UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Midcontinent Independent System Operator, Inc.	))	Docket Nos. ER19-1124, ER19-1125, ER19-1156 not-consolidated

COMMENTS AND LIMITED PROTEST OF THE AMERICAN WIND ENERGY ASSOCIATION AND CLEAN GRID ALLIANCE

Pursuant to Rule 211 of the Federal Energy Regulatory Commission's ("Commission") Rules of Practice and Procedure,[1] the American Wind Energy Association ("AWEA") and Clean Grid Alliance ("CGA") submit these comments and limited protest in response to the Midcontinent Independent System Operator, Inc.'s ("MISO") February 25 and 28, 2019 filings, under Section 205 of the Federal Power Act ("FPA"), to change the cost allocation methodologies for regional Market Efficiency Projects ("Regional Proposal") and Interregional Economic Projects ("Interregional Proposal"). These proposals regarding cost allocation for economically driven transmission additions contain much of the same material and the issues are similar and related; therefore, we are submitting one set of comments to address areas of support and concern in the above-captioned dockets.

MISO's cost allocation methodologies have experienced an evolution since the inception of the ISO. These methodologies have come to include cost allocation for separate categories of reliability driven projects, economically driven projects and projects that have multiple drivers—

[1] 18 C.F.R. § 385.211 (2018).

III. COMMENTS

MISO's cost allocation methodologies have experienced an evolution since the inception of the ISO. These methodologies have come to include cost allocation for separate categories of reliability driven projects, economically driven projects and projects that have multiple drivers—called Multi-Value Projects. In addition, MISO also has a category of transmission upgrades called "Other" projects that do not have cost sharing but instead are participant funded. MISO's Regional Proposal and Interregional Proposals are based on proposed changes to economically driven projects called Market Efficiency Projects ("MEPs"), and Interregional Economic Projects ("IEPs"). MISO also proposes to create a new category of transmission upgrades called Local Economic Projects ("LEPs") that are economically driven, and must meet the criteria for MEPs, but which have a different cost allocation methodology.

MISO's proposals are the result of several years of stakeholder process that were initiated to address concerns about MISO's existing cost allocation methodologies as they could be applied following the end of the transition period for the addition of the MISO South subregion to the MISO market. After this transition period, the full MISO footprint will be treated in the same way with regard to cost allocation.[2] In these comments and limited protest, we offer support for many aspects of MISO's proposals, and we highlight some concerns about the proposed LEP category and protest one aspect of that category that we believe is likely to result in otherwise economically beneficial projects not being approved for inclusion in MISO's Transmission Expansion Plan ("MTEP").

[2] CGA was an active participant in the recent stakeholder process in the RECB Working Group related to these proposals; while we do believe it was a robust process overall, there are several aspects of MISO's proposals that do not have a consensus of support.

While AWEA and CGA offer general support for MISO's efforts to revise the MEP cost allocation methodology for regional and interregional economic projects, we are concerned that it has taken so long to address these issues, especially given the multiple extensions related to the proposed changes to cost allocation of interregional projects required by the Commission under dockets ER16-1969 and EL13-88. Since the beginning of this recent stakeholder process, at least two more MTEP cycles have been completed and no MEPs or IMEPs have been approved for inclusion in the MTEP reports.

MISO proposes lowering the voltage threshold for MEPs from 345kV to 230kV. While AWEA and CGA believe that a single voltage threshold of 100kV is a better solution, as described in more detail below, we do support the direction of MISO's proposal to allow more economic upgrades to qualify for regional cost sharing. In addition, we support MISO's proposed inclusion of two additional benefit metrics beyond the use of the Adjusted Production Cost metric to evaluate the regional benefits of upgrades and to assign costs commensurate with those benefits. We also believe more benefit metrics are reasonable, and MISO should prioritize moving forward with evaluating and including those benefit metrics in the MEP cost allocation methodology so a Tariff filing can be made this year. The region is in need of economic upgrades to address the high cost of congestion and curtailment. More metrics to evaluate the full range of benefits will increase the chances that beneficial MEPs and LEPs will be approved.

