

In the Matter of an Investigation Into the
Possible Methods of Mitigating Identified
Harmful Effects of Entergy Joining MISO on
non-MISO Missouri Utilities and Their
Ratepayers and Maximizing the Benefits
for Missouri Utilities and Ratepayers Along
RTO and Cooperative Seams

In accordance with the orders of the Missouri Public Service Commission (“Commission”), dated November 26, 2013, January 3, 2014 and March 18, 2014, in the above-captioned proceeding, the Midcontinent Independent System Operator, Inc. (“MISO”) submits this response. The Commission’s November 26, 2014 Order included a list of questions about the seam, or border, between neighboring Regional Transmission Organizations (“RTOs”), MISO and the Southwest Power Pool, Inc. (“SPP”), and stated that “[t]he list of questions is not exclusive and the parties are encouraged to provide the Commission with any information which is relevant to seam issues between MISO and [the Southwest Power Pool, Inc. (“SPP”)].” MISO believes that a narrative response to the Commission’s inquiries will be most beneficial to the Commission, as it provides factual history, context, and additional information that will inform the Commission’s understanding of the seam issues between MISO and SPP. Where possible, MISO has included a reference to the question numbers for ease of reference. MISO provides some historical background on the development of MISO, the relationship between the two RTOs, the primary arrangement governing coordination between the RTOs – the Joint Operating

Agreement (“JOA”),¹ and MISO’s view on future coordination under the JOA. The questions raised by the Commission, including reliability and safety concerns, impact of the seam on Missouri-jurisdictional entities, and MISO’s approach to managing the seam in furtherance of its stated functions, are addressed below. Some of the questions raised by the Commission, such as those dealing with rate impacts, are best addressed by the utilities themselves, so MISO will not address them here.²

I. Background

A. Description of MISO

MISO is a 501(c)(4) – social welfare organization and a Federal Energy Regulatory Commission (“FERC”)-approved RTO, headquartered in Carmel, Indiana, that manages a combined footprint of 65,280 miles of transmission with total electric generation capacity throughout its footprint of approximately 196,000 MW. MISO’s geographic footprint stretches from Manitoba, Canada to the Gulf of Mexico. MISO’s transmission system is adjacent to two other RTOs, SPP and PJM Interconnection, LLC (“PJM”), and MISO has long-standing, FERC-approved arrangements in place to address congestion and other seams coordination issues along the borders with its RTO neighbors, as well as similar coordination agreements with other non-RTO neighbors. MISO is the first FERC-approved RTO and is currently the largest in geographic scope. MISO has a FERC-jurisdictional transmission tariff, accepted by FERC in 2002. MISO established its energy markets in 2005 and its ancillary services market in 2009. A key area where MISO also adds significant value to its members is in its role in coordinating

¹ The JOA is a FERC-jurisdictional agreement and is on file at FERC. The formal name of the MISO-SPP JOA is the “Joint Operating Agreement between the Midwest Independent System Operator, Inc. and Southwest Power Pool, Inc.” The JOA is a FERC-filed rate schedule of both MISO and SPP. The JOA is designated as MISO’s Second Revised Rate Schedule FERC No. 6 and is available on MISO’s website at: <https://www.misoenergy.org/Library/Pages?RateSchedules.aspx>.

² The following questions relate to rate and revenue requirement matters: 4(a), (b), (c); 12; 13; 15; 15; and 16.

regional and interregional planning pursuant to FERC's Order No. 1000.³ MISO and SPP both filed amendments to the JOA to improve regional planning and cost allocation processes in furtherance of FERC's Order No. 1000 principles.

