the cost of a hypothetical new peaking plant and the likely revenues the plant would earn from participating in the capacity

market. The difference between likely cost and likely revenue illustrates what the hypothetical peaking plant would need to earn from the capacity market to support entering the market.

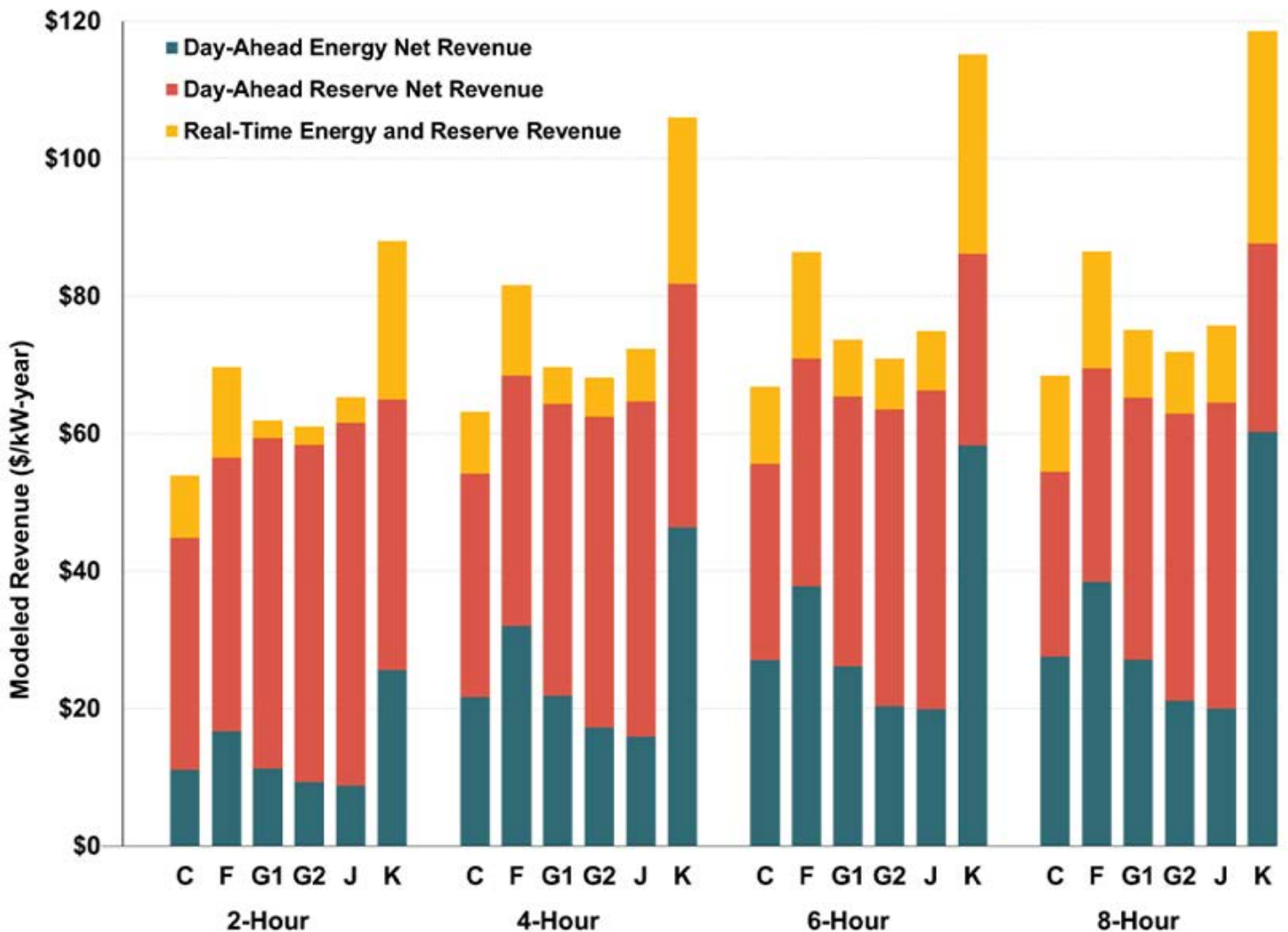
The current curve uses General Electric's *H-class frame gas turbine* as the peaking plant. (See *FERC Approves NY Demand Curve Reset, Rejects 17-Year Amortization.*)

The consultants found that a two-hour battery energy storage system (BESS) "represents the highest variable cost, lowest fixed-price peaking plant that is economically viable," the report said. "To be economically viable and practically constructible, a BESS would use lithium-ion technology and a modular purpose-built enclosure form-factor."

