

MISO Advisory Committee
October 22, 2014
Hot Topic: Seams – Interregional Planning
Organization of MISO States (OMS) Response
for the State Regulatory Authorities Sector

The Organization of MISO States (OMS) appreciates this opportunity to provide the MISO Board of Directors, MISO staff and other stakeholders with the State Regulatory Authorities sector's perspective on Seams and Interregional Planning.

Background

The MISO footprint is geographically large and shares seams with a diverse set of entities. MISO has seams with two centralized markets, SPP and PJM - entities that are at different stages in their market development and maturity. Likewise, the coordination procedures (i.e. Joint Operating Agreements) that MISO has with SPP and PJM are at different levels of development and implementation. MISO also shares seams with several entities that operate outside of a centralized market. As a result MISO is currently engaged in a number of efforts to improve coordination with seams neighbors and expects these efforts to continue for the foreseeable future.

Interregional planning is an essential element of the MISO Joint Operating Agreements with SPP and PJM as well as similar tariff procedures with non-market entities. MISO recently concluded an analysis with PJM seeking to identify projects that would address congestion at that seam. This was the first instance in which MISO and PJM engaged in a coordinated study effort that sought to identify interregional projects that could be approved in the respective regional plans. Although many lessons were learned that will improve future efforts, a business case for project approval was not established during this first round of analysis. As a result of that effort, stakeholders have identified concerns related to planning processes, metrics, and cost allocation. In response MISO and PJM have initiated an effort to work with stakeholders to identify ways to improve interregional planning going forward.

For reference, the meeting materials from the kickoff meeting can be located at the following link:
<https://www.misoenergy.org/Events/Pages/IPSAC20140911.aspx>

MISO is also in the early stages of a coordinated study effort with SPP. Many of the lessons learned from the PJM study will be used to improve the SPP study (for example the MISO-SPP study will use a single future scenario instead of the three used in the MISO-PJM study; this will simplify the model development and analysis process as well as eliminate confusion regarding the application of multiple future scenarios in the project approval stages). There may be additional areas of improvements that could be identified and implemented during the study process.

Hot Topic Questions

1. What changes does your sector suggest to enhance or improve the interregional planning process?

OMS has a strong interest in the subject of interregional planning; please note that in our response to Question 5, OMS has ranked interregional planning as the single most important seams topic to the State Regulatory Authorities Sector. OMS urges MISO to explore any potential options and stakeholder

suggestions to enhance interregional planning outcomes that will identify needed and beneficial interregional projects that are ultimately planned, approved, and built.

Currently, the status quo for interregional planning uses a somewhat bifurcated review process where potential projects are first subjected to evaluation under the applicable Joint Operating Agreement (JOA) interregional planning criteria and any projects that are determined feasible under those requirements are then subjected to both of the individual RTOs' regional planning criteria and approval processes. Any project must pass all three of these planning and approval hurdles, which, to date, has not resulted in any interregional projects moving forward. The OMS urges MISO to actively explore the following alternative options to this current methodology with an eye to increasing the likelihood that interregional projects actually get built.

OMS members prefer an approach that would maintain some parity between regional and interregional projects and therefore urge MISO to work with its seams partners to more closely align the interregional and regional planning processes, especially regarding the benefit metrics, use of futures and time period studied, thresholds (cost, voltage and benefit/cost ratios), and other requirements. OMS believes that reducing the incompatibilities among the various regional and interregional processes, both within MISO and among RTOs, would increase the likelihood that interregional projects would actually get built.

OMS also believes that an additional option that may be beneficial to enhance interregional planning outcomes is to simply eliminate the interregional planning tests. For projects that anyone considers to be potentially inter-regionally beneficial, each region should just conduct its own regular regional beneficial tests. If each region determines, using its own regional criteria, that a candidate interregional project would be cost beneficial, then it would be designated an interregional project. If each region has determined for itself that a project passes its own benefit test, then reaching agreement on cost allocation should be easier.

