

ITC Holdings Comments on MISO/PJM Interregional Transmission Planning Process and Metrics
MISO/PJM IPSAC
10/9/2015

Support for Certain MISO and PJM Recommended Improvements

ITC supports a number of the changes that MISO and PJM are recommending for the interregional process and metrics, including 1) the elimination of voltage and cost thresholds, and 2) clarification of how approvals and cost allocation will be handled for projects identified in the “Quick Hits” study process. In addition to providing these clarifications for Quick Hits projects, ITC urges MISO and PJM to also resolve how the approval process and cost allocation will be handled for projects such as Duff-Rockport-Coleman, which emerge outside of the IPSAC planning analysis.

ITC also offers some additional recommendations for improving the process and metrics, which are laid out in more detail below.

Comments on Approval Process

ITC notes that we have supported elimination of the regional approval hurdles, rather than eliminating the interregional approval hurdle for interregional projects, as MISO and PJM have recommended. We believe that a project meeting the pre-requisite of providing benefits in both MISO and PJM should have the rebuttable presumption of qualifying for approval in the two regional processes. However, if the interregional approval hurdle is eliminated and the benefit/cost (B/C) ratio is simply used as a screening to determine what passes through for regional approval, the B/C ratio should be lowered to 1.0. In order to provide sufficient information for regional consideration, the benefits and costs to each RTO could be shown separately, with negative benefits counted in the analysis. The costs of the project should then be split between MISO and PJM commensurate with the split of benefits provided by the project, as demonstrated in the analysis.

Regardless of which approval hurdles (interregional or regional) are eliminated, MISO and PJM should include in the process a method for considering multiple benefits simultaneously, rather than limiting determination of a project’s benefits to one type (reliability, market efficiency, public policy) at a time. At a minimum, the process should include a way to evaluate and approve projects that provide different benefits on either side of the seam, such as the recent Duff-Rockport-Coleman example.

Comments on Evaluation Process and Metrics

In terms of the scope of interregional analyses, ITC endorses the use of multiple future scenarios, which help to ensure the identification of projects that enhance the resiliency of the grid and provide flexibility to meet customer needs in an uncertain future. The scenarios should be weighted before conducting analyses, to avoid after-the-fact disputes over cost allocation.

With regard to evaluation metrics, MISO and PJM should consider at least 20 years of benefits in the joint analysis, to be capped at 25 years from the study year, similar to the current MISO methodology. In addition, MISO and PJM have asked whether the 70% Adjusted Production Cost / 30% Net Load Payment split in the interregional benefits analysis is appropriate. ITC notes that if the interregional approval hurdle is eliminated, it is not clear how the 70/30 split is relevant. However, if ITC’s recommendation to retain the interregional approval and eliminate regional approvals is adopted, we agree that the 70% APC / 30% NLP split is appropriate. One caveat is that the current method for calculating the NLP metric should be revisited to determine if it is intuitively correct; for example, a

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project that resolves congestion in the combined footprint should not generally increase NLP for the combined footprint. In addition, the APC and NLP calculations should be zeroed out for the zones that see negative benefits, consistent with PJM's regional benefits determination methodology. Finally, multi-party transactions between PJM and MISO should be re-evaluated, and benchmarking studies performed to determine if the hurdle rates used in the IPSAC models are appropriate.

Additional Recommendations

In addition to the questions posed and feedback specifically requested by MISO and PJM, ITC offers the following for consideration. First, we recommend conducting some additional studies to identify needs that may be addressed by transmission projects on or close to the seam. Examples could be studies to identify the congestion impacts of pseudo-ties and the reliability impacts of Remedial Action Schemes (RAS), in order to determine what transmission investment may be necessary in order to reduce these impacts. Second, ITC notes that MISO and PJM have not defined certain aspects of how an interregional project would be handled, if and when one is approved. For example, it is unclear how PJM would put its portion of a defined interregional project out for competitive solicitation, when PJM's currently regional solicitation process involves posting system needs and requesting proposed solutions. As such, ITC recommends that all aspects of the process be defined, from how the regional and interregional planning timelines would interact, to how approvals would be handled, and the associated project/s be put out for competitive solicitation. This may be best accomplished by taking an existing or sample project and working through the entire process as laid out to date. In this way, any gaps remaining in the process can be identified and addressed.

ITC thanks MISO and PJM for the opportunity to comment, and looks forward to continued work on building a workable process that enables needed transmission projects to be built.