The cost of the two-hour BESS assumes a 15-year amortization period and additional costs for capacity augmentation over the life of the battery system to "ensure consistent performance."

The Independent Power Producers of New York *wrote* that they strongly oppose the selection of a 2-hour BESS as the proxy unit in all locations of the New York Control Area. The IPPNY wrote that two-hour BESS has an inherent limited operating capability, which means it "cannot meet transmission security-based requirements."

"The Hochul administration says we need 10-hour batteries and up. The NYISO System & Resource Outlook ... says we need long-



Net EAS revenues for battery electric storage system by market and product, using price data from September 2020 to August 2023 | Analysis Group



## NYISO News

duration storage of four hours and up,” said Richard Bratton, director of market policy and regulatory affairs for IPPNY. “I think that we agree that on a foundational basis that a two-hour battery can’t meet reliability needs for the system, and yet we’re seeing a push for it just because it is the cheapest option.”

*Luminary Energy*, an energy market consulting firm, recommended that the Analysis Group consider “no less than a four-hour BESS or the simple cycle gas turbine” as the proxy unit.

“A two-hour BESS would not be able to mitigate the reliability risks and needs outlined by the NYISO’s Comprehensive Reliability Planning process,” Luminary wrote. “A two-hour BESS would not provide sufficient energy optionality for grid operators to manage volatile and uncertain real-time conditions and presents a high risk to grid operators of depleting the energy from the asset before the most critical systems present themselves.”

The New York Battery and Energy Storage Technology Consortium *commented* that choosing the two-hour unit would contribute to volatility in the capacity market. The selection

would “potentially resulting in an abrupt drop in capacity prices as the demand curve is determined on a new, lower-cost proxy unit.”

Others questioned the Analysis Group’s appraisal of site leasing costs in New York City. Jones Lang LaSalle Americas, a commercial real estate services and investment firm, *commented* that the methodology used in the draft demand curve “underestimates the expected site leasing costs.” It recommended using the required rate of return of 7.2 to 7.45%. This would cover the higher site leasing costs for industrial uses required by new generation.

### Support, with Some Caveats

The New York Department of Public Service *supported* the selection of the two-hour BESS as the peaking unit, saying the draft demand curve supported the policy goals of the Climate Leadership and Community Protection Act requirements and the state’s goal of 6 GW of energy storage statewide by 2030.

The DPS did ask that the consultants include revenues and incentives from outside the wholesale market when calculating the net cost of entry for a new peaking plant. The de-

partment cited numerous state programs that would compensate clean energy resources for their clean attributes in meeting the state’s CLCPA goals.

Comments submitted on behalf of New York City were more ardently supportive of the draft demand curve and agreed with the selection of the two-hour BESS as the peaking unit of choice.

“Frankly, based on ‘the numbers,’ selection of a two-hour BESS as the proxy peaking unit technology is the clear-cut choice with no close or even obvious alternative,” the city *commented*. “Moreover, it is beyond rational dispute that a two-hour BESS based on lithium-ion technology is in fact a viable technology.”

The New York Transmission Owners *wrote* that they agreed with the consultants that the two-hour BESS required less capacity revenue than the other technologies to support its entry to the market and that it had the lowest fixed costs. But they urged the consultants to shift the amortization period to 20 years as opposed to 15, citing the industry’s increased experience with battery storage units. ■

# Have an opinion on electric policy you’d like to share?

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# NYISO News

## NYISO Studying How to Update IRM Calculation to Account for Offshore Wind

By Vincent Gabrielle

The New York State Reliability Council's mathematical model for calculating the state's installed reserve margin (IRM) every year will need to be updated as more offshore wind and major transmission lines come online, NYISO told stakeholders last month.

"That would be a reasonable expectation as we get further along," said Dylan Zhang, manager of resource adequacy for NYISO. "We're seeing the curve dynamics fall apart, so the methodology isn't maybe as robust."

