OMS Regional Planning Work Group Comments on MISO's Top-Down Planning Process

The Regional Planning Work Group (RPWG) offers the following comments on the proposed Top Down Planning process, as presented at the last PAC meeting. In particular, we have concerns about the proposed planning process for Market Efficiency Projects (MEPs). MEPs are understood to be planned and approved as individual projects to address specific areas of congestion. However, in recent MEP Study presentations, as well as the Top Down Planning discussion at the PAC, MISO appears to be proposing the planning and approving of multiple MEP projects on a portfolio basis. This MEP portfolio proposal raises questions and concerns that must be thoroughly vetted by stakeholders.

Currently, the MISO Tariff does not specifically allow MEPs to be planned and approved as a portfolio.

There is concern that MISO's Tariff makes no specific reference to MEPs planned or approved on a portfolio basis. In particular, the current Tariff's reference to a portfolio is limited to Multi-value Projects (MVPs).

> ***1.513a Portfolio Version: 0.0.0 Effective: 7/28/2010***
> Portfolio for Multi-value Project purposes means two or more Network Upgrades proposed to be located in one or more Transmission Pricing Zones that when evaluated together have the affect (sic) of addressing one or more Transmission Issues.

With respect to MEPs, Attachment FF has the following language:

> **B. Market Efficiency Projects:** Market Efficiency Projects are Network Upgrades: (i) that are proposed by the Transmission Provider, Transmission Owner(s), ITC(s), Market Participant(s), or regulatory authorities; (ii) that are found to be eligible for inclusion in the MTEP or are approved pursuant to Appendix B, Section VII of the ISO Agreement after June 16, 2005, applying the factors set forth in Section I.A. of this Attachment FF; (iii) that have a Project Cost of $5 million or more; (iv) that involve facilities with voltages of 345 kV or higher1; and that may include any lower voltage facilities of 100kV or above that collectively constitute less than fifty percent (50%) of the combined project cost, and without which the 345 kV or higher facilities could not deliver sufficient benefit to meet the required benefit-to-cost ratio threshold for the project as established in Section II.B.1.e, or that otherwise are needed to relieve applicable reliability criteria violations that are projected to occur as a direct result of the development of the 345 kV or higher facilities of the project; (v) that are not determined to be Multi Value Projects; and (vi) that are found to have regional benefits under the criteria set forth in Section II.B.1 of this Attachment FF.

The above definition of MEPs implies that MEPs are individual projects, which can involve multiple facilities of a certain voltage level, which by itself could imply "portfolio". However, when considering the definition for "facility"[1], this alone is not sufficient to suggest there can be a portfolio of MEPs, without further definition of what constitutes a "portfolio" for MEPs. Can a MEP include multiple network upgrades not connected to each other? Clear definitions of the terms "project" and "portfolio" as they

[1] Module A. II: 1.219; Tariff Version 0.0.0 Effective: 7/28/2010 (pg 80)

would specifically apply to an MEP would ensure that all stakeholders are on the same page during discussions as to the appropriateness of portfolio analysis of MEP projects.

MISO's vision for MEP portfolio development is not clear to the OMS RPWG.

Under the current MISO tariff it would appear that all lines in an MEP project must address the same flowgate. Therefore, a clearly defined MEP project should only include lines necessary to relieve targeted congestion. Portfolio analysis does not seem to be the appropriate approach for dealing with congestion, especially at multiple flowgates.[2] Based on recent MEP Study meeting discussions, MISO staff have suggested including a small number of lines in an MEP portfolio. If we assume the portfolio process would be similar to the portfolio approach used in MVP development, it is possible that MISO could create a portfolio of MEP projects scattered throughout the MISO footprint. Given that MEPs are typically targeted solutions to congestion, it is unclear how MISO will be able to apply a portfolio approach to MEPs.

Before MISO attempts to plan and approve the concept of an MEP portfolio, MISO must fully vet this topic through the stakeholder process. To that end, MISO should provide stakeholders with more clarity concerning the creation of an MEP portfolio, including providing clear and definitive explanations as to what constitutes an MEP portfolio and why a portfolio analysis is appropriate for MEPs. In addition, the OMS RPWG believes that a tariff change would be necessary to enable MEP "portfolio" analysis in the MTEP process. This topic, including any necessary tariff or BPM changes, must be fully vetted within the stakeholder process and approved via a PAC motion before MISO attempts to implement a MEP portfolio.

Other related concerns of the RPWG.

Combining projects to address congestion into a "portfolio" project: The first slide deck on Top-Down Planning presented at the last PAC refers several times to portfolio planning for MEPs. This top-down planning process will include a "holistic portfolio" analysis. There is concern that such an approach will result in some projects that would not pass the B/C ratio on their own being packaged with those projects with high B/C ratios. If projects or segments of projects are going to be combined into a portfolio they must provide incremental benefits or make the portfolio more cost-effective.

Benefits Metric: Discussion has begun in the RECB task force about additional benefits metrics beyond APC savings. There is concern that "synergistic" benefits are too vague. For example there was a discussion in the last RECB task force meeting on calculating the value of deferred capacity from reductions in LRZ planning reserve margins. The costs for the line start as soon as the line is in service but the benefits may not be realized until far into the future, especially if there is excess capacity available. The NIPSCO presentation on using Market to Market (M2M) payments to justify MEPs also raises concern. Will those who benefit from an MEP project that addresses this problem actually be the ones to bear the cost of such projects? Some stakeholders believe that there are better ways to address the M2M payments problem than with MEP projects. There must be full vetting and approval of changes by stakeholders before the B/C ratio for MEPS is modified. (See OMS Work Group comments on New Metrics for Transmission Projects for more details on concerns.)

[2] This might constitute more of an MVP portfolio, rather than an MEP portfolio.

Cost Allocation: There must be explanation, vetting and approval of cost allocation for a portfolio approach. It is not evident how the current cost allocation method could be used for allocating MEP costs on a portfolio basis.

Interregional Consideration: There is concern that some TOs are rushing projects through the MTEP13 process to avoid the elimination of the ROFR. MISO needs to be careful that no MEP project that relieves congestion in a neighboring RTO is approved without first considering the possibility of an interregional project.