Though we offer support for these two key aspects of MISO proposal above, AWEA and CGA protest the use of a double benefit to cost ("B/C") ratio hurdle for projects in the Local Economic Project Category, and we request the Commission reject this aspect of the LEP proposal. Requiring LEPs to meet a 1.25 B/C ratio with regard first to regional benefits and then as applied to benefits to the local Transmission Pricing Zone has the potential to result in otherwise economically beneficial projects not getting approved for inclusion in the MTEP. In addition, this aspect of the proposal does not comply with the Commission's Order 1000 cost allocation principles as we discuss in more detail below.

A. Informational Filing

We note the importance of reviewing the current cost allocation regime given various industry changes as mentioned in MISO's filing[3], and we support MISO's plan to review the proposed cost allocation changes in these filings following three years of application in the MTEP process. We urge the Commission to require MISO to file an informational report after that review, by a date certain, to detail for the Commission, MISO and MISO's stakeholders' evaluation of how well these proposed changes are working, and whether they should be further revised. The Commission should also require annual informational filings that provide updates regarding the effectiveness of these proposed changes and any issues or concerns that arise, as MISO has said it will adjust if needed even prior to its Triennial Review.

B. MISO's Proposed Voltage Threshold Change for Market Efficiency Projects

MISO's proposed reduction of the voltage threshold for MEPs from 345kV to 230kV is a positive change, which the Commission should support. As stated in MISO's Cost Allocation Issues White Paper, "MISO believes it is possible for projects below 345kV to provide

[3] While MISO's cost allocation methodology for network upgrades required for interconnection is not within the scope of this proceeding, it is critical that the Commission understand that it is time for MISO and stakeholders to review and update that cost allocation methodology as well. Costs for network upgrades required for interconnection are assigned 100% to the interconnection customer(s), except in the case that the required upgrade is 345kV or higher, when 90% of the costs are assigned to interconnection customers and 10% are assigned to load. As more and more high voltage upgrades are being identified as needed through the interconnection process, upgrades that bring benefits to the MISO footprint well beyond simply interconnecting new generators, the costs assignment of these upgrades should be reevaluated, as they are overly burdensome on generators and costs are not being assigned commensurate with benefits.

congestion relief benefits to more than one pricing zone."[4] We agree with this statement, which combined with specific analysis presented during the RECB stakeholder process that showed examples of projects at voltage levels below 345kV did in fact show benefits to multiple pricing zones[5], provides support for MISO's proposal to lower the voltage threshold for MEPs. Since projects at voltages below the current 345kV voltage threshold can have regional economic benefits, a cost sharing methodology that reasonably assigns costs to beneficiaries meets the requirements of Order 1000.

However, AWEA and CGA do not believe MISO's proposed voltage threshold at 230kV goes far enough. The White Paper goes on to state, "Furthermore, favorable lower-voltage economic projects that are identified run the risk of becoming stalled or opposed in the approval process because there is no allocation method to regionally cost share these projects to all who benefit."[6] MISO's proposed change addresses this risk for economic upgrades at 230kV and above. But MISO's proposed LEP category does not address this risk for projects lower than 230kV, which can still be stalled because of conflict over cost allocation when analysis shows beneficiaries outside of the local Transmission Pricing Zone ("TPZ"), yet the LEP category allocates all costs to the local TPZ. Further, if the cost of LEP will be assigned to more than one local TPZ in the case that a LEP is located in more than one zone, the beneficiaries move from being solely local to regional or sub-regional. These items indicate that perhaps the demarcation between 100 kV LEP and 230 kV MEP is unnecessary (which is discussed further below).

C. Additional Benefit Metrics

[4] Draft Cost Allocation Issues Whitepaper (Sept. 14, 2015) ("Draft Whitepaper"), p.6 at https://cdn.misoenergy.org/20150917%20RECBTF%20Item%2003%20Draft%20Cost%20Allocation%20Issue%20Whitepaper90094.pdf.
[5] "Project Benefit Distribution" presentation made to MISO's RECB Working Group on September 28, 2017.
[6] Draft Cost Allocation Issues Whitepaper (Sept. 14, 2015), pp.6-7.