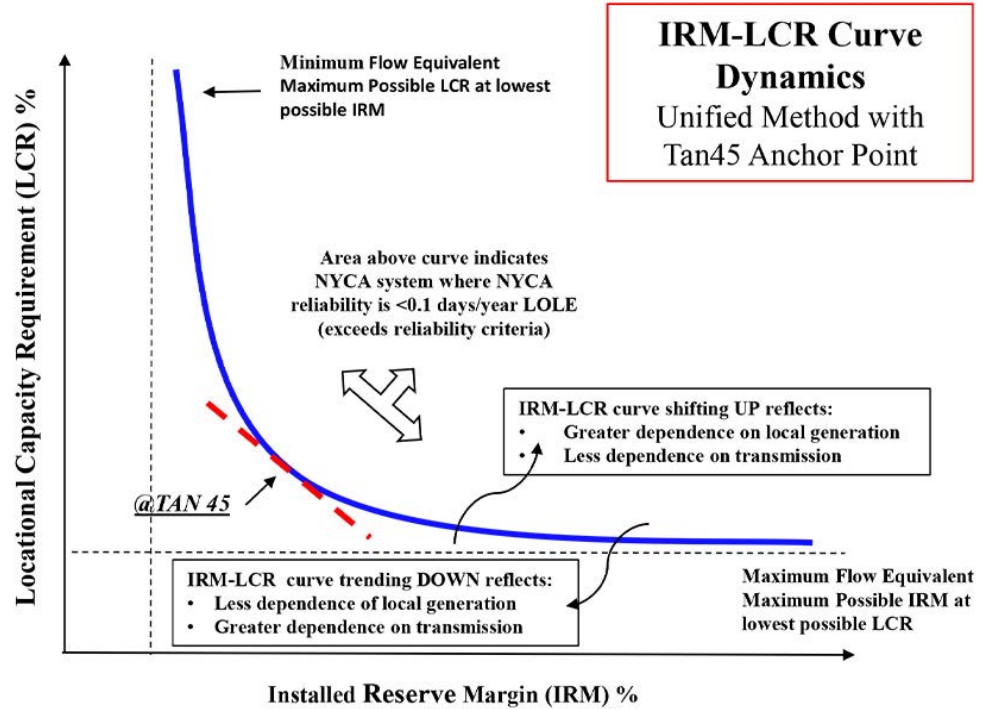
During the June 26 meeting of the NYSRC's Installed Capacity Subcommittee, members discussed the breakdown of the model in possible future scenarios where 9,000 MW of offshore wind, with accompanying transmission, would be available to New York City and Long Island.

The IRM is the minimum amount of capacity beyond the forecasted peak demand that must be procured to satisfy the loss-of-load expectation. For the 2024/25 capability year, which began May 1, the council set the IRM at 22%.

The rather complex method for setting the IRM is known as "Tan45." Hypothetical IRMs are plotted against possible minimum locational capacity requirements (LCRs) for New York City (zone J) and Long Island (zone K), based on how much generation from upstate zones is "shifted" into them. The low point of the curve (representing the lowest possible IRM and highest possible LCR) for each zone is determined by simply excluding generation from certain upstate zones from the total amount of statewide capacity.

An anchor point of each curve is then selected by applying a tangent of 45 degrees at its sharpest bend, and then another formula using the values where the tangents intersect the curves determine the Tan45 inflection points. The final IRM is calculated by averaging both curves' Tan45 points and rounding up to meet the LOLE.

But in future scenarios with the addition of sig-



IRM-LCR unified method curve dynamics with Tan45 anchor point | NYSRC

nificant amounts of generation flowing into the city, NYISO "observed that the current process to establish the low point no longer appears to operate as intended," the ISO's Lucas Carr told the subcommittee.

With less generation needing to be shifted over to zones J and K, the curves flatten. Under one scenario studied, the "low point" of the IRM on the curves reached as high as 39.99%.

"In the older system, when we had more transmission limitations, if you had capacity down in New York City load centers, that provided more reliability than a given megawatt in Buffalo," said Mark Younger, president of Hudson Energy Economics. "Not surprisingly, it has problems when you start to add a whole bunch

of transmission because now the reliability value of an additional megawatt in New York City is not nearly as much as it was before."

Members of the Installed Capacity Subcommittee said they would need to develop an alternative model before the current methodology breaks down. "Rather than waiting to drive off the edge of the cliff to figure out what to do next, let's figure it out now," one member said. "This is trying to do some forward planning. ... But we're good, for now."

