



**ORGANIZATION OF MISO STATES, INC.
Cost Allocation Principles Committee
May 17, 2021**

Commissioner Sarah Freeman, Chair of the Organization of MISO States, Inc. (OMS) Cost Allocation Principles Committee, called the May 17, 2021 meeting to order via Webex at approximately 2:00 pm (CT). The following committee members or their proxies participated in the meeting:

Kim O'Guinn, Arkansas
Christine Ericson, proxy for Carrie Zalewski, Illinois
Sarah Freeman, Indiana
Richard Lozier, Iowa
Karen Wilson, proxy for Talina Mathews, Kentucky
Noel Darce, proxy for Erik Skrmetta, Louisiana
Dan Scripps, Michigan
Hwikwon Ham, proxy for Matt Schuerger, Minnesota
David Carr, proxy for Brent Bailey, Mississippi
Ryan Silvey, Missouri
David Shaffer, proxy for Helena Moreno, New Orleans
Julie Fedorchak, North Dakota
Werner Roth, proxy for Will McAdams, Texas
Tyler Huebner, Wisconsin

Absent

Manitoba
Montana
South Dakota

The directors and proxies listed above established the necessary quorum for the meeting of at least nine directors being present.

Others present

OMS staff and staff participants from individual state commissions
Other meeting attendees
MISO staff

Administrative Items

- Marcus Hawkins, OMS Executive Director, took the roll as noted above.
- **Approval of Minutes from the April 19, 2021 Cost Allocation Principles Committee Meeting**
The minutes were accepted as submitted.

Business Items

- **LRTP Workshop Review (MISO):**

Jeff Webb, MISO, summarized MISO's April Long Range Transmission Planning (LRTP) Workshop.

Chair Fedorchak asked, when comparing roadmaps how will MISO go from the modeling stage to the actual first projects so that stakeholders can understand specifics about the cost allocation associated with the project? Jeff Webb stated that as the roadmaps are visualized the objective of being able to enable the number of renewables anticipated and the scope of upgrades will be needed. MTEP 21 is the goal for launching the first projects. Analyzing deficiencies and capacities relative to flow patterns on the grid or the scope of size of a line that could take longer to develop is where initial projects would likely stem from.

Aubrey Johnson, MISO, stated that another approach may be evaluating the MVP lines that have open positions and utilizing those. This will remove right of way issues. Chair Fedorchak asked when there will be results from the modeling. Jeff Webb responded at either the May or June workshop.

Chair Fedorchak asked, what will we hear from the models and what will they tell us? Jeff Webb responded, they will tell us that to reach annual energy penetration levels of renewables across the grid that are represented in the futures MISO has modeled, you will be able to see spots where existing facilities will be heavily overloaded, which would require significant curtailment of new and existing generation. You will be able to see overloads and voltage collapse issues as well. The degree at which those are observed will determine the degree to which, and where, the need for grid upgrades occur. A 20-year set of models has been developed, and half of those are different seasonal hourly snapshots at the 10-year point, and the other half are at the 20-year point. This is to capture different scenarios both in the near term and long term.

Commissioner Freeman asked what is the relation between LRTP cost allocation and MTEP 21? Jeff Webb stated that there will be an initial tranche of projects they are hoping for in MTEP 21, but it will not be at the scope of the \$30 billion dollars referenced in other meetings. Commissioner Freeman followed, asking as we work towards developing and recommending a cost allocating methodology for LRTP are there any issues embedded in cost allocation that MISO feels could be deferred as they will not be needed for MTEP 21 cost allocation? Aubrey Johnson stated that they want the use of cost allocation to be as holistic as possible and not focused just the first set of projects. MISO is continuing to brainstorm ideas to achieve this goal. If successful and a new project type or category is developed, then there will be a wide range of usage.

Commissioner Freeman asked if any planning criteria has been developed around which MISO will determine whether an LRTP project is eligible for cost allocation or will it be backed into based on what methodologies have been proposed? Aubrey Johnson responded that MISO is approaching this in 2 ways. Allowing planning to be planning and then the cost allocation to

address whatever those outcomes are. MISO does not see these as being economic driven but can see there are economic benefits. If the reliability of enabling these resources is the driver, then it is more of a multi-value project concept. Commissioner Freeman agrees with keeping the focus on cost allocation and avoiding revisiting transmission planning.

Commissioner Freeman asked for clarification on whether MISO supports the use of the portfolio approach in the planning phase. Jeff Webb stated that in the context of the presentation, yes, there is support for the portfolio approach or a solution set. It can be challenging to determine what is a part of the set when looking only at economic benefits. When evaluating based off reliability it can make the approach easier and then you can look at the economics of those almost as a secondary aspect.

Aubrey Johnson stated that MISO will pursue as many projects as possible that can be worked through. If there is a consensus and there is a justification behind them MISO will take that into account in the current cycle. The projects will vary from individual independent lines that will not need approval from a collective group to LRTP projects that may need supporting projects or facilities to make them work from a reliability perspective. This would cause a need for the portfolio approach or a solution set that was discussed.

