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SECRETARY OF THE  
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*Targeted Market Efficiency Project Staff Workshop*  
*Docket Nos. ER17-718-000, ER17-721-000, and ER17-729-000*  
*June 13, 2017*

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FEDERAL ENERGY  
REGULATORY COMMISSION

**Introduction: Statement of Dennis D. Kramer**

**Senior Director of Transmission Policy, Stakeholder Relations and Business Development  
Ameren Services Company  
on behalf of the MISO Transmission Owners**

I am Dennis D. Kramer, Senior Director of Transmission Policy, Stakeholder Relations, and Business Development for Ameren Services Company, and appear today on behalf of the MISO Transmission Owners. I appreciate the opportunity to address Commission Staff on the filings submitted on December 30, 2016 to revise the MISO-PJM JOA to create a new project category, Targeted Market Efficiency Projects (“TMEPs”), and establish interregional cost allocation for TMEPs.

As Commission Staff is likely aware, there is a long and documented history of efforts on the part of MISO and PJM—and of the companies that own transmission along the MISO-PJM seam—to address known congestion issues in a coordinated, interregional manner. The tools developed to date have reached varying degrees of success in identifying cost-effective opportunities to reduce chronic congestion in problematic areas on the MISO-PJM seam.

The TMEP proposal we are here to discuss today is a product of these continuing efforts on the part of MISO and PJM. The MISO Transmission Owners joined MISO as a filing party in the underlying docket and support approval of the revisions to the MISO-PJM JOA to create the TMEP category.

The TMEP category will complement MISO and PJM’s existing Order No. 1000 forward-looking study processes for Interregional Market Efficiency Projects included in the MISO-PJM JOA. The streamlined TMEP process will allow MISO and PJM to propose projects to promptly address historic and near-term congestion with small, low cost, short lead-time upgrades. The costs of these projects will be allocated to MISO and PJM in proportion to the congestion benefits received by each region, ensuring that the allocation of costs for TMEPs will be to the beneficiaries of those new upgrades.

A small number of parties filed protests or negative comments in these dockets. I have provided copies of brief, written comments of the MISO Transmission Owners, explaining why we believe that these arguments raised in opposition to the TMEP proposal miss the mark. We will also file those written comments in these dockets, and I am happy to take questions on any of those points this morning. In short, the MISO Transmission Owners believe that the TMEP proposal is just and reasonable as filed, and we urge that it be approved, without delay or added complexity, so that the RTOs can move forward on the TMEPs that have been identified as eligible for proposal to their respective Boards for approval.

I look forward to answering any questions and to the robust discussion that will follow.

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**Comments of the MISO Transmission Owners**

On December 30, 2016, Midcontinent Independent System Operator, Inc. (“MISO”), the MISO Transmission Owners, PJM Interconnection, L.L.C. (“PJM”), and the PJM Transmission Owners (together, the “Filing Parties”) submitted in the dockets referenced above proposed revisions to the MISO-PJM Joint Operating Agreement (“JOA”) to create a new interregional transmission project type known as “Targeted Market Efficiency Projects” or “TMEPs” (collectively, these three submissions are referred to as the “December 30 Filings”).

There is a long and documented history of efforts on the part of MISO and PJM to address known congestion issues in a coordinated, interregional manner. The tools developed to date have reached varying degrees of success in identifying cost-effective opportunities to reduce chronic congestion in problematic areas on the MISO-PJM seam. The TMEP proposal is a product of these continuing efforts on the part of MISO and PJM. The MISO Transmission Owners joined MISO as a filing party in the underlying docket and support approval of the revisions to the MISO-PJM JOA to create the TMEP category.

TMEPs are low cost, high-value, short lead-time interregional transmission projects intended to reduce historical congestion on known Reciprocal Coordinated Flowgates along the MISO-PJM seam. The TMEP category is intended to complement MISO and PJM’s existing Order No. 1000 forward-looking study processes for Interregional Market Efficiency Projects included in the JOA.

In order for a project to qualify as a TMEP, the project must:

- i. be evaluated as part of a Coordinated System Plan or joint study process and be demonstrated to have an expectation for substantial relief of identified historical market efficiency congestion issues;
- ii. have an estimated in-service date by the third summer peak season from the year in which the project is approved;
- iii. have an estimated installed cost (in study year dollars) less than \$20 million;
- iv. provide estimated future congestion relief over the four-year period after the study year that is equal to or greater than the estimated installed capital cost of the project;
- v. be recommended by the Joint RTO Planning Committee (“JRPC”) as a TMEP and approved by MISO and PJM’s respective Boards.

These criteria are focused on developing a streamlined process that will allow MISO and PJM to propose projects to promptly address historic and near-term congestion with small, low cost, short lead-time upgrades.

