

MISO Advisory Committee  
August 27, 2014  
Hot Topic: Clean Air Act Section 111(d)  
Organization of MISO States (OMS) Response  
for the State Regulatory Authorities Sector

**Introduction:** The Organization of MISO States (OMS) appreciates this opportunity to provide the MISO Board of Directors, MISO staff and other stakeholders with the State Regulatory Authorities' sector perspective on the EPA Clean Air Act section 111(d) questions. The proposed EPA Clean Power Plan has broad implications, and its complexity means that all industry stakeholders will continue to learn, think about, and make decisions over the coming years.

The OMS would like to thank MISO for performing initial section 111(d) modeling in time for parties to use the results in their comments to EPA in October. We note that the OMS, in conjunction with the Midcontinent States Environmental and Energy Regulators submitted comments on July 17, 2014 to MISO regarding this modeling. We also note that a group of twelve states have joined in a lawsuit challenging the proposed Clean Power Plan Rule.

### **Hot Topic Questions**

**1. Does your sector or sector members plan to file comments with EPA on the Clean Power Plan? What specific area or areas of the rule does your sector or sector members plan to focus on in any comments? How can MISO assist your sector in preparing for filing any comments?**

The OMS has not yet decided whether it will file comments on the Clean Power Plan. However, state agencies and governors' offices are likely to file individual comments. It is expected that EPA will receive a large amount of comments from throughout the nation, so the OMS offers to collect the EPA comments filed by any MISO state agency or executive branch entity and forward to MISO and the MISO Board of Directors.

**2. Does your sector see benefits to MISO commenting on the draft Clean Power Plan either individually or as part of a group (e.g., through the IRC)? If yes, what should MISO's comments focus on?**

Yes, the OMS does see value in MISO commenting on the proposed rule. We note that the Inter RTO Council filed comments to EPA centered on a Reliability Safety Valve and Regional Compliance and Measurement on January 28, 2014. In addition to concerns about reliability, the OMS suggests that the following items could be commented on by MISO:

- How section 111(d) will affect existing economic dispatch;
- Potential impacts on wholesale markets in general;
- Potential impact to reliability;
- Any mistakes or unreasonable assumptions the EPA has made in the four Building Blocks or in the state numbers;
- The modeling that MISO performs before October and the modeling that MISO plans to perform after October along with a detailed timeline for the results;
- How MISO is being helpful to the EPA and to the MISO stakeholders;
- The extent to which MISO is willing and able to accommodate states' compliance plans;
- Whether MISO's existing IT and market toolbox allow for it to answer its stakeholder questions on the impact of section 111(d);
- Electric-gas coordination issues; and
- Has MISO staff reached any insights so far? If so, what are they?

**3. What role can/should MISO play to assist in the development of state or multi-state/regional implementation plans?**

MISO will play a large role to assist states with its modeling efforts, and the OMS appreciates and encourages this effort. The modeling results should provide valuable information to determine which states might benefit from joining in a regional compliance regime, or even if it would be optimal/valuable for the entire footprint to create a regional compliance plan. Alternatively, a state may choose a compliance plan on a standalone basis. MISO can assist these states through its modeling efforts as well as other information that MISO may be in a position to provide.

The OMS understands that MISO modeling is often performed at the Local Resource Zone level, but either modeling or some interpolation of the modeling results at a state level would be valuable to facilitate identification of workable or preferred state compliance approaches. The OMS realizes that time is short for the pre-October modeling; we expect MISO to leave open the possibility for more granular modeling that can be performed at a later date. Specifically, if a state wants its own breakdown of section 111(d), can MISO provide it? Similarly, could MISO provide modeling at the utility footprint level?

MISO can also assist in hosting meetings of interested states and other parties at any location.

**4. What role can/should MISO play to assist members in complying with carbon reduction requirements?**

The Clean Power Plan rule requires each state's environmental regulator to develop a plan for its state. Each of those plans will affect the operations of generation owning companies throughout the MISO market region. The members of OMS will work in close coordination with their respective environmental regulators to ensure that reasonable modeling inputs are used by those agencies. MISO will be able to assist the states in this activity.

MISO can assist the OMS and member utilities in modeling the redispatch of natural gas combined cycle units, and in modeling the integration of energy efficiency and renewable energy resources in order to meet the Clean Power Plan requirements. The modeling results from MISO may also assist states in estimating the potential rate impacts of the new regulation.

The OMS recognizes that other entities will be affected by the choices made regarding compliance with EPA's Clean Power Plan: namely the Federal Energy Regulatory Commission and the North American Electric Reliability Corporation. We expect that MISO will assist these bodies, as well as all MISO stakeholders, in a better understanding of potential reliability impacts of the proposed regulation and various state compliance approaches.

**5. What role does your sector see for interregional coordination with neighboring RTO/ISO/utility systems in commenting on (or complying with) the draft rule?**

Time is short for neighboring RTOs and utility systems to collaborate on comments, but the OMS does not oppose this as long as the comments are reflective of the differences between the RTOs and the states within them.

In terms of collaborating on compliance, the OMS believes that the coordination of market outcomes and compliance across RTO and non-RTO areas is valuable to the states. The use of standard terms, market designs and some consistency among the different types of compliance regimes used across all of the RTO and utility systems could greatly increase the efficiencies and economies of scale that can be achieved in complying with the EPA Clean Power Plan. MISO and the other RTOs are the central dispatchers of energy, and they manage the bids, offers and locational marginal prices in these markets. Any information or analysis that MISO can provide ahead of time related to the Clean Power Plan's affect on the energy markets will be valuable to the MISO stakeholders.

**Conclusion:** This rule presents tremendous uncertainty for states and market participants and by most accounts is expected to have profound impacts on the electric system. MISO should focus on helping stakeholders and states determine impacts and the feasibility of the rule. At this stage, the State Regulatory Sector does not advocate for or against a regional compliance approach, but does have an interest in the maintenance of electric reliability at reasonable cost. Additional research and analysis are required before decisions are made by states. Moreover, we do think MISO should not be focused on developing compliance strategies or related implementation at this time. Instead, we urge MISO to be actively engaged in the analysis and evaluation process and to be available to assist the states and stakeholders.