

OMS Transmission Cost Allocation Working Group

Report for the OMS Annual Meeting

October 2009-October 2010

In 2009 and 2010, the TCAWG worked on the Midwest ISO's effort to create a new method of cost allocation for transmission, along with a new category of transmission projects. Recognizing the crucial role that the states have on transmission planning and cost recovery, at its October 2008 Annual Meeting the OMS Board decided to take a leadership position on these issues. Commissioner Lauren Azar of Wisconsin volunteered to lead the OMS effort, along with the concurrent Reliability Expansion Criteria and Benefits (RECB) Midwest ISO stakeholder group. The OMS created the Cost Allocation and Regional Planning (CARP) group, which held monthly meetings from January 2009 to June 2010. Both of these efforts received substantial modeling and other analysis efforts from the Midwest ISO staff.

- The CARP group was formed so that the Midwest ISO states could advise, and provide input into new cost allocation methods to incorporate future electric generation as the generation portfolio changes. One important part of this is the interconnection of remotely located wind generation.
- The group began monthly meetings in January, 2009. Originally planned to end in December 2009, the group continued to meet in 2010.
- While MISO filed a temporary cost allocation method in 2009 for the interconnection of generation projects, FERC directed MISO to file a permanent method on July 15, 2010.

The Midwest ISO filed its new proposal on July 15, 2010. MISO created a new type of transmission project, known as Multi Value Projects (MVPs). These are transmission projects that have a regional impact and are part of a regional plan. MISO proposed to allocate 100 percent of the costs for MVPs to load and exports. MISO proposed to maintain the current cost allocation for generator interconnection projects, maintain a local allocation of new costs for projects that are generally small and local in nature including those developed for reliability purposes; and avoid any re-allocation of existing transmission costs. MISO proposed to keep the

two existing cost allocation methods for reliability and market congestion reduction transmission upgrades (also known as RECB I and RECB II). New generation interconnection projects will continue to pay the cost of their individual network upgrades, as they do under the current tariff under the MISO proposal.

Since CARP ended in June 2010, the TCAWG worked on the Midwest ISO July 15, 2010 FERC filing (ER10-1791-000). The OMS comments on this filing were filed on September 10, 2010 (with an errata filing the next week).

The TCAWG also worked on the FERC Transmission Planning and Cost Allocation NOPR (RM10-23-000). The OMS Comments were submitted on September 29, 2010. As part of this work, the OMS Board requested that the TCAWG compose a list of questions on the Midwest ISO proposal to elicit feedback from the states. Several states responded to the questions, and the responses were very useful in helping the group discuss the OMS Comments that were drafted.

The OMS Comments supported FERC's proposal to take into account public policy requirements established by state or federal laws or regulations in the transmission planning process. We argued that FERC should seek a reasonable balance between bright line planning criteria and flexible criteria by ordering transmission planners to start with defined criteria but then to look further into more flexible options that could provide an optimal solution to a number of perceived needs.

The OMS supported the concept of improving coordination between neighboring transmission planning regions, including inter-RTO agreements, but cautioned that the implementation of these agreements is not necessarily beneficial in and of themselves; rather the true measure of success will be actual in-service transmission projects. The OMS encouraged FERC to consider measuring the success of implementing such agreements by both (1) the number of interregional facilities identified; and (2) the percentage of the identified facilities constructed.

Regarding FERC's proposal to eliminate the right of first refusal for transmission projects from FERC-approved tariffs or agreements, the OMS generally did not support the proposal. The OMS argued did not agree with the linkage from the type of owner of transmission projects to enhanced transmission service. We stated that transmission service should be FERC's focus, not who may construct or own a transmission project. The OMS supported FERC's language that recognized the important role that states play in transmission planning and siting. The OMS argued that FERC had not shown that allowing non-incumbent transmission owners to construct transmission facilities would result in lower costs to ratepayers. Finally, the OMS cautioned that incumbent transmission owners generally have a concurrent obligation to serve customers, and if the right to build is taken, it could the obligation to serve problematic due to the uncertainty of who, and whether, transmission projects will be constructed.

The TCAWG looks forward to the FERC order on the Midwest ISO proposal, as well as a potential final rule on transmission planning and cost allocation.

Materials related to the Transmission Cost Allocation Working Group (TCAWG) are located here: <http://www.misostates.org/WG4CostAllocationList2010.htm>