"When the subject was first brought up about [dropping Tan45], that was not well received," another committee member said. "But it's not a matter of, 'Oh we don't like Tan45.' It's a matter of there are issues ... coming up." ■

### Northeast news from our other channels



Mass. Announces Priorities, Advisers for Office of Energy Transformation



RTO Insider subscribers have access to two stories each month from NetZero and ERO Insider.



## PJM News



# FERC Allows Dominion's FRR Resources to Shift to PJM Capacity Market

By Devin Leith-Yessian

FERC on July 5 granted a complaint from Dominion Energy to allow planned capacity resources to shift their participation from the Fixed Resource Requirement (FRR) alternative to the Reliability Pricing Model (RPM) capacity market without being subject to a newly instituted notification requirement ([ER24-2197](#)).

Dominion argued that there is a disparity between the Dec. 12, 2023, deadline for planned resources — those still in development, but expected to begin operation prior to the start of the delivery year — to notify PJM of their intent to offer into the 2025/26 Base Residual Auction (BRA) and the May 17, 2024, deadline for entities to terminate their participation in the FRR alternative. The utility included 80 MW of planned resources in its 2025/26 delivery year FRR plan prior to notifying PJM that it planned to terminate its FRR election April 30, after which the RTO told Dominion those planned resources had missed the BRA participation notification deadline and could not submit offers. (See [PJM MIC Briefs: Nov. 1, 2023](#).)

The company asked FERC to either grant it a waiver from the notification requirement or

rule that PJM's Reliability Assurance Agreement (RAA), when read together with tariff Attachment DD, impinges on FRR entities' ability to enter the RPM.

The commission determined that the notification deadline does not apply to planned resources being constructed by an FRR entity when the deadline passes and that Dominion's planned resources can be entered into the 2025/26 auction, which is scheduled to be conducted July 17. (See [FERC Approves PJM Capacity Auction Delay](#).)

"As an initial matter, we find that the plain language of section 5.5 of Attachment DD does not expressly address whether FRR entities at the time of the notice-of-intent deadline are subject to the requirements, including the notice-of-intent deadline, provided for therein," the commission said. "However, we find that under a sensible reading of the tariff and as a practical matter, the provision did not apply to Dominion's planned generating capacity resources, as Dominion was an FRR entity, not a capacity market seller, as of the relevant deadline."

Subjecting FRR resources to a deadline in December would not comport with transi-

tional process the commission approved in PJM's Critical Issue Fast Path (CIFP) proposal to overhaul its approaches to risk modeling, accreditation and Capacity Performance penalties, FERC said. Recognizing that insufficiency and capacity deficiency penalties were increased in the changes, FERC also greenlit a process for FRR entities to shift to the RPM with at least two months' notice ahead of the 2025/26 auction. (See [FERC Approves 1st PJM Proposal out of CIFP](#).)

In that order, "the commission explained that PJM proposed to allow FRR entities and their resources to transition from FRR to the auction on only two months' notice," FERC said. "PJM's interpretation of section 5.5 would prevent former FRR entities from transitioning resources planned in accordance with their FRR obligations to the BRA."

