

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Midcontinent Independent System Operator, Inc.)
)
) Docket No. ER23-523-000

**NOTICE OF INTERVENTION AND COMMENTS OF
THE ORGANIZATION OF MISO STATES, INC.**

The Organization of MISO States, Inc. (“OMS”) submits its comments in support of certain tariff revisions¹ filed by the Midcontinent Independent System Operator, Inc. (“MISO”) and a majority of the MISO Transmission Owners.²

On November 30, 2022, MISO, on behalf of the MISO Transmission Owners, submitted the Proposal to the Federal Energy Regulatory Commission (“Commission” or “FERC”) pursuant to section 205 of the Federal Power Act and part 35 of the Commission’s regulations. The Proposal seeks to revise Schedule 2 – Reactive Supply and Voltage Control from Generation or Other Sources Service (“Schedule 2”) of the MISO Open Access Transmission, Energy, and Operating Reserve Markets Tariff (“Tariff”) by eliminating all reactive power compensation charges under Schedule 2. OMS supports the Proposal because it will eliminate charges that Transmission

¹ *Midcontinent Indep. Sys. Operator, Inc.*, “Proposed Revisions to Schedule 2 – Reactive Supply and Voltage Control from Generation or Other Sources Service of MISO’s Tariff,” Docket No. ER23-523-000 (filed Nov. 30, 2022) (the “Proposal”).

² The MISO Transmission Owners for purposes of this filing consist of: Ameren Services Company, as agent for Union Electric Company d/b/a Ameren Missouri, Ameren Illinois Company d/b/a Ameren Illinois, and Ameren Transmission Company of Illinois; Arkansas Electric Cooperative Corporation; City Water, Light & Power (Springfield, IL); Cooperative Energy; Dairyland Power Cooperative; East Texas Electric Cooperative; Entergy Arkansas, LLC; Entergy Louisiana, LLC; Entergy Mississippi, LLC; Entergy Texas, Inc.; Great River Energy; Indianapolis Power & Light Company; Lafayette Utilities System; MidAmerican Energy Company; Minnesota Power (and its subsidiary Superior Water, L&P); Missouri River Energy Services; Montana-Dakota Utilities Co.; Northern States Power Company, a Minnesota corporation, and Northern States Power Company, a Wisconsin corporation, subsidiaries of Xcel Energy Inc.; Northwestern Wisconsin Electric Company; Otter Tail Power Company; Prairie Power, Inc.; Southern Indiana Gas & Electric Company (d/b/a CenterPoint Energy Indiana South); and Southern Minnesota Municipal Power Agency.

Customers currently pay regardless of need, it will not compromise system reliability, it is supported by Commission precedent, and it is just and reasonable.³

I. NOTICE OF INTERVENTION

OMS is a non-profit, self-governing organization comprised of representatives from the seventeen regulatory bodies with jurisdiction over entities participating in MISO and serves as the regional state committee for the MISO region. The purpose of OMS is to coordinate regulatory oversight among its members, to make recommendations to MISO, the MISO Board of Directors, the Commission, and other relevant government entities and state commissions as appropriate, and to intervene in proceedings before the Commission to express the positions of OMS member agencies. As such, OMS files its Notice of Intervention in this proceeding under Rule 214(a)(2), 18 C.F.R. §385.214(a)(2), of the Commission's Rules of Practice and Procedure.

Service of pleadings, documents, and communications in this proceeding should be made on the following:

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II. INTRODUCTION

In the Proposal, the MISO Transmission Owners seek to eliminate all capability-based compensation charges for the provision of reactive power from generation resources under Schedule 2 of the MISO Tariff. Under the currently effective Schedule 2, a generator can receive

³ The following associate members of OMS join these comments: the Citizens Utility Board of Wisconsin, the Iowa Office of Consumer Advocate, and the Minnesota Department of Commerce.

compensation for the capability to provide reactive power within a standard power factor range⁴ after filing a cost-based revenue requirement that is approved by the Commission.⁵ Generators are entitled to receive such compensation regardless of ever actually providing reactive service or whether they are even situated in a location where reactive power is needed.

Since the Commission's rules require that all interconnecting generators have the capability to provide reactive service and require generators to maintain a composite power factor within a standard power factor range,⁶ essentially any generator within MISO may apply for compensation under Schedule 2. Given this framework and the increasing number of generators seeking compensation under Schedule 2, Transmission Customers and their ratepayers are obligated to pay escalating charges for a service they may not have needed or even benefited from. OMS agrees with the MISO Transmission Owners that generating resources should continue to be compensated for reactive support service when called upon to perform beyond the requirements of their interconnection agreements. In recognition of that concept, the Proposal does not alter the current MISO Tariff provisions that compensate generation resources that are manually redispatched at the direction of MISO to provide reactive power support *outside* the standard power factor range.⁷

OMS acknowledges that reactive power is necessary to maintain transmission voltages within acceptable limits and that generating resources may be instructed to produce or absorb

⁴ The terms "standard power factor range" or "deadband" refer to a power factor within the range of 0.95 leading (absorbing reactive power) to 0.95 lagging (producing reactive power). See, e.g., *Sw. Power Pool, Inc.*, 119 FERC ¶ 61,199, at P 5 (2007) ("SPP Order"), *order on reh'g*, 121 FERC ¶ 61,196 (2007).

