

155 FERC ¶ 61,197
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Cheryl A. LaFleur, Tony Clark,
and Colette D. Honorable.

Midcontinent Independent System
Operator, Inc.

Docket No. ER16-1266-000

ORDER ACCEPTING TARIFF REVISIONS

(Issued May 23, 2016)

1. On March 24, 2016, pursuant section 205 of the Federal Power Act¹ and Part 35 of the Commission's regulations,² Midcontinent Independent System Operator, Inc. (MISO) filed proposed modifications to Schedule 2 of its Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff) to ensure the continued payment of reactive power supply compensation to generators that are pseudo-tied out of MISO (Filing). In this order, we accept the Filing, to become effective April 1, 2016, as requested, as discussed below. We also grant MISO's request for waiver of the Commission's 60-day prior notice requirement.³

I. Background

2. MISO explains that the Filing results from the growing realization that generators that provide a large amount of the reactive power supply in the MISO footprint will lose their qualification for reactive power supply compensation as the result of their election to be classified as pseudo-tied out.⁴ MISO states that the amount of generation changing

¹ 16 U.S.C. § 824d (2012).

² 18 C.F.R. pt. 35 (2015).

³ 18 C.F.R. § 35.3.

⁴ Filing at 1. MISO explains that when a generator is pseudo-tied out of MISO, its "telemetered reading or value . . . is updated in real time and used as a tie line flow in the Area Control Error equation but . . . no physical tie or energy metering actually exists." MISO at 1 n.3 (quoting Tariff at 1.P (Definitions)).

status to pseudo-tied out will greatly increase as of June 1, 2016. MISO explains that according to the existing MISO Tariff language, such changes will make these generators ineligible to qualify for compensation under MISO's Schedule 2, which addresses reactive power supply compensation, even though such generators will continue to provide the reactive power support as a localized service.

3. MISO explains that its proposed change to the Tariff is not intended to resolve matters that concern MISO regarding the changing nature of pseudo-ties between facilities in MISO and other regional transmission organizations (RTOs), asserting that those matters should be resolved more comprehensively elsewhere.⁵ MISO states that the proposed Tariff change is intended to restore to generators that pseudo-tie out the recognition for their contribution to reactive power supply that has been affected by the defined terms used in Schedule 2 of MISO's Tariff.

4. MISO explains that the owners of a generation resource connected to facilities operated by MISO are provided reactive power supply compensation by satisfying two basic requirements in Schedule 2 to the MISO Tariff.⁶ First, the owner must gain Qualified Generator status by submitting to MISO documentation regarding the operation of the generating facilities and meeting the technical requirements stated in Schedule 2. Second, the owner must submit its cost-based rate to the Commission and receive an order accepting it.

5. MISO notes that Qualified Generator status requires that the generator fit the definitions and technical qualifications for providing the service under the Tariff. MISO explains that as a generation resource is reclassified as pseudo-tied out of MISO, its reactive power supply within MISO's footprint would normally remain the same as before the change in status, and the generator would likely continue to meet the technical requirements stated in Schedule 2 of the Tariff. However, MISO explains that Schedule 2 uses the defined term "Generation Resource" to describe the type of generator that may gain Qualified Generator status and that a generator pseudo-tied out of MISO does not meet that definition.

⁵ *Id.* at 2.

⁶ *Id.* (citing Tariff Schedule 2, Section II.C).

6. MISO explains that “Generation Resource” is defined as follows:

Generation Resource: A Generation Resource is a Generator within the MISO Balancing Authority Area or an External Resource that is Pseudo-tied into the MISO Balancing Authority Area and that (i) is registered to participate in the Energy and Operating Reserve Markets, (ii) is capable of supplying Energy, Capacity, Operating Reserve, Up Ramp Capability and/or Down Ramp Capability, (iii) is capable of complying with the Transmission Provider’s Setpoint Instructions and (iv) has the appropriate metering equipment installed.⁷

MISO states that generating facilities pseudo-tied out of MISO to a neighboring RTO do not satisfy this definition because they do not reside within the MISO Balancing Authority Area and do not participate in MISO’s markets as controlled by MISO. MISO explains that, therefore, upon the review of the credentials of pseudo-tied out generators, MISO has revoked their Qualified Generator status. MISO states that this action was taken to conform to the terms of the Tariff, but does not recognize the local reactive power supply service provided by the pseudo-tied out generators. MISO notes that reactive power cannot be transmitted over long distances.

