

MISO Regional Expansion Criteria and Benefits Working Group (RECBWG) Feedback
Submitted by OMS Transmission Cost Allocation & Transmission Planning Working Groups
May 8, 2018

The Organization of MISO States’ (OMS) Transmission Cost Allocation Working Group (TCAWG) and Transmission Planning Working Group (TPWG) (collectively, the Working Groups) appreciate the opportunity to comment and submit, for MISO's consideration, the following feedback regarding several MISO presentations at the April 19, 2018 Regional Expansion Criteria and Benefits Working Group (RECBWG) meeting.

I. Lower Voltage Interregional Economic Projects

During this April 19th RECBWG meeting, MISO presented the two possible options for treating lower voltage interregional transmission economic projects located along its RTO seams after the MISO South Transition Period:

Projects less than 230 kV	Option 1	Option 2
Regional	Economic Other	Economic Other
Interregional with PJM (Tie-line or wholly within MISO)	MEP	MEP
Wholly within PJM	MEP	MEP
Interregional with SPP (Tie-line or wholly within MISO)	MEP	Economic Other
Wholly within SPP	MEP	Economic Other

The Working Groups agree with several stakeholders’ comments during the last RECBWG meeting who called upon MISO to clarify the two options. First and most importantly, MISO should clarify what the term “Economic Other” is intended to convey. The Working Groups presume the term is intended to refer to “Other Projects,” *i.e.*, Network Upgrades included in the MISO Transmission Expansion Plan (MTEP) that do not meet the criteria for any of the various project categories listed in MISO’s Tariff (e.g., BRPs, MEPs, MVPs, TMEPs).¹

Second, MISO should clarify how MISO would allocate the cost of a lower voltage interregional economic project under Option 2, in particular, projects located wholly within SPP. Currently, unless one or more Market Participants elect to assume the cost responsibility for such projects,² the cost of Other Projects, whether proposed for an economic (e.g., reduce production costs) or some other purposes, are allocated to the Transmission Owner(s) and/or Independent Transmission Company(s) (ITCs) that submit and build the Other Project(s).

¹ See MISO Tariff, Attachment FF, Section III.A.2.k.

² See MISO Tariff, Attachment FF, Section III.A.2.a.

Leaving aside the uncertainties surrounding MISO's presentation, the Working Groups have mixed opinions regarding the options MISO presented to address its cost allocation approach for lower voltage interregional economic projects.

Some members of the Working Groups support Option 1. For these members, Option 1 has the attraction of treating both the SPP and PJM interregional sub-230 kV economic projects equally for purposes of cost allocation. Using the MEP cost allocation for the MISO share of these interregional economic projects likely means that MISO's share would be recovered via cost allocation to benefiting CAZs, while MISO regional sub-230 kV projects under Option 1 would not be allowed MEP cost allocation and instead would be recovered just from the situs TPZ. While some might object to this different cost allocation treatment for regional versus interregional sub-230 kV economic projects, the Working Groups members supporting Option 1 think that enough institutional rigidities exist in the process of interregional planning to offset the supposed advantage Option 1 appears to give to the MISO's seams economic projects. These states suggest that after a period of time (perhaps 5 – 10 years), MISO could review whether any slight advantage given to seams projects has proven excessive, and adjustments could be made as needed. This adjustment process, if adopted, should be noted in any MISO filing.

Other members of the Working Groups support Option 2. As these members point out,³ MISO is not obligated to have the same interregional processes and methods with each of its neighbors.⁴ Pure consistency in the regional allocation of interregional projects for consistency's sake, does not factor in the unique characteristics of the PJM and SPP seams. Rather than adopting different rules to regionally allocate MISO's share of the cost of sub-230 kV interregional economic projects along the SPP seam from those that apply to sub-230 kV regional economic projects (i.e., Non-MEP), MISO should apply and define a consistent set of project criteria and cost allocation methodologies for sub-230 kV regional and interregional transmission projects (i.e., Economic Other) along the SPP seam absent any explicit FERC directive to do otherwise (e.g., FERC's April 21, 2016 Order in Docket No. EL13-88 requiring MISO to reduce its voltage threshold for economic projects with PJM to 100 kV).

³ See Lower Voltage Interregional Economic Projects, presentation to the MISO RECBWG (April 19, 2018), slide 8, available at

<https://cdn.misoenergy.org/20180419%20RECBWG%20Item%2002a%20Lower%20Voltage%20IMEP178432.pdf>

⁴ See, e.g., *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. Regs. ¶ 31,323 (2011), at P 733 ("We find that the method or methods for interregional cost allocation used by two transmission planning regions may be different from the method or methods used by either of them for regional cost allocation.).

II. MISO Cost Allocation Zone (CAZ) Criteria and Modifications

The Working Groups generally support the draft CAZ criteria and modification process. In particular, the Working Groups favor MISO initiating a review and modifications of a CAZ at the request of any OMS Member. That said, the Working Groups support the alternative “OMS Member” language that MISO included in the draft modification process, as opposed to “retail regulatory agency.” The Working Groups support the idea that any cost allocation zone be aligned with those entities, generally TPZs, most likely to receive the benefits from future economic projects (e.g., MEP, TMEP).

III. Local Allocation Methodology for Lower Voltage Economic Projects

The Working Groups do not support applying additional/different robustness analysis to sub-230 kV regional economic projects. MISO’s existing processes and procedures for lower voltage economic projects (i.e., Non-MEP) allow said projects to move forward either as an Other Project or a Market Participant Funded Project (MPFP). According to MISO’s analysis of sub-345 kV economic projects presented at the August 16, 2016 RECBWG meeting,⁵ eleven regional economic projects studied between 2013 and 2015 did not qualify for MEP status due, in whole or in part, due to their voltage. However, six of the projects were approved as either an Other Project or MPFP, and four of the projects were found to be no longer necessary (e.g., the need was mitigated by a non-transmission alternative or by a subsequent network reconfiguration, or the need was addressed by a subsequent BRP or a comprehensive MEP solution). Thus, lower voltage economic projects have been approved under MISO’s existing processes and procedures, and therefore, no change to MISO’s analysis of these projects is warranted.

IV. Cost Allocation Reliability Safeguards

Rather than adjusting MISO’s existing cost allocation hierarchy, the Working Groups support the adoption of an in-service date threshold for projects to qualify for the developer selection process. Projects that are necessary to address a reliability need (e.g., BRPs that also qualify as MEPs, MEPs that avoid a reliability project investment (assuming MISO adopts the avoided transmission project metric)) before a certain in-service date threshold should not qualify for the developer selection process.

V. Request by Joint Work Groups

Since the timing of this submission is May 8, 2018 and the relevant RECB WG meeting is Wednesday May 16, 2018, the Joint Work Groups would appreciate MISO giving its feedback to these comments and those received from any other stakeholders at that meeting.

⁵ Historical List of Sub-345 kV Economic Projects, available at <https://cdn.misoenergy.org/20160816%20RECBWG%20Item%20a%20Historical%20list%20of%20sub-345%20kV%20economic%20projects90178.pdf>.