

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

In the Matter of an Investigation Into the)	
Possible Methods of Mitigating Identified)	
Harmful Effects of Entergy Joining MISO on)	File No. EW-2014-0156
non-MISO Missouri Utilities and Their)	
Ratepayers and Maximizing the Benefits)	
for Missouri Utilities and Ratepayers Along)	
RTO and Cooperative Seams)	

**COMMENTS OF INTERNATIONAL TRANSMISSION COMPANY
d/b/a ITC*TRANSMISSION*, MICHIGAN ELECTRIC TRANSMISSION COMPANY,
LLC, ITC MIDWEST LLC, AND ITC GREAT PLAINS, LLC**

International Transmission Company d/b/a ITC*Transmission*, Michigan Electric Transmission Company, LLC, ITC Midwest LLC and ITC Great Plains, LLC (collectively, “ITC” or “ITC Companies”) submit these comments in response to the Missouri Public Service Commission’s (“Commission’s”) November 26, 2013 Order Opening a Case to Investigate Methods of Eliminating or Mitigating the Negative Effects of the MISO/SPP Seam (“November 26 Order”).¹ The November 26 Order seeks comments from the Midcontinent Independent System Operator Corp. (“MISO”) and Southwest Power Pool, Inc. (“SPP”), stakeholders within those RTOs, interested utilities and the general public on issues arising from Missouri’s unique position on the seam between MISO and SPP.

COMMENTS

ITC supports the Commission’s efforts to pro-actively address the significant impacts of the MISO-SPP seam on Missouri transmission customers. ITC has an extensive familiarity with the types of issues that the Commission has identified for comment, drawn

¹ Order Opening a Case to Investigate Methods of Eliminating or Mitigating the Negative Effects of the MISO/SPP Seam, File No. EW-2014-0156 (Nov. 26, 2013) (“November 26 Order”). The Commission subsequently granted a motion to extend the deadline for filing comments to July 1, 2014. Order Granting Joint Motion to Extend Time For Filing, File No. EW-2014-1056 (Mar. 18, 2014).

from ITC's participation in both MISO and SPP, and from ITC's own experiences with the deleterious effects of loop flows originating from adjoining planning regions.² ITC submits that the most effective means for ameliorating the issues identified by the 16 questions posed by the Commission is to fix the currently-broken interregional transmission planning and cost allocation process. Doing so will provide the proper framework and incentives to mitigate the congestion, loop flows, and uncompensated use of neighboring systems that presently harm Missouri transmission customers, improve access to more economic sources of generation, support the attainment of Missouri's Renewable Energy Standard, and improve reliability.

a. The Current MISO-SPP Interregional Transmission Planning Process is Dysfunctional

The current process by which MISO and SPP evaluate and select transmission projects that span the two RTOs is wholly inadequate, and it is this inadequacy which has contributed to or failed to resolve many of the seams issues identified by the Commission. While the existing interregional planning and cost allocation process is subject to revision pending the outcome of the Order No. 1000 compliance filings made by both MISO and SPP discussed further herein, it is important to understand how the process has, up to this point, failed to identify necessary interregional projects so that such short-falls can be remedied going forward.

The inadequacy of the existing MISO-SPP interregional transmission planning and cost allocation process, as provided in Article XI of the MISO-SPP Joint Operating Agreement, is epitomized in one simple fact: not a single interregional project has been built

² See generally, *Midwest Indep. Transmission Sys. Operator, Inc.*, 141 FERC ¶ 63,021 (2012) (hearing addressing cost allocation for Phase Angle Regulators installed on ITC's system to ameliorate loop flows caused in part by PJM Interconnection, L.L.C. and New York Independent System Operator, Inc.).