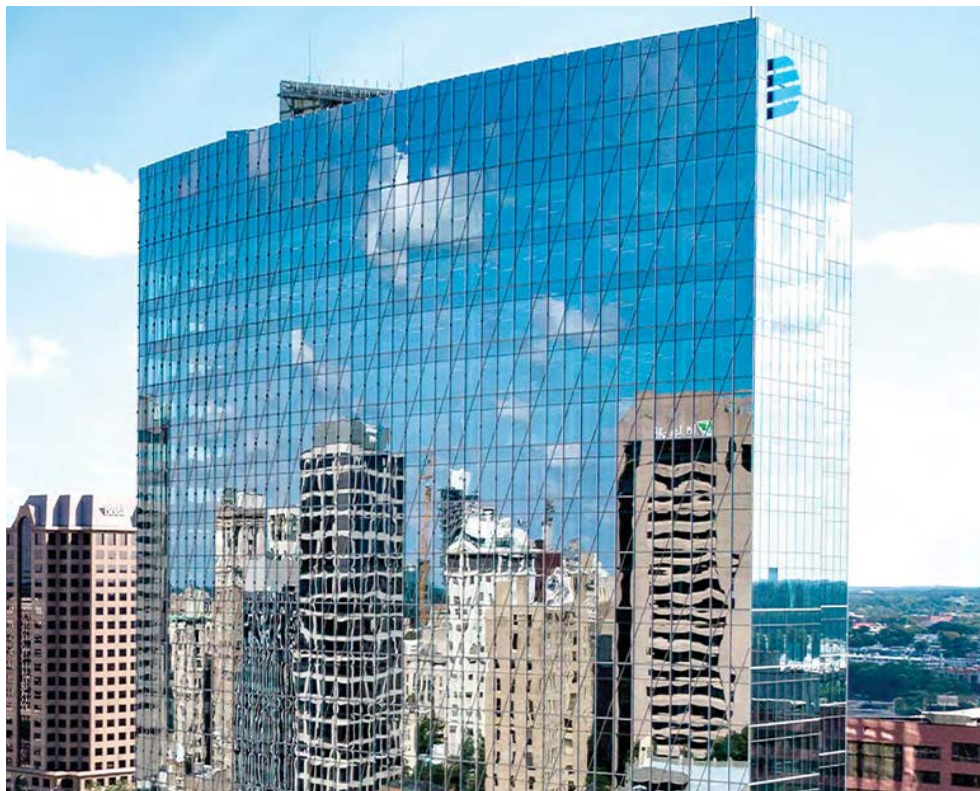
PJM agreed with Dominion's argument that the deadlines were misaligned and resulted in unintended consequences for FRR entities seeking to enter the RPM. But it said it could not resolve the issue unilaterally without a commission order.

"More particularly, the mismatch of the deadlines prevent FRR entities, such as Dominion, from effectively participating in RPM auctions by excluding their planned generation capacity resources from participation in the RPM auctions when terminating the election of the FRR alternative, which could result in adverse consequences to Dominion and its ratepayers," PJM wrote in a June 17 filing. "Additionally, this could also produce inaccurate market signals by not properly reflecting actual demand and supply."

Dominion stated that its decision to return to the capacity market was in part driven by the increased FRR penalties, as well as the short timeline to adjust to the new requirements following the commission's approval of the CIFP changes.

"Taking into account the difficulty in satisfying this requirement due to the delivery year being roughly one year away, as well as the significant capacity accreditation reforms and increased penalties for FRR entities approved by the commission and detailed above, Dominion notified PJM on April 30, 2024, that it was terminating its FRR alternative election," Dominion said in its complaint, filed June 4.

Commissioner David Rosner, who joined FERC last month, participated in the order. The newest commissioner, Lindsay See, did not. ■



Dominion Energy headquarters in Richmond, Va. | Dominion Energy

# SPP News

## Study: Significant Benefits for Merchant Tx Line

*Grid United's North Plains Connector Would Connect WECC, SPP, MISO*

By Tom Kleckner

ARLINGTON, Va. — High-voltage transmission developer Grid United says its proposed North Plains Connector would provide significant reliability capacity benefits to interregional transmission, according to a study.

The study, conducted by Astrapé Consulting, modeled the North Plains Connector as two 1,500-MW HVDC lines connecting SPP and MISO to the Western Interconnection and quantified the project's ability to increase power system reliability.

Loss-of-load analyses like those performed for new generating facilities indicated a capacity value can be credited to the line. According to the study, when the project's bi-directional nature and the seasonal diversity among the three regions are considered, it would unlock 3,550 MW of capacity across the three systems, more than the line's physical capacity.

"You're probably wondering, 'Well, how can it be more than what the line is?'" Grid United

President Kris Zadlo asked his audience June 26 during an Infocast conference on transmission and interconnection issues.

"It's due to the bi-directional nature of the lines, so they will provide about 1,750 MW of reliable capacity to pass through the Eastern grid and then it would provide 1,800 MW of capacity for the Western grid," Zadlo explained.

The study identified the benefits from connecting meteorologically diverse regions whose demand peaks occur at different times of the day or in different seasons. Using the difference in generation and load profiles improves the grid's reliability on both sides of the project without adding any new capacity and allows it to add an outsized amount of reliability benefit relative to its physical capacity, Grid United said.

Zadlo said the study's findings were similar to an analysis the developer conducted for MISO of a 2-GW interconnection between MISO South and North.

