

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Northern Indiana Public Service Company)	
)	
v.)	Docket No. EL13-88-000
)	
Midcontinent Independent System Operator,)	
Inc. and PJM Interconnection, L.L.C.)	

POST-TECHNICAL CONFERENCE COMMENTS OF THE ITC COMPANIES

Pursuant to the Notice of Request for Comments issued by the Federal Energy Regulatory Commission (“Commission”) on July 15, 2015 in the above-captioned proceeding,¹ International Transmission Company, d/b/a *ITCTransmission*, Michigan Electric Transmission Company, LLC, and ITC Midwest LLC (collectively, “ITC” or “ITC Companies”) hereby submit this response to the questions for which the Commission sought comment in the Notice.

I. BACKGROUND

On September 11, 2013, Northern Indiana Public Service Company (“NIPSCO”) filed a complaint against Midcontinent Independent System Operator, Inc. (“MISO”) and PJM Interconnection, L.L.C. (“PJM”).² On October 28, 2013, the ITC Companies filed a motion to intervene and comments in response to NIPSCO’s complaint. On December 18, 2014, concurrent with the issuance of its order addressing the underlying Order No. 1000 interregional compliance filings made by MISO and PJM, the Commission issued an order

¹ “Notice of Request for Comments,” Docket No. EL13-88-000 (Jul. 15, 2015)(“Notice”).

² NIPSCO Complaint, Docket No. EL13-88-000 (filed Sept. 11, 2013).

on NIPSCO's complaint. The Commission ruled that "the reforms NIPSCO is seeking in this Complaint... are to be addressed in this Complaint proceeding."³ The Commission found that:

NIPSCO and other commenters raise a number of issues related to the MISO-PJM seam and the MISO-PJM JOA that warrant further examination. As discussed above, at least certain of those issues appear to be related to unusual characteristics of NIPSCO's location relative to the MISO-PJM seam. The record developed thus far in this proceeding suggests that such issues, and the underlying need to ensure that rates, terms, and conditions of jurisdictional service are just and reasonable and not unduly discriminatory or preferential, may warrant greater coordination at the MISO-PJM seam than that provided for by Order No. 1000's interregional transmission coordination requirements.⁴

To that end, the Commission directed that a technical conference be convened to address these issues.⁵ On February 12, 2015, the Commission issued a notice requesting initial and reply comments on a number of questions, to be submitted in advance of the technical conference. ITC submitted both initial and reply comments in response to this request. On June 15, 2015, the Commission convened its technical conference in this proceeding. On July 15, 2015, ITC submitted post-technical conference comments in response to the opportunity provided in the June 15, 2015 technical conference notice.

II. COMMENTS

ITC appreciates the Commission's continued commitment to examining the serious issues arising along the MISO-PJM seam. Given the longstanding failure of MISO and PJM to effectively coordinate interregional planning, ITC continues to agree that greater coordination than has been provided for in Order No. 1000 may be required. ITC believes

³ *Northern Indiana Public Service Co. v. Midcontinent Indep. Sys. Operator, Inc. and PJM Interconnection, L.L.C.*, 149 FERC ¶ 61,248 at P 34 (2014).

⁴ *Id.* at P 33 (internal citations omitted).

⁵ *Id.*

that the Commission's July 15, 2015 Notice asks the right questions, and that the answers will further illuminate the problems which impede coordination along the MISO-PJM seam and show why reforms such as those proposed by NIPSCO are necessary to establish just and reasonable rates, terms, and conditions of jurisdictional service within and between the two regions. ITC responds to each question raised by the Commission in turn.

- 1. According to comments made at the technical conference, it appears that several MISO and/or PJM stakeholder groups are currently working on potential revisions to the MISO-PJM JOA, MISO tariff and/or PJM tariff (e.g., models and assumptions, Market Efficiency Project and Cross Border Market Efficiency Project criteria, etc.). Please comment on the status of that effort, the potential revisions being considered, and the timing of any proposed revisions to be filed with the Commission for consideration.**

On July 31, 2015, MISO and PJM submitted their second Order No. 1000 interregional compliance filings, in response to the Commission's December 18, 2014 Order which accepted in part, and rejected in part, the RTOs' first compliance filings, and directed further compliance. As ITC anticipated from its experience in the MISO stakeholder proceedings which resulted in these filings, the RTOs' second compliance filing did not address the major roadblocks to effective interregional planning which ITC's and NIPSCO's pleadings in this docket have repeatedly identified.

ITC appreciates MISO's and PJM's efforts to engage with stakeholders in the MISO-PJM Interregional Planning Stakeholder Advisory Committee ("IPSAC") process. ITC acknowledges that MISO and PJM have requested stakeholder input regarding priorities for process improvement. However, ITC's experience has shown the existing stakeholder process to be wholly insufficient to bring about the significant changes necessary to establish effective interregional planning and coordination processes that will mitigate the increasingly serious seams issues which confront the two regions. First and foremost, MISO and PJM, and their respective transmission owner groups, have failed to submit an

Order No. 1000 interregional compliance filing to address roadblocks such as the “triple hurdle” approval process, in which projects must qualify for approval under three disparate sets of criteria, and the lack of consideration of multiple types of project benefits simultaneously. While ITC intends to file responsive pleadings in those dockets, ITC would note here that this is the second time, in responding to Order 1000 directives, that these groups have failed to make meaningful progress in removing impediments to the development of beneficial interregional projects.

