

MISO Advisory Committee
December 9, 2015
Hot Topic: Clean Power Plan
Organization of MISO States (OMS) Response
For the State Regulatory Sector

Introduction:

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 perspective on the questions presented on the Clean Power Plan¹. The OMS Hot Topic Comments are to facilitate further discussion at MISO and expand the knowledge base among MISO stakeholders. There are twenty-seven states² suing the US EPA over the Clean Power Plan in the U.S. Court of Appeals for the District of Columbia, with a majority of OMS members, twelve, litigating this federal issue, and expressing that harm may be imposed on these OMS member states with implementation of the final rule of the Clean Power Plan. The twelve states³ include; Arkansas, Indiana, Kentucky, Louisiana, Michigan, Mississippi, Missouri, Montana, North Dakota, South Dakota, Texas and Wisconsin. OMS draws no conclusion from the fact that its members are engaged in litigation, but does look forward to the opportunity to provide feedback on the Hot Topic and responding to any questions or follow up on these responses⁴.

1. What roles should MISO have regarding the Clean Power Plan rule beyond the stakeholder-vetted analysis MISO is already conducting and other stakeholder requested studies that align with MISO's ongoing analysis?

MISO is not the entity responsible for compliance plans regarding the CPP; the states are responsible for both filing a compliance plan and ensuring its implementation, either with or instead of, its affected generating entities. However, because of its geographical size, its resources, and its expertise, MISO is uniquely situated to help inform the states' decision makers. MISO's role initially should be limited to analysis, providing information to the states and asset owners. This modeling should be undertaken with the goal of informing/educating states regarding the likely impact of various compliance options on system reliability and the

¹ The Manitoba Public Utilities Board and the North Dakota Public Service Commission abstain from these comments.

² The use of the term "states" here is used to identify states which through various authorities or elected officials acting on their own behalf have filed action with the court.

³ *Id.*

⁴ Texas, Kentucky, Arkansas and Montana participate in these comments as members of the OMS Committee, but believe that the Clean Power Plan is unjustified and without a legal basis on a number of grounds. Consequently, these states have joined with other plaintiffs in a multistate litigation to overturn the plan.

efficiency of the wholesale energy market. This should take the form of scenario modeling and sensitivity analyses.

Ultimately, MISO will be charged with incorporating the states' decisions on CPP compliance into its markets, planning and operations. If those decisions result in some states choosing to "go it alone", some choosing to be trading ready, some choosing rate-based or mass-based compliance, or taking legal action against the EPA, such decisions are the states'. MISO should focus on how to best operate a reliable system in these conditions.

The EPA identifies a role for the reliability coordinator in an individual state's CPP compliance plan development. States, at a minimum, have to document that their plan considered reliability; this may be in the form of consultation with reliability and planning agencies. MISO should currently be working with stakeholders in developing the processes to be in place prior to the deadlines for state submittals set forth by the EPA. Such process development should include the identification of the timeframe necessary for MISO's evaluation as well as the development of the appropriate documentation.

MISO should work with the other RTOs to ensure that the centralized markets accommodate, and do not constrain, participation by LSEs and generators that may need to manage renewable energy credits or CO₂ allowances across state and RTO boundaries. MISO should not engage in holding or managing renewable energy credits or CO₂ allowances for market participants and, absent the concurrence of member states, should not itself pursue development of a credit or allowance market.

2. How should MISO use its regional planning and analytical capabilities to help you identify and develop Clean Power Plan implementation strategies that meet your policy and operational objectives and the interests of your end-use customers?

MISO modeling that provides state by state and regional economic and reliability impacts of different approaches under a variety of scenarios that help the economic and environmental regulators make informed decision should be the focus. This modeling should be undertaken with the additional goal of informing/educating states regarding the likely impact of various compliance options on the reliability impacts to daily operations, as well as the impact on the wholesale market. Especially helpful would be modeling to help states see where retirement of units due to CPP compliance could potentially cause a MISO reliability or a state resource adequacy issue, for example units that must continue to run yet would face CPP-imposed penalties.

Stakeholders, including the OMS, need to understand what market dispatch options are available to optimize the economics of compliance without reliability issues so they can provide feedback. The stakeholders developing and impacted by the CPP include parties not usually involved in MISO stakeholder processes, such as the environmental regulators and the governors' offices in the 15 states in the footprint. The objectives of these parties may differ from the objectives of the stakeholder groups that MISO is accustomed to dealing with. MISO should be aware of and sensitive to this. When asked, MISO should share information with other external groups in the footprint, including but not limited to Midcontinent States Energy and Environmental Regulators (MSEER), the Midwest Governors Association, the Southern Governors Association, and

neighboring Regional State Committees. This information sharing should be transparent, with all parties afforded the same opportunity.