II. Proposed Tariff Revisions

7. MISO states that the key change in the Tariff that MISO is proposing is to restore compensation to generators involved in the change in status with respect to pseudo-tie out described above. It proposes to do so by decoupling “Qualified Generator” status under Schedule 2 from the “Generation Resource” definition.⁸ MISO states that the decoupling is accomplished by using the lower case term “generation resource” instead of the defined term “Generation Resource” in Schedule 2 when referring to generators who qualify for compensation. MISO explains that this change does not alter the technical requirements for providing reactive power supply according to the criteria set out in Schedule 2 and that the change should neither increase nor decrease those generators that would be eligible for compensation under Schedule 2 as compared to a situation that did not involve any pseudo-tied generating units.

⁷ *Id.* at 2-3 (quoting Tariff Section I.G (Definitions)).

⁸ *Id.* at 3.

8. MISO states that a corresponding change is required in the definition portion of the Tariff,⁹ where the term “Qualified Generator” is defined with reference to the defined (capitalized) term “Generation Resource.” MISO states that the capitalization is removed there to correspond to the proposed change to Schedule 2 itself.

9. MISO states that it also includes in its proposed Schedule 2 changes certain housekeeping items that standardize references to the service as already stated in the heading of Schedule 2.¹⁰ MISO states that these changes should aid readability, and possibly prevent incorrect interpretations of the operative portions of Schedule 2.

10. MISO explains that pseudo-tied units and MISO’s approach to such units has arisen in various contexts, and they continue to be studied and discussed within MISO and with other RTOs and stakeholders.¹¹ MISO states that the Filing is narrow in scope, and is not intended to deal with any policy issue other than the appropriateness of providing an opportunity for actual providers of reactive power supply in the MISO footprint to receive reactive power supply compensation. MISO states that the Filing is focused on providing this opportunity if facilities meet MISO’s existing technical requirements for providing reactive power supply service. MISO explains that it seeks to correct this situation in narrowly tailoring the proposed Tariff revisions.

11. MISO states that the Tariff changes will permit generators that provide reactive power supply according to technical requirements stated in Schedule 2 of the Tariff to continue receiving revenues to compensate for such service according to FERC-approved, cost-based rates.¹² MISO states that the resulting charges for the service should not increase as a result of the Tariff adjustments.

12. MISO requests an effective date of April 1, 2016 for the revised Tariff sheets and seeks waiver of the Commission’s prior notice rule to effectuate this date.¹³ MISO asserts that good cause exists to grant its requested waiver, because if the April 1, 2016 effective date is not granted, then several pseudo-tied generating units will have provided reactive power supply service on an uncompensated basis while the required Tariff process takes place. MISO explains that revenue distribution according to Schedule 2 is

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.* at 4.

¹³ *Id.* at 4-5.

a monthly process, and delay of the effective date after April 1 would alter the ability of MISO to make payments for reactive power supply until the first of the month of a later month.

III. Notice of Filing and Responsive Pleadings

13. Notice of the Filing was published in the *Federal Register*, 81 Fed. Reg. 18,610 (2016), with interventions and protests due on or before April 14, 2016. American Electric Power Service Corporation; Arkansas Electric Cooperative Corporation; Calpine Corporation; Consumers Energy Company; Entergy Services, Inc., on behalf of the Entergy Operating Companies;¹⁴ Exelon Corporation; NRG Companies;¹⁵ Wabash Valley Power Association, Inc.; and Wisconsin Electric Power Company jointly with Wisconsin Public Service Corporation filed timely motions to intervene. American Municipal Power, Inc. (American Municipal), Electric Power Supply Association (EPSA), The Empire District Electric Company (Empire), the MISO Transmission Owners,¹⁶ and

¹⁴ For purposes of this proceeding, the Entergy Operating Companies are Entergy Arkansas, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., and Entergy Texas, Inc.

¹⁵ For purposes of this proceeding, NRG Companies are NRG Power Marketing LLC and GenOn Energy Management, LLC.

¹⁶ For purposes of this proceeding, the MISO Transmission Owners consist of Ameren Services Company, as agent for Union Electric Company d/b/a Ameren Missouri, Ameren Illinois Company d/b/a Ameren Illinois and Ameren Transmission Company of Illinois; American Transmission Company LLC; Big Rivers Electric Corporation; Central Minnesota Municipal Power Agency; City Water, Light & Power (Springfield, IL); Cleco Power LLC; Dairyland Power Cooperative; Duke Energy Business Services, LLC for Duke Energy Indiana, Inc.; East Texas Electric Cooperative; Entergy Arkansas, Inc.; Entergy Louisiana, LLC; Entergy Mississippi, Inc.; Entergy New Orleans, Inc.; Entergy Texas, Inc.; Great River Energy; Hoosier Energy Rural Electric Cooperative, Inc.; Indiana Municipal Power Agency; Indianapolis Power & Light Company; MidAmerican Energy Company; Minnesota Power (and its subsidiary Superior Water, L&P); Missouri River Energy Services; Montana-Dakota Utilities Co.; Northern Indiana Public Service Company; Northern States Power Company, a Minnesota corporation, and Northern States Power Company, a Wisconsin corporation, subsidiaries of Xcel Energy Inc.; Northwestern Wisconsin Electric Company; Otter Tail Power Company; Prairie Power Inc.; South Mississippi Electric Power Association; Southern Illinois Power Cooperative; Southern Indiana Gas & Electric Company (d/b/a Vectren Energy Delivery of Indiana); Southern Minnesota Municipal Power Agency; Wabash Valley Power Association, Inc.; and Wolverine Power Supply Cooperative, Inc.

