

157 FERC ¶ 61,014
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Midcontinent Independent System
Operator, Inc.

Docket No. ER16-2187-000
EL16-61-000

ORDER REJECTING COMPLIANCE FILING

(Issued October 7, 2016)

1. On July 13, 2016, Midcontinent Independent System Operator, Inc. (MISO) submitted revisions (Compliance Revisions) to Schedule 2 for Reactive Supply and Voltage Control from Generation or Other Sources Service (Schedule 2) of its Open Access Transmission, Energy and Operating Reserve Markets Tariff (Tariff) to comply with the Commission's June 16, 2016 order to show cause.¹ In this order, we reject MISO's Compliance Revisions and order MISO to file a new compliance filing.

I. Background

2. MISO determines the amount of reactive power necessary to maintain transmission voltages on its transmission system within acceptable limits. Schedule 2 of its Tariff, which governs the provision and compensation for Reactive Supply and Voltage Control Service (Reactive Service), contains eligibility criteria necessary for a generator to receive reactive power compensation.²

3. On November 20, 2014, the Commission issued an order to show cause, under section 206 of the Federal Power Act (FPA),³ directing PJM Interconnection L.L.C. (PJM) to revise its Open Access Transmission Tariff (OATT) to provide that a generation

¹ *Midcontinent Indep. Sys. Operator, Inc.*, 155 FERC ¶ 61,254 (2016) (June Order).

² MISO, FERC Electric Tariff, Schedule 2, §§ II.A-C (32.0.0).

³ 16 U.S.C. § 824e (2012).

or non-generation resource owner will no longer receive reactive power capability payments after it has deactivated its unit and to clarify the treatment of reactive power capability payments for units transferred out of a fleet, or to show cause why it should not be required to do so.⁴ The Commission stated that it was taking action in light of PJM's intervention in two proceedings, as well as postings on the PJM website that suggested PJM continued to pay generation and non-generation resources for Reactive Service after units had deactivated.⁵ The Commission stated that it was concerned that PJM's OATT may be unjust and unreasonable, or unduly discriminatory or preferential, given the lack of clarity concerning termination of, or change in payments for, Reactive Service when generating units are no longer capable of providing reactive power or have been transferred out of a fleet.

4. In the June Order, the Commission found that the MISO Tariff may be unjust and unreasonable, or unduly discriminatory or preferential, given the lack of clarity concerning the termination of or change in compensation for Reactive Service when generating units are no longer capable of providing that service or have been transferred out of a fleet to another owner.⁶ Accordingly, the Commission instituted a proceeding under section 206 of the FPA, in Docket No. EL16-61-000, and directed MISO to either: (1) revise its Tariff to ensure that a generation or non-generation resource owner will no longer receive compensation for Reactive Service after it has deactivated or transferred its unit to another owner and to clarify the treatment of Reactive Service revenue requirements for said unit(s); or (2) show cause why it should not be required to do so. The Commission also directed MISO to post to its website and maintain a chart that lists all resource owners whom receive compensation for Reactive Service along with their respective current Reactive Service revenue requirements. The Commission took this action in light of the PJM Show Cause Order and filings which suggested that MISO might have been continuing to pay generation and non-generation resources for Reactive Service after units have deactivated.⁷

⁴ *PJM Interconnection, L.L.C.*, 149 FERC ¶ 61,132, at P 1 (2014) (PJM Show Cause Order).

⁵ *Id.* P 7.

⁶ June Order, 155 FERC ¶ 61,254 at P 8.

⁷ *Id.* P 7.

II. Compliance Revisions

5. In the Compliance Revisions, MISO proposes to modify Schedule 2 at the point where eligibility for compensation is addressed in the Tariff by transforming that paragraph into paragraph “1” in Section II.C and renaming Section II.C to “Notifications Relating to Qualified Generator Status.”⁸ MISO also proposes to add Section II.C.2 which contains requirements dealing with a change in status relating to retirement, suspension, or transfer of operations of a generation resource.⁹ MISO states that it takes the same approach as approved by the Commission for PJM:¹⁰ a generation owner must either submit to the Commission a revision to its revenue requirement or make an informational filing.

6. MISO explains that its Compliance Revisions contain a substantive difference from those approved for PJM to accommodate MISO’s Tariff requirement that changes to “Retire and Suspend” status are confidential if the generation resource is not designated a “System Support Resource” that is needed as a last resort to support a reliable transmission system.¹¹ To accommodate this requirement, whereas PJM requires the generation owner to make a filing no less than 90 days in advance of the change in status of a generation resource, MISO’s Compliance Revisions provide that the generation owner make its filing on or before the date of the change in status for a generation resource.¹²

7. In the June Order, the Commission directed MISO to post to its website and maintain a chart that lists all resource owners whom receive compensation for Reactive Service along with their respective Reactive Service revenue requirements. In the

⁸ MISO, FERC Electric Tariff, Schedule 2, §§ II.C (32.0.0).