"They found that a similar interregional line like that would create 3 GW of capacity, 1,500 MW each way," he said. "When you start building these interregional lines and connect diverse loads and in diverse generation shapes, then we can start sharing energy across the grids. The two areas peak at different times, not only times of the year but during the day because there's a two-hour time zone."

As Zadlo told *RTO Insider*, "The simple way to say it is the grid has to be bigger than the weather."

Grid United and utility ALLETE announced the project in February 2023. The 415-mile HVDC transmission line, capable of up to 525 kV, would connect the western and eastern grids in Montana and North Dakota. It would be the first HVDC connection among three regional markets: MISO, SPP and WECC. (See [Transmission Project Would Span Across Interconnection Divide](#).)

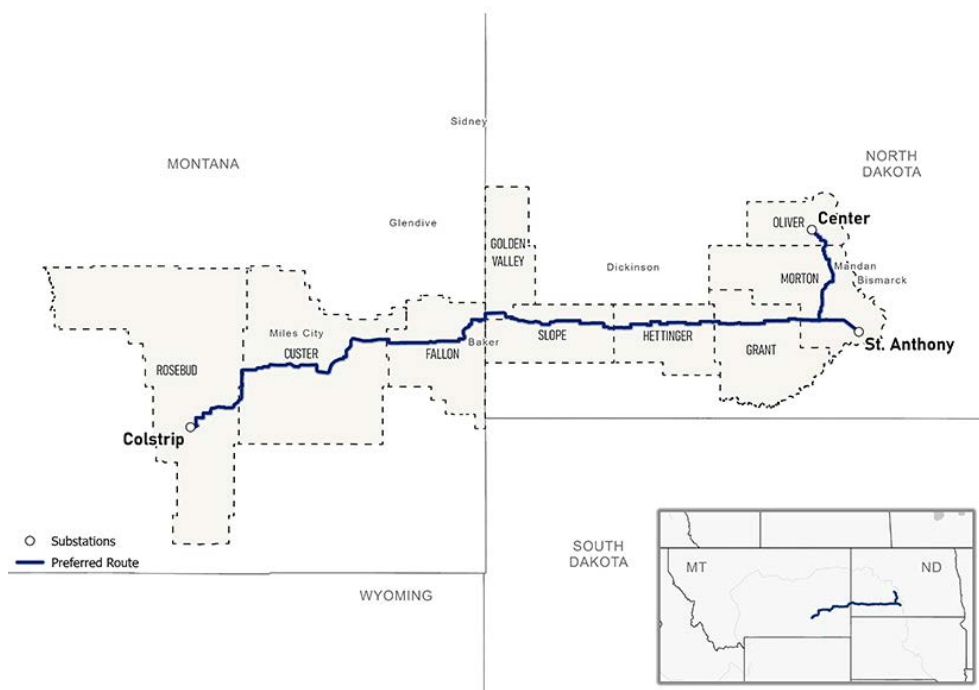
The developer's staff are engaging with the various regulatory bodies that will be pivotal before construction can begin. Zadlo huddled during the Infocast conference with Sheri Haugen-Hoffart, a member of the North Dakota Public Service Commission that is among those who must approve the project.

A Grid United spokesperson said North Plains will have to go through a U.S. Department of Energy environmental review related to its funding and routing process across federal lands. FERC approval also is required, as is that of MISO and SPP, for the merchant project.

SPP said NERC's planning coordinator responsibilities define its roles related to merchant HVDC lines. The RTO must identify any reliability needs that arise from a facility interconnecting to the system under its functional control, with the developer providing a solution to address those needs before the project goes into service.

MISO said any merchant HVDC project that wants to connect to its system must follow its tariff's procedures.

Grid United officials said the North Plains project would be paid for by subscribers to the line, which would dead-end into the 1,480-MW coal-fired Colstrip plant in Montana. Western utilities have existing transmission rights from the plant but in the East, the developer would have to rely on bilateral contracts with utilities. ■



The North Plains Connector HVDC project will link the WECC, SPP and MISO markets. | *Grid United*



## SPP News



# FERC Denies Missouri River Complaint Against SPP

By Tom Kleckner

FERC has denied a complaint by Missouri River Energy Services (MRES) that SPP violated its tariff by failing to give the utility any firm transmission rights in every annual allocation since 2016, resulting in more than \$25 million in overcharges.

