

OMS Regional Planning Work Group
Comments on Reevaluation of Transmission Projects
May 22, 2015

The OMS Board of Directors has previously (in 2014 and 2015) recommended that the MISO Board of Directors add a principle of reevaluation for approved transmission projects to the MTEP Guiding Principles.¹ In particular, the OMS Board of Directors stated in its January 12, 2015 letter to the MISO Board of Directors:

“As state regulators responsible for protecting the public interest through just and reasonable rates, it is imperative that only those projects that meet the threshold for approval at the time of construction actually go forward to be paid for by end-use customers.”

The OMS Regional Planning Work Group (RPWG) reasserts that approved Market Efficiency Projects (MEPs) and Multi-Value Projects (MVPs) should be subject to appropriate review and reconsideration as necessary in order to ensure that there is a continuing need for the projects and/or that there is a continuing expectation that the required minimum level of benefits will be achieved.

While the RPWG understands the need for certainty for a Selected Transmission Developer (STD) once it has been selected to construct a project, this need for certainty must be balanced with common sense reevaluation processes so that ratepayers do not pay for long-term transmission projects that are no longer necessary. To that end, the RPWG supports periodic reexamination of the costs of MTEP projects to ensure that costs have not increased to the point where the project is no longer beneficial. A meaningful review must include a process of regularly requesting meaningful cost updates from STDs, as well as ensuring that the original cost estimate was reasonable. Other project drivers that affect benefits such as load growth assumptions and energy market conditions that can impact the viability of a project must also be subject to review.²

¹ <http://www.misostates.org/images/stories/Filings/MISO/2014/MISO-MTEPGuidingPrinciples-Filed21Feb14.pdf>
<http://www.misostates.org/images/stories/Filings/MISO/2015/MISO-MTEPGuidingPrinciples-Filed12Jan15.pdf>

² Some states feel that any benefit reevaluation should be done carefully and perhaps with limits. Before MISO decides whether to pursue or reject benefit reevaluation, further stakeholder discussion and analysis of impact is needed.

The three outcomes of the MISO reevaluation process appear to be: 1) the STD continues with the project; 2) the project is taken away from one STD and reassigned to another due to non-performance by the original STD; and 3) MISO decides that the project should be stopped. The RPWG suggests that a fourth outcome may need to be discussed, which is placing the project “on hold”, pending further evaluation in the next reevaluation cycle. Under such a scenario, the STD should be notified to minimize the incurrence of additional costs (as practical) during the suspension period.

The RPWG supports reevaluation for fixed-cost projects because it is important to reassess the need for the project during the reevaluation period. We also support the inclusion of a “failure of performance” criterion for reevaluation. MISO should also clarify how the reevaluation process would work for fixed-cost offers, relative to the process for non-fixed cost winning offers.

Almost every state conducts its own transmission project siting and/or approval process. Given that each state may only examine a project from its individual perspective, it is important that MISO, as the regional transmission provider, periodically assess and reevaluate transmission projects and provide a broad regional perspective to transmission planning. Performing this function moves the whole region towards optimal solutions for the transmission system that help to facilitate just and reasonable wholesale electricity prices.

Finally, MISO should embrace the reevaluation process, as well as updated cost estimates submitted by STDs, to help determine whether initial cost estimates submitted by STDs are reasonable. To the extent MISO uses cost estimates of projects in other processes, such as interregional planning (for screenings of projects), it should use this information to assist in determining if a cost estimate is reasonable.