B. Development of the Joint Operating Agreement Between MISO and SPP

The Commission's set of information requests, specifically questions numbered 1, 2, 5, and 9, center around the impact of the border between MISO and SPP to the Commission's jurisdictional entities and, ultimately, to Missouri ratepayers. The existing JOA between MISO and SPP was developed and filed with FERC to address those very concerns. The JOA is specifically designed manage the impact of the seam and coordinate operations between the two RTOs to minimize any increased congestion that could arise as a result of the seam. When SPP applied to FERC for RTO status in 2004, FERC expressly conditioned its approval on SPP entering into a "seams" agreement with MISO.⁴ The resulting JOA was modeled on a predecessor agreement between MISO and PJM, which also was designed with the express intent of minimizing the potential of increased congestion along the border between MISO and PJM. The MISO-PJM JOA was the first seams agreement between MISO and PJM accepted by FERC in March 2004.⁵ In order to achieve its fundamental purpose to address the congestion that arose on the seam, MISO and PJM developed the Congestion Management Process ("CMP"), which was included in the PJM JOA and later standardized, and included in the MISO-SPP JOA. The MISO-PJM JOA also contains definitions of technical terms, certain obligations with regard to

³ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132 (2012), *order on reh'g and clarification*, Order No. 1000- B, 141 FERC ¶ 61,044 (2012).

⁴ *See Southwest Power Pool, Inc.*, 109 FERC ¶ 61,008 (2004), *reh'g denied*, 110 FERC ¶ 61,031 (2005).

⁵ The formal name of the MISO-PJM JOA is the "Joint Operating Agreement between the Midwest Independent System Operator, Inc. and PJM Interconnection, L.L.C." The JOA is a FERC-filed rate schedule of both MISO and PJM. The JOA is designated as MISO's Fourth Revised Rate Schedule FERC No. 5 and is available on MISO's website at: <https://www.misoenergy.org/Library/Pages?RateSchedules.aspx>.

the exchange of critical data and coordination of operations under normal and emergency conditions, including joint planning, to ensure reliable, coordinated operations across the seam. Additionally, the MISO-PJM JOA includes provisions for joint planning and cost allocation.

MISO's JOA with SPP was intended to model, and reflect, if not exactly, the terms and conditions of the MISO-PJM JOA. MISO and SPP ultimately negotiated an agreement that was substantively similar to the MISO-PJM JOA. As a result, the MISO-SPP JOA contains the CMP, as well as many, if not all, of the same provisions of the MISO-PJM JOA, including those related to transmission planning and cost allocation.⁶

Pursuant to the JOA, MISO and SPP meet regularly on matters related to the JOA and other coordination matters. Specifically, MISO and SPP participate in regularly-scheduled meetings of the CMP Working Group and CMP Council,⁷ as well as open stakeholder meetings designed to address JOA-related issues. In addition, MISO and SPP regularly meet to address and collaborate on matters related to regional and interregional planning and reliability. Finally, MISO and SPP along with their stakeholders meet to jointly address matters related to the joint operating agreement as well as to execute transmission planning studies.

II. The MISO-SPP JOA Effectively Manages the Seam

The MISO-SPP JOA has been in effect for over ten years and in that time, it has been an effective tool for managing the seam between the two regions. MISO believes that a JOA between two neighboring RTOs is and has been a good first step in efficiently managing the seam and is committed to the implementation of SPP's Market-to-Market initiative in March

⁶ Both the MISO-PJM and MISO-SPP JOAs include a capacity-sharing provision that currently is in dispute between MISO and SPP at FERC in Docket Nos. EL14-21, *et al.*. Because that dispute is pending before FERC, MISO will not address the merits of that dispute here, but notes for this Commission that MISO firmly believes that all customers – including those Missouri customers - benefit from such capacity-sharing provisions because those provisions facilitate seamless operations between the two regions and ultimately minimize impacts to entities adjacent to the seam.

⁷ In addition to MISO and SPP, the other participants in the CMP Council include: PJM, Manitoba Hydro, Tennessee Valley Authority, and WAPA.

2015. The Commission's questions numbered 6, 7, and 8 specifically address the issues of communication and coordination along the seam, including the impact of SPP's Market-to-Market initiative. Ultimately, in Market-to-Market, each RTO, within its borders, seeks to maximize efficient usage of the system and by doing so, thereby allowing for the reliable delivery of economic power in both regions. This builds upon the successful coordination along the seam currently, and will only allow for more efficient operations going forward. Generally, SPP and MISO have been able to manage successfully any disagreements that have arisen over the years under the JOA; such effective coordination has resulted in efficient operations along the seam. A core part of that coordination is due to the provisions of the CMP and the reciprocal coordination of flowgates.