AWEA and CGA support MISO's proposed inclusion of additional benefit metrics for the evaluation of MEPs and for allocating costs. We agree with Jesse Moser's testimony that "The proposed additional benefit metrics will allow for more precise cost allocation to benefitting loads, because more benefits will be considered in both determining beneficial projects and assessing the magnitude of the benefits to beneficiaries."[7] Including additional metrics in the evaluation of the benefits of potential transmission upgrades provides a more accurate estimate of the benefits that are expected to come from such additions. And using additional benefit metrics to allocate the costs of new transmission additions can help MISO assign costs to beneficiaries in a more accurate way. We also support the approval of the two additional benefit metrics MISO has proposed in this filing, Avoided Reliability Project Savings and reduction in MISO-SPP Settlement Agreement Costs, which used in addition to the APC savings metric should help to evaluate MEP benefits and assign costs.

MISO considered more additional benefit metrics in this recent stakeholder process, but ultimately decided to focus on the two mentioned above for this filing. At that point, MISO divided the remaining set of benefit metrics it and stakeholders were considering into three buckets.[8] MISO should be encouraged to work with stakeholders to develop methodologies for evaluating the benefit metrics in buckets 2 and 3 so that more metrics can be included in the MEP cost allocation methodology this year. Analysis of the total benefits of a proposed transmission upgrade is critical to whether or not that project meets the required B/C ratio, and thus whether the project is approved for construction. Thus, it is critical that the most accurate evaluation of a project's benefits be undertaken. AWEA and CGA believe that MISO has not been considering all potential benefits in its MEP evaluations. Although the two new benefit

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[7] Regional Filing, Tab A, page 12.
[8] Regional Filing, Appendix D, page 4.

metrics are a step in the right direction, they do not bring MISO close to having the proper tools. If beneficial projects are not approved, customers will continue paying more than they should. Hence, it should be a top priority of MISO and the Commission for MISO to submit a filing this year that includes buckets 2 and 3 in the benefits metric.

D. Removal of the Postage Stamp

We do not support MISO's complete removal of the postage stamp aspect of the cost allocation methodology for MEPs. Using a postage stamp approach to allocate some portion of the costs of regionally beneficial projects is appropriate to account for benefits that are not easily quantified, and to address the facts that benefits and beneficiaries change over time, and being part of an integrated market brings benefits to all market participants. Other proposals such as a reduction of the percentage of costs assigned through a postage stamp approach, as well as the use of a subregional postage stamp were discussed in the stakeholder process and could be considered further. Inclusion of a wide range of further additional benefit metrics may help to alleviate the need for a portion of costs to be allocated via postage stamp. But until such time, it is still appropriate to allocate a small portion of MEP costs via postage stamp to the full MISO footprint, or on a subregional basis.

E. Local Economic Project Category Requirements are Unjust and Unreasonable

While we are glad MISO has not ignored economically beneficial projects between 100kV and 230kV, and has proposed an approach to formalize a process for evaluating and cost allocating economic projects at lower voltages, the Local Economic Project category is not ideal and has one fatal flaw.

First, the separate LEP category is not necessary to allocate the costs of lower voltage economically beneficial transmission upgrades. The MEP category can adequately address projects at these lower voltages. In fact, MISO has proposed that the MEP benefit metrics be used to evaluate the benefits of projects from 100kV up to 230kV, in the same way as other MEP projects are evaluated. LEPs will be identified through the same MTEP planning process that identifies MEPs, and must meet the same requirements as MEP's including a 1.25 B/C ratio on a regional basis in order to be approved as LEPs. MISO's analysis shows that projects at these lower voltages can provide economic benefits to Transmission Pricing Zones outside of the zone in which a project is located.[9] Given that there can be multiple beneficiaries for economically beneficial projects at the 100kV voltage level, it is appropriate for the costs of those projects to be allocated to the beneficiaries, as is the proposed practice for MEPs from 230kV and above. Alternatively, even if the analysis shows that only one TPZ benefits and thus all the cost will be assigned to that TPZ, that can also be accomplished by the use of a single MEP process that covers all proposed transmission rated at 100 kV and higher. MISO has not provided real evidence to show that the methodology for evaluating beneficiaries of MEPs is not reasonable for lower voltage projects as well.

