

Organization of MISO States (OMS)
Transmission Cost Allocation Work Group (TCAWG)
Response to RECBWG Feedback Request of February 28, 2022
March 25, 2022

The OMS TCAWG appreciates the opportunity to provide a response to the MISO RECBWG feedback request issued February 28, 2022, on the following questions on future LRTP Cost Allocation Methodologies for Tranches 3 and 4:

1. Recognizing the challenge to quantify reliability benefits, how granular should the cost allocation be for the reliability benefits associated with the types of transmission projects identified in MISO's Long Range Transmission Planning study?

The OMS TCAWG supports granular cost allocation for all benefits associated with LRTP projects, including reliability projects. In its Statement of Principles re: Cost Allocation for LRTP Projects, the OMS stated:

- The costs of new transmission projects should be allocated to cost causers and beneficiaries in a manner that is at a minimum roughly commensurate with, and preferably proportional to, the costs caused and benefits of those projects;
- Cost allocation should be as granular and accurate as possible. Benefit-cost analysis should use metrics that are quantifiable, capable of replication, non-duplicative, and forward-looking; and
- Generators and load each can be considered cost causers, beneficiaries, or both and should be allocated costs accordingly.¹

To ensure future LRTP costs associated with reliability are allocated as granularly as possible, the OMS TCAWG requests that MISO specify and define each reliability benefit/attribute associated with the types of transmission projects identified in the LRTP Study (e.g., Avoided Local Reliability Projects or the Increased Capacity Import Limit (CIL)). MISO should identify the reliability benefits/attributes associated with each transmission project in Tranches 1 and 2, and those likely to be associated with future Tranches. Additionally, the OMS TCAWG requests clarification from MISO on its current processes for such quantifying reliability benefits (e.g., formula, criteria, specific assumptions) and the breakdown of reliability project types – whether those are for thermal, voltage or stability projects, and the number of each.

Finally, MISO should specify what other types of reliability projects (e.g., beyond BRPs and reliability-other projects) it may consider (e.g., projects intended to address persistent load pockets in MISO South).

¹ OMS Statement of Principles: Cost Allocation for Long Range Transmission Projects (January 25, 2021) (OMS Principles), Principles 1-2 and 4, available at https://www.misostates.org/images/PositionStatements/OMS_Position_Statement_of_Principles_Cost_Allocation_or_LRTPs.pdf

2. Should “granularity” be defined differently depending on the benefit type, and how so?

The OMS TCAWG believes that LRTP projects will generate multiple benefits, and each benefit will accrue to a particular geographic area or zone. While some project attributes might benefit the entire MISO region, others might accrue only to smaller regions. For example, any benefit associated with Increased CILs would likely accrue on a Local Resource Zone (LRZ) basis while other benefits (e.g., Avoided BRPs, Congestion and Fuel Savings) might accrue to different sets of zones. (e.g., Transmission Pricing Zones (TPZ), Cost Allocation Zones (CAZ)).

MISO should specify how it currently quantifies project attributes and benefits. Those project attributes and benefits should be clearly identified up front, and the parameters set. For fairness and equity, the benefits and attributes quantified should be the same for the planning process and the cost allocation process. The processes must be symmetrical.

3. Benefit examples: reliability, congestion and fuel savings; reduced resource or transmission investment; resource adequacy, carbon reduction, load loss, etc.

MISO should identify each specific benefit, how it is calculated, and all assumptions used in arriving at that benefit. This should also apply to the planning and cost allocation methodologies prior to implementation.

4. How to account for changing beneficiaries over time with a more granular cost allocation?

OMS CAPCom Principle 6 states that “[t]he cost allocation methodology for a project should be fixed at the time of project approval.” Some methodologies account for changing beneficiaries over time, such as the solution-based distribution factor (DFAX) and usage rate approaches. Such known and measurable approaches should be considered and fixed at the time of project approval.

Another way to account for the uncertainty around future beneficiaries is to conduct multiple scenario transmission planning. Currently, the LRTP Study is focused on a single long-term view of theoretical supply and demand resource availability given one set of policy and economic drivers. This is a departure from traditional economic planning (e.g., Market Congestion Planning Study). In the future, the LRTP analysis should evaluate how each proposed project (whether stand-alone or in a portfolio) performs under multiple scenarios and produces a weighted benefit-to-costs ratio that captures how the project (or portfolio of projects) operate under a wide range of possible future supply, demand and policy conditions.

5. Comments on the 2022 2023 timeline shown on pg. 7 (of attached Feb. 28th presentation)

The OMS TCAWG believes that the proposed timeline is for the most part reasonable. However, MISO should schedule more time up front for stakeholder discussions before leaping into final design and tariff language. Allowing adequate stakeholder discussion may help to avoid/limit protests at FERC down the road.

6. What benefits of transmission are not captured in today’s process, and should we explore/develop methodologies to capture those benefits?

The benefits enjoyed by generators, particularly independent generators (i.e., those not owned or under contract with Load Serving Entities to serve firm load), are not captured. OMS’s CAPCom Principle 4 states “Generators and load each can be considered cost causers, beneficiaries, or both and should be allocated costs accordingly.” Accordingly, the OMS TCAWG believes that cost allocation methodologies should include allocations to generators in proportion to cost causation or benefits received.

The generators enjoy a number of benefits from the LRTP process, including avoided network upgrade costs, increased dispatch capabilities, elimination of curtailments, increased energy revenue, increased renewable energy credits (RECs), and increased production tax credit revenues and other miscellaneous tax credit revenues. Failure to allocate costs or recognize any benefits to generators may be inconsistent with the long-established cost causation-beneficiaries pay requirements and must be evaluated holistically with costs assigned to generators from the generator interconnection process.

Additionally, MISO has stated that many of these large projects may be driven by corporate interest in changing their delivery fleets to electric vehicles. These significant corporate benefits should be reflected in the cost allocation process. MISO should consider allocating LRTP backbone projects costs to those corporate entities driving this process.