⁵ See MISO Tariff, Schedule 2, available at: https://docs.misoenergy.org/legalcontent/Schedule_02_-_Reactive_Supply_and_Voltage_Control.pdf.

⁶ *Reactive Power Requirements for Non-Synchronous Generation*, Order No. 827, 155 FERC ¶ 61,277, at P 59 (extending the requirement to provide reactive power to all non-synchronous resources), *order on clarification & reh'g*, 157 FERC ¶ 61,003 (2016).

⁷ Generators requested to start at MISO's instruction are compensated based upon MISO's make-whole Tariff provisions (Sections 40.3.5 and 40.3.6, and Schedule 27); Manual redispatch instructions by MISO compensate generators when production must be reduced to provide reactive support (Module C, Schedule 27, Attachment X-Appendix 6, sections 9.6.3 and 11.7).

reactive power to redress voltage control issues. Nonetheless, the Transmission Owners' Proposal demonstrates that instances of manual redispatch for voltage control are rare, with zero instances occurring in the past three years.⁸ To the extent that reactive support service is necessary to maintain system reliability, such service should be compensated on a need-based framework rather than a capability-based framework, as presently designed.

III. COMMENTS

A. The Proposal Rightfully Results in Cost Savings for Customers and Is Supported by Commission Precedent.

The Transmission Owners' request to eliminate capability-based compensation for reactive service under Schedule 2 should be accepted because it is just, reasonable, and consistent with prior Commission Orders and decisions. By incorporating the Transmission Owners' proposed Tariff revisions, MISO would no longer charge Transmission Customers under Schedule 2, and generators would not recover revenues from ratepayers for a service they may not have ever needed or received. Furthermore, the Proposal is consistent with the Commission's policy that generators do not need to be compensated for reactive power within the standard power factor range unless there is a comparability issue.⁹ The Commission previously explained that "the provision of sufficient reactive power is an obligation of a generator interconnected to the system, and that, as a general matter, a generator is not entitled to separate compensation for providing reactive power within its deadband."¹⁰ The Proposal also appropriately addresses the comparability principle by eliminating compensation among all similarly situated interconnecting generators (*i.e.*, the

⁸ See Proposal, fn. 34.

⁹ *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003, 104 FERC ¶ 61,103 at P 546 (2003). Reactive power compensation must be subject to the Commission's comparability principle, which states "if the transmission provider pays its own or its affiliated generators for reactive power within the established range, it must also pay the Interconnection Customer." Order No. 2003-A at P 416, *accord* Order No. 2003-B at PP 113, 119; Order No. 2003-C at PP 34, 42-43; *Entergy Servs., Inc.*, 113 FERC ¶ 61,040, at PP 22-24, 38-39.

¹⁰ See, *e.g.*, SPP Order at P 28.

Transmission Owners' generating resources will be unable to recover under Schedule 2 in the same manner as merchant generators and independent power producers).

The Commission has reviewed substantially similar proposals from other Transmission Providers under its jurisdiction and has determined that they are just and reasonable. In a prior case, when reviewing a filing from the Public Service Company of New Mexico, the Commission found that "a transmission provider may decide to eliminate compensation for having the capability of providing reactive service within the standard power factor range."¹¹ In another proceeding regarding Nevada Power Company, the Commission noted that "the policy adopted in Order Nos. 2003 and 2003-A allows transmission providers to eliminate compensation for reactive power capability within the established range for all generators, regardless of whether the generator is owned by or otherwise affiliated with a transmission owner or is independent."¹² Finally, the Commission found that in CAISO, "there is no compensation for any generators for providing reactive power capability inside the standard power factor range.... A separate payment for the provision of reactive power capability inside the standard power factor range is not required, and we see no reason to require a separate cost recovery mechanism for reactive power capability...."¹³ OMS recognizes that MISO's currently effective Tariff does not necessarily conflict with these findings since all interconnecting generators are treated comparably under Schedule 2. Still, these findings when coupled with the filing rights afforded the MISO Transmission Owners under the MISO Tariff, grant them the discretion to request that compensation for all generators under Schedule 2 be eliminated.

¹¹ *Public Service Company of New Mexico*, 178 FERC ¶ 61,088, at P 29 (2022).

¹² *Nevada Power Company*, 179 FERC ¶ 61,103, at PP 20-21 (2022).

¹³ *California ISO*, 160 FERC ¶ 61,035, at P 19 (2017).

B. Eliminating Compensation Under Schedule 2 Will Not Impact System Reliability.

Reactive power is a fundamental component to the reliable operation of the bulk electric system. At times, generation resources must either provide or consume reactive power for the transmission system to maintain voltage levels required to reliably supply real power from generation to load. Under the currently existing provisions of Schedule 2, however, generating resources are being compensated regardless of their reliability contributions to the system for a capability they are required to maintain under their interconnection agreements. Furthermore, MISO's Tariff already contains compensation schemes for the actual provision of reactive power, which are unaffected by this filing. As such, accepting the Transmission Owners' proposed Tariff revisions will not affect the reliable operation of the transmission system.

