



June 14, 2019

John R. Bear
Chief Executive Officer
MISO
720 City Center Drive
Carmel, IN 46032

Dear John:

The OMS Board of Directors approved a set of Long-Range Transmission Planning Principles at its June 13th board meeting. The attached principles explain how the OMS intends to engage with MISO and other stakeholders to provide leadership on regional, coordinated, long-range transmission planning. The principles are the result of a six-month long effort to collect the views of state regulators and were formed through robust input from Commissioners throughout the MISO footprint.

There are a variety of drivers behind this call for a coordinated assessment of future transmission system needs, including many ongoing state-level activities related to investments in future generation, energy efficiency, and distribution systems. Given the timeline associated with infrastructure planning and development, and the need to cost-effectively maintain reliability in light of the rapidly evolving fuel mix, the OMS finds value in moving forward in a timely manner to assess system needs and identify potential solutions.

We look forward to working with you and your team as we commence this challenging, but necessary, planning effort.

Sincerely,

A handwritten signature in dark ink, appearing to read "D. Hall", is positioned below the "Sincerely," text.

Daniel Y. Hall
President
Organization of MISO States

Enclosure

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Organization of MISO States Statement of Principles re Long-Range Transmission Planning

The Organization of MISO States (OMS)¹ supports regional, coordinated, long-range transmission planning, and will provide a leadership role in its development, consistent with the following principles:

1. The long-range planning must incorporate and account for the changing resource mix that is well underway and projected to continue, based on robust input from the states (including, when available, state integrated resource plans and other state planning processes).
2. The long-range planning must consider transmission options to account for reliability requirements over the planning time period, including consideration of identified needs for reliability services (e.g. ramping, voltage support, and frequency response), under a variety of system conditions and scenarios.
3. The long-range planning must develop and assess cost-effective solutions to known physical and contractual system constraints, including the Regional Directional Transfer Limit (i.e. the north-south constraint).
4. The long-range planning must consider on a level playing field multiple possible transmission and non-transmission alternatives, individually and in combination, including possible new and upgraded transmission solutions, MISO market or seams solutions, as well as alternatives under state regulation such as distribution, generation, efficiency and other demand-side options.
5. The long-range transmission plan must assess and provide information on cost impacts to sub-regions, including both the costs of implementing any newly developed plans and the costs of not implementing any newly developed plans.
6. Any new long-range plan developed for any sub-region of the MISO footprint should benefit the states in that sub-region and not negatively affect any state in the MISO footprint.
7. Cost allocation, based on beneficiary pays, is a critical and necessary aspect of long-range transmission planning and development. Any changes to existing cost allocation methodologies must be thoroughly vetted through the MISO stakeholder process, following the development of preliminary transmission plans, and be informed by the findings from the planning analyses.
8. Given the long timeframes expected for infrastructure planning and development, there is value to moving ahead in a timely manner to evaluate system needs and potential solutions and impacts through an open and transparent stakeholder process that is supported by robust technical analysis.

¹ This document was approved as an OMS Position Statement because it was supported by a majority of its members, including: The Arkansas Public Service Commission, Indiana Utility Regulatory Commission, Iowa Utilities Board, Kentucky Public Service Commission, Michigan Public Service Commission, Minnesota Public Utilities Commission, Missouri Public Service Commission, Montana Public Service Commission, North Dakota Public Service Commission, South Dakota Public Utilities Commission, Public Utilities Commission of Texas, and Public Service Commission of Wisconsin. The Illinois Commerce Commission abstained. The Manitoba Public Utilities Board did not participate. The Louisiana Public Service Commission, Mississippi Public Service Commission, and Council of the City of New Orleans voted no.

6/14/19

Minority OMS Members Position Regarding OMS Statement of Principles Regarding Long-Range Transmission Planning

The Minority Retail Regulators (Minority)¹ oppose the Organization of MISO States (OMS) Statement of Principles regarding Long-Range Transmission Planning (Principles) voted on June 13, 2019, and protest the manner in which OMS) crafted these Principles. The Minority questions the need for these Principles and how they were proposed, revised and then rushed to approval in a manner contrary to the OMS Process for Approving Position Statements (the Process Document).² The remainder of this Minority statement (Statement) focuses on the substantive concerns raised by the Principles.

1. The Majority failed to identify any shortcomings with MISO's existing long-range transmission planning process.

First, and foremost, no one has demonstrated that any change to Midcontinent Independent System Operator, Inc.'s (MISO) Tariff to address long-range transmission planning is needed or that the current MISO Tariff is unjust or unreasonable. MISO already engages in long-range transmission planning. The MISO Tariff provisions that apply to long-range transmission planning have been accepted by the Federal Energy Regulatory Commission (FERC) and fully comply with FERC orders, including Order No. 1000.