Beyond the discussions regarding Order No. 1000 compliance, the IPSAC process has failed to act in a timely manner on concerns such as those raised in the NIPSCO complaint. For example, at the July 15, 2015 IPSAC meeting, MISO and PJM reviewed stakeholder feedback on reforming the MISO-PJM interregional planning process contained in the MISO-PJM Joint Operating Agreement. While laudable that the IPSAC has solicited input from stakeholders, the stakeholder feedback considered at this meeting was initially submitted by stakeholders in October, 2014. Plainly, such a timeline is not conducive to RTO-driven stakeholder reforms, and ITC does not believe that the IPSAC process has shown any evidence of the capacity to act in a more timely or decisive manner. At this point, only clear and specific guidance from the Commission will result in an interregional planning process that can effectively bring to fruition critically-needed beneficial transmission projects.

- 2. Provide specific examples of types of facilities that could have a significant benefit (e.g., relieving congestion across the seam) but may not pass MISO’s regional Market Efficiency Project and/or Cross-Border Market Efficiency Project criteria. To the extent such facilities would have significant benefit, what steps do the RTOs need to take to address the matter?**

As noted in ITC’s June 15, 2015 comments in this Docket, ITC is aware of two projects that qualified as Cross-Border Market Efficiency Projects under the MISO-PJM

interregional planning criteria with benefit/cost ratios of 1.84 and 2.15, respectively, but which were not approved as interregional projects because they did not meet MISO's regional Market Efficiency Project requirement of a minimum voltage of 345 kV.

In addition, although it is unacceptable that beneficial projects such as these will not be approved under the existing process, the broader problem caused by the voltage threshold is that projects below that threshold will in many cases never even be proposed or studied. Undoubtedly there are many more potential sub-345 kV projects between the two planning regions which will never even be proposed in the IPSAC process as it stands.

Despite providing significant benefits to transmission customers, many other types of projects will fail to pass one of the many hurdles of the current IPSAC process. This is a consequence of the design of the JOA planning process and interregional cost allocation framework, which recognizes only a single type of benefit per transmission project and ignores a host of additional benefits a project may provide. This creates adverse planning and cost allocation outcomes, either where 1) beneficial projects that provide multiple benefits to both regions are not approved because they do not provide a sufficient quantity of the single recognized benefit; or 2) cost allocation for approved projects is biased toward the customers to which the one recognized benefit accrues--rather than the universe of customers that would benefit.

An example of the first type of project would be an interregional project that could provide substantial reliability benefits to one region while providing economic and public policy benefits to another region. Under the existing planning process, this project would never be considered or approved because it does not provide the same type of benefit to both regions. Having failed as an interregional project, MISO and PJM are left with two

possible results. Either each region can approve separate regional projects to achieve the same benefits provided by a single interregional project, likely at a higher cost to transmission customers in both regions. Or one or both regions will not approve the higher cost regional projects because they cannot meet the relevant regional cost-benefit criteria, potentially due to the increased costs of the projects. In this second case, customers are denied these benefits altogether.

But even where interregional projects are approved, their costs will not be allocated to customers in a fair and roughly commensurate fashion. For example, consider a Cross-Border Market Efficiency Project which also provides reliability and public policy benefits. Due to the historic lack of development along the MISO-PJM seam, it is highly likely that projects which can meet the economic benefits criteria as a Cross-Border Market Efficiency Project will also provide additional reliability, economic, or public policy benefits to one or both regions. However, under the MISO-PJM July 31 Order No. 1000 compliance filing, potential additional benefits would never be considered or measured either in approving the project or in allocating its costs. Rather, the cost allocation for the approved project would be biased toward customers to which the single type of measured economic benefits accrue, while customers that may receive other benefits would pay nothing. This is an unjust result, and runs contrary to the Commission's cost causation principles.

Instead, the Commission should direct MISO and PJM to create an interregional process which aligns interregional and regional project criteria in a single, separate Interregional Project category contained in both the regional and interregional planning processes. This single category should measure all of the types of benefits which a potential

interregional project may create, and then consider them on an additive basis when determining if the proposed project meets the requisite cost-benefit threshold.

Further, proposed projects should not be eliminated based on arbitrary cost or voltage thresholds. Once the universe of benefits is identified and projects approved on the basis of interregional benefit, costs for interregional projects should be allocated to all identified beneficiaries in accordance with their share of the total benefits of the project. Under such a regime, the two rejected projects identified above would have been approved, customers in both regions would be able to receive the benefits identified, and cost assignment would follow commensurately.

3. What specific revisions would need to be made to the MISO-PJM JOA in order to better align the existing regional transmission planning cycles with the interregional transmission planning process?

