

Otter Tail Power Company Response to the Seams White Paper for the OMS and SPP RSC Liaison Committee

Otter Tail Power Company appreciates the work of the OMS and SPP RSC Liaison Committee to identify potential improvements along the MISO-SPP seam.

As a MISO Transmission Owner and Local Balancing Authority on the western edge of MISO, Otter Tail's service territory interconnects with a significant portion of the MISO-SPP seam along both North and South Dakota and a portion of Minnesota. With the integration of the Integrated System into SPP, a portion of Otter Tail's MISO Network Load also became SPP Network Load (i.e., pancaked). For these reasons, Otter Tail is uniquely positioned to respond to some of the focus areas in the *Seams White Paper*. Please note that there are a few instances where our responses relate directly to MISO due to our experience and familiarity. Our silence on SPP's practices and procedures should not be interpreted as support but may indicate lack of familiarity or experience with those areas.

Below are Otter Tail's responses to the questions.

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 differing interpretations of Section 5.2 Contract Path Capacity Sharing of the Joint Operating Agreement (JOA) and its application broadly impact a number of areas and is the most important seams issue. As highlighted in Table 2 of the white paper, the settlement agreement on this issue has significant financial impacts on customers in MISO. Both MISO and SPP have identified in the white paper that this issue has the potential to complicate the interregional planning process (see p. 32). In addition, Otter Tail provides the following example to show how differing interpretations of Section 5.2 of the JOA have resulted in disparate treatment in SPP and MISO in day to day operations.

In one instance, an SPP Transmission Owner utilized an emergency tie (69/41.6 kV) tying into MISO's (Otter Tail's) transmission system for an outage on its (the SPP TO) system without a reservation. In this instance the SPP TO took service from Otter Tail's transmission system under MISO without any charges for the service or unreserved usage in MISO. In contrast, when Otter Tail's transmission system was catastrophically impacted by an unexpected ice storm, Otter Tail had to tie into the same emergency tie that the SPP TO had relied on in the first instance in order to restore service to its customers. In this case, Otter Tail was charged unreserved use¹ by SPP for Otter Tail's use of this exact same emergency tie. In other words, SPP Load was not exacted a charge (or penalty) by MISO for serving SPP load via the MISO transmission system over the exact same tie that MISO Load *was* exacted a charge and penalty

¹ Unreserved use means that you are charged for the firm point-to-point transmission service that was not reserved plus a penalty equal to 100% of the cost of the firm point-to-point transmission service—so you pay double what you would have paid for transmission service.

by SPP for serving MISO load via the SPP transmission system. This type of disparity must be resolved on the MISO-SPP seam.

Otter Tail supports the MISO view of Contract Path Capacity Sharing. The barrier preventing resolution is that this issue gets to the very heart of one of the fundamental philosophical differences between MISO and SPP. In our response to question #4, Otter Tail offers a suggestion for a positive first step towards parity in both RTOs on one aspect of this issue related to emergency/unplanned events in SPP. This proposal is rooted in the belief that reliable operations should always be the primary consideration.

The concept of maintaining reliability is at the core of the MISO and SPP mission statements. That same focus on maintaining reliability should also carry over into the work of the OMS and SPP RSC Liaison Committee as it seeks to identify potential improvements along the MISO-SPP seam. It is also important to remember that each seam is unique, and there are even significant differences along a single seam. The regional system configurations have evolved over time to most efficiently meet the geography and needs of the loads being served. These differences should be taken into consideration by the OMS SPP RSC Liaison Committee when solutions are evaluated.

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

Otter Tail thinks that MISO has struck the right balance thus far on the MISO-SPP seam.