MISO should facilitate multiple RTO and non-RTO regional modeling efforts by information sharing, or engaging in joint modeling exercises in the Eastern Interconnection. MISO's engagement may include participation in interregional groups. Only one of the states in MISO has RTO membership solely and completely within MISO -- Wisconsin. It is imperative that RTOs and entities in non-RTO regions work together to allow individual states and RTOs' actions to be considered across all seams as "seamlessly" as possible, in full recognition that there are seams issues among and between states, and RTO regions, absent the CPP. The US EPA set the CPP goals for the individual states based in part on the resources available in the entire Eastern Interconnection assuming no boundaries. MISO, along with the other regional entities, should analyze the adequacy of the bulk electric system in this context. The analysis should take into account and inform decision makers on the lead time necessary to have transmission and non-transmission solutions in place by compliance deadlines. None of this is to say that transmission planning including non-transmission solutions be driven by the CPP, but that the planning be informed by the modeling done in relation to the CPP in the Eastern Interconnection.

While OMS is aware that many stakeholders will be requesting that MISO provide information on the impact of the CPP on electricity rates in the MISO footprint, any modeling that attempts to estimate rate impacts should be kept at a high level because of all the uncertainties around the actions of individual states in the footprint. However, MISO should provide states in the footprint the result of any analysis on the impacts of the CPP on the efficiency of the wholesale market, just as it should with regard to the reliability of the system. MISO should continue to hold high level briefings with the regular stakeholder committees in a manner adapted to the redesign process. MISO should further continue to work with states and their commission modeling efforts and review, especially when it comes to transparency and use of demand response, energy efficiency, and distributed generation inputs. Modeling with a range of input values for these variables could ensure that no one compliance option is favored in the model outputs.

3. What should MISO do to help you to better understand the rate-based and the mass-based compliance options that states can choose between under the final Clean Power Plan?

As states develop their response to the CPP, they may explore whether trading in a mass-based or rate-based system is appropriate for their state. MISO's scenario modeling can inform the states' decisions regarding the compliance pathway appropriate for their state. This modeling should also help states and others understand the impact of individual decisions on the operation of a regional wholesale energy market.

Initially, MISO should analyze the system with the following simplifying assumptions: 1) all states choosing rate-based plans with and without trading; 2) with all states choosing mass-based plans with and without trading, and 3) one variation of a split between rate- and mass-based plans within the footprint. Variations on participation in trading within the footprint, should follow. The modeling should be representative of general impacts on the system, as the

practicality of running scenarios with all the combinations across the footprint would be time and cost prohibitive. Consultation with a varied range of stakeholders may help MISO narrow down the universe of possible combinations prior to modeling.

4. The final Clean Power Plan allows and even encourages states and affected electricity generators to trade mass-based emissions allowances or rate-based emissions credits as a means of compliance. Do you have any thoughts on what a multi-state or regional allowance/credit trading program would look like?

As states develop their responses to the CPP, they may explore whether trading in a mass-based or rate-based system is appropriate for their state. MISO's scenario modeling can help inform the states' decision makers regarding the impact of various trading schemes and combinations of state participation on the reliability of the bulk electric system. This modeling should also help states and others understand the impact of trading allowances or emissions credits on the operation of a regional wholesale energy market.

Unlike in the proposed Clean Power Plan, states are not required to join multistate groups in order to participate in trading. Any group of states choosing to trade together may not be formal, and participation may differ across time. States may or may not participate in trading, or they may participate in trading programs in multiple regions. It would be difficult to accurately predict what a program would look like in the MISO footprint.

5. How should MISO seek to ensure that the cost savings and operational efficiencies associated with the current regional economic dispatch model are not lost due to Clean Power Plan implementation strategies that could foster state-by-state “environmental” dispatch of energy and a “re-Balkanization” of the regional grid system?

MISO's role is to ensure the reliability of the bulk power system and the efficient use of the transmission system, subject to given states' energy policies. “Trading ready” states may only be part of the MISO footprint, and other states may choose to go it alone. MISO must be able to implement all states' policy decisions. MISO should not characterize unknown futures with positive or negative terms. MISO's role, as mentioned in the answer to question #1 should be to provide modeling based information to inform policy makers, not advocate a particular compliance plan strategy. Instead, MISO should let the information it provides, including its assumptions, be open, transparent and speak for itself. This information should include the impact of state plans on the efficiency of the regionally co-optimized constrained economic dispatch, as well as the impact on system reliability.

6. EPA has proposed a “federal” implementation plan that it intends impose on states that either elect or refuse to submit CPP implementation plans of their own.

(A) Do you plan to file public comments on EPA's proposed federal implementation plan? If so, what aspects of the draft rule will you focus on, and how could MISO use its planning and analytical capabilities to assist you in that effort?

OMS is not likely to file comments on the proposed federal implementation plan.

(B) Do you see any benefits or drawbacks to MISO filing comments on EPA's proposed federal implementation plan? If MISO were to file comments, what should we focus on?

If MISO has information to share with the US EPA on potential pros and cons of the federal implementation plan, it might be appropriate to file comments, with stakeholder review.