These potential alternatives to the current interregional planning process are raised by OMS in the hopes that MISO can enhance these planning outcomes to identify needed and beneficial seams projects that are ultimately approved and built.

OMS also has some suggestions related to relevant administrative matters. OMS members generally oppose further administrative additions and don't want to add more meetings, conference calls, and reports to the plethora that are already established. OMS believes that what's needed is to make the

current meetings and conference calls purpose-driven and useful. The Planning Advisory Committee (PAC) currently owns interregional planning in the MISO stakeholder process. OMS believes that the current coverage of these interregional planning issues within the PAC is insufficient, therefore OMS suggests that PAC review of interregional planning issues is worthy of further debate. OMS urges MISO to tackle this issue of improving the interregional planning updates within the PAC process. Potential options to consider could be to move the interregional updates to earlier during the meetings, rather than generally near the end of the agenda, while dedicating more time on the subject for discussion. Alternatively OMS suggests exploring the option of convening a quarterly PAC meeting dedicated only to interregional planning. Finally, if no improvement can be made in the PAC's review of these issues, alternative stakeholder venues should be considered.

Relatedly, OMS believes there needs to be more coordination with states and stakeholders. It urges the MISO seams administration and transmission planning executives to hold a meeting to give OMS and other stakeholders quarterly/periodic updates for some or all of these items: current conditions of the interregional planning process on each seam; any ongoing improvements to processes under consideration at the IPSAC and JCM; and an explanation of evaluation of potential solutions and current status of any approved interregional projects on a going forward basis. OMS also suggests MISO consider implementing an improved seams planning project update list to provide recorded status reports on these topics. OMS believes that MISO should provide greater focus to meetings by outlining objectives and establishing firm timelines. It is also OMS's understanding that staff from the RTOs regularly meet on interregional issues, but because these meetings are closed to stakeholders, it would be helpful for MISO to publish agendas for these meetings and provide summaries of the meetings after they occur. The current Seams Quarterly Report is not a productive report that provides information in a timely enough fashion. OMS suggests that MISO produce a monthly report that provides two separate layers of information – 1) policy overview and 2) technical overview. The MISO Monthly Transmission Report is an excellent example that should be replicated for the seams area.

OMS believes that any potential improvements should be fully vetted with stakeholders to explore what the RTO seams partners and their stakeholders can agree on. Once some consensus on direction and a plan of action is determined, MISO should file enhancements with its seams partners at FERC and implement any modifications before further iterations of interregional planning commence. OMS also points out that there is not a simple panacea to solve these issues in the regional (or interregional) stakeholder process.

Stakeholder Involvement

Stakeholder engagement on seams issues is critical to successful coordination with MISO's neighbors. Currently there is a multitude of forums, often seam specific, to work on the relevant issues. These forums include:

- MISO-PJM Joint and Common Market Initiative,
- MISO-SPP Joint Operating Agreement meetings,
- MISO-PJM Interregional Planning Stakeholder Advisory Committee,
- MISO-SPP Interregional Planning Stakeholder Advisory Committee,
- Seams Management Working Group,
- Congestion Management Process Working Group, and
- MISO Planning Advisory Committee.

Staffing this array of forums is very labor intensive for both MISO and stakeholders (on all sides of the seam). In order to appropriately allocate MISO resources and maximize the involvement of stakeholders in the process, MISO is seeking input on how to facilitate stakeholder involvement on seams initiatives.

- 2. How would your sector recommend that stakeholder engagement related to seams be organized to maximize stakeholder input, while minimizing time commitments to multiple forums?**
 - a. Should MISO, PJM, and SPP form a single Joint and Common Market instead of (or in addition to) MISO/PJM and MISO/SPP meetings? Are there more productive associations that would lead to more productive and efficient outcomes?**

OMS believes the current MISO/PJM and MISO/SPP meetings have been valuable for stakeholders and productive for MISO and its seams partners on numerous issues. It is clear that some issues have been more difficult to work towards solutions than others, but the JCM/JOA meetings between MISO and its seams partners on a two-RTO basis still have great value for stakeholders and should continue in their current format of MISO/PJM meetings and MISO/SPP meetings to address the issues specific to those seams where needed.