In its June 27 order, the commission said Missouri River did not meet its burden to prove that SPP's implementation of the allocation process violated the tariff, filed rate doctrine or two FERC orders or that the allocation process is unjust and unreasonable (EL24-3).

MRES, an SPP load-serving entity, filed a complaint with FERC under several sections of the Federal Power Act. It alleged SPP violated its tariff, filed rate doctrine and commission Orders 681 and 890 by not awarding any long-term congestion rights (LTCRs) to the utility. MRES also claimed the RTO's lack of transparency into its LTRC allocations violated the Energy

Policy Act of 2005 and Order 890.

The utility asked FERC to order SPP to refund the overcharge and allocate LTCRs from the date of the complaint.

The commission found MRES did not identify specific tariff language it believed the grid operator had violated and said SPP's tariff does not support its argument that the utility is entitled to receive its nominated LTRC allocation. It said the RTO didn't deviate from its filed rate because the tariff's LTRC process does not require it to allocate nominated rights.

FERC also said Order 681 gives flexibility to grid operators in how they design their long-term FTRs and allows them to limit the amount available to ensure feasibility. It noted LSEs would not necessarily be able to obtain all of the long-term FTRs they request.

"As an initial matter, we note that the commission accepted SPP's LTRC tariff process, including how it determines feasibility and the

amount of LTCRs to allocate, as compliant with Order 681," FERC wrote. "Thus, the commission has already determined that SPP's tariff meets the requirements of Order 681."

The commission said MRES did not support its allegation that SPP violated Order 890's transparency requirements by not supplying the utility with certain data and calculations used in the LTRC allocation process. Instead, FERC found that Order 890's transparency requirements do not require SPP to provide MRES with either the shift factor data or SPP's specific software implementation of the simultaneous feasibility test.

FERC pointed out that there are several reasons the LTRC allocation process could result in MRES not being allocated the congestion rights.

"Contrary to Missouri River's contention, the fact that Missouri River was not allocated LTCRs is not in and of itself proof of an implementation error," the commission said. ■



FERC has rejected Missouri River Energy Services' complaint over SPP's congestion rights allocations. | Missouri River Energy Services

## Company Briefs

### HECO Retiring 35% of Fossil Fuel Generators on Maui

**Hawaiian Electric**



Hawaiian Electric Co. last week said it plans to retire 88 MW of its firm fossil fuel generators on Maui by 2030.

Between 2028 and 2030, HECO plans to lose 50 MW from diesel engines at the Ma'alaea Power Plant and an

additional 38 MW from the closure of the Kahului Power Plant.

Despite setbacks with building more renewable projects from the COVID-19 pandemic, HECO has remained committed to meeting the state's renewable portfolio standard, which mandates achieving 100% renewable energy by 2045. HECO reported 35.4% renewable energy in 2023.

More: [Maui Now](#)

### Entergy New Orleans Names New VP of Regulatory and Public Affairs

Entergy New Orleans last week announced the addition of Leroy Nix as the company's vice president of regulatory and public affairs.

Nix joined Entergy in October 2022 and has been the vice president of federal strategic policy and stakeholder engagement.

More: [Entergy](#)

## Federal Briefs

### BOEM Greenlights New England Wind Projects



The Bureau of Ocean Energy Management last week approved Avangrid's construction and operations plan for the New England Wind 1 and 2 offshore wind projects.

Together, New England Wind 1 and 2 could have a total capacity of up to 2.6 GW.

Avangrid expects New England Wind 1 to start construction in 2025 and deliver power by 2029.

More: [North American Windpower](#)

### NOAA Initiative to Provide \$60M to Train Workers in Green Jobs



The National Oceanic and Atmospheric Administration last week announced a new \$1 million initiative that will make it possible for American Samoa to train new workers to manage the island's saltwater intrusion and other environmental issues.

Vacancies in American Samoa's only agency managing water, the American Samoa

Power Authority, are leaving a shortage of people to tackle climate issues. The vacancies are also leaving a newly built filtration plant without proper staffing.

The initiative is part of NOAA's Climate-Ready Workforce effort, which committed \$60 million in funding to nine projects across 10 states and territories last month. The initiative aims to train professionals for jobs that increase climate resilience. Funding comes from the Inflation Reduction Act.

