# Entergy Response to MISO-SPP Whitepaper for OMS-RSC Liaison Committee

(January 10, 2019)

OMS and the SPP RSC formed an initiative to examine issues on the MISO-SPP seam with the goal of increasing benefits to ratepayers of RTO participation, ensuring proper interregional planning processes, and supporting RTO efforts to improve resource interconnection. MISO and SPP prepared a seams whitepaper summarizing seams issues and ongoing efforts to improve these issues. The Entergy Operating Companies[1] (Entergy) appreciate the opportunity to comment and submit, for the OMS and SPP RSC consideration, the following feedback and responses to questions posed by the OMS-RSC Liaison Committee.

Entergy's view is that regulators and the two RTOs are already devoting ample and sufficient resources and attention to market coordination, resource integration, and transmission planning and on the SPP-MISO seam – and, in light of finite resources, that additional focus and effort on seams issues is unwarranted – for several reasons. First, the effects of any current inefficiency along the MISO-SPP seam are small relative to other MISO seams issues. For example, congestion along MISO's seam with PJM is more of an issue than along the SPP seam. This is shown by the total value of Market-To-Market (M2M) payments between MISO and PJM that are significantly higher than the total payments between MISO and SPP.[2] Additionally, M2M flowgates owned by MISO and affected by PJM are binding more frequently than M2M flowgates owned by MISO and affected by SPP.[3] Furthermore, the use of TLR to manage flows between RTO and non-RTO areas is a major issue that threatens resilience and reliability on MISO's system.[4] The MISO Independent Market Monitor explains these reliability, equity, and efficiency issues and provides a quantification of the potential value of coordination on the MISO-TVA seam.[5] MISO should focus its limited resources on resolution of issues on these market to non-market seams, which have proved to be in need of coordinated solutions and would provide more "bang for the buck" than continuing to invest in incremental changes along the SPP seam.

Second, and again, recognizing that resources are not unlimited, the effects of any inefficiency along the MISO-SPP seam are less important relative to issues internal to SPP and MISO. Both SPP and MISO should focus on improving their regional processes rather than increasing the already substantial time and energy each RTO spends on interregional issues. For instance, if SPP produces an economic transmission plan in its next planning cycle, that will be its first economic transmission plan in three years. The last SPP economic transmission plan, 2017 ITP10 (completed in December 2016), proposed and approved economic projects that would address the top congested flowgates – including the Neosho to Riverton flowgate that has been the subject of much attention and discussion in the MISO-SPP interregional planning process. This flowgate is frequently cited

[1] The Entergy Operating Companies are Entergy Arkansas, LLC, Entergy Louisiana, LLC, Entergy Texas, Inc., Entergy Mississippi, LLC, and Entergy New Orleans, LLC.

[2] Potomac Economics, "2017 State of the Market Report for the MISO Electricity Markets," Analytical Appendix, at p.118 & Fig. A119 (June 2018) (2017 SOM).

[3] *Compare* 2017 SOM, Analytical Appendix, Fig. A117 *with id.*, Fig. A118.

[4] Responses of the Midcontinent Independent System Operator, Inc., *Grid Resilience in Regional Transmission Organizations and Independent System Operators*, Docket No. AD18-7-000, 8, 46-49 (Mar. 9, 2018).

[5] 2017 SOM at 68 (noting a $9.5 million potential savings to MISO from better coordination of the seam and reduced dependence on TLR).

as a reason SPP and MISO need to build an interregional project. Entergy believes that the Neosho to Riverton flowgate example, for which there may have been a more efficient regional solution, aptly illustrates how incremental resources would be more appropriately devoted to regional processes than to interregional processes that already receive significant focus and attention from the two RTOs, regulators, and stakeholders. Some examples of regional processes in MISO that merit more attention and focus include:

1. Increasing MISO's modeling accuracy and reliability planning processes to ensure base models used as a basis for economic planning are more complete and accurate.
2. Enhancing economic planning processes to more efficiently isolate the effects of other processes such as reliability planning and generator interconnections.
3. Enhancing long term capacity-related processes to better inform planners and policy makers regarding the impacts of future capacity needs and options on transmission usage.

Each of these areas presents significant potential value to MISO and its stakeholders; Entergy would respectfully suggest that the value of advancing these issues in the MISO regional process – issues affecting the entirety of the vast MISO footprint – far exceeds the value of addressing any lingering inefficiency along the MISO-SPP seam.

Third, as the whitepaper illustrates, MISO and SPP already have addressed significant seams issues or are making progress on concrete plans to address significant issues. This is exemplified by the joint effort to improve the interregional planning process (Coordinated System Plan or CSP) to eliminate perceived barriers to interregional projects that are more efficient or cost-effective than regional projects. It is too early to judge their success because the changes have not been approved by FERC or implemented. Additionally, MISO's changes to criteria for Market Efficiency Projects and other economic projects (e.g., lower voltage thresholds, additional benefits metrics) has significant potential to increase the proposed interregional projects reviewed at the regional level and change which projects qualify for interregional cost allocation. At a minimum, those frustrated by a perceived lack of interregional projects should wait to see if these changes will produce their desired outcome before investing more resources in additional incremental changes. In addition, the efforts of the RTOs to address any remaining seams issues should continue through the normal stakeholder channels.

