



ORGANIZATION OF MISO STATES, INC.
Cost Allocation Principles Committee
October 19, 2020

Approved 11/2/20

Commissioner Sarah Freeman, Chair of the Organization of MISO States, Inc. (OMS) Cost Allocation Principles Committee, called the October 19, 2020 meeting to order via Webex at approximately 2:00 pm (CT). The following board members or their proxies participated in the meeting:

Ted Thomas, Arkansas
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
Matt Schuerger, Minnesota
David Carr, proxy for Dane Maxwell, Mississippi
Walt Cecil, proxy for Ryan Silvey, Missouri
David Shaffer, proxy for Helena Moreno, New Orleans
Julie Fedorchak, North Dakota
Greg Rislov, proxy for Gary Hanson, South Dakota
Arthur D'Andrea, Texas
Becky Valcq, Wisconsin

Absent
Manitoba
Montana

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
Andy Witmeier, Aubrey Johnson, and Jeff Webb from MISO
Zeny Magos from FERC
Other meeting attendees

Administrative Items

- Marcus Hawkins, OMS Executive Director, took the roll as noted above.
- **Approval of Minutes from the October 5, 2020 Cost Allocation Principles Committee Meeting**
The minutes were accepted as submitted.

Business Items

- **Committee Decision Making Process:** Commissioner Freeman outlined the decision-making process for the Organization of MISO States (OMS) per the bylaws. After discussion amongst committee members, it was agreed upon that the committee's decisions could be voted on in the committee meetings without further ratification by the Board. Notice provisions for action items would also be in accordance with the OMS bylaws. This topic will be added to the next OMS Board of Directors meeting for additional discussion and review.
- **Additional Hypothetical Feedback:** Commissioner Freeman identified that feedback from the October 5th meeting is on SharePoint for member review. Two states also provided their own draft cost allocation guiding principles. Commissioner Freeman encouraged committee members to continue to keep an open mind during upcoming discussions for an organic outcome.
- **Order No. 1000 and Cost Allocation:** Zeny Magos, Energy Industry Analyst from the FERC, presented on Order No. 1000 and Cost Allocation. He noted Order No. 1000 focuses on regional projects that are selected in the regional transmission plan as the most efficient or cost-effective solution. He reviewed the cost allocation principles, noting that these set up a beneficiary pays approach. FERC has recognized that a beneficiary pays approach is consistent with the cost causation principle. Order No. 1000 does not provide a definition of benefits, which allows for regional flexibility, but encourages transparency when bringing proposals to FERC. There are two allocation methods under the Order No. 1000: Project-by-Project or Group. Generators as beneficiaries is outside of the scope of Order No. 1000, but may be proposed if also in compliance with Order No. 2003. Zeny also highlighted the need for a cost allocation method to cover reliability and public policy.

David Carr asked if MISO's BRP category satisfies the reliability category under Order No. 1000. Zeny responded it does not since MISO's BRPs do not have a regional cost allocation, only local to one zone.

Commissioner Julie Fedorchak requested a high-level overview of Order No. 2003. Zeny noted that the costs for interconnection facilities on the generator side of the connection are allocated to the generator. Network upgrades were paid up front by the generator but then credited as they took transmission service, so essentially paid by ratepayers. For MISO, most of the costs are allocated to the generator. Commissioner Freeman asked about the evolution of Order No. 2003. Zeny noted that Order No. 2003 predates Order No. 1000 and focuses on the process, which includes cost allocation.

- **Transmission Planning:** Andy Witmeier, Director of Utilization from MISO, provided a presentation on transmission planning. The presentation provides an overview of MISO's transmission planning process, the creation of MTEP, and the evolution of the Long-Range Transmission Planning (LRTP) Process. Andy also provided more detail into project types in the

tariff. Commissioner Fedorchak asked for other examples of drivers of the "Other" category. Andy noted that most are due to age and condition upgrades of equipment, indicating all are allocated to the local Transmission Pricing Zone.

Commissioner Freeman noted that the LRTP road map seems to be a feedback-based approach and asked about the risk of neglecting near-term projects in order to address long-term drivers with greater overall benefit. Andy noted that the GI and BRP processes cover some near-term needs. He also expressed the need to consider if some of the near-term projects could be better enhanced to provide a long-term benefit, recognizing that short-term needs must be met.

Commissioner Fedorchak asked how MISO envisions the LRTP beginning, ending, or continuing. Andy noted that it will be developed over the next 3-4 MTEP cycles.

- **Additional Discussion Items:** Commissioner Freeman reviewed the questions on the agenda for discussion.

When looking at potential attributes of LRTP, Commissioner Schuerger recommended that the committee includes the attributes that have been identified in MEP and MVP, such as production cost savings and avoided reliability cost savings. He also noted the importance of inclusion of public policy requirements and the deliverability of energy market flexibility as two additional attributes to consider in the LRTP.