More: [Inside Climate News](#)

## State Briefs

### DELAWARE

#### Senate Passes Bill to Facilitate OSW Solicitation

The state Senate last week passed a bill that will enable it to issue a solicitation to procure 1.2 GW of offshore wind capacity and participate in regional offshore wind transmission planning.

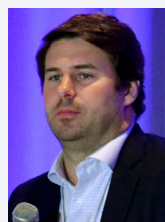
The bill would direct the State Energy Office to develop and conduct one or more solicitations for contracts for energy, capacity, ancillary services and renewable energy credits generated by one or more offshore wind projects that have an aggregate capacity of up to 1.2 GW.

The bill heads to Gov. John Carney, who has previously pledged support for it.

More: [offshoreWIND.biz](#)

### KENTUCKY

#### PSC Chair Chandler Resigns



Public Service Commission Chair **Kent Chandler** resigned from his position last week. His term had expired on June 30.

In a statement Chandler said he had no indication or confidence he would

be reappointed to another four-year term based on a lack of communication from Gov. Andy Beshear's administration.

"I decided it was best for me and my family to walk away at the end of my term," Chandler said, adding that he appreciated serving on the commission.

More: [Kentucky Lantern](#)

### MASSACHUSETTS

#### New Panel Charged with Helping State Meet Renewable Goals

Gov. Maura Healey last week announced the formation of the Energy Transformation Advisory Board, which will guide the state's transition from fossil fuels to renewable energy.

The board will advise the newly established Office of Energy Transformation, which is tasked with affordably and responsibly accelerating the state's gas-to-electric transition and readying the grid to meet climate and clean energy mandates.

The state has set a goal of a 50% reduction in greenhouse emissions by 2030 and net-zero emissions by 2050.

More: [The Associated Press](#)



## MINNESOTA

### Xcel Energy Agrees to Smaller Gas Rate Hike

Xcel Energy last week agreed to a smaller rate increase from its original request, landing on 7.5% instead of 9.6%.

The \$46.31 million hike will result in a \$4.20/month increase for the average residential customer.

Xcel said it wanted to raise rates to upgrade and maintain its gas transmission and distribution infrastructure, as well as safety systems at gas peaking plants.

More: [Star Tribune](#)

## SOUTH DAKOTA

### Invenergy Applies for Wind Project

Invenergy last week applied with the Public Utilities Commission to build a 68-turbine, \$261 million wind project in Deuel County.

The turbines would be spread across 54 square miles of privately owned land and

produce up to 250 MW.

The PUC issued a public notice about the application. People with a direct interest in the project have until Aug. 27 to apply to participate in meetings and hearings.

More: [South Dakota Searchlight](#)

## VIRGINIA

### Developer Withdraws Washington County Solar Farm Application

Catalyst Energy Partners last week withdrew its application for a 262-MW solar farm in Washington County.

The developer said it plans to resubmit an application for a project with a smaller footprint. Catalyst has been working for more than two years on the project.

More: [Cardinal News](#)

## WASHINGTON

### Ballot Initiative Could Cut \$848.6M from Environmental Programs

An initiative will be on the state ballot in November that if passed would repeal the state's Climate Commitment Act, which has raised more than \$2 billion for projects like

electrifying transit.

Last spring, the State Legislature allocated \$1.08 billion in cap-and-invest revenue for fiscal year 2025, of which \$848.6 million comes with the caveat that the appropriations become effective on Jan. 1. That means if the cap-and-invest program is repealed in November, the \$848.6 million worth of projects disappears. Overall, the program has raised roughly \$2.15 billion since Jan. 1, 2023.

More: [Crosscut](#)

## WISCONSIN

### Stevens Point Passes Resolution to be Carbon Neutral by 2050

The Stevens Point Common Council unanimously approved a resolution for the city to be 100% carbon neutrality in all operations by 2050.

More than 350 residents signed a petition supporting the resolution.

According to the nonprofit Wisconsin Conservation Voters, at least 24 government entities across the state have made commitments to reduce their carbon footprints.

More: [Wisconsin Public Radio](#)

## National/Federal news from our other channels



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[FBI Warns Power Sector of IBR Cyber Vulnerabilities](#)



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[NJ EV Incentives Target Low-income Buyers](#)



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