⁹ MISO Transmittal at 2.

¹⁰ *PJM Interconnection, L.L.C.*, 151 FERC ¶ 61,224, at P 1 (2015).

¹¹ Tariff Section 38.2.7.a (“continue to treat an Attachment Y Notice and Attachment Y Reliability Study as Confidential Information”). MISO’s proposed revisions to Section 38.2.7 continue to treat an Attachment Y Notice and Attachment Y Reliability Study as Confidential Information until the date of retirement. *See, e.g., Midcontinent Indep. Sys. Operator, Inc.*, Docket No. ER16-1758-000, MISO Transmittal Letter at 5-6 (May 23, 2016) (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 140 FERC ¶ 61,237, at P 37 (2012)).

¹² MISO Transmittal at 3.

Compliance Revisions, MISO has included documents that contain information on MISO reactive revenue requirements that include “Pricing Zone,” “Generator Name,” “Annual Revenue Requirement,” “Stated Rate,” and “FERC Docket Number(s)” and made these same documents publicly available on its website.¹³

8. In addition, MISO states that its Compliance Revisions contain one ministerial adjustment to existing Section III.D to correct the use of the term “Qualified Generator” in instances where it could potentially cause confusion regarding submissions to the Commission, and one ministerial adjustment to existing Section III.D.2 to replace the use of the phrase “non-qualified generator” with “generation resource that is not a Qualified Generator” to incorporate the use of a defined term.¹⁴

9. Lastly, MISO explains that it has submitted two versions of the Compliance Revisions to reflect then-pending language in Docket No. ER16-2175-000.¹⁵ MISO requests an effective date of June 22, 2016, for the first version of the Compliance Revisions that do not contain the pending language. MISO requests an effective date of July 12, 2016, for the second version of the Compliance Revisions which do contain the pending language. MISO committed to file any revisions to the pending language as necessary to comply with any Commission orders in Docket No. ER16-2175-000.

III. Notice of Filings and Responsive Pleadings

10. Notice of the Commission’s institution of a section 206 proceeding was published in the *Federal Register*, 81 Fed. Reg. 40,695 (2016), with interventions and protests due on or before July 7, 2016. The Missouri Public Service Commission filed a notice of intervention. MidAmerican Energy Company (MidAmerican), Entergy Services, Inc. (Entergy),¹⁶ Invenergy Cannon Falls LLC and Invenergy Thermal LLC, Electric Power

¹³ *Id.* at 4. The transmission pricing information is publicly available at: <https://www.misoenergy.org/MarketsOperations/TransmissionSettlements/Pages/TransmissionPricing.aspx>.

¹⁴ MISO Transmittal at 5.

¹⁵ *Id.* at n.23. See *Midcontinent Indep. Sys. Operator, Inc.*, Docket No. ER16-2175-000 (Sept. 1, 2016) (delegated letter order) (Letter Order) (accepting proposed ministerial revisions to Schedule 2).

¹⁶ Entergy filed its motion to intervene on behalf of Entergy Arkansas, Inc., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., and Entergy Texas, Inc.

Supply Association, American Municipal Power, Inc. (AMP),¹⁷ American Transmission Company LLC (ATC), Ameren Services Company (Ameren),¹⁸ NRG Power Marketing LLC and GenOn Energy Management, LLC (NRG), DTE Electric, and Wisconsin Electric Power Company and Wisconsin Public Service Corporation (Wisconsin Companies) filed timely motions to intervene. Consumers Energy Company (Consumers) filed an out-of-time motion to intervene.

11. Notice of MISO's Compliance Revisions was published in the *Federal Register*, 81 Fed. Reg. 47,169 (2016), with interventions and protests due on or before August 3, 2016. ATC, Exelon Corporation, Alliant Energy Corporate Services, Inc. (Alliant),¹⁹ AMP, Entergy, Consumers, Electric Power Supply Association, DTE Electric, NRG, MidAmerican, and Ameren²⁰ filed timely motions to intervene. Wisconsin Companies, Xcel Energy Services Inc. (Xcel),²¹ and Wabash Valley Power Association, Inc. filed out-of-time motions to intervene.

IV. Discussion

A. Procedural Matters

12. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2016), the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding. Pursuant to Rule 214(d) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(d) (2016), the Commission will grant the late-filed motions to intervene

¹⁷ AMP filed its motion to intervene on behalf of itself and its members.

¹⁸ Ameren filed its motion to intervene on behalf of its affiliated public utility operating companies, Ameren Illinois Company and Union Electric Company d/b/a Ameren Missouri.

