OMS Transmission Cost Allocation Work Group
Staff Comments on MISO's Proposed Attachment FF-6[1]

The Transmission Cost Allocation Work Group (TCAWG) supports the intent in MISO's proposed Attachment FF-6,[2] which is to ensure that when a very large transmission owner (and its associated load) joins MISO, customers in the existing MISO footprint do not share in the costs[3] of any new transmission project in the Second Planning Region until it is clear that the two regions have achieved comparability in terms of transmission infrastructure and transmission planning, and the ability to enable new market transactions.[4]

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[1] Randy Rismiller, a member of the OMS TCAWG, does not support these TCAWG Comments.

[2] Randy Rismiller **does not support** Attachment FF-6. Attachment FF-6 is on the table only because MISO uses an arbitrary cost socialization approach for transmission cost allocation (100% of MVP costs and 20% of BRP and MEP costs). If, instead, MISO's tariff required the identification of transmission beneficiaries and allocation of transmission expansion costs to beneficiaries (including generators) roughly proportionate to their benefits, no special treatment would be necessary to facilitate the Entergy Companies' integration into MISO.

[3] The Commission stated in the *Duquesne Withdrawal Rehearing Order*, that "a new transmission owner joining PJM would become subject to charges [for regional facilities], because it would be a zone in PJM with a zonal annual peak load, regardless of when the projects were approved and regardless of who these projects may have previously benefited."[3] 124 FERC ¶ 61,219 at P 164.

In *American Transmission Systems, Inc.* 129 FERC ¶ 61,249 (2009) at PP 111-114, the Commission disagreed with ATSI's contention that "PJM should not be permitted to apply to ATSI PJM's current tariff provision that allocates system-wide costs (upgrades 500 KVs or greater) approved through its RTEP process to all PJM zones based on the zone's load ratio share." (129 FERC ¶ 61,249 at P 112) The Commission stated,

> Transmission owners that seek to change RTOs should be prepared to assume the costs attributable to their decisions. ATSI is permitted to balance the benefits it associates with its decision to join PJM under its existing tariff against the costs it anticipates it will incur in exiting the Midwest ISO and joining PJM to determine whether such a move is cost-justified. While we have held that companies are free to join and exit RTOs, we have applied the existing tariffs for each RTO in determining the costs to be allocated to the transmission owners seeking to exit and/or enter. (129 FERC ¶ 61,249 at P 113) See also *See Duquesne Light Co.*, 122 FERC ¶ 61,039 (2008).

The Commission said, "We see no basis to modify the existing RTO rules simply because a particular cost allocation makes a transmission owner's business decision more expensive." (129 FERC ¶ 61,249 at P 113)

Randy Rismiller believes the same logic applies to Attachment FF-6.

[4]In *Midwest Independent Transmission System Operator, Inc.* 123 FERC ¶ 61,265 (2008) at PP154-155, the Commission declined to approve a special tariff provision to facilitate the integration of certain MAPP companies into the Midwest ISO. One of the Commission's concerns was the treatment of cost allocation for new transmission facilities. Randy Rismiller believes the same flaw exists in proposed Attachment FF-6.

Qualification

The tariff should be very clear about the qualifications required for a joining entity to be eligible for Attachment FF-6 treatment.[5] The joining entity should be of sufficient size and scope so that the larger proposed MISO footprint would gain improved market efficiency, reliability, and transmission planning.[6] The definition of the Second Planning Region may need to be generic and not have references to Entergy in it—this could be seen as unduly discriminatory by FERC.[7] If the language is generic, it could accommodate a future, additional Second Planning Region if a large enough member were to join MISO.

Transition Period

The OMS supports the start date of the transition period as proposed, and supports the length of the transition period of five years. As MISO explained, this will enable the RTO to obtain and analyze market data, prior to planning projects in the Second Planning Region. This will provide MISO with an adequate time frame to analyze and establish comparable transmission systems between the regions,[8] following the five year transition period. Additionally, OMS believes it is best to review the performance of a jointly dispatched system in an LMP based hourly market throughout the combined MISO footprint before jointly planning additional transmission infrastructure. This is based on Entergy's geographical proximity to the current MISO footprint and lack of an hourly locational power market between the combined areas.

Phase-In Period

The proposed tariff outlines an eight year phase-in period as this is the approximate period of time for an MVP to be constructed and placed into service. This reason was given by MISO during the tariff waiver workshop. A calculation[9] of the 17 project MTEP11 MVP portfolio shows the average in-service date is 66 months, or 5 years, 6 months after approval. We wonder if there are more reasons behind the eight year phase-in of costs.

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[5] It is Randy Rismiller's position that the type of special treatment that MISO proposes to offer to Entergy Corporation is inherently unduly discriminatory.

[6] Randy Rismiller believes that proposed Attachment FF-6 is flawed regardless of the size and scope of the potential new entrant into MISO.

[7] Randy Rismiller believes it is the substance of Attachment FF-6 that is discriminatory, regardless of whether or not it contains specific references to Entergy.

[8] Randy Rismiller believes comparability is only an issue in this case because MISO's tariff features transmission cost socialization that is not based on beneficiaries.

[9] This was not weighted for the cost of each line (which would indicate distance), but was adjusted for the Michigan Thumb Wind Zone approval in December 2010. The other 16 projects were assumed to be approved in December 2011.