While OMS still finds value in separate meetings between MISO and its seams partners, some OMS members also believe that a larger tri-RTO JCM meeting including MISO, PJM, and SPP (and perhaps even other non-RTO seams partners) could be potentially useful to consider a limited number of common issues, with a focus on those issues that will clearly have an impact on all regions; joint solutions should be developed with all regions and their stakeholders at the table together. This sort of tri-RTO common seams issues meeting could potentially help streamline and centralize the debate and decision making process on some issues that are being actively considered by all regions at the same time

OMS believes there are currently some good examples of broader seams issues that may benefit from being considered in a larger forum. MISO and PJM currently have an interface pricing technical group. Rather than repeat the entire process again with SPP, this would be a great opportunity for the

three RTOs to work through the issues with stakeholder involvement at the forefront. Another example would have been for the three RTOs to form a technical group to work through their joint FERC filing to account for import and export transaction in market flow calculations. Stakeholders would have been more equally informed about the three coordinated but separate FERC filings, and it would have enhanced the participation of all stakeholders to receive the same information at the same time, rather than in various meetings at three separate RTO stakeholder forums. A third example might be an effort to agree on certain limited planning inputs, for example the benefit metrics, use of futures and time period studied, thresholds (cost, voltage and benefit/cost ratios), and other requirements to align the multiple regions approaches where appropriate.

OMS also believes that it would be helpful to have issue summaries and status of the issues provided with the materials posted for meetings further in advance. Presentations posted just prior to meetings leaves little time for stakeholders to come to meetings prepared in advance. An additional improvement could be to have issue summaries included with meeting materials, beyond the stoplight reports that are currently utilized. The issue summaries could contain the RTO's positions on issues on the same page in a side by side fashion, explaining where the differences lie between the RTOs and what other stakeholder positions or potential solution options might be. This could also help to promote more meaningful and productive discussions during the meeting times.

b. Should there be more technical subgroups to address specific issues? If subgroups are utilized, how should decisions be made and communicated to stakeholders?

OMS believes that MISO and its seams partners should continue to address the technical issues that are not easily solved in the regular JCM meetings with sub groups. New subgroups should only be instituted when it is clear that a particular issue is too technical or complex to be efficiently addressed within the MISO/PJM JCM or MISO/SPP JOA meetings. The key reason to have a small group is if the issue is very technical or complicated and requires large amounts of time from knowledgeable experts.

c. What current forum activities could be consolidated into other existing forums?

OMS believes that MISO should possibly consider some consolidation of interregional planning issues within the MISO only stakeholder forums. Further consideration is needed on the effectiveness of coverage of interregional planning within the PAC meetings, where it currently receives limited attention other than periodic status updates. OMS believes that this issue of making a stronger effort to address interregional planning more vigorously within the PAC, or in another forum, to make it a more effective forum is worthy of discussion.

Some OMS members believe that MISO could convene quarterly PAC meetings focused only on interregional planning. Another option could be to move this issue out of the PAC, and to institute a periodic meeting within the MISO stakeholder process for consideration of interregional planning issues to develop MISO positions, much like the MISO Seams Management Working Group but focused on interregional planning. This less frequent but more targeted interregional planning forum can still provide needed updates on all interregional planning items while MISO and its seams partners continue the IPSAC meetings as the joint regional stakeholder forum for review of interregional planning and analysis between MISO and each of its seams partners.

Some OMS members believe that additional planning forums are not beneficial and should not be instituted because those issues are currently covered primarily in the IPSAC meetings which include all stakeholders from MISO, PJM and SPP. Additional meetings will require additional attendance and feedback that may be duplicative of the feedback and attendance of the IPSAC forums.

