FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, DC 20426

OFFICE OF ENERGY MARKET REGULATION

Midcontinent Independent System
Operator, Inc.
Docket No. ER14-2952-000

November 28, 2014

Midcontinent Independent System Operator, Inc.
Attention: Matthew R. Dorsett
Attorney for the Midcontinent
Independent System Operator, Inc.
P.O. Box 4202
Carmel, IN 46032-4202

Re: Revised Cost Allocation Rate Schedules

Dear Mr. Dorsett,

Background

On January 31, 2014, Midcontinent Independent System Operator, Inc. (MISO) submitted the first Presque Isle SSR Rate Schedule 43G in Docket No. ER14-1243 providing for the allocation of costs associated with a service agreement between MISO and Wisconsin Electric Power Company that was filed in Docket No. ER14-1242 and addressed terms, conditions and compensation for Presque Isle to provide System Support Resource (SSR)[1] service under the MISO Tariff (Presque Isle SSR Service Agreement). The filings were submitted in light of MISO's determination that Presque Isle is needed to provide reliability service notwithstanding Wisconsin Electric Power Company's request for the unit to go into suspension.

On April 3, 2014, the Public Service Commission of Wisconsin submitted a

[1] The Tariff defines SSRs as "[g]eneration Resources or Synchronous Condenser Units [(SCUs)] that have been identified in Attachment Y – Notification to this Tariff and are required by the Transmission Provider for reliability purposes, to be operated in accordance with the procedures described in Section 38.2.7 of this Tariff." MISO, FERC Electric Tariff, Module A, § 1.S "System Support Resource (SSR)" (30.0.0).

complaint pursuant to sections 206 and 306 of the Federal Power Act[2] and Rule 206 of the Rules of Practice and Procedure[3] (Complaint). The Complaint alleged that the SSR cost allocation provision in section 38.2.7.k of MISO's Tariff, and the provision's implementation in Rate Schedule 43G with respect to the Presque Isle SSR Agreement between MISO and Wisconsin Electric Power Company, was unjust, unreasonable, and unduly discriminatory.

On July 29, 2014, as relevant here, the Commission conditionally accepted the proposed cost allocation rate schedule, suspending it nominally and making it effective February 1, 2014, and granted the complaint in Docket No. EL14-34. Among other things, the Commission directed MISO to eliminate the exception for the ATC pricing zone regarding cost allocation for SSR costs from its Tariff and to submit tariff revisions and a final load-shed study in a compliance filing. The Commission established a refund effective date of April 3, 2014 and ordered MISO to provide refunds as of this date.[4] The Commission also required MISO to submit a compliance filing to align cost allocation under Original Rate Schedule 43G with the Commission's determination on the complaint in Docket No. EL14-24. The compliance filings are filed in Docket Nos. ER14-1243-003 and ER14-1243-004, are contested, and are pending before the Commission.

On September 12, 2014, MISO submitted a Revised Rate Schedule 43G to the Commission in Docket No. ER14-2862 that is associated with a Replacement Presque Isle SSR Service Agreement between MISO and Wisconsin Electric Power Company filed in Docket No. ER14-2860. The Replacement Presque Isle SSR Service Agreement was precipitated by Wisconsin Electric Power Company's April 15, 2014 decision to change the status of Presque Isle from suspension to retirement, and provides for, among other things, recovery of full cost of service for the Presque Isle SSR. On November 10, 2014, the Commission issued an order that, among other things, accepted the Revised Rate Schedule 43G, suspending it nominally and making it effective October 15, 2014, subject to refund and further Commission order in Docket Nos. ER14-1242, ER14-1243, and EL14-34.[5]

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[2] 16 U.S.C. §§ 824e, 825e (2012).

[3] 18 C.F.R. § 385.206 (2014).

[4] *Midcontinent Indep. Sys. Operator, Inc.*, 148 FERC ¶ 61,071 (2014), reh'g and compliance pending.

[5] *Midcontinent Indep. Sys. Operator, Inc.*, 149 FERC ¶ 61,114 (2014).

Filing

On September 26, 2014, MISO submitted the present filing that includes revised Rate Schedules 43G, 43, and 43H for allocating costs for the Presque Isle SSR, the Escanaba SSR, and the White Pine SSR, respectively. MISO seeks an effective date of December 1, 2014. At page 1 of its transmittal letter, MISO states that the purpose for this filing is to address cost allocation matters related to the SSR Units that result from the creation of a new Local Balancing Authority[6] within MISO's footprint.

