



**Federal Energy Regulatory Commission**  
**December 18, 2014**  
**Open Commission Meeting**  
**Staff Presentation**  
**Items E-1, E-2, & E-3**

"Good morning Chairman LaFleur and Commissioners.

"In Order No. 1000, the Commission adopted reforms to the Commission's electric transmission planning and cost allocation requirements for public utility transmission providers. In addition to the regional transmission planning and cost allocation requirements that have been the subject of prior Commission orders, Order No. 1000 established interregional transmission coordination requirements that provide for, among other things, the exchange of regional planning data and information between neighboring transmission planning regions; development of procedures to identify and jointly evaluate a proposed interregional transmission facilities facility, defined as which is a transmission facilities facility located in two or more transmission planning regions, that may be more efficient or cost-effective than regional transmission projects; and the inclusion of common language in each public utility transmission provider's OATT describing the interregional transmission coordination procedures for each pair of transmission planning regions. Order No. 1000 also required that each public utility transmission provider in a transmission planning region have, together with the public utility transmission providers in its own transmission planning region and a neighboring transmission planning region, a common method or methods for allocating the costs of a new interregional transmission facility among the beneficiaries of that transmission facility in the two neighboring transmission planning regions in which the transmission facility is located. The Commission required that each public utility transmission provider's interregional cost allocation method or methods satisfy six interregional cost allocation principles. To be eligible for interregional cost allocation, an interregional transmission facility must be selected in the relevant transmission planning regions' regional transmission plans for purposes of cost allocation. The draft orders before you today address the compliance filings of the public utility transmission providers located in MISO, PJM, and the Western Interconnection (comprised of CAISO, Northern Tier Transmission Group, ColumbiaGrid, and WestConnect). For summaries of these orders, I will turn to my colleagues, Michael Cackoski and Franklin Jackson.

**Western Interregional Compliance (E-1):**

"Good morning Chairman LaFleur and Commissioners.

"E-1 addresses common tariff provisions filed by CAISO and the public utilities in the ColumbiaGrid, Northern Tier Transmission Group, and WestConnect transmission planning regions to comply with the interregional coordination and cost allocation requirements of Order No. 1000. These entities, which encompass all of the [Order No. 1000] transmission planning regions in the Western Interconnection, have proposed to comply with the interregional requirements by adopting common procedures among all four regions. The draft order finds that the filings partially comply with the interregional coordination and cost allocation requirements of Order No. 1000.

"To comply with the interregional coordination requirements, each Western region proposes to post Annual Interregional Information, which will include its study plan information, initial study reports or system assessments, and its regional transmission plan.

"By March 31st of each year, the regions will hold an Annual Interregional Coordination Meeting to discuss the Annual Interregional Information, and discuss, on a preliminary basis, interregional solutions that may more efficiently or cost-effectively meet regional transmission needs.

"In order for an interregional transmission project to be jointly evaluated at the interregional level, the project sponsor must submit the interregional transmission project into the regional transmission planning process of each planning region that would directly interconnect to the proposed interregional transmission project.

"To comply with the interregional cost allocation requirements, the 3 non-RTO regions each propose to use their each Western region proposes to use its respective regional cost allocation methods to evaluate benefits. CAISO has proposed language that creates a method within its regional transmission planning process for evaluating the benefits of an interregional transmission project. For all regions, if an interregional transmission project is deemed a more efficient or cost effective solution to a region's transmission needs and is selected in its regional transmission plan for purposes of cost allocation, the costs of the interregional transmission project that are allocated to the region will be further allocated within the region in accordance with each region's respective regional cost allocation method.

"The draft order finds that the Western Region's proposals largely meet the interregional transmission coordination and cost allocation requirements of Order No. 1000. However, the draft order directs CAISO to revise its approach for calculating the benefits of a proposed interregional project. CAISO's benefits analysis considers avoided costs only, while the other three regions have proposed to consider benefits such as reductions in congestion costs, line losses, or reserve requirements in addition to avoided costs. The draft order finds that CAISO's approach may result in CAISO consistently paying a disproportionately lower share of costs for an interregional transmission project, which would not comply with the requirements of Order No. 1000 that the allocated costs be roughly commensurate with the benefits.

"The draft order also directs public utility transmission providers enrolled in the ColumbiaGrid transmission planning region to propose an appropriate effective date for their proposed tariff revisions and correct discrepancies between their Attachment K, the ColumbiaGrid Order 1000 Functional Agreement, and the ColumbiaGrid Planning and Expansion Functional Agreement. Finally, the draft order directs all parties to revise their filings to reflect CAISO's future proposal for evaluating benefits. These further compliance filings must be submitted within 60 days of the issuance of the order.

### **MISO-PJM Interregional Compliance (E-2 and E-3):**

"Good morning Chairman LaFleur and Commissioners,

"E-2 addresses proposals filed by MISO and its transmission owners and PJM and its transmission owners to comply with the interregional coordination and cost allocation requirements of Order No. 1000 between these two regions.

MISO and PJM propose to comply with Order No. 1000's interregional transmission coordination requirements by revising their existing Joint Operating Agreement, or JOA. This agreement, among other things, addresses coordinated regional transmission planning between MISO and PJM through a Joint RTO Planning Committee (comprising staff

representative from both RTOs) and an Interregional Planning Stakeholder Advisory Committee. These committees meet at least annually to review each RTO's regional plan for integration into a Coordinated System Plan, which contains transmission issues identified by each RTO and third parties.

"MISO and PJM also propose to jointly evaluate interregional transmission solutions through their existing Coordinated System Plan study process. The Joint RTO Planning Committee will be responsible for the screening and evaluation of potential transmission solutions. After completion of the Coordinated System Plan study, the Joint RTO Planning Committee will produce a report detailing the transmission issues evaluated, studies performed, solutions considered, and any cross-border transmission projects recommended with the associated cost allocation.

"While PJM proposes to comply with the interregional cost allocation requirements of Order No. 1000 by relying on the existing cost allocation methods in the JOA, MISO proposes to remove the existing cost allocation method for cross-border reliability projects in light of changes it previously made to comply with the regional requirements of Order No. 1000, which prevent the costs of these projects from being regionally allocated within MISO. The draft order finds that MISO and PJM partially comply with the interregional transmission coordination and cost allocation requirements of Order No. 1000. Specifically, the draft order rejects MISO's proposal to remove the existing cost allocation method for cross-border reliability projects because the elimination of that method is not required to comply with Order No. 1000. In addition, the draft order directs MISO and PJM to modify the existing cost allocation method for cross-border transmission projects in the JOA, or to propose a new method for cross-border reliability projects that are eligible to be selected in MISO and PJM's regional transmission plans. Additionally, among other things, the draft order directs MISO and PJM to clarify how interregional transmission facilities that address regional transmission needs driven by public policy requirements will be evaluated and their costs allocated.

"E-3 is related to E-2. The draft order addresses Northern Indiana Public Service Company's complaint against MISO and PJM regarding the interregional transmission planning provisions of the JOA. The draft order directs Commission staff to convene a technical conference to explore the issues raised in the complaint.

"This concludes our presentation. Staff will be happy to answer any questions that you may have."