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

Otter Tail has concerns about the speed at which MISO and SPP are looking to modify the interregional transmission planning process, including consideration of both the Targeted Market Efficiency Projects and additional benefit metrics to be used for the selection of interregional projects. A more conservative approach is prudent when making any changes to interregional planning to avoid inequitable and unintended customer impacts. A number of changes are already proposed for the MISO-SPP Coordinated System Plan. If approved by FERC, it remains to be seen if those changes will achieve the expected results. There has been a great deal of change to the MISO-SPP seam in the last five years. Therefore, much of the seam is relatively new with little historical data to rely upon or to base any conclusion that something isn't working and therefore needs to be changed.

We are sensitive to possible customer impacts caused from layering change upon change without ensuring the predetermined benefits were actually achieved. From a customer perspective, identifying unintended consequences and disproportionate impacts should be an intentional focus for any change being introduced on the seam. The customers directly on the seam are oftentimes the most impacted with the potential for adverse and unintentional consequences. In other words, new changes should be considered for implementation only after there has been adequate time to evaluate and understand the effectiveness of any prior changes. Otter Tail is additionally concerned that interregional modifications are being proposed at the same time that changes are being proposed to MISO's regional cost allocation for market efficiency projects. Changes in

MISO, SPP, or to the interregional process may seem minor when viewed in isolation, but when they are viewed collectively, there could be unintended consequences that a more intentional and pragmatic application could otherwise prevent. Otter Tail would prefer to gain experience with the new regional cost allocation framework within MISO and assess its effectiveness before rushing into changes to the interregional planning process on the SPP seam.

4. *Are there seams issues that you believe were left out?*

With the objective of maximizing reliability through more efficient real-time operations, Otter Tail encourages the OMS SPP RSC Liaison Committee to urge SPP to take another look at revising how SPP approaches reserving certain types of transmission service during emergency/unplanned situations.² As highlighted in the example provided in response to question #1, the current SPP approach seems to place economics ahead of reliability.

Efforts in 2018 to explore revisions to the application of unreserved use penalties under certain scenarios by the SPP Seams Steering Committee resulted in recommended changes to SPP's business practices and tariff. These recommendations were not ultimately supported by SPP staff and were dismissed by the SPP Market & Operations Planning Committee (MOPC), in large part due to the topic being categorized as having little economic impact within SPP. Economics are the wrong metric. Instead, the foundation for changes to the application of unreserved use penalties should be deeply rooted on the basis of reliability.

In situations of bad actors, the penalties are warranted and necessary. In emergency situations, however, restoration is the first and foremost concern. Entities should not be put in the position of worrying about unreserved penalties when they should be most concerned with reliable operations and service restoration. MISO allows more time for notification that transmission service is being taken. MISO does not "waive" the charge for transmission service (which was one of the concerns expressed by SPP staff with the previous proposal), but MISO also does not charge unreserved use for the time between when the service was taken and when the Transmission Provider was notified. MISO's approach recognizes that control room system operators are busy dealing with the emergency condition at hand and are rightly focusing on restoration of the system rather than immediately securing transmission service due to unplanned outages caused by the emergency or system reconfiguration for the purpose of restoring service to customers and maintaining reliability.

Otter Tail does not object to paying for transmission service from the time of the occurrence of the unplanned outage, but strongly believes that SPP must allow for a longer grace period for the Transmission Customer to reserve adequate transmission service from the Transmission Provider before unreserved use penalties are assessed to ensure reliability remains as the top priority in real-time operations. As an alternative solution, MISO practices could mirror SPP practices, meaning that MISO could take a more aggressive stance on unreserved use charges, but Otter

² As stated above, we support the MISO interpretation of the Contract Path Capacity Sharing and believe it is just and reasonable to apply to the MISO-SPP Seam. At a minimum, however, there needs to be consistent treatment in MISO and SPP for reserving transmission under emergency/unplanned situations.

Tail does not view MISO aligning with SPP's current process as the preferred approach.

5. *What seems issue(s) require additional analysis and study prior to solution identification? What should the goal of such an analysis/study be and what metrics or other measurable information should it include?*

It is important that stakeholders are included in the development and evaluation of solutions and that any policy changes are justified through an evaluation that includes robust engineering analysis.