MISO states in its filing that "Local Economic Projects are primarily designed to provide economic benefits at the local level."[10] But LEPs are identified through MISO's Market Congestion Planning Study process, the same process that identifies MEPs. And it is our understanding that this planning process does not distinguish between an effort to identify projects that bring local economic benefits versus an effort to identify projects that bring regional economic benefits. This process instead identifies areas of significant economic congestion on MISO's system and seeks to evaluate potential projects that can cost effectively address that

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[9] "Project Benefit Distribution" presentation made to MISO's RECB Working Group on September 28, 2017. (Old meeting materials are no longer posted on MISO's new website.)

[10] Regional Proposal, page 36.

congestion. We agree with MISO's statement in its Regional Proposal that "The goal of the planning process is to identify the solution that provides the most value, regardless of the voltage."[11] But with the LEP proposal, MISO is creating a distinction in the cost allocation treatment of certain voltage classes that will provide more incentive for transmission providers to identify lower voltage solutions than higher voltage solutions, because transmission providers will not face any competition with other transmission developers to build LEPs. The LEP category by design assigns all costs of a LEP to the local TPZ; because there is not regional cost sharing, a LEP is not subject to competition. The mere opportunity for this discretion and harm is not just and reasonable. The Commission should not accept a process that allows for manipulation that could result in harm to ratepayers because less than ideal lower voltage projects were chosen by a utility to support its own needs and agenda.

MISO's proposed methodology for evaluating LEPs first evaluates the benefits and beneficiaries for the MISO footprint as a whole, in order to ensure that the LEP meets the 1.25 B/C ratio on a regional basis. But MISO has not provided sufficient justification for why the beneficiaries identified through this process should not be allocated costs. Even if this analysis shows that there are multiple beneficiaries, the LEP cost allocation methodology will assign 100% of the costs only to the Transmission Pricing Zone or Zones in which the project is physically located. MISO simply states that this limitation on cost assignment is part of a compromise made through the regional stakeholder process, with no justification that this compromise results in cost assignment that is just and reasonable. The fact that a compromise was reached does not render the items just and reasonable on its merits. This approach does not comport with the statement MISO makes in its Interregional Proposal: "The Commission's cost

[11] Regional Proposal, page 34.

allocation principles encourage precision and granularity, whenever attainable, to ensure that the cost of proposed projects is borne by their beneficiaries."[12] MISO LEP proposal is in direct contrast to this statement in that LEP beneficiaries will be identified using the MEP methodology, but then only one beneficiary, the local TPZ, will be allocated costs. The MEP cost allocation methodology will assign costs to only one TPZ if the evaluation of benefits and beneficiaries shows that only one zone benefits, regardless of the voltage of the upgrade. Creating a separate category for LEPs is not necessary, introduces the opportunity for harm and inefficiency, and complicates MISO's overall cost allocation approach adding yet one more category to its many transmission upgrade types.

MISO further complicates the LEP cost allocation when it is used to allocate the costs of certain lower voltage Interregional Economic Projects ("IEPs"). In the case where an IEP is located wholly outside the MISO footprint, MISO proposes to use the Line Outage Distribution Factor ("LODF") methodology to determine which TPZs are impacted based on the change in flow distribution on existing facilities in those TPZs. While MISO argues that LODF is not a new concept and is used to determine beneficiaries in its generator interconnection process, LODF is used in that case to determine beneficiaries with regard to deliverability and reliability. MISO does not typically use LODF to identify economic beneficiaries, but instead relies on APC savings. MISO has not justified why APC analysis is not an adequate proxy for benefits in the case of an lower voltage IEP located wholly outside of MISO, when APC is an accepted metric in evaluating economic benefits in other cases in MISO.

