



DRAFT MINUTES
Regional State Committee Meeting
October 8, 2021 -Net Conference
10:00 a.m. CT

ADMINISTRATIVE ITEMS

The following members participated:

Randy Christmann, North Dakota Public Service Commission (NDPSC)
Kristie Fiegen, South Dakota Public Utilities Commission (SDPUC)
Mike Francis, Louisiana Public Service Commission (LPSC)
Andrew French, Kansas Corporation Commission (KCC)
Dennis Grennan, Nebraska Power Review Board (NPRB)
Geri Huser, Iowa Utilities Board (IUB)
Dana Murphy, Oklahoma Corporation Commission (OCC)
Ted Thomas, Arkansas Public Service Commission (APSC)
Scott Rupp, Missouri Public Service Commission (MoPSC)
Deborah Bransford proxy for Jeff Byrd, New Mexico Public Regulation Commission (NMPRC)
Harika Basaran, proxy for Will McAdams, Texas Public Utility Commission (TxPUC)

President Kristie Fiegen called the Regional State Committee (RSC) Business Meeting to order at 10:00 a.m. by way of participant list via Webex and a quorum was declared. There were 52 participants (Attendance & Proxies).

The first item of business was to ratify the 2021 RSC Nominating Committee. President Kristie Fiegen presented the nominating committee of Chair Dana Murphy (OCC), Commissioner Dennis Grennan (NPRB) and Commissioner Jeff Byrd (NMPRC).

Commissioner Andrew French moved to ratify the 2021 RSC Nominating Committee; Commissioner Dennis Grennan seconded. The motion was approved unanimously.

Chair Dana Murphy reviewed the RSC's comments on the Advanced Notice of Proposed Rule RM21-17-0000, Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection. Several footnotes were added to accommodate differing state views; which culminated in a filing at FERC (Attachment 1).

Commission Andrew French moved to approve the RSC ANOPR comments, which will include changes to footnotes and formatting; Commissioner Scott Rupp seconded. The motion was approved unanimously.

With no further business, the meeting adjourned at 12:04 p.m.

Respectfully Submitted,
Paul Suskie

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Building for the Future Through Electric) Docket No. RM21-17-000
Regional Transmission Planning and Cost)
Allocation and Generator Interconnection)

**COMMENTS OF THE
SOUTHWEST POWER POOL REGIONAL STATE COMMITTEE**

On July 15, 2021, the Federal Energy Regulatory Commission (“FERC” or “Commission”) issued an Advanced Notice of Proposed Rulemaking (“ANOPR”) presenting potential reforms to improve the electric regional transmission planning, cost allocation and generator interconnection processes.¹ The Southwest Power Pool Regional State Committee, Inc. (“SPP RSC”) respectfully submits its comments and appreciates the opportunity to share its collective concerns on the issues raised in the ANOPR.

The SPP RSC is a non-profit, self-governing organization comprised of representatives from the eleven regulatory bodies with jurisdiction over entities participating in the Southwest Power Pool, Inc. (“SPP”). The purpose of the SPP RSC is to provide collective state regulatory agency input on matters of regional importance related to the development and operation of the SPP region’s bulk electric transmission system. The SPP RSC is comprised of retail regulatory commissioners from agencies in Arkansas, Iowa, Kansas, Louisiana, Missouri, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, and Texas.

The SPP RSC requests that, in proposing potential reforms to enhance transmission planning, cost allocation, and generator interconnection, FERC explicitly recognize the essential

¹ *Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection*, 176 FERC ¶ 61,024 (2021).

role states, especially state regulatory authorities, perform in planning, cost allocation, resource adequacy, reliability, and siting. In the spirit of section 209 of the Federal Power Act, the SPP RSC further requests that FERC confer and collaborate with state regulatory authorities on the issues over which FERC and states share jurisdiction. Respectfully, the SPP RSC provides the following comments and concerns:

I. Disparity in Transmission Investment in Regions Could Result in Unintended Consequences, Especially as to Customer Costs.

Over the last 15 years in the SPP region, enormous transmission investment has occurred to interconnect and transport energy from renewable energy resources to loads within the SPP footprint. Before taking any action on the issues identified in the ANOPR, FERC should carefully review submissions from diverse stakeholders to understand whether there are shortcomings with current processes for planning, interconnection, and cost allocation, including whether such issues exist in every region, and whether a one-size-fits-all approach is appropriate for regions with diverse public policy interests, economic demands, and access to energy resources.