Any assessment of the value of additional interregional transmission projects on the SPP-MISO seam should factor in consideration of the reality that not all or even most projects bring benefits to ratepayers within each RTO. The whitepaper shows that of the three proposed interregional projects in the 2014 CSP, all failed the cost-benefit threshold in at least one of the RTOs. The one interregional project proposed in the 2016 CSP was not the most efficient or cost effective solution in MISO. That none of these projects was built is consistent with FERC's Order No. 1000 which prescribes a process rather than an end result of new transmission construction. That rule prohibits an RTO from forcing a project on its neighboring planning region if that project does not bring sufficient benefits to the neighbor or is not a more efficient or cost-effective solution to the neighbor's needs. The concern expressed by some that no projects have been built along the MISO-SPP seam is misplaced in light of these principles and robust, Order No. 1000-compliant planning processes.

To be clear, Entergy does not suggest that current efforts by the two RTOs, their regulators, and stakeholders to seek out opportunities to address inefficiencies – whether through market enhancements or planning solutions – are misplaced or misguided, or that resources currently

devoted to those issues should be diverted. Those efforts and resources are significant and ongoing. However, because any remaining inefficiencies along the seam are minor compared to other issues within the two RTOs and on other MISO seams, Entergy believes escalating those efforts or devoting incremental resources and attention to those issues is unwarranted.

1. **What do you believe to be the single most important/impactful seams issue and what barriers are preventing resolution? If applicable, include two to four additional priority items the regulators should focus on.**

The single most impactful seams issue is the frequent assertion by SPP and SPP TOs that they must be compensated by MISO and MISO TOs for loop flows (also referred to a parallel flows) on SPP's system and SPP's related actions to recover that compensation. Because of SPP's past actions in this regard, MISO agreed by settlement to pay $27 million last year for loop flows associated with internal MISO North-South flows, and these payments (with small escalation factors) are expected to continue through the duration of the term of the settlement. In addition to the above compensation, SPP has extracted unreserved use charges and associated penalties from MISO TOs for loop flow along the Northern part of the seam on systems that were jointly planned to be operated together but whose systems are now split in their RTO membership between MISO and SPP. In addition, SPP has expressed concerns with how MISO evaluates Network Resource rights, suggesting that MISO's qualification of Network Resources could bring more efforts by SPP to impose charges for parallel flows caused by those resources. Whitepaper at 41. Consistent with the rest of the electric industry and decades of precedent, MISO does not charge SPP or SPP TOs for loop flows even though these loop flows occur regularly on MISO's system as they do on any grid.

SPP's position on loop flows, i.e., that it deserves compensation and unreserved use penalties for each and every power flow that does not follow the contract path, has a chilling effect on new interregional transmission projects and coordination between SPP and MISO. As MISO explains in the whitepaper, *id*. at 26, it was understandably and reasonably reluctant to consider a proposed interregional project that would island MISO load in SPP and expose MISO customers to unreserved use penalties from SPP. The fact that SPP was willing to negotiate lower penalty payments in order to get the project constructed is of little value to those affected by the SPP-MISO JOA Settlement. It is a high barrier to any interregional transmission project when one party is asked unreasonably to pay twice – once for its share of the project construction costs and again for loop flow over SPP's system occasioned or increased by that project. It is a very high barrier indeed if parties must negotiate about loop flow penalties every time they consider additional coordination or a new interregional project. In the end, MISO and MISO TOs are significantly and adversely affected by the $27 million per year plus additional unpredictable unreserved use penalties for illusory services that they must bear – and that cannot help but affect efforts at cooperation with SPP on seams issues.

While this barrier is high, the solution is easy. MISO and SPP should adopt the MISO-PJM model for seams operation with regard to contract path capacity sharing. Consistent with the maturation of SPP's Day 2 markets, which were put in place shortly before the JOA Settlement but now have existed for nearly five years, now is the time for SPP to begin to shift its view away from the outdated physical rights model that has informed its approach, to a more modern and efficient

market-based model -- and recognize the inescapable reality that both RTOs (and the end-use ratepayers ultimately served in each RTO) benefit when they maximize the use of their interconnected transmission system by using the combined contract capacity to provide more cost effective delivery of energy to end-use customers. MISO and PJM have successfully maximized the use of their transmission systems by contract path sharing at their border. The two JOAs are almost identical and should be implemented in the same way.

**2. How should the RTOs weigh the benefits of more efficient seams operation against focusing on maximizing intra-RTO efficiencies and operation?**

Entergy believes that the two RTOs should place higher priority on getting their regional houses in order. The MISO-SPP seam is already efficiently operated, and the already significant investment of resources in addressing MISO-SPP seams issues is likely to deliver only small incremental returns. Additionally, changes to MISO's transmission planning process and to the MISO-SPP interregional transmission planning process that are already underway or in the offing are sufficient to address any remaining inefficiencies on the MISO-SPP seam.