- **Review and Discuss Individual RECBWG Feedback:**

Marcus Hawkins, OMS Executive Director, opened the discussion by giving an overview of the presentation which includes feedback submitted by Indiana, Michigan, Mississippi, Louisiana, Wisconsin, and North Dakota in response to the RECB feedback request on April 28, 2021.

Marcus Hawkins introduced the first question which asked, how would you define system-level reliability. There was a range of answers from OMS members with a large focus on applying NERC standards over the longer-term horizon and whether that is appropriate. The potential for a new definition may be needed which would need to be clearly defined and discussed in the stakeholder process.

Chair Scripps followed, stating that focusing on the NERC criteria would be best. There is broad agreement and national standards. The challenge addressed by Michigan is that while everyone has a good understanding of the NERC criteria and how BRP is addressed in near term reliability, when you move that out over 20 years it becomes more speculative. There is a role specifically for MISO in terms of articulating how the specific performance challenges around reliability are addressed by the projects selected in the MTEP cycle.

Commissioner Freeman stated that she was leaning into something more than NERC reliability due to the scope of LRTP as NERC reliability standards typically address issues on the shorter term. As seen on the indicative roadmap, if it is not MVP, projects are spanning the entire footprint meaning the geographic scope is larger as opposed to BRPs.

Chair Scripps responded that how you allocate this has similar attributes as BRP but is on a longer time frame. However, system-wide projects are much larger than BRP typically addresses even if it is the same reliability question. When discussing cost allocation, the approach may be to look broader than a particular zone. The allocation may be different even if the reliability challenges are the same.

Jeff Webb followed, stating that the BRP development process in the annual MTEP is limited to existing generation and committed queue generation. BRP does not anticipate transmission that might be needed or useful in enabling the longer-term view of what you expect resources to be.

Marcus Hawkins introduced the second question which discussed granularity of the allocation used for system-level reliability type projects and the appropriateness of a sub-regional postage stamp.

Commissioner Freeman followed, stating that Indiana is in favor of postage stamping reliability because of the value it provides to the entire footprint, but it would only be for the smallest sub region that clearly benefits from the reliability measures.

David Shaffer stated support for the beneficiary pays approach, granularity in allocation, and the determination of benefits. However, has concerns about the postage stamp approach. He noted the reliability definition needs a stronger understanding of the potential need for different project sites and different cost allocation in relation to LRTP projects the reliability is meant to address. He noted there is still concern about revisiting and potentially changing existing methodologies and is opposed to doing so here as there is already a process in place.

Chair Fedorchak noted that we are faced with a changing grid and have previously approved methodologies. As the grid has changed new projects will not exactly fit into these previously approved methodologies. Maintaining the reliability of the grid and keeping costs low for customers will require a new approach to get these projects built. She supports the generator pays concept as she feels it splits the middle and allows for the projects to be built while recognizing the varying degrees of interest.

Chair Scripps stated that they share the view in which we should be considering how to allocate costs to generators and that generators can be a beneficiary and under our principles then should be responsible for some of the costs. In response to the proposal, he expressed concern for the timeline of submitting something to FERC to have a cost allocation formula available for any project identified in MTEP 21. He has concerns with the idea of allocating non-economic costs to the generators as it is not consistent with the idea of beneficiary pays. We need to adhere to the idea of beneficiary pays in terms of who ultimately is bearing these non-economic costs, generators, and load alike. Lastly, he noted being cognizant of the existing framework.

Marcus Hawkins discussed the third question which addressed what economic metrics would be appropriate for allocating LRTP costs. The OMS members submitted numerous responses including answers relating to the past MEP discussions. There is a consensus that some of the approved metrics are a good starting point.

Marcus Hawkins introduced the fourth question which relates to the project criteria for an LRTP project.

Commissioner Huebner followed, stating there were different views amongst his staff, and they were reflected by different stakeholders. On one side these projects are intended to be larger projects and on the other do we want to artificially limit, as mentioned before, the solution set of potential projects that could be used to solve what we hope to be clearly identified reliability challenges.

Marcus Hawkins introduced the fifth question which addresses other considerations and alternative proposals beyond Certain TOs' proposals. One item that was pointed out to be missing by Mississippi and Louisiana was public policy. Others brought up that in their allocation competition was not considered. Generator pays was mentioned, and the queue study was referenced as a potential source of information for this methodology

Commissioner Freeman asked Chair Scripps to elaborate on the response Michigan gave as it relates to charges to future generators who interconnect to an LRTP project. Chair Scripps responded, this idea was based of a California ISO proposal that assigned to load but in this case means you do not become the beneficiary until you interconnect. Trying to find a way to move the project forward and having the generators in line to contribute once the project comes to fruition.

- **Conclusion**

Commissioner Freeman concluded the meeting by noting the next CAPCom meeting will be on June 21, 2021.

- **Open Mic:** No comments.

The meeting concluded at approximately 3:30 pm (CT).