Cost allocation methods should be consistent with cost causation principles to ensure just and reasonable transmission rates are developed and applied. FERC and the states will need more information to determine whether any newly-proposed reforms to accommodate generation development adequately protect customer interests before any of the proposals set forth in the ANOPR are adopted. As a starting point for gathering this information, the FERC should work collaboratively with the states on a mutually acceptable long-term approach to help facilitate planning of transmission infrastructure needed to deliver energy and capacity to loads at the lowest reasonable delivered cost.

A forward looking approach should seek to identify resource rich areas and evaluate the most cost effective methods of transporting such resources to load centers on a multi-regional

level.² A more standardized approach to better align different regions’ transmission planning and cost allocation approaches for interregional projects, which has been a barrier to such projects in the past, may be helpful in this process. However, FERC and the Regional Transmission Organizations (“RTO”) must respect the jurisdiction of the states over generation resource selection and siting and not shift costs unfairly from one state to another.

II. Consolidation of Regional Transmission Planning Processes Could Potentially Provide for More Optimized, Holistic, and Cost-efficient Transmission Investment and is Already Being Considered in the SPP Stakeholder Process.

FERC’s ANOPR explains each RTO has multiple transmission planning processes that separately identify upgrades and allocate costs. In SPP, these include the Integrated Transmission Plan (“ITP”), generator interconnection, and transmission service request processes. FERC’s concern is that these separate transmission planning and cost allocation processes may be inappropriately “siloes” and lead to sub-optimal transmission buildout, inconsistency, and potentially create unjust and unreasonable cost allocations and rates.

In October 2020, the SPP Board of Directors (“BOD”) proactively formed the Strategic Re-engineering of Integrated Planning Team (“SCRIPT”) to evaluate and address the multiple transmission planning and cost allocation processes used at SPP. The SCRIPT will be making recommendations to the SPP BOD this October 2021, which will include consolidation of planning processes and improvements to the generation interconnection process. SPP’s proactive efforts are evidence that FERC need not adopt a “one size fits all” solution and can instead allow individual regions to craft and adopt reforms suited to their stakeholder communities.

² The Louisiana Public Service Commission supports an evaluation of cost-effective methods of transporting resources from wind-rich areas; however, Louisiana Public Service Commission does not assume that transportation of such resources is cost-effective without such an evaluation.

Consolidating SPP's major planning processes is the SCRIPT's primary objective to facilitate more optimal and cost efficient transmission investments. The FERC should respect these stakeholder processes and refrain from mandating a particular result. Any one-size-fits-all requirement may delay existing processes and undermine local control and stakeholder rights.

In its ANOPR, FERC discusses criticisms of existing "participant funding" policies, including the so-called "free rider" problem. The RSC is examining whether more holistic, consolidated transmission planning approaches, on both a regional and interregional basis, will substantially address these concerns in the SCRIPT process, and in the seams process described below. Through the SCRIPT process, SPP and its stakeholders are also analyzing whether a better optimized process could help mitigate the "first to the wire" issue that SPP is currently experiencing: transmission solutions are being analyzed concurrently in multiple studies, i.e., ITP, generation interconnection, transmission service request, in which the first study to finish "wins", possibly resulting in sub-optimal development and allocation of costs.

Direct assignments of cost may remain just and reasonable under such approaches. If transmission needs are studied in a single process, customers can be more confident that costs will be equitably borne by all beneficiaries of the identified upgrades. It is important that appropriate cost allocation methodologies are developed so that this optimized process does not become a mechanism to unjustly assign disproportionate costs to load while decreasing the cost burden on other users of the system, including generator interconnection customers.

III. A Need Also Exists for Coordination of RTO Planning Processes Between Regions.

Interregional alignment of time frames and modeling assumptions for planning studies would go a long way towards achieving energy flows across the seams. SPP has experienced this issue in seams/interregional planning with the Midcontinent Independent System Operator, Inc.

(“MISO”). As a result of the different transmission planning processes and the inability to synchronize them, no seams/interregional projects have come to fruition. The state commissioners in MISO and SPP have acknowledged these challenges with interregional planning and independently formed a Seams Liaison Committee (“SLC”) to improve the seams planning process. Perhaps of equal importance, regions studying and resolving transmission needs together should give customers greater confidence that the resulting costs and cost allocation are equitable.

