

Xcel Energy Responses to MISO and SPP Developed Seams Whitepaper

Xcel Energy (XE) appreciates the efforts of the OMS and RSC in developing its collaborative framework to analyze the issues along the RTO seams and identify potential solutions. Xcel Energy has two operating companies operating in the affected RTOs – Northern States Power Company in MISO, and Southwestern Public Service Company in SPP and is greatly impacted by issues along the seam. XE appreciates the opportunity to comment on the whitepaper prepared by MISO and SPP that summarizes the history of the seams issues and their current status and ongoing efforts and provides its response to the following 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.*

While XE has identified two significant seams issues, it believes the different interpretations by MISO and SPP of Section 5.2 – Sharing of Contract Path Capacity and the need for transmission service for the use of available capacity across the seam is the more impactful of the two issues. Understanding and overcoming the philosophical differences and its impacts to customers on both sides of the seam challenge the resolution of this issue.

The second significant issue is related to interregional project criteria and cost allocation.

These issues are discussed in more detail in the response to question 4.

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

As noted in the whitepaper, requirements of FERC's Order No. 2000 include direction for the RTOs to address issues of coordination, reliability, efficiency and equity through joint operating agreements. While the current JOA between MISO and SPP recognize the use of contract path capacity, the different interpretation results in inequities to those utilities operating on the seam. The RTOs need to address these inequities before any meaningful steps can be taken to improve the efficiencies both between and within the respective RTOs.

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

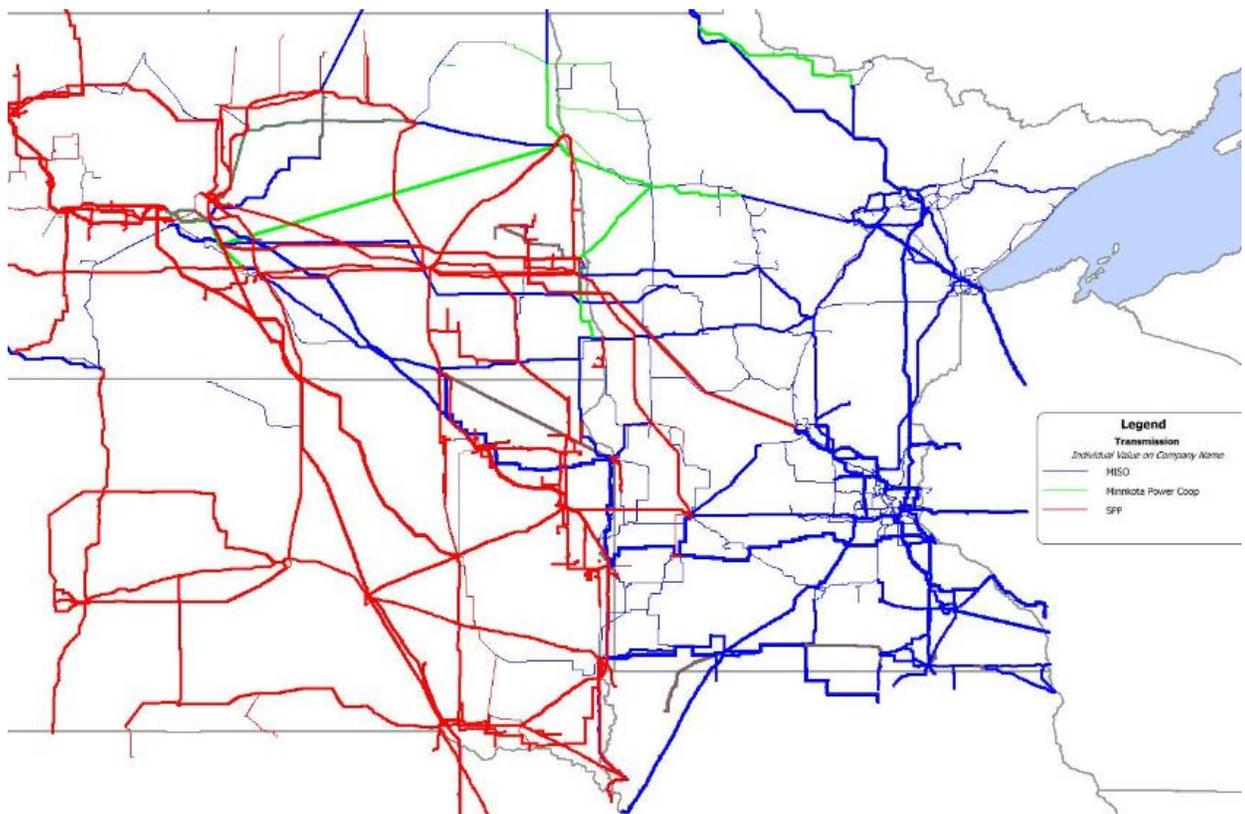
While the whitepaper is generally a fair representation of the current issues, it lacks detail regarding impacts of these issues on transmission owners and customers, thereby glossing over the more challenging details that need to be overcome.