Other seams forums appear to be effective for most seams issues at hand and should be continued in much the same manner. However, while OMS appreciates the current structure and formats that have provided some good results on particular seams issue to date, OMS also supports MISO exploring options to improve the efficiency and effectiveness of seams initiatives. For example, if MISO instigated a Tri-RTO meeting for a limited period and focused on a few limited issues, the current work groups may want to hold those issues in abeyance until the Tri-RTO meeting ran its course over the limited time span allotted.

Regulator Involvement

Because seams issues affect multiple states as well as multiple markets, input from state and federal regulators is invaluable to the process. Currently staff from the FERC is participating in the MISO-PJM JCM initiatives in largely a monitoring role. The Organization of MISO States and its respective members participate with varying degrees of activity depending on resource availability and the topics being discussed.

- 3. What role, if any, would your sector like to see FERC take with regard to MISO-related seams issues? For example, should MISO encourage FERC to become more involved by guiding the decision making process? Or, should FERC monitor the process and provide official input through formal Dockets?**

OMS continues to urge the RTOs to tackle issues in an expeditious and fair manner recognizing there will be a necessary level of give and take on issues, while not having to attempt to take sides on particular issues as an organization with widely ranging views and interests.

OMS members would like to see MISO and its seams partners file seams progress reports at FERC under the administrative dockets that have been established by FERC but not yet utilized to date. OMS understands that FERC is limited in what input it may provide on issues, given that they are the regulator and often there are open dockets that may restrict their involvement. OMS believes FERC's involvement should continue to be restricted to open dockets and not as an active participant in the process. OMS does not believe that the creation of additional dockets or further FERC involvement to lead MISO and other regions to outcomes is necessary. On the issue of timetables and deadlines, OMS generally believes that seams issues will move towards resolution without additional FERC timetables being necessary. On the planning side, Order 1000 will establish timelines once the interregional Orders are issued.¹

4. What role, if any, would your sector like to see OMS / States take with regard to MISO-related seams issues?

OMS is a policy-based organization, and notes that planning related seams issues appear to be more suited to its policy making function than do the more technical market related seams issues. Even with that more limited focus on seams policy issues, this area presents decision-making challenges for OMS because of the geographic breadth of our membership. Some members are far removed from active seams, while others have seams with multiple regions. Additionally, even if a seams issue has the interest and involvement of a number of OMS member states, their specific views may be different based upon the impact of resolution of the issue to their own state's ratepayers. OMS will continue to focus its efforts consistent with its listing of priorities in its response to Question 5, and will seek internal consensus on these topics whenever possible.

Issue Prioritization

5. What does your sector believe are the top three seams issues that should be addressed? Why?

- 1) Interregional Planning: Focus on Cross-Border projects, metrics, criteria, project identification, cost allocation, and interregional/regional approval processes. Please see response to Question 1.
- 2) MISO-SPP Dispute and ORCA Agreement: Due to the recent integration of the Entergy region, MISO is in dispute with SPP, and potentially other entities, concerning power flows between the North/Central and South sub-regions. MISO implemented the Sub-Regional Power Balance Constraint (SRPBC) and associated hurdle rates as a way to manage the flows between the sub-

¹ Wisconsin encourages the RTOs to request FERC input on difficult issues when needed and set issue resolution timetables when issues have not continued to evolve toward some resolution.

regions. However, these are short-term solutions, and the issue of flows between the sub-regions could also be considered through longer term transmission planning, both within MISO and as a seams issue. This planning is also important because of the impending resource retirements in MISO and Order 1000's emphasis on interregional planning and coordination. In addition, MISO should address how the SRPBC and ORCA will affect certainty within forward markets, the various Resource Adequacy and Planning Resource Auction parameters, and FTR funding levels.