Separate from Schedule 2, MISO's Tariff includes existing market mechanisms that allow resources to recover costs related to specific redispatch instructions directed to a specific resource. Generation resources online and manually redispatched at MISO's direction will still receive compensation through certain make-whole payment mechanisms pursuant to Module C and Schedule 27 of MISO's Tariff.¹⁴ The proposed revisions eliminate the capability-based reactive power compensation under Schedule 2 and do not affect the need for or creation of reactive power nor the continuing obligation of generators to provide reactive service within the standard power factor range.

C. The Proposal Creates a Clean Slate to Evaluate Reactive Power Compensation.¹⁵

The Commission should approve the Transmission Owners' Proposal because it creates a clean slate from which MISO and stakeholders could work together to create an appropriate

¹⁴ See, e.g., MISO Tariff, Module C, Sections 40.3.5, 40.3.6; *id.*, Schedule 27.

¹⁵ The Public Utility Commission of Texas abstains from this section.

compensation structure for reactive power in the future.¹⁶ Through its Renewable Integration Impact Assessment and its recent initiative to evaluate the system attributes necessary for the grid of the future, MISO has projected a potential need for more voltage support in the future.¹⁷ However, the current MISO Schedule 2 is crudely designed and needs reform to better support future system needs. MISO has already identified voltage support as an initial priority within its current focus on a review of system attributes, which provides a place for stakeholders to start discussions.

Parallel to MISO's work on system attributes and its evaluation of voltage support, the Commission initiated a Notice of Inquiry on Reactive Power Capability Compensation on November 18, 2021.¹⁸ This forum presents an ideal opportunity for industry stakeholders to comprehensively assess the appropriate compensation framework for reactive power going forward. In the interim, ratepayers should not be forced to pay escalating costs for services they may not need or receive. For these reasons, the Commission should accept the Transmission Owners' Proposal filed in this case to eliminate compensation charges under Schedule 2 of the MISO Tariff.

IV. CONCLUSION

OMS submits these Comments because a majority of OMS members support this filing. However, these Comments should not be construed to mean that all OMS members agree with all the Comments. Individual OMS members reserve the right to file separate comments. In recognition of such, the following members generally support this filing:

¹⁶ The Iowa Utilities Board notes that a MISO stakeholder process that would have allowed for a thorough stakeholder vetting of proposed Tariff changes was not followed.

¹⁷ See MISO Resource Adequacy Subcommittee (RASC), *System Attributes Stakeholder Workshop*, Midcontinent Independent System Operator, Inc. (Sept. 21, 2022), <https://cdn.misoenergy.org/20220921%20System%20Attributes%20Workshop%20Presentation626391.pdf> (slides 13 and 15 identifying "Voltage Stability" as a "Priority System Attribute").

¹⁸ *Reactive Power Capability Compensation*, Notice of Inquiry, 177 FERC ¶ 61,118, Docket No. RM22-2-000.

Arkansas Public Service Commission
Iowa Utilities Board
Kentucky Public Service Commission
Louisiana Public Service Commission
Michigan Public Service Commission
Minnesota Public Utilities Commission
Missouri Public Service Commission
Council of the City of New Orleans
North Dakota Public Service Commission
South Dakota Public Utilities Commission
Public Utility Commission of Texas

The Illinois Commerce Commission,¹⁹ the Indiana Utility Regulatory Commission, the Mississippi Public Service Commission, and the Public Service Commission of Wisconsin abstained in the vote on this filing.

The Manitoba Public Utilities Board and the Montana Public Service Commission did not participate in the vote on this filing.

Respectfully submitted,

/s/ Marcus Hawkins

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Dated: December 21, 2022

¹⁹ The Illinois Commerce Commission recognizes that reactive power prices are rising quickly in MISO Zone 4, with reactive power compensation increasing 85% in the Ameren region since 2020. In addition, the current AEP methodology and FERC filing processes for reactive power are burdensome and opaque. As this proposal affects an entire class of resources more than any other, more work is needed, and a replacement compensation mechanism found, before eliminating the existing compensation method. Ending reactive power compensation will negatively impact the financing structures and necessary up-front technological investments of inverter-based resources that provide reactive power above and beyond FERC requirements. Given the current transition to renewable energy and large-scale retirement of certain thermal resources, as well as the likely increased need for reactive power, additional barriers to financing needed resources would seem ill-advised. Without a clear plan to develop and implement a replacement compensation mechanism, it is unlikely that a replacement mechanism will be prioritized among other critical MISO reform efforts pertaining to the Planning Resource Auction. Despite the best intentions, this could negatively impact the ability of consumers to access reliable electric power at reasonable rates.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list prepared by the Secretary for the above-captioned docket in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure. 18 C.F.R. § 385.2010.

DATED at Madison, Wisconsin this the 21st of December 2022.

/s/ Marcus Hawkins

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Document Content (s)

ER23-523 Comments (Schedule 2).pdf.....1