As noted in the preceding section, a single, unified Interregional Project category should be created, which would be codified in both MISO's and PJM's regional tariffs and in the MISO-PJM Joint Operating Agreement. This single, unified set of criteria for identifying interregional projects and allocating their costs would avoid the application of arbitrary cost and voltage thresholds which are associated with regional project categories. Such a framework would better facilitate consideration of the full range of potential project benefits, because interregional projects would no longer be limited to gaining approval by obviating the need for existing regional projects of the same benefit type. And it would prevent delays in interregional project approval, as a project which is approved via the IPSAC process will automatically be approved under the (identical) criteria of each regional planning process. Modifying the process as described would satisfy Order No. 1000's

requirement that interregional projects also be approved in the requisite regional planning processes.⁶

- 4. Would revisions to the MISO-PJM JOA to require the RTOs to, annually, or at some other regular interval, conduct a joint interregional transmission planning study help to address the issues created by the configuration of the PJM and MISO planning regions? If so, what specific revisions to the MISO-PJM JOA would be required?**

The MISO-PJM Joint Operating Agreement already provides for a regular joint study process of potential interregional projects.⁷ ITC recommends that this process continue to be conducted on a two-year timeline, as it presently is. A two-year timeline is the maximum amount of time across which changes in system topology and generator mix will support a single study. It is imperative that the timeline not be expanded because, once approved, projects typically experience multi-year construction timelines even after approval.

- 5. Based on comments at the technical conference, it appears that projects that successfully navigate the Interregional Planning Stakeholder Advisory Committee process must be studied and approved two more times - once through the MISO regional planning process and once through the PJM regional planning process. Please give specific examples of reforms that could be made to address this “triple hurdle” (e.g., creation of a new project category for interregional transmission projects to be eligible for selection in the two RTOs’ respective regional transmission plans).**

The Commission is absolutely correct that the creation of a new, unified Interregional Project category, adopted in both the interregional process and the regional processes, is a necessary solution to the problem of the triple hurdle; however, in and of itself, this is not sufficient to fully resolve issues created by the triple hurdle. Absent the creation of a single interregional project category, interregional planning will effectively be conducted on a “least common denominator” basis, where the most restrictive criteria from

⁶ Order No. 1000 at P 400.

⁷ MISO-PJM Joint Operating Agreement §9.3.6.2(a)(ii).

either of the (two) regional processes or the interregional process (hence the “triple hurdle”) becomes the de-facto criteria which must be met for approval. A single Interregional Project category levels the playing field between the regions, and ensures that projects which are suitably beneficial will be approved, rather than being rejected based on a single, arbitrarily stringent criterion.

However, the misalignment between regional and interregional criteria is only part of the problem. Unless the new unified interregional set of criteria examines all potential project benefits, and considers them on an additive basis, many beneficial projects will still fail to gain approval. As explained *supra*, where only a single project benefit type is considered in isolation, projects which provide heterogeneous benefits within or between regions will either fail to be approved despite being beneficial, or if approved, will have their costs allocated in a manner which is not commensurate with the benefits provided. The triple hurdle should be eliminated through the creation of a single Interregional Project category, but the Commission must take care to ensure that this new category properly considers the full range of project benefits. Interregional planning cannot be effective if it is based largely on regional criteria, which were, by definition, not designed to capture project benefits which are interregional in scope.

6. Please explain whether the avoidance of market-to-market payments should be included in the assessment of the benefits of Cross-Border Market Efficiency Projects.

Market-to-Market payments are a clear indicator of the need for transmission, and ITC concurs with NIPSCO’s assessment that the significant and rapidly increasing level of market-to-market payments between MISO and PJM are yet another indicator of the longstanding lack of effective interregional transmission planning between the two regions.

Market-to-market payments are a measure based on actual market data, and should be viewed as an opportunity to address congestion.

7. Should the MISO-PJM JOA be revised to include the process and study scope of the “Quick Hit” study process? Please explain why or why not.

Yes, a methodology for cost allocation for projects identified through the Quick Hit study process (and other targeted studies) should be established. Many of the projects identified through the Quick Hit study process are lower cost, lower-voltage projects that provide substantial benefits to both regions. However, currently there is no cost allocation methodology for these types of projects. ITC believes that any proposal for reform must include a standardized, repeatable cost allocation methodology for lower voltage, lower cost projects like those identified through the Quick Hits study. Without certainty regarding cost allocation, there will never be a clear pathway to approval for these highly beneficial projects. The ITC proposal outlined above – the creation of a new project category for Interregional Projects without arbitrary voltage and cost thresholds – would provide the needed certainty, as it would allow for lower cost, lower voltage projects like those identified in the Quick Hit study to be promptly approved and cost allocated commensurate with the distribution of benefits provided by the projects.

8. Explain ways in which the RTOs can better coordinate planning of new generator interconnection and generator retirement. Would using models with the same assumptions and criteria be one way to better coordinate? What specific revisions would need to be made to the MISO-PJM JOA?

ITC agrees that generator interconnection and retirement assumptions should be developed in a reasonable and consistent manner across the interregional and regional planning processes.

III. CONCLUSION

WHEREFORE, for the reasons discussed herein the ITC Companies respectfully ask
act in a manner consistent with the foregoing.

Respectfully submitted,

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Document Content(s)

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