Some have suggested that long-range planning beyond what MISO does now could be used to replace incremental identification/construction of Baseline Reliability Projects, Market Efficiency Projects, and other transmission projects, with a portfolio of projects relying on longer-range assumptions, including projected renewable projects. While this approach may be desired by some, it is certainly not justification for potentially revamping MISO's current long-range transmission planning process.

Others have incorrectly suggested that these principles are needed to expand MISO's authority to study the current transmission system for future needs. However, MISO already has authorization under the Tariff to engage in studies to evaluate appropriate long-range transmission objectives, whether economic or for reliability. The MISO Tariff defines the different types of transmission projects MISO and its stakeholders may propose and the appropriate cost allocation for each project type. Therefore, the vague and overly broad Principles are not necessary for MISO to engage in long-range planning or to allow for studies MISO already conducts. MISO's Transmission Expansion Plan procedures and stakeholder input (which includes OMS members and their staffs who participate) provide for feedback to MISO.

¹ The following parties support the Minority Statement: the Louisiana Public Service Commission, the Mississippi Public Service Commission and the New Orleans City Council.

² See OMS Process for Approving Position Statements at https://www.misostates.org/images/Procedures/OMS_Process_Document_FINAL_approved_05182017.pdf.

If needed, the Minority supports the exploration of improvements to MISO's transmission planning process so long as those improvements are vetted through the stakeholder process, and the purpose and need for those improvements are transparent and reasonable.

2. The Principles lack a clear goal.

Transmission studies and planning must begin with a stated goal or purpose to guide the study design. Absent such a goal or purpose, there is no way to determine whether the proposed study or planning principles accomplish anything. The stated purpose of the studies that led to the first portfolio of Multi-Value Projects (MVP) was to deliver wind generation from the wind-rich northern MISO states throughout MISO North/Central.

Contrast the first MVP process with the rushed process that has led to these Principles. The Principles offer no stated goal and use broad and vague language with undefined terms. The Principles are open to endless interpretations. Efforts by the Minority to provide specificity and clarity to the Principles were not accepted.

The Minority is not opposed to conducting transmission studies that examine the potential benefits associated with transmission development. However, before such studies are initiated, stakeholders must have a clear understanding of the goals, scope, parameters and benefit metrics the study process will consider.

3. The Principles are vague and overly broad. For example:

- a. **Cost Allocation is an integral part of transmission planning** – The Minority appreciates efforts to address our concerns with the initial proposal that would have considered cost allocation only after the planning process concluded. However, that Principle is still vague as to when cost allocation is considered because it would delay cost allocation consideration until after “the development of preliminary transmission plans”; a term that is undefined and unclear.
- b. **The Principles do not recognize the need to study economic projects using the Delivered-Price of Capacity and Energy** - The benefit-to-cost analysis of any long-range transmission project (or group of long-range transmission projects) and any comparison of possible economic merits against alternatives, including comparisons of interregional to regional transmission solutions, should be based on the all-in delivered energy/capacity prices (*i.e.*, price at the load zone); including the cost of transmission required for delivery to load and any ancillary service(s) that would otherwise not be required. A transmission upgrade cannot be presumed to be more cost effective than a new generation resource without comparing the cost of production and the cost of delivery. A new generator located close to load with no transmission upgrade required to deliver the energy to load may be much less expensive than supplying energy from an existing generator located 500 miles away and requiring a \$1 billion transmission upgrade. New transmission construction is not always the answer.

- c. **MISO's responsibilities do not include recommending or directing construction of generation or distribution facilities** – The Majority's Principle that applies to the options MISO should consider to address the economic supply of energy include distribution and generation solutions. To be clear, MISO may consider reasonable alternatives in studies, including generation and distribution that has been approved or, according to the retail regulator, will be approved/built. But, MISO has no authority to require construction of generation or distribution facilities.

- d. **MISO long-range transmission planning should consider regional and interregional projects on a level playing field with focus on the most economically beneficial solution** – In application, the Minority expects MISO to consider transmission projects with other RTOs instead of presuming that an internal MISO project is the best result. The decision should be based on economics; not on where the transmission facilities are located or which RTO would have dispatch authority over the affected resources.

Conclusion

For the many reasons identified above, the Minority objects to the manner in which these Principles were developed and approved, and to the Principles because they are vague and overly broad. No one has demonstrated that these changes are needed or that MISO's current long-range transmission planning process is unjust or unreasonable. In fact, the OMS Vice President stated prior to the vote that MISO already employs these Principles, which suggests that these Principles will provide no additional guidance to MISO. These Principles are unnecessary and open to endless interpretation. To the extent MISO's existing long-range transmission planning processes are unable to address a specific planning goal or object, interested stakeholders should raise those concerns within the MISO stakeholder process.