Tilton Energy LLC (Tilton) filed timely motions to intervene and comments. On April 25, 2016, MISO filed an answer to the MISO Transmission Owners' Comments.

14. American Municipal, EPSA, Empire, and Tilton support the Filing.¹⁷ American Municipal, EPSA, and Empire also support MISO's requested waiver of the Commission's prior notice rule to permit an effective date of April 1, 2016.¹⁸

15. The MISO Transmission Owners state that while they are supportive of providing MISO Tariff Schedule 2 compensation to generators located in MISO that are pseudo-tied out of MISO, certain aspects of the Filing require clarification so that compensation for reactive power supply is provided on a just and reasonable basis, and ratepayers are protected against paying for duplicate service, or service that is not available in MISO.¹⁹ First, the MISO Transmission Owners note that a generator that is located in MISO that is pseudo-tied into another control area or RTO may be also eligible for compensation under the tariff for that control area or RTO, and thus could receive duplicate compensation for the same service.²⁰ Therefore, the MISO Transmission Owners argue that MISO should clarify within Schedule 2 of the MISO Tariff that nothing in Schedule 2 or the Filing allows a generator to receive duplicate compensation for reactive power supply.

16. Second, the MISO Transmission Owners note that the current version of the Tariff allows for generators that are pseudo-tied into MISO and participate in MISO's markets to potentially qualify for Schedule 2 compensation.²¹ The MISO Transmission Owners argue that MISO should not compensate under Schedule 2 generators interconnected at locations other than to the MISO transmission system, explaining that because reactive power cannot be transmitted over long distances, reactive power sources must be located electrically close to portions of the system that need voltage support. The MISO Transmission Owners assert that MISO's proposed change in the Tariff that provides for Schedule 2 compensation for generators that are pseudo-tied out of MISO should be balanced by and accompanied with Tariff changes that prohibit Schedule 2 compensation

¹⁷ *E.g.*, American Municipal Comments at 3; EPSA Comments at 3; Empire Comments at 3; Tilton Comments at 1.

¹⁸ *E.g.*, American Municipal Comments at 3-4; EPSA Comments at 6; Empire Comments at 4.

¹⁹ MISO Transmission Owners Comments at 2.

²⁰ *Id.* at 5.

²¹ *Id.*

for generators that are pseudo-tied into MISO and are not interconnected to the MISO transmission system. The MISO Transmission Owners argue that MISO should therefore clarify in the Schedule 2 Tariff language that generators that are not interconnected directly with MISO facilities are not eligible for Schedule 2 compensation. Further, the MISO Transmission Owners request that the Commission affirm that such generators cannot receive duplicate compensation in two regions.

17. In its answer, MISO states that the purpose of the Filing was to permit owners of generators who can show that they provide the localized service to receive reactive power service compensation without the interplay of the requirements contained in the term “Generation Resource” and that the Filing does not change the manner in which resources pseudo-tied into MISO are treated.²² MISO states that the MISO Transmission Owners’ concern that pseudo-tied in generators that participate in MISO’s markets may qualify for reactive supply service compensation reflects the current use of the defined term “Generation Resource,” which excludes generating units pseudo-tied out that provide reactive power service that are connected to the MISO transmission system but includes pseudo-tied in generating units that do not provide such service and are not connected to the MISO transmission system. MISO explains, however, that simply falling within the meaning of “Generation Resource” does not qualify a generator for Schedule 2 revenues: MISO notes that a generator must also meet the technical qualifications stated in Schedule 2 that test whether the service is being provided to the MISO transmission system.²³

18. In addition, MISO disagrees with the MISO Transmission Owners that Schedule 2 of the Tariff should be clarified to address MISO Transmission Owners’ hypothetical concern that a generator located in MISO that is pseudo-tied into another RTO does not receive duplicate compensation.²⁴ MISO argues that such a clarification could result in disqualification of a generator by MISO from compensation where reactive power supply service is provided while compensation continues where the service is not provided.²⁵ MISO states it should not be required to check on the compensation provided by other entities. MISO asserts that, rather than adjusting Schedule 2 of the Tariff, a better solution to address the MISO Transmission Owners’ concern would be to prevent other

²² MISO Answer at 3-4.