A. Overview of the CMP

The CMP is a central element of the MISO-SPP JOA. It includes specific provisions around how to manage congestion and coordinate reciprocal flowgates, including ATC/AFC calculation, information exchange, and coordination of outages and other provisions. FERC has noted that these types of provisions, particularly those around respecting reciprocal flowgates – those flowgates that each system has rights to use – are essential. FERC has maintained that “the general principles of respecting flowgate capability between RTOs is one of the most important aspects of [a] JOA.”⁸ Additionally, both MISO and SPP have NERC-accepted congestion management plans; these plans include reciprocal coordination of flowgates. These NERC-approved congestion management plans, as well as NERC's reliability standards, which each entity is required to maintain, ensure the reliability and safety of the respective systems.

⁸ *Midwest Indep. Transmission Sys. Operator, Inc. et al.*, 106 FERC ¶ 61,251 P 32, *order on reh'g* 108 FERC ¶ 61,143 (2004).

As noted above, the CMP is a core element of the JOA between MISO and SPP. It works in conjunction with complementary provisions of the over-arching JOA. MISO believes that the current JOA on file with FERC, including the CMP and Interregional Coordination Process (“ICP”), is the most effective way to manage the seam for all customers of both regions, including Missouri rate-payers. MISO continues to believe that existing section 5.2 of the JOA also is a valuable piece of the JOA to all customers, and although a dispute currently exists between MISO and SPP about the application of that provision, MISO is committed to the on-going settlement discussions to resolve that difference of interpretation.

B. Specific Benefits of the JOA to Missouri-Jurisdictional Entities

The Commission, at question 3, asked about the effects on Missouri utilities of an SPP and MISO merger. Short of all Missouri-jurisdictional entities being in one RTO, MISO believes that the existing MISO-SPP JOA both operationally and economically best protects Missouri utilities and ratepayers from their position on the seam. MISO recognizes that certain Missouri entities currently are subject to shouldering the MISO Regional Through-and-Out Rate (“RTOR”) for loads served in SPP with energy sourced outside of SPP. MISO is unable to take any position on the RTOR matters, as the associated revenue requirements are those of the MISO Transmission Owners, not MISO’s own. Moreover, FERC recently initiated an investigation into the RTOR for the southeastern seam between MISO and SPP.⁹ That proceeding currently is in active settlement discussions among the affected parties and before a FERC settlement judge.

C. Implementation of SPP’s Market-to-Market Initiative

MISO and SPP anticipate that SPP’s proposed Market-to-Market initiative will be implemented on March 1, 2015. MISO and SPP actively have been working together to share systems, data, and processes in order to ensure that Market-to-Market goes live on time. The

⁹ *Midcontinent Indep. Sys. Operator, Inc., et al.*, 146 FERC ¶ 61,111 (Feb. 20, 2014).

Commission asked about the implementation and effect of SPP's Market-to-Market and similar initiatives at questions 10 and 11; MISO looks forward to the implementation of Market-to-Market, as it believes the markets, and ultimately, customers will benefit. Additionally, the processes included in Market-to-Market will further transparency around SPP's market operations, specifically with regard to the interface with the established MISO market.

III. Conclusion

MISO appreciates the opportunity to provide this overview of the MISO-SPP JOA and the on-going efforts by MISO and SPP to manage the implications of the seam. In sum, these seams issues are complex, but the parties are engaged on the issues and, MISO believes, are dedicated to developing solutions that result in benefits to customers. Although there are several seams-related matters currently pending before FERC, MISO reiterates its dedication to resolving these issues and continuing to keep the Commission updated as those matters progress.

/s/ Erin M. Murphy
Erin M. Murphy
Corporate Counsel
Midcontinent Independent System Operator,
Inc.
720 City Center Drive
Carmel, Indiana 46032
317.249.5495
emurphy@misoenergy.org

Attorney for MISO

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