Commissioner Freeman asked Andy Witmeier if public policy was already an attribute in MISO's general long-term planning and listed in the tariff with specific examples. Andy noted that it isn't specifically outlined, but stated generally.

Commissioner Schuerger referred to the OMS position statement on LRTP, noting that the LRTP should be based on robust input from the states, including state integrated resource plans and other planning processes. He identified that there are a variety of ways to look at public policy, such as laws or the different approaches that states are taking in the generation mix and it's important to look for a common base.

Commissioner D'Andrea also highlighted the importance of state public policy. He then asked Zeny for further explanation regarding public policy in relation to cost allocation. For example, should the state with the public policy be allocated more of the cost because that state is benefitting? Zeny responded that different regions have done different things and provided examples. Some would increase the cost allocation to the state in which the public policy is residing. Others will determine for the entire region. He then noted there is no requirement to meet public policy requirements, but they need to be considered by the RTO.

David Carr stated that Mississippi is in agreement with public policy as part of LRTP effort. He noted that the MVP public policy considerations are narrow and the committee's consideration of public policy should be broader than it was in the original MVP.

David Shaffer asked if the committee should be fitting the LRTP projects within an existing cost allocation methodology or if it's been concluded to come up with some other type of methodology. Commissioner Freeman responded that the committee will hopefully make this decision further down the road. David Shaffer asked if the question is meant to elicit specific attributes as a project design as part of the LRTP effort. Commissioner Freeman responded in agreement, noting that some of the attributes are going to be the same, but with the potential for more options. David Shaffer

asked if there is an LRTP project that fits into an existing category, should it stay in this category or be viewed from a clean slate. Commissioner Freeman indicated that this is a broader approach to viewing attributes overall, noting that discussion does not need to be limited to preexisting categories nor should the committee ignore other attributes that could potentially lead to a different cost allocation methodology.

Commissioner Schuerger agreed with Commissioner Freeman in that the committee does not yet know whether a new cost allocation methodology is necessary or if the existing options are sufficient. He also expressed that he doesn't want to answer this prematurely.

Commissioner Freeman asked David Shaffer if he has identified any other attributes that would be different from the existing ones. David Shaffer responded that he hasn't at this time. He is supportive of having the discussion of cost allocation at the front end, recognizing the difficulty without having known parameters and drivers. Commissioner Freeman suggested thinking of cost allocation from the driver's side, such as what could necessitate a project being built and what attributes would be needed to meet that driver.

Commissioner Fedorchak identified one attribute or driver is facilitating new generation growth or new generation interconnection. She then asked if attributes and benefits are the same or different. Commissioner Freeman deferred to Andy with a similar question in a different context, asking why some items are included in the planning process rather than being listed as benefits. Andy responded that once MISO receives the cost allocation principles that the OMS sets forth, they can review how current methods need to change, recognizing there may be new benefits. A benefit is an attribute that can be measured.

Greg Rislov provided an example that in SPP they have a current circumstance where benefits were crossing zones, but there wasn't a way to assign costs in a granular manner and noted that this may come up for MISO as well. Commissioner Freeman noted that the SPP benefit metrics and methodology will also be discussed at the second meeting in November.

Commissioner Freeman asked a question of Order No. 1000 about when the benefits become too granular where it wouldn't facilitate the selection as a project. Zeny responded that it depends, but as long as the benefits are measurable and identifiable, many granular benefits would be fine.

David Carr asked Commissioner Schuerger for further information regarding his earlier comment that "flexible dispatch" should be considered as a potential attribute. Commissioner Schuerger responded with a correction of wording to "delivery of flexibility or energy market flexibility." He expressed the role of a robust transmission grid is to minimize cost for all by delivering kinds of flexibility and highlighted the importance since it's been identified clearly in the RAN and RIIA work.

Commissioner Freeman stated flexibility could also be construed to mean equally beneficial under all possible types of futures.

Jeff Webb from MISO agreed with Commissioner Schuerger in that flexibility has a lot to do with the ability to take advantage of the diversity of resources on the grid and their locations. Transmission in the right places of the right type can better support the performance of the grid.

- **Open Mic:** Commissioner Freeman reviewed a request for stakeholder feedback that was sent last week. All feedback submitted will be available before our meetings to be included for discussions.

Noel Darce asked if the 2 months as stated in the stakeholder feedback memo is a hard deadline. Commissioner Freeman noted that the next two months only refers to the future topics being addressed in the upcoming meetings within the next 2 months.

Noel Darce then asked a follow-up question to Commissioner Schuerger regarding flexibility on a direct basis. He provided an example of the need for wind in the north and gas in the south to balance each other and expressed concern that this could not be relied on as a long-term solution. Commissioner Schuerger responded that there is a potential opportunity and value of accessing those different services at the lowest possible cost, drawing from where and when it's available. Flexibility in ramping has been identified in MISO and is one of the key ancillary services and should be considered with LRTP as well. Noel noted that the committee should be mindful of building for a moving target.

The meeting concluded at approximately 4:00 pm (CT).