Request for Additional Information

Please be advised that your filing in Docket No. ER14-2952 is deficient and that additional information is required by the Commission in order to process the filing. Please provide the information requested below:

1. To what extent did MISO consider whether the proposed revisions to the SSR cost allocation, as implemented according to the cost allocation methodology outlined in MISO's Transmission Planning Business Practice Manual (BPM),[7] properly allocate SSR costs only to those LSEs that require the operation of the SSR Unit for reliability purposes?

    a. In its protest, Wisconsin Electric Power Company (at 6) states that although Cloverland is located entirely outside of the load-shed area identified by MISO, due to its inclusion in the new Michigan Upper Peninsula LBA, Cloverland's SSR cost responsibility changes from a 2.7% allocation under MISO's compliance filing in Docket No. ER14-1243-004 to a 22.6% allocation under the instant filing. Explain how the allocation to Cloverland is consistent with section 38.2.7.k of the MISO Tariff, which requires MISO to allocate SSR costs to "the LSE(s) which require(s) the operation of the SSR Unit for reliability purposes."

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[6] MISO states at page 2 of its transmittal letter that Local Balancing Authorities are responsible for ensuring that the Bulk Electric System is configured in accordance with North American Electric Reliability Corporation (NERC) requirements and for ensuring that metering and related information flows accurately to MISO.

[7] Transmission Planning Business Practices Manual, BPM-020-r10 (dated April 10, 2014) at Section 6.2.6 (System Support Resource Agreement Cost Allocation Methodology). Located at: https://www.misoenergy.org/Library/BusinessPracticesManuals/Pages/BusinessPracticesManuals.aspx. Under this methodology, MISO assigns costs first to Local Balancing Authorities (LBAs) and then *pro rata* to load serving entities (LSEs), as opposed to allocating costs directly to LSEs based on load-shed studies.

2. Explain how MISO would use load-shed studies to assign cost responsibility directly to the LSEs that require the SSR Units for reliability. For each of the SSR units at issue in the proceeding, explain the percent cost allocation, per LSE, resulting from (1) the current BPM cost allocation method versus (2) the method that MISO would use to assign cost responsibility directly to the individual LSEs that require an SSR Unit.

3. Please discuss any implementation issues that could arise from an allocation of SSR costs directly to LSEs, *e.g.*, larger cost shifts resulting from departing customers.

4. In its protest, Wisconsin Electric Power Company (at 9) requests, among other things, that the Commission reject the filing and direct MISO to allocate the SSR costs associated with Presque Isle Units 5-9 based on the "Actual Energy Withdrawals at the Commercial Pricing Nodes" associated with the identified beneficiaries from the optimal load-shed analysis. Please explain in detail the benefits and technical feasibility of applying this approach to SSR cost allocation. Explain how this approach is, or is not, consistent with section 38.2.7.k of the MISO Tariff, which requires MISO to allocate SSR costs to "the LSE(s) which require(s) the operation of the SSR Unit for reliability purposes."

5. According to MISO's Transmission Planning Business Practice Manual, at the section titled "System Support Resource Agreement Cost Allocation Methodology," the LSEs in each LBA are determined by Commercial Pricing Nodes in the LBA. How detailed is the information at the Commercial Pricing Nodes? How does MISO use this information to determine the LSEs?

6. According to MISO's Transmission Planning Business Practice Manual at the section titled "Identification of LBAs Requiring Operation of SSR Unit for Reliability," loads which are most effective in addressing the identified violations are selected, and the SSR costs are assigned to those LBAs where the load reside. However, those same facilities where the violation occurs can be used to serve load from other substations not chosen by the optimal load flows. Such "non-optimal" load shed substations may not be allocated costs even though they use the same limiting facilities. Confirm whether this understanding is correct, and, if so: (1) whether these "non-optimal" load shed substations should be allocated costs in accordance with section 38.2.7.k of the MISO Tariff; and (2) how MISO would allocate SSR costs to address this situation.

This letter is issued pursuant to 18 C.F.R. § 375.307(a)(1)(v) (2014) and is interlocutory. This letter is not subject to rehearing pursuant to 18 C.F.R. § 385.713 (2014), and a response to this letter must be filed with the Secretary of the Commission within 30 days of the date of this letter by making an amendment filing in accordance with the Commission's electronic tariff requirements.[8]

The information requested in this letter will constitute an amendment to your filing and a new filing date will be established, pursuant to *Duke Power Company*, 57 FERC ¶ 61,215 (1991), upon receipt of MISO's electronic tariff filing. A notice of amendment will be issued upon receipt of your response.

Please send an additional electronic version of your response to Mr. Benjamin Miller of my staff at benjamin.miller@ferc.gov.

Failure to respond to this letter within the time period specified may result in an order rejecting your filing. Pending receipt of the above information, a filing date will not be assigned to your filing.

Sincerely,

Penny S. Murrell, Director
Division of Electric Power
Regulation – Central

[8] *Electronic Tariff Filings*, 130 FERC ¶ 61,047, at PP 3-8 (2010) (stating that an amendment filing must include at least one tariff record even though a tariff revision might not otherwise be needed).

Document Content(s)