Cost-Benefit Calculation (Section II)

MISO's draft tariff language is too vague on the cost-benefit calculation. OMS has many questions about the calculations to determine the benefits and costs of each regions MVP portfolios in a given MTEP. Why is the standard that every local resource zone not be negatively impacted? Is that the only or best standard that could be used to determine the allocation of benefits throughout the MISO region? In the recent MVP Order on Rehearing FERC directed MISO to perform periodic reviews, at least every three years, to monitor the costs and benefits of the cumulative effects associated with all MVPs approved in the MTEP.[10] Will MISO update the calculation of MVP cost-sharing to accurately reflect the latest cost benefit analysis during the phase-in period? When are the calculations to determine cost-sharing of the MVP portfolios performed; and what data is used as inputs to those calculations?[11] Is the data for MVP Portfolio_1 the same data used in the business case in 2010, or data that is updated based on future model runs? The MVP equations in the draft tariff language should be changed accordingly to accurately reflect MISO's intentions.

One potential scenario to consider: with Arkansas fully integrated, what happens if the Second Planning Region equation is met in year 1, but fails in year 2 with the addition of a zone in another Entergy state. Does Arkansas (and only Arkansas) continue to pay for the MVPs? Another situation that could likely arise is that of an MVP portfolio in the joining region benefiting some but not all of the resource adequacy subregions in MISO's historic footprint. How would the costs for those MVPs be shared; throughout the joining region but only in the benefiting historic MISO subregions? Could the standard for MVP cost-sharing change whereby costs are allocated only to a benefiting subregion, regardless of the subregion's location? What if the MVP portfolio benefitted only some of the joining region's subregions, but a majority of the subregions (or local resource zones) in both historic MISO and the joining region?

Finally, it is unclear to OMS which discount rate will be used in the cost benefit calculation. Both 3% and 8% have been used in the MVP business case developed this year.

Study Period (Section II)

One OMS concern appears to have been cleared up in the October 31 draft. Instead of using a 20 or 40 year study period (or both to get two answers), Section II.B.3.f states the time period of the study begins the first year that costs are incurred (presumably as soon as a project is assumed to be approved) and ends after 20 years of benefits are included in the calculation ("considered" is the word in the tariff). For example, if a project took 5 years to construct, and the benefits are assumed to start at the in-service date, the study time period for that project

[10] 137 FERC ¶ 61,074 MVP order denying in part and granting in part rehearing ¶ 30.
[11] Section II.B.3 of proposed Attachment FF-6.

would be 25 years. This method means that there will be different study time periods for different projects, depending on the construction time.

Planning Study

Section II.B states MISO will conduct "planning studies", while Section III.A refers to the "length of the study". This reference indicates studies will be performed for Baseline Reliability Projects (BRP), Market Efficiency Studies (MEP), and Multi-Value Projects (MVP). It is not clear whether there will be one study for each of these areas at the end of the transition period, or whether there will be a study for each area early in the transition period that is updated annually as MISO gains more information in each of the areas.

There is a contradiction, or at least ambiguity, between Section II.B.3.f and Section II.B.3.f.1.b. Section II.B.3.f refers to costs "for a time period beginning in the first year costs are incurred and ending after twenty years of full portfolio benefits have been considered." But Section II.B.3.f.1.b states that "Costs will be a minimum of 20 years and will include the time between project approval and the in-service date." This "include" is not all inclusive, as it appears that the costs that are included in the calculation will run from the project approval to whatever year the end of the benefits are. This may need to be clarified in the Section II.B.3.f.1.b definition.

Section III.B.3.f contains the term "full portfolio". When is a portfolio full so as to start the 20-year timeframe? This term needs a definition, as we suggest at the end of this document.

Second Planning Region's Transition Period (Section III)

Section III.A hinges on "the date that the first transmission owning member of the Second Planning Region becomes a fully integrated transmission owning Member of the MISO." This description is ambiguous. What's needed is a definitive date such as "the date the utility signs the Transmission Owners' Agreement".

Section III.B refers to "an MVP portfolio". Shouldn't it refer to an "MVP Portfolio$_2$"? Same issue for Section III.C.

Section III.B refers to an MVP Portfolio that "is reasonably expected to be approved by the end of the Second Planning Region's Transition Period." This reference is way too vague.

Section III.B states that MISO will inform FERC at the end of the transition period whether there is an MVP portfolio that satisfies the cost-sharing criteria. What happens if there isn't an MVP portfolio that meets the criteria? What if the MVP portfolio is very small, with only a few projects?

The second sentence of Section III.C is very confusing. This appears to be an impossible condition as it states there could be an MVP portfolio that meets Section II.B.3 but has not been approved by the MISO Board of Directors. However, the definitions of MVP Portfolio 1 and 2 in Section II.B.3 state that the projects are approved. A solution may be to refer to it as a candidate MVP portfolio. The last four lines of the sentence ("…except that those projects") appears to be unnecessary as it restates what is in the tariff elsewhere.

Section IV.A.2(b).ii and Section IV.B.2(b) appear to contain the same idea, only the first one lists MVPs along with the other MTEP projects, while the second one leaves out the MVPs. Does this nearly identical language need to appear twice, once under “Projects Terminating Exclusively in One Planning Region, and once under “Projects Approved During the Second Planning Region’s Transition Period”?

Cost Responsibility (Section IV)

In Section IV.B.1, it is unclear what the phrase “provided, that” is trying to accomplish. It seems to be saying that if the tariff is followed, then certain costs won’t be allocated to the Second Planning Region, but if the tariff is not followed, those costs will be allocated to the Second Planning Region.

Assuming that all of Section IV.B.1 is not some kind of misprint, then the reference in Section IV.B.1 referring to Section IV.C.3 should (apparently) be a reference to Section IV.B.3 because there is no Section IV.C.3 in Attachment FF-6. It is not clear what the reference to Section IV.B.3 is intending to refer to. Perhaps it means to refer to Section II.B.3.

Terms Needing More Definition Include:

“full portfolio benefits” (Section II.B.3.f)

“identified, documented, and determined eligible for cost-sharing under Attachment FF” (Section IV.B)