since the Joint Operating Agreement was created. One does not need to engage in a detailed analysis of the configuration and power flows of the MISO-SPP seam to conclude that it is simply illogical that there are no potential projects to be built across the seam. The existence of the seam itself is arbitrary, as it reflects only the dividing point between the two RTOs based on voluntary self-selection by transmission owners and market participants, and not any idiosyncratic geographic feature or electrical system characteristic. And while there is nothing inherently wrong with having the two RTOs separated as they are, there are consequences resulting from this divide, especially when a seam, such as this one, is underbuilt relative to its requirements. The problems that arise are similar to those found when a particular region within an RTO is underbuilt; existing lines become congested, the price for service on those lines is inflated, loop flows increase, and other reliability and operational problems develop. In other words, precisely the type of issues currently facing Missouri transmission customers. Yet, while RTOs have the same obligation to address these problems when they are present on an interregional basis as they do managing them within their respective regions, interregional projects which could benefit both regions have not been identified and built. There is no reasonable explanation for failing to manage seams constraints when the only discernable beneficiaries are market participants deriving revenues from perpetuating congestion on the system or limiting competition in wholesale markets.

b. Only SPP's Order No. 1000 Interregional Compliance Filing Provides an Adequate Process for Identifying Cross-Seam Projects Necessary to Ameliorate Missouri Seams Issues

The question of how necessary inter-RTO projects are to be identified and the costs thereof allocated is at a critical juncture. As alluded to earlier, competing proposals to

revise the MISO-SPP interregional transmission planning and cost allocation process are currently pending before the Federal Energy Regulatory Commission (“FERC”).³ The contrasts between the two proposals with respect to the types of projects eligible for interregional cost allocation could not be starker.

MISO’s proposal would permit only Market Efficiency Projects (“MEPs”) as the sole interregionally cost-allocated project category, and adjusted production cost (“APC”) as the sole benefit metric for allocating project costs between the two RTOs. To qualify as for interregional cost allocation under MISO’s proposal, a project must meet five criteria:

- i. Cost: Minimum total project cost of \$5,000,000;
- ii. Joint Evaluation and Recommendation: Evaluation, and recommendation by the MISO-SPP Joint Planning Committee, as part of a Coordinated System Plan;
- iii. Regional Classification: Approval as a Market Efficiency Project under MISO’s Tariff and as an Interregional Project under SPP’s tariff;
- iv. Benefits: MISO’s and SPP’s respective benefits of at least 5 percent of the total benefits for the combined regions; and
- v. In-Service Date: Estimated in-service date within 10 years from the project’s approval by the respective Boards of Directors of MISO and SPP.

Projects that meet this criteria and are selected as interregional projects would be cost-allocated using the APC benefit metric, which is developed by calculating any production cost savings, adjusted to account for purchases and sales. Based on the multi-year analysis of an APC benefit metric for an interregional project, each region would be allocated a percentage of the interregional project costs in proportion to the net present value of the total APC benefits calculated for each region for the first 20 years of the project’s life.

³ Midcontinent Independent System Operator, Inc.’s Compliance Filing for Order No. 1000, Regarding Interregional Transmission Project Coordination and Cost Allocation with Southwest Power Pool, Inc., Docket No. ER13-1938-000 (Jul. 10, 2013); Compliance Filing of Southwest Power Pool, Inc., at 21, Docket No. ER13-1937-000 (Jul. 10, 2013). ITC has filed comments in these dockets.

In contrast, SPP's proposal would allow for interregional projects that consider the full range of potential benefits such projects bring to each RTO's customers. With respect to project categories, SPP does not agree that MEPs should be the only category of project available for interregional cost allocation. Rather, SPP's proposal would permit any type of project that has been approved in both MISO's and SPP's regional planning processes to be considered for interregional cost allocation, including projects driven primarily by reliability or public policy requirements. Projects that meet SPP's proposed interregional qualifications would be cost allocated based on the type of benefit produced. Specifically, while SPP supports MISO's APC metric for economically-driven projects, SPP's proposal also provides for the cost allocation of reliability- and public policy-driven projects in the following ways:

Reliability Projects

- i. If an interregional project would replace or defer a Party's regional project to address a reliability issue, the reliability benefit is the avoided or delayed cost of each Party's regional project(s).
- ii. Because reliability projects may also provide APC benefits, the APC will be calculated pursuant to Section 9.6.3.1.1a. If the project identified by the JPC as primarily addressing a reliability issue also provides APC benefits to either Party, the APC benefit value will be added to the reliability benefit value. Negative APC benefit values will not be considered.