The SPP RSC and MISO Organization of MISO States (“OMS”) formed the SLC in October 2018 to evaluate these challenges and consider optimized, holistic and cost efficient transmission investment. The SLC consists of four State Commissioners from the SPP RSC and MISO OMS with the goals of identifying potential improvements in the following areas and work with SPP and MISO on implementation:

- Increase benefits to ratepayers in both markets by improving market-based transactions and operations across the seam.
- Ensure equal consideration of beneficial regional and inter-regional projects in transmission planning, including evaluation of projects identified in Coordinated System Plans.
- Support the timely interconnection of new resources that includes consideration of the dynamics of the interconnection queue in both RTOs.
- Improve inter-RTO relations through state-led cooperation.

In the first quarter of 2021, the SPP RSC and MISO OMS met separately and approved a final set of recommendations from the SLC. The recommendations include the areas of Targeted Market Efficiency Products, Generator Interconnection, Rate Pancaking, Interregional Planning, and Market-to-Market/ Coordinated Transaction Scheduling/Interface Pricing. The

SLC continues to meet quarterly to address the final recommendations and also formed a Rate Pancaking Working Group (“RPWG”) focused on inventorying different types of rate pancaking along the SPP/MISO SEAM. In October 2021, the RPWG sent two surveys, one to SPP and MISO and one to SPP and MISO members to measure interest in studying rate pancaking issues. As shown in this state-led effort between the SPP RSC and MISO OMS, areas of joint planning and facilities needed to encourage more cost effective and appropriate transactions along the seams between the two RTO’s are key to a more interregional approach.

IV. Benefits From Faster Generation Interconnection May Be Limited Unless Paired With Appropriate Cost Allocation for any Necessary Transmission Build-Out to Facilitate Energy Imports and Exports Among Regions.

FERC’s ANOPR largely focuses on generation queue backlogs and study processes within individual regions. However, at paragraph 63, FERC seeks comment on potential reforms to interregional planning and whether such reforms have relevance to the other potential reforms listed in the ANOPR. While speeding the generation interconnection queue is a legitimate focus, it is likely not the biggest transmission roadblock to meeting demand for a large-scale clean energy transition. If interconnection backlogs are cleared, without providing for imports and exports of that new energy, customers may experience only limited economic benefits. It’s uncertain whether interconnecting vast amounts of new renewable generation can sufficiently further reduce prices to justify large new transmission investments in SPP and still maintain the high level of reliability that the SPP experiences today. There also may be difficulty identifying willing importers of SPP’s energy, as most RTO futures appear to assume renewable energy is being produced and utilized within their own region instead of being imported from a neighboring region.

However, economic benefits can potentially accrue to all regions if large-scale interconnection of low-cost renewable energy can be imported and exported to and from different

regions. A focus on exports is important to the SPP RSC due to the large amount of renewable resources in the SPP region and the amount of these resources currently in the SPP generation interconnection queue. Moreover, two of the SPP RSC's primary responsibilities include resource adequacy and planning for remote resources in the SPP region. The majority of SPP load is on the eastern side of the SPP footprint while the large amount of renewable or remote resources in SPP are located on the western side of the footprint. These remote resources require substantial transmission investment to deliver the energy to loads in the east. Addressing interconnection backlogs may be a legitimate goal, but benefits will be limited if interregional and/or multi-regional transmission planning, cost allocation, and pricing processes are not included.

In addition to the economic benefits of interregional transmission, reliability benefits of enhancing interregional import/export capabilities may exist that can now be quantified given recent extreme weather events and related energy shortages (e.g., the February 2021 Winter Storm Uri impacting Texas and the Great Plains). During Winter Storm Uri, SPP relied heavily on imports from MISO and PJM Interconnection, L.L.C. due mainly to generation unavailability in the SPP footprint. Further analysis and process improvements in interregional transmission development and imports/exports may be necessary, not only to accommodate any clean energy transition but also for potential reliability and resiliency benefits. To the extent that additional benefit metrics are considered by FERC, costs associated with extreme weather events and related energy shortages and quantifiable reliability/resilience benefits should also be considered. In addition, the FERC should be mindful of geographic diversity in this regard. Extreme weather events often impact states and regions differently so increased imports of power from distant locations may not improve reliability or resilience in all locations. No reliability or resilience benefit should be imputed to load that does not actually receive those benefits.

Previous efforts in SPP to facilitate large-scale wind energy exports, including the Export Pricing Task Force, were unsuccessful largely over cost allocation issues and concerns the SPP load would bear disproportionate costs relative to the benefits associated with those exports. The necessity exists for appropriate cost assignment to beneficiaries of large-scale interregional or multi-regional generation and transmission development, including cost assignments to customers who have contracts to purchase that capacity and energy, or to the generators that are simply selling into the RTO markets.

V. FERC’s Potential Reforms May Affect Existing Cost Allocation Challenges That Impact Customers in Generation-Rich Zones and Regions.