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

As noted in the response to question 3, MISO and SPP adequately identified the issues on the seam, but the paper lacks details on the impacts of these issues. Specifically, there are three areas of focus related to transmission service across

the seam – rate pancaking (use of available transmission capacity), transmission service during planned outages, and unreserved use penalties.

Prior to a discussion of these focus areas, additional history of the northern MISO SPP seam is important. Prior to the Integrated System joining SPP, and even to the formation of MISO, the entities in the former Mid-Continent Area Power Pool engaged collaborative planning efforts that have resulted in the “swiss cheese” transmission system in the area. Even post integration, NSP and others continue to plan and develop projects with its neighbors on the SPP seam. The diagram below shows transmission lines in the SPP footprint (red) and the MISO footprint (blue) and those of Minnkota Power (green) who is not in an RTO, and demonstrates how there isn’t a geographic “seam” of the combined footprint.



While a goal of the JOA is to create a seemingly seamless seam, this is clearly not the case for transmission customers operating on or close to the seam. In some cases, entities own transmission facilities in each RTO and are members of both RTOs. In other cases, entities own transmission facilities in a single RTO, however geographically these facilities are very inter-twined with facilities owned by entities in the neighboring RTO. As noted at the November MISO SPP IPSAC meeting, Prescott, Arkansas and other small network customers are subject to pancaked rates due to network topology which demonstrates the issue impacts entities beyond the northern MISO-SPP seam.

Transmission Charges on the Seam

Rate Pancaking – The SPP interpretation of the JOA treats any flows on the neighboring system as transmission service, including loop flows and emergency use of the system due to transmission outages. Customers geographically close to the seams, including those on the situated in the integrated northern seam are charged a pancake rate for flows related to generation crossing the bordering RTO to serve load while paying Network Transmission to the RTO where the load is located. These charges impose an unfair burden to these customers that are not incurred by customers inside the respective RTOs.

Transmission Outages – The terms of the JOA are inconsistent regarding compensation for loop flows during planned transmission outages. The calculation of the contract capacity under the MISO SPP JOA settlement does not include flows related to outages of less than six months for transformers and four months for other types of transmission facilities, while no similar provision is allowed on other areas of the seam. In 2018, NSP paid \$2.4 million in pancake transmission service charges to SPP related to a 4 ½ month outage due to a transformer replacement on the GRE system, even though they continued to pay MISO NITS charges during the outage.

Unreserved Use Charges – SPP also considers flows related to unplanned outages as transmission service under the Tariff. In situations where operators should be working to reliably manage the outage, SPP imposes an unreserved use charge in addition to transmission service charges until the operators can schedule transmission. SPP stakeholders supported a four hour waiver of unreserved use charges in emergency situations, however SPP put a stop to any such revision citing very narrow interpretations of FERC orders in its claim that such treatment is not allowed. The SPP interpretation cites orders relating to transmission service, while flows associated with outages are not considered transmission service under the MISO interpretation of the JOA.

Cost Allocation and Benefit Criteria for Inter-regional Projects

Cost allocation for transmission projects is a contentious issue in both SPP and MISO. XE (NSP) has been involved in the MISO evaluation of its regional cost allocation rules and is generally supportive of the proposed changes MISO is making to the Market Efficiency Project rules affecting both intra and inter-regional projects, recognizing cost allocation for projects on the seam need to appropriately align with beneficiaries of these projects. XE (SPS) is also engaged in cost allocation in SPP and believes that the current highway/byway cost allocation does not result in cost allocation that is roughly commensurate with the benefits of inter-regional projects and believes that a separate cost allocation is needed for seams projects that reflect cost allocation to those who benefit from the projects.

XE supports the addition of the avoided reliability metric for inter-regional projects, however it is important that these avoided projects are real and not

speculative. The MISO criteria for an avoided reliability project is that the avoided project be a targeted Appendix A project in the current reliability planning cycle; the final step before project approval. SPP criteria have a minimal level of certainty - the avoidance of a speculative reliability project. Inclusion of an avoided reliability project is another factor in the need for an economic project specific cost allocation in SPP.

5. *What seams 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?*

MISO and SPP interpret the JOA language related to use of each other's transmission systems differently, resulting in SPP charging for transmission service based on its interpretation and MISO allowing use of its system free of charge under the same circumstances. The OMS and RSC should consider an independent study to evaluate the cost shift related to each RTO's interpretation of the JOA. The results of this evaluation can inform the OMS and RSC of the financial inequities resulting from the differing interpretations and what a consistent application on both seams would look like. The RTOs can use this information to determine potential improvements to operation on the seam.