

May 1, 2013

VIA EMAIL

Andrew Taylor
Doug McLaughlin
Southern Company
Southeastern Regional Transmission Planning

Re: Comments on RTO Interregional Coordination Straw Proposals

Dear Andrew and Doug,

The undersigned public interest organizations want to thank you for the opportunity to comment on the SERTP Order 1000 RTO interregional straw proposals. We offer the following comments, applicable to each of the SPP, PJM and MISO straw proposals unless otherwise specified.

Stakeholders/Transparency

First, the provision to stakeholders of data and models used in interregional coordination is subject to CEII and “non-CEII” confidential information. Without more information about what any potential “non-CEII” confidentiality restrictions may be and whether they differ from existing tariff restrictions in each region, it is not clear whether the interregional process can satisfy Order 1000’s data exchange and transparency requirements.

Second, the SERTP-PJM straw provides for online conferences for interested stakeholders to engage regarding interregional coordination. We think this is an important aspect of the process, but a similar provision is not included in the SPP or MISO straw proposals. We would like to know why the provision is included in the PJM straw and not the other proposals.

Data Exchange

SERTP proposes to exchange power flow models and contingency lists with each of the RTOs. We are concerned that exchanging only this data will not satisfy Order 1000.

First, it is not clear why SERTP does not also propose to exchange stability models and other modeling used in its regional transmission planning process. As we commented in relation to the non-RTO interregional straw proposal, without a comprehensive exchange of data, it is not clear how SERTP can ensure that it and its neighboring regions have the ability to identify and evaluate more cost effective

interregional solutions to identified grid needs.¹ Also, the tariff language should make explicit the assumptions used for all of these models will also be provided to neighboring regions and made available to stakeholders (subject to confidentiality restrictions).

Second, the straw proposals provide no detail as to how differences in data will be harmonized for purposes of interregional evaluation.² Also, they prohibit the use of data not used in the regional transmission planning process, which, depending on how the regions interpret the restriction, may run counter to finding ways to harmonize data and assumptions across regions.

Third, the straw proposals provide the potential for additional data exchange “as necessary and if requested.” The straw proposals provide no criteria for what as necessary and if requested means, and no process by which additional data may be requested by a region or by a stakeholder.

Joint Identification and Evaluation

Order 1000 places a proactive obligation on neighboring regions “to identify possible interregional transmission facilities that could address transmission needs more efficiently or cost-effectively than separate regional transmission facilities and to jointly evaluate such facilities, as well as to jointly evaluate those transmission facilities that are proposed to be located in more than one transmission planning region.”³ It is not clear that the SERTP-RTO straw proposals satisfy this Order 1000 requirement.

First, SERTP’s straw proposals commit to review the RTOs regional plans only every two years, and the review is a precursor for consideration of any interregional projects. Without some sort of process akin to an annual issues review process that is proposed by PJM-MISO and MISO-SPP, and a process by which issues identification leads to joint study, it is not clear that the straw’s proposed process satisfies the obligation to have a mechanism for joint identification and evaluation. Also, the tariffs should make explicit that interregional projects proposed by stakeholders do not have to wait for a biennial review for interregional consideration after being proposed in each of two regions’ regional planning processes, as Order 1000 requires interregional review to take place in the same general timeframe as regional review.⁴

¹ Order 1000 at P 394.

² Coordinated planning requires procedures for identifying and resolving differences in data, models, assumptions, planning horizons and criteria used for evaluating proposed interregional transmission facilities. Order 1000 at P 437.

³ Order 1000 at P 394.

⁴ Order 1000 at P 438 (“we disagree with those commenters that argue that there should be sequential evaluation of transmission projects, as opposed to evaluation on the regional and interregional levels in the same general time frame.”).

Second, there does not appear to be a process or mechanism in place by which the neighboring regions can jointly identify potential interregional projects that are more cost effective. Each of the RTO straw proposals state that following the region's biennial review of the data supplied by the other region, the SERTP and other RTO region "may identify an interregional transmission facility that could be more efficient and cost effective," in which case "each region will perform the required transmission planning analysis/evaluation of the facility to determine if a regional project(s) may be displaced." The description of the process does not seem to involve "joint" identification or evaluation. It is not clear how without some sort of coordinated study, SERTP and its neighboring RTO regions can satisfy the proactive obligation to jointly identify and evaluate potentially superior interregional solutions.

Third, there should be a backstop provision such that an actual joint evaluation does take place on some regular basis. In PJM-MISO and MISO-SPP, the regions have agreed to engage in a coordinated system study at least every three years if the regions do not agree to perform one on a more frequent basis. The backstop ensures just and reasonable rates through the regular evaluation and potential identification of more cost effective and efficient interregional projects.

Fourth, the straw proposals appear to envision only consideration of interregional projects that replace a specific regional project. They effectively prohibit consideration of interregional projects that would displace local and regional projects and/or address other regional system needs. Even if it is more likely that interregional projects will serve as one-for-one replacements for regional projects, the assurance of just and reasonable rates seems to require that the opportunity exist for interregional projects to address any combination of local and regional needs that may be cost effective and efficient. Our cost allocation comments consider the same issue, below.

Cost Allocation

Order 1000 requires the development of interregional cost allocation methods that satisfy the rule's six cost allocation principles. We are concerned that the proposed methods do not satisfy the rule.

First, the definition of interregional facility for the MISO straw proposal includes a requirement that the project be at least 100 miles long. The PJM and SPP straw proposals include no similar limitation. MISO's own definition for a regional project does not include a similar limitation. We would like clarification as to why the limitation exists in the MISO straw and how the limitation comports with the rule's obligations.

Second, the RTO straw proposals include as benefits only avoided regional transmission costs. In its recent MAPP decision, the Commission determined that MAPP's proposed displaced project costs allocation method fails to satisfy the first

cost allocation principle – that costs must be allocated in a manner that is at least roughly commensurate with benefits.⁵ Specifically, the Commission found that such a method “does not adequately assess the potential benefits provided by the transmission facility” because it fails “to account for other benefits associated with addressing economic and public policy-related transmission needs that the regional facility provides.”⁶ We think that the Commission’s rationale may apply to the proposed cost allocation method in the SERTP-RTOs straw proposals. The proposals do not make clear how other benefits of proposed interregional projects will be considered and accounted.

Third and finally, we are concerned about the straw proposals’ language around the removal of interregional projects chosen for cost allocation from regional plans. While regions have the right to remove projects from their plans (and we encourage them to do so when a proposed transmission project is rendered unnecessary), the removal must be subject to the criteria in each of the regions’ regional planning rules. It should not be possible to “un-designate” an interregional project chosen for cost allocation as such.

Thank you for your consideration of these comments. We look forward to discussing them with you at your convenience. If there will not be an opportunity to discuss these comments during an SERTP meeting, we would like to request a meeting (via conference call) to go over them with you at your earliest convenience.

Best regards,

Allison Clements

The Sustainable FERC Project/Natural Resources Defense Council

Frank Rambo

Southern Environmental Law Center

⁵ Order 1000 at P 622.

⁶ *Northwestern Corp., Order on Compliance Filing*, 143 FERC ¶ 61,056 at P 157 (2013).