If that were not enough to find MISO's LEP proposal unjust and unreasonable, MISO also proposes two B/C ratio hurdles for the approval of a LEP. While the other concerns we

[12] Id. at 12.

raised above relate to whether the costs of an LEP are reasonably assigned to beneficiaries, this double B/C ratio hurdle has the potential to result in otherwise regionally beneficial projects not being approved for construction. A LEP must first meet the requirement that the B/C ratio on a regional basis is 1.25 or above. The B/C ratio must also be 1.25 or above when evaluated on the benefits that accrue solely to the local TPZ(s) that will be allocated the full costs of the project.

It is not unreasonable to expect that in many cases a proposed LEP will bring benefits to more than one TPZ. In this case, the regional B/C ratio will likely be higher than the local B/C ratio.[13] There are recent examples of lower voltage economic projects that had significantly higher regional B/C ratios than local B/C ratios.[14] While these examples meet the double B/C ratio hurdle, we can imagine that it is very possible that a lower voltage project that has a regional B/C ratio that meets the 1.25 hurdle, would not meet the local B/C ratio hurdle and thus would not be approved for construction. The Wabaco to Rochester example was a project pushed forward by MISO and required to be built by the local TO under the "Other" category of transmission upgrades, prior to any approval of the LEP category. Yet there was a lot of conflict in the stakeholder process because the local TO was being asked to pay for an upgrade that clearly provided economic benefits to parties outside the local transmission pricing zone. This exemplifies the potential for conflict over lower voltage projects that have regional beneficiaries, but where LEP costs are assigned only to the local TPZs.

Lastly, the double B/C ratio hurdle does not meet the Commission's Order No.1000 Cost Allocation Principle number 3 that requires that any B/C ratio must not exceed 1.25 unless it is

[13] In the case that there is only one benefitting TPZ, the regional and local B/C ratios should be the same. But in that case, the MEP cost allocation methodology would assign all costs to the local TPZ anyway.

[14] See slides 3 and 5 in the MISO presentation posted at https://cdn.misoenergy.org/20180926%20PAC%20Item%2005a%20MCPS%20Project%20Recommendation277610.pdf. The Wabaco to Rochester line shows a 6.79 B/C ratio for MISO's North/Central region, yet the B/C ratio for the local TPZ is significantly lower at only 1.53.

justified and approved by the Commission. MISO has not provided sufficient justification for exceeding the 1.25 regional B/C ratio, nor has it even acknowledged that in fact the double B/C ratio can often result in a higher B/C ratio requirement on a regional basis for a LEP to be approved. For example, if a LEP has 90% of its benefits accruing to the local TPZ and 10% of the benefits accruing to other TPZs, this will require a regional B/C ratio of 1.39.[15] The fact is, when there are beneficiaries beyond the local TPZ, the regional B/C ratio requirement is above 1.25, higher than Order 1000 allows without justification, and MISO has not provided this justification.

AWEA and CGA protest this aspect of the proposed LEP category and request the Commission require MISO to remove the double B/C ratio hurdle for a low voltage economic. These two B/C ratio tests result in a higher than 1.25 requirement, contrary to Order 1000 requirements. In addition, the double B/C ratio test for LEPs may result in the rejection of projects that would otherwise meet the regional B/C ratio test. This result is not just and reasonable because customers in the MISO footprint will be deprived of the benefits that such an upgrade likely would bring in the form of reduced congestion costs borne in rates. We realize that rejecting this aspect of MISO's Regional and Interregional Proposals may result in a need to adjust other aspects of MISO's proposals. Given the other concerns we have raised, we urge the Commission to consider denying the LEP category and requiring MISO to include economic upgrades 100kV and above in the MEP category.

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[15] For example, assume that a LEP has local benefits of $9 million, which is 90% or the total benefits of $10 million. In order for it to meet the 1.25 local B/C ratio requirement, costs can be no more than $7.2 million. But in that case the regional B/C ratio of $10 million/$7.2 million is 1.39.

IV. CONCLUSION

WHEREFORE, for the reasons set forth above, AWEA and CGA respectfully request that the Commission reject MISO's proposed double benefit to cost ratio hurdle for Local Economic but approve the other aspects of the proposals consistent with the recommendations above.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, DC this 27th day of March 2019.

/s/ Gene Grace

Gene Grace

Document Content(s)