Public Policy Projects

- i. The MISO-SPP Joint Planning Committee will develop a benefit metric for projects identified as primarily addressing public policy issue(s).
- ii. In addition to the public policy benefit metric developed by the JPC, the reliability and APC benefits will be calculated pursuant to Section 9.6.3.1.1a. If the project identified by the JPC as primarily addressing a public policy issue also provides APC benefit to either Party, the APC benefit value will be added to the reliability benefit value. Negative APC benefit values will not be considered.

MISO's proposal would restrict potential interregional projects to those that can meet a single, narrowly-defined benefit metric based solely on economic factors. This proposal would leave out any project designed to ameliorate loop flows, projects designed to fix other reliability-related issues, projects that would assist in meeting Missouri's Renewable Energy Standard, or projects designed to lower the MISO-SPP Regional Through and Out Rate but fail to meet the APC benefit threshold. By contrast, SPP's proposal permits consideration of the full range of potential benefits of potential projects that cross the MISO-SPP seam, including projects designed to address many of the issues cited by the Commission. In sum, MISO's proposal would so significantly limit the scope of eligible interregional projects so as to only continue the past failure of the MISO-SPP JOA, while SPP's proposal offers a constructive and productive path forward. In the absence of a planning process such as that proposed by SPP, Missouri transmission customers are left with the unenviable choice of continuing to experience the negative effects of their position on the underbuilt MISO-SPP seam, or to independently shoulder the full costs of constructing needed transmission projects (such as Phase Angle Regulators to control loop flows) while other parties enjoy the benefits of these projects without sharing in the cost. ITC strongly recommends that the Commission use all of its powers as both a regulatory body and as a party before FERC to promote interregional transmission planning and cost allocation of the type proposed by SPP. In response to the questions posed by the Commission, ITC would also note that requiring all Missouri utilities to join a single RTO or some variant thereof would simply move the problems discussed above to a different geographic location. So long as a seam exists between MISO and SPP, but an inadequate process for identifying and cost allocating projects along that seam remains, the problems identified by the Commission will continue.

c. The KETA Project Shows that Multi-Benefit Projects Can Ameliorate the Same Types of Issues Occurring on the MISO-SPP Seam

A concrete example of the types of relief that robust interregional transmission planning and fair cost allocation can bring to Missouri can be found in the benefits realized from the ITC Great Plains Spearville-Axtell line, also known as the KETA Project. As noted earlier, the effects of underbuilding on an RTO seam is much the same as the effect of underbuilding on an intra-RTO region. Recognizing that just such a situation existed between several regions within SPP, the KETA Project was designed not only to facilitate access to more economic generation sources for transmission customers, but also to reduce congestion across the transmission network by addressing the lack of high-voltage transmission lines between central Nebraska and central and western Kansas, which had caused grid and power flow inefficiencies. As shown in the 2012 SPP State of the Market report, the KETA Project is projected to mitigate congestion at three of the ten most heavily congested flowgates in the SPP footprint.⁴ Additionally, the KETA Project is expected to provide significant congestion relief to the Texas Panhandle area, identified by SPP as the single most heavily congested region within SPP.⁵ Moreover, because the KETA Project has been selected for regional cost allocation in SPP's transmission planning process, the costs of the project are allocated to all beneficiaries, and not merely to those parties for whom the most immediate economic benefits can be identified. Other projects like the KETA Project could be developed to address the SPP-MISO seams issues identified by the Commission. However, until a process is put in place to identify these projects and fairly assign their costs to all

⁴ Southwest Power Pool, Inc., *2012 State of the Market Report* at 85-86 (2013) (available at <http://spp.org/publications/2012-State-of-the-Market-Report.pdf>).

⁵ *Id.* at 96-98.

beneficiaries, there will not be a long-term solution to the issues facing Missouri transmission customers as a function of their position on the MISO-SPP seam.

Respectfully submitted,

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