²³ *Id.*

²⁴ *Id.* at 5.

²⁵ *Id.*

tariffs from changing such that they would permit compensation in circumstances where the service is not provided.²⁶

IV. Discussion

A. Procedural Matters

19. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2015), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2015), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We accept MISO's answer as it has provided information that assisted us in our decision-making process.

B. Substantive Matters

20. We accept MISO's proposed Tariff revisions, to become effective April 1, 2016, as requested. We find it reasonable for MISO to restore the compensation to generators within MISO's footprint for their contribution to reactive power supply. As MISO explains, there has recently been increased interest by generators to pseudo-tie out of MISO, but in doing so, MISO's current Tariff language disqualifies them from reactive power compensation even though the generators continue to provide reactive power within MISO. MISO's proposed Tariff revisions provide a reasonable narrowly-tailored solution for this aspect of pseudo ties without prejudging any other issues that may arise in the context of pseudo ties.

21. With regard to the MISO Transmission Owners' request that MISO be required to clarify that nothing in Schedule 2 or the Filing allows a generator to receive duplicate compensation for reactive power supply, we find such a clarification to be unnecessary. It is speculative that such a situation would or could arise. As MISO points out, just because a Qualifying Generator no longer has to meet the definition of "Generating Resource" does not give it a right to Schedule 2 revenues, because it must also meet the technical qualifications stated in Schedule 2 that test whether the service is being provided to the MISO transmission system. According to MISO's technical qualifications, providing that service requires a generator of reactive power supply service to respond to voltage control instructions from MISO. If a generator were responding to voltage control instructions from another RTO to provide that RTO with reactive power supply, it could not respond to voltage control instructions from MISO. Therefore, it would not qualify for reactive power supply compensation under MISO's

²⁶ *Id.*

technical qualifications within Schedule 2 and could not receive double compensation.²⁷ We also agree with MISO that it should not be held responsible for determining whether other transmission providers are paying for reactive power supply service that is not being provided to them. If this situation were to occur, we agree with MISO that the corrective action should be directed at the tariff that allowed improper compensation to occur. Therefore, while we find such clarification within Schedule 2 is unnecessary, we do agree with the MISO Transmission Owners that generators should not be receiving compensation for the same service in two different regions.

22. We also find unnecessary the MISO Transmission Owners' request that the Commission require MISO to clarify in Schedule 2 of the Tariff that generators not interconnected directly with MISO facilities are not eligible for Schedule 2 compensation. We agree with MISO that the MISO Transmission Owners' concern that a generator located outside of MISO that is pseudo-tied into MISO might potentially qualify for reactive power supply compensation ignores the technical requirements of Schedule 2. These qualifications include, among other things, that the generation resource can respond to changes in voltage on the system and to changes in voltage schedules specified by MISO. Therefore, only generators that can support voltage and provide reactive power on MISO's system and respond to MISO's schedules are eligible for compensation under Schedule 2. Nothing in the instant Filing changes these technical qualifications.

²⁷ The obligation to provide reactive power supply service and follow voltage control instructions resides in the *pro forma* generator interconnection agreement established in Order No. 2003-A, and is embodied in MISO's *pro forma* generator interconnection agreement. See *Standardization of Generator Interconnection Agreements and Procedures*, Order No. 2003-A, FERC Stats. & Regs. ¶ 31,160 at App. 6 (Standard Large Generator Interconnection Agreement), art. 9.6, *order on reh'g*, Order No. 2003-B, FERC Stats. & Regs. ¶ 31,171 (2004), *order on reh'g*, Order No. 2003-C, FERC Stats. & Regs. ¶ 31,190 (2005), *aff'd sub nom. Nat'l Ass'n of Regulatory Util. Comm'rs v. FERC*, 475 F.3d 1277 (D.C. Cir. 2007), *cert. denied*, 552 U.S. 1230 (2008); Tariff, Att. X, App. 6, art. 9.6. Thus, it is logical that a generator be compensated by its directly interconnected transmission provider to which it has such obligations, to the extent that transmission provider already compensates any of its directly connected generators for reactive supply service, and not be compensated by other transmission providers.

23. We grant MISO's request for waiver of the 60-day notice requirement for good cause shown to allow the revisions to become effective April 1, 2016.²⁸

The Commission orders:

MISO's proposed Tariff revisions are hereby accepted, to become effective April 1, 2016, as requested, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.

²⁸ See *Central Hudson Gas & Elec. Corp.*, 60 FERC ¶ 61,106, at 61,339, *reh'g denied*, 61 FERC ¶ 61,089 (1992).