In paragraph 88, FERC’s ANOPR seeks comment on whether current cost allocation processes adequately protect customers in “zones or sub-zones within a region that are rich in renewable resources and therefore have generation significantly in excess of the local load.” The question posed by FERC is critical as there are economic, environmental, and/or public policy benefits associated with adding new renewable energy resources. However, these benefits are not shared evenly, as FERC acknowledges, and many different views exist on this topic

Remote resources can often be “disperse” by nature, meaning the resources exist where the natural resource is optimally harvested, which is sometimes far from existing load centers. Others, like solar resources, can and generally will be located near existing load centers. For remote resources, while new transmission facilities may need to be located in renewable rich areas to gather and transport the resource, FERC should recognize these areas may not be the beneficiaries of such investments and may in fact suffer a detriment. The benefits of renewable energy and congestion-relieving transmission tie to economic and environmental and/or public policy. They are not primarily driven by reliability needs. These economic and environmental benefits flow to the zones and customers that actually use the energy – and in proportion to the amounts of energy

consumed. Generation rich zones may actually suffer a negative benefit because as congestion is relieved, low-cost renewable energy becomes available and locational prices equalize. A suggestion could be for transmission planners to create/provide a platform for multi-state planning for states with complementary or mutual requirements or goals to allow for cost allocation among states with similar public policy goals. It is important to ensure that the burden for costs driven by environmental or public policy requirements of one state should not be placed on customers of load serving entities in non-participating states.³

New cost allocation mechanisms, possibly including cost allocation to generators, may be needed to recognize the benefits of interconnecting remote renewable generation that does not flow to the zones hosting the new transmission investments. Benefits may accrue to many different entities and areas, including large load centers and generators, across entire regions, or even across multiple regions. If customers are disproportionately burdened with cost simply because they reside in a renewable rich zone or region, such an outcome may be unjust and unreasonable and not result in an assignment of costs “roughly commensurate” with benefits. Addressing cost allocation challenges will ensure rates remain just and reasonable, allocate costs consistently with cost causation principles, and minimize increasing resistance to new investment in the renewable-rich zones that host the resources. Cost allocation mechanisms must also consider benefits to generation interconnection customers that are not load serving entities.

³ The Missouri Public Service Commission, Kansas Corporation Commission and South Dakota Public Service Commission asserts that there are benefits of renewable energy and congestion-relieving transmission systems that are economic and environmental, and these benefits may be unrelated to any renewable energy mandates or goals. While the burden for costs driven by environmental or public policy requirements of one state should be studied and reviewed so that these issues are addressed and the best solutions are identified, transmission projects related to wind generation and other resources identified as the best option from an economic basis should not have all of their costs allocated to areas with renewable mandates and goals.

VI. FERC Should Consider the Role of State Oversight and Each State's Involvement in Regional Transmission Organizations as it Relates to States' Traditional Roles in Resource Adequacy.

At paragraphs 176-77, FERC's ANOPR partially describes the authorities of the SPP RSC. These SPP RSC authorities generally include the primary responsibility to determine the regional approaches for cost allocation, resource adequacy, and planning for remote resources.

The SPP RSC governance model has given state regulatory authorities a meaningful voice in the SPP stakeholder process. Resource adequacy and cost allocation matters are of critical importance to states' consumer interests, and the SPP RSC Bylaws give the RSC the primary authority to develop regional policies in these two areas and to direct SPP staff to file its proposed methodology under Section 205 of the Federal Power Act. This governance structure ensures SPP accommodates state policy decisions. FERC should also seek approaches that enhance state authority rather than diminishing or diluting it.

VII. Conclusion.

WHEREFORE, the SPP RSC appreciates this opportunity to provide comments and respectfully requests that FERC consider these comments in proceeding forward with Docket No. RM-21-17-000. These comments reflect a consensus of the majority of the RSC member states, though not every state necessarily agrees with or supports each of the positions expressed herein. Individual SPP RSC member states may also be filing separate comments to more fully explain their positions on the issues raised in the ANOPR. The following SPP RSC members generally support this request:

Arkansas Public Service Commission
Iowa Utilities Board
Kansas Corporation Commission
Louisiana Public Service Commission
Missouri Public Service Commission
Nebraska Public Power Review Board

New Mexico Public Regulation Commission
North Dakota Public Service Commission
Oklahoma Corporation Commission
South Dakota Public Utilities Commission
Public Utility Commission of Texas

Respectfully submitted,

/s/ Kristie Fiegen

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President

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