¹⁹ Alliant filed its motion to intervene on behalf of its affiliates Interstate Power and Light Company and Wisconsin Power and Light Company.

²⁰ Ameren filed its motion to intervene on behalf of its affiliated public utility operating companies, Ameren Illinois Company, Ameren Transmission Company of Illinois, and Union Electric Company d/b/a Ameren Missouri.

²¹ Xcel filed its motion to intervene out-of-time on behalf of its utility operating company affiliates Northern States Power Company, a Minnesota corporation, and Northern States Power Company, a Wisconsin corporation.

given the interest in the proceeding, the early stage of the proceeding, and the absence of undue prejudice or delay.

B. Commission Determination

13. We reject MISO's Compliance Revisions because they do not ensure that a generation or non-generation resource owner will no longer receive compensation for Reactive Service for units that have been deactivated or transferred to another owner. While the Compliance Revisions do amend the Tariff to require that a resource owner²² makes a section 205 filing or an informational filing when that resource owner deactivates its unit(s) or transfers its unit(s) to another owner,²³ they are insufficient to ensure that any such termination of, or reduction in, compensation occurs early enough to ensure that a generation or non-generation resource owner will no longer receive compensation for Reactive Service for units that have been deactivated or transferred to another owner.

14. When there is a deactivation or transfer to another owner of a unit(s) of a generation or non-generation resource, the associated Reactive Service revenue requirement should be reduced, as necessary, to ensure that the generation or non-generation resource owner no longer receives compensation for Reactive Service for a unit(s) that has been deactivated or transferred to another owner. However, Schedule 2 states that changes in Qualified Generator status for Reactive Service, and the associated revenue requirement, are "effective on the first day of the month immediately following acceptance of the revenue requirement by the Commission or the first day of the month if Commission acceptance of such revenue requirement is on the first day of the month."²⁴ Thus, as proposed, when termination of, or a reduction to, a revenue requirement related to deactivation of the unit(s) or transfer of the unit(s) to another owner becomes necessary, Schedule 2 does not ensure that the effective date of the termination of, or

²² We note that MISO filed revisions to Schedule 2 eliminating the use of the defined term "Generation Resource" in order to allow pseudo-tied out generators to receive compensation for reactive service. See MISO, FERC Electric Tariff, Schedule 2, § I. In doing so, MISO included both generation and non-generation resources under the term "resources." See *Midcontinent Indep. Sys. Operator, Inc.*, 155 FERC ¶ 61,197 (2016).

²³ We note that the documents now available on MISO's website reflecting the revenue requirements for Reactive Service increase the transparency of Reactive Service compensation under the MISO Tariff.

²⁴ MISO, FERC Electric Tariff, Schedule 2, §§ II.C (32.0.0).

reduction to, the revenue requirement aligns with the date of the reduction in Reactive Service.

15. Further, we note that while MISO is proposing reforms like those the Commission approved for PJM,²⁵ a fundamental difference is that under PJM's proposal, generation or non-generation resource owners would file to revise their rates, or, alternatively, make an informational filing, at least 90 days in advance of the deactivation of a unit or the transfer of a unit to another owner. This aspect of PJM's proposal was consistent with the Commission's directive to PJM to revise its Tariff to ensure that a generation or non-generation resource owner will no longer receive compensation for Reactive Service for units that have been deactivated or transferred to another owner and to clarify the treatment of Reactive Service revenue requirements for said unit(s). MISO's proposed reform fails to accomplish this.²⁶

16. Accordingly, we direct MISO to submit a new compliance filing, within 60 days of the date of issuance of this order, which revises its Tariff to ensure that a generation or non-generation resource owner will no longer receive compensation for Reactive Service after it has deactivated or transferred its unit to another owner and to clarify the treatment of Reactive Service revenue requirements for said unit(s).

²⁵ We note that in *PJM Interconnection, L.L.C.*, the Commission made clear that neither the Commission nor PJM has the authority to compel a reactive power supplier to make a section 205 filing and the Commission agreed with PJM that PJM's proposal to give reactive power suppliers the option of filing to terminate or adjust their reactive power tariffs or submit an informational filing preserves the reactive power supplier's section 205 filing rights. *See* 151 FERC ¶ 61,224 at P 26.

²⁶ While the Commission accepted PJM's proposal, and we reference it here to explain the deficiency in MISO's proposal, we do not require MISO to adopt PJM's proposal as the only just and reasonable response to the June Order. MISO can revise its Tariff to ensure that the generation or non-generation resource owner will no longer receive compensation for Reactive Service after it has deactivated its unit(s) or transferred its unit(s) to another owner while maintaining confidentiality of changes to the status of generation resources that are not designated as System Support Resources.

The Commission orders:

MISO's compliance filing is hereby rejected and MISO is hereby directed to file a new compliance filing within 60 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.