The costs of a TMEP will be allocated to each Regional Transmission Organization (“RTO”) in proportion to the benefits received by each. The benefits to each RTO will be calculated as the sum of each RTO’s expected future congestion relief from the TMEP, adjusted by market-to-market settlement payments. Thus, if an RTO is found to receive 60% of the congestion relief benefits from a TMEP, that RTO will be allocated 60% of the applicable costs for that project. Such an allocation ensures that the cost of each TMEP is allocated to each region in proportion to the direct congestion benefits received, in compliance with the Commission’s policy regarding allocation of costs of new transmission to the beneficiaries of the new projects.

As described in the December 30 Filings, the proposed revisions to create the TMEP category and provide for interregional cost allocation of TMEPs are just and reasonable. The TMEP category will benefit customers in both regions by creating a mechanism to identify and construct low cost, high value projects that can be implemented quickly. For example, the five TMEPs that have been recommended for approval will cost an estimated \$17.25 million to construct, but will address \$57.8 million in historical congestion costs over the 2014 - 2015 period, resulting in approximately \$100 million in benefits over the first four years in-service.

A limited number of comments and protests were filed in response to the December 30 Filings. The MISO Transmission Owners do not believe any of the questions raised in those pleadings provide reason to delay approval of the December 30 Filings or to modify the TMEP category from that which was proposed in the December 30 Filings. Some of the reasons for this position are explained below.

One question that was raised is whether TMEPs qualify as MISO Market Efficiency Projects (“MEPs”) for cost allocation and other purposes. As stated in the December 30 Filings, the TMEP category is a new project type with its own proposed selection process and interregional and regional cost allocation provisions. Accordingly, TMEPs do not qualify as MEPs for cost allocation and other purposes. Instead, a new cost allocation mechanism will be filed specifically to provide for recovery of costs of TMEPs. To the extent that the stated concern arises from the similar names for the project categories, one consideration would be to revise the TMEP category name. For example, an option which would reflect the nature of these projects while avoiding confusion would be Interregional Congestion Relief Projects.

Comments on the December 30 Filings also questioned whether the formula to identify potential benefits of a proposed TMEP should incorporate congestion hedging revenues. It should not. The TMEP study criteria included in the December 30 Filings were arrived at after a lengthy interregional stakeholder process that gave due consideration to numerous factors and options, including the possibility of using congestion hedging revenues as part of the TMEP study process. MISO and PJM determined that the best study approach for the identified needs would be to focus on historical congestion on known Reciprocal Coordinated Flowgates. Among the factors that went into this decision, the RTOs noted that inclusion of congestion revenues had the potential to introduce errors in the benefits calculation and also would complicate the study process in ways that would be inconsistent with the objectives of the TMEP project type.

Excluding the congestion hedge costs is consistent with the TMEP goal of straightforward, efficient metrics that can be easily reproduced by stakeholders. Adding congestion hedges, on the other hand, would fundamentally change the nature of the TMEPs, by changing the study from a simple analysis of historical flowgate congestion to a multi-faceted deconstruction of a series of complex financial hedging instruments which differ in each RTO. Such action would counteract the RTOs' ability to implement the quick-hit, high-value project types that are intended to be addressed by the December 30 Filings.

Commenting parties also suggested that the December 30 Filings may not comply with Order No. 1000 because TMEPs appear to be reserved exclusively to incumbent utilities and will not be competitively bid. The proposed JOA language makes clear that TMEPs are limited to "upgrades" to the existing transmission system which, under the MISO Open Access Transmission, Energy and Operating Reserve Markets Tariff ("Tariff") are not open to competitive solicitation. The Commission already has approved these provisions of the MISO Tariff, finding that it is just and reasonable to exclude upgrades from competitive bidding. Moreover, subjecting TMEPs to competitive bidding would thwart the purpose of the TMEP category, which is to identify and quickly construct low cost, high value projects to address immediate needs. Specifically, adding in time for a competitive solicitation process would require extending the project completion timeline for TMEPs beyond the proposed three years. Finally, as noted previously, the TMEP category is not an Order No. 1000-mandated category type. Accordingly, TMEPs need not satisfy all of the requirements of Order No. 1000; it is sufficient that TMEPs are consistent with the Commission's requirements for interregional transmission coordination and with the Commission's interregional cost allocation principles.

A commenting party also requested that the MISO-PJM JOA be revised to specify that TMEPs could include lower-voltage facilities, down to 69 kV. Including any explicit statement in the JOA regarding voltage levels applicable to TMEPs would unnecessarily limit the universe of potential projects that may qualify as TMEPs. The TMEP category is designed to provide MISO and PJM with a flexible process for low cost, high value transmission solutions. Those solutions may take many forms, and assigning specific voltage limits would be inconsistent with the process-based approach that has been proposed. Accordingly, the requested change should not be made.

In summary, the MISO Transmission Owners support the continued efforts of MISO and PJM to improve interregional coordination along the PJM-MISO seam, including efforts to establish new processes such as the TMEPs to facilitate construction of interregional projects on the seam. The MISO Transmission Owners believe that the TMEP category will bring substantial benefits to customers in both MISO and PJM, and that the TMEP proposal should be approved, without delay or added complexity, so that the RTOs can move forward on the TMEPs that have been identified as eligible for proposal to their respective Boards for approval.

Document Content(s)

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