When considering whether resources should be spent on more efficient seams operation or more efficient RTO operations, it is helpful to keep in mind certain FERC requirements. RTOs have many obligations to their footprint under Order No. 2000 including the obligations to establish clear and tradeable rights for transmission usage, promote efficient regional dispatch, support the emergence of secondary markets for transmission rights, and provide market participants with the opportunity to hedge locational differences in energy prices.[6] With regard to seams, the sole requirement is that each RTO's "reliability and market interface practices must be compatible with [neighboring RTOs]."[7] With regard to transmission planning, Order No. 1000 requires regional transmission planning but not interregional planning. Furthermore, Order No. 1000 requires that interregional coordination not be a burden on stakeholders who should only have to participate in regional planning processes to protect their interests.[8] Consistent with these requirements, regulators and others should give more weight to a focus on intra-RTO efficiency and operations.

**3. What areas of the whitepaper do you agree and disagree with? Why?**

First, Entergy believes that any reliability harms on SPP's system and their causal linkage to high MISO North to South Regional Directional Transfer Limit flows during the January 2018 event, Whitepaper at 17, are currently unsubstantiated. The Joint Inquiry, announced by FERC and NERC on September 12, 2018, should shed additional light on these issues. Furthermore, the September 2018 event was caused primarily by extreme under-forecast of MISO load. The ability to increase the flows above the Regional Directional Transfer Limit – as explicitly contemplated during emergencies by the JOA Settlement, through coordination among MISO, SPP, and the Joint Parties

[6] *Regional Transmission Organizations*, Order No. 2000, FERC Stats. & Regs. ¶ 31,089, at 31,083-84, 89 FERC ¶ 61,285 (2000).

[7] *Id*. at 31,167-68 ("integration of market interface practices involves developing some level of standardization of inter-regional market standards and practices, including the coordination and sharing of data").

[8] *Transmission Planning & Cost Allocation by Transmission Owning &Operating Pub. Utils.*, FERC Stats. & Regs. ¶ 31,323, P 465 (2011) (declaring that stakeholders will have the opportunity to participate fully in the consideration of interregional transmission facilities during the regional transmission process).

– would have allowed MISO and neighboring regions to better coordinate and manage the September 2018 event. However, due to SPP's unwarranted reaction to the January 2018 event, MISO was unable to benefit from the combined contract path with SPP and the Joint Parties. Entergy believes that during times of emergency operation, MISO and SPP should manage their respective transmission systems to their upper limits while fully respecting reliability requirements. To do otherwise unnecessarily imposes barriers as to what power can flow over what pathways. If necessary, after the emergency has passed, SPP and MISO can sort out what if any sums should be paid between them on account of the flows that occurred. In addition, Entergy notes that there is no economical interregional transmission project that would help alleviate the types of issues that occurred during the January and September 2018 events.

Second, Entergy fundamentally disagrees with MISO's and SPP's decision to expend resources to study projects that would relieve historical congestion. Pursuit of a new project type that is backward-looking is contrary to fundamental planning principles and diverges from how the RTOs systems have been planned over the decades. It is also premature in the case of the MISO-SPP seam when congestion management along the seam is still in its infancy. MISO and PJM already spend unwarranted amounts of RTO and stakeholder resources on studying Targeted Market Efficiency Projects for relatively little if any corresponding benefit to ratepayers. There is no need for projects based on relief of past congestion because to the extent there are gaps in interregional planning, these types of projects do not efficiently or optimally address those gaps. RTOs should look first to their regional transmission planning processes to determine if their process causes a gap. In this regard, the three years that have elapsed since the SPP last undertook an economic transmission study present an obvious area to which RTO and stakeholder attention can be more productively devoted. Next, the RTOs should determine whether the failure to build a project has caused the congestion that is of most concern. In this regard, SPP has approved an economic project in its most recent regional economic planning process for the Neosho to Riverton flowgate and set a need by date of January 1, 2017; but that project has not yet been built. In sum, RTOs should spend their limited resources on the "low hanging fruit" of improving their regional planning processes and implementing recently proposed changes to the interregional planning processes.

Finally, while we agree that generation resources pseudo-tied out of MISO are not proliferating on the SPP seam as they are in PJM, Whitepaper at 13, Entergy disagrees that resources pseudo-tied into SPP are not causing harms, including significant reliability harms in MISO today. As Entergy explained in FERC Docket No. EL17-62, Entergy Arkansas prepared to shed load in July 2015 because load was forecast to exceed system capability during breaker maintenance. A large resource located in the area that was pseudo-tied into SPP could have resolved the situation had MISO had dispatch control of the resource. Instead, a load shed warning was issued that could have put a significant amount of load in the area at risk. While ultimately no load was shed, the incident illustrates the kinds of operational and reliability harm caused by generation pseudo-tied out of MISO. MISO should seek to limit pseudo-ties on all of its seams and seek operational authority in emergency situations over pseudo-tied resources.