

NIPSCO provides the following comments on the MISO-PJM draft TMEP JOA language that was presented at the MISO-PJM IPSAC meeting on July 29, 2016.

Overall NIPSCO believes that the Targeted Market Efficiency Project has merits and we support the development on many facets, including a methodology that is fully prescribed in the JOA, a mechanism for cost allocation between RTOs, and no individual RTO regional analysis (i.e. no triple hurdle). We believe TMEPs will facilitate small interregional projects being built that will reduce congestion to known cross border constraints and there-by providing relief to transmission customers.

NIPSCO supports the four guiding TMEP principals presented at recent IPSAC meetings, however we have concerns that the process is getting away from these, as it is becoming more complicated and may render TMEPs ineffective. Specifically, we are concerned that the current proposed TMEPs include several discounts to their potential benefits initially based on historical congestion. Including congestion cost discounts for hedging, in addition to the abbreviated years of benefits being considered, may make it difficult for the discounted benefits to meet or exceed project costs. Furthermore, the proposal gives no consideration to any additional production cost savings that may also occur as a result of relieving the congestion, which is another reason not to further discount congestion cost savings.

Concerning the draft tariff language, beside the above point, we recommend additional language/clarity in the flowing areas: Stating TMEPs are considered upgrades and therefore do not qualify as competitive bid or open bid projects. And discussing possible project configurations, for example, a project that is solely located in one RTO, but provides benefits to the other RTO (non-facilities).

Our edits and comments to the latest TMEP draft language are shown in dark red below and in balloons respectively. Some of our feedback is the same or similar to previous feedback provided in response to an earlier RTO request for comments on the draft language at that time.

9.4.3.1.2 Interregional Market Efficiency Project Criteria:

Interregional Market Efficiency Projects fall into one of two categories (a) Targeted Market Efficiency Projects (TMEP) projects; or (b) Market Efficiency Projects. Network Upgrades falling into either category must meet the following criteria applicable to their respective category:

(a) Targeted Market Efficiency Projects

- i. ~~Are~~ evaluated as part of a Coordinated System Plan or joint study process as described in Section 9.3.5.2(c) and demonstrated to have an expectation for substantial congestion relief ~~and address one or more of the~~ identified historical market efficiency issues; ~~and~~
- ii. ~~Address one or more constraints for which at least one dispatchable generator in the adjacent market has a GLDF of 5% or greater with respect to serving load in that adjacent market, as determined using a power flow model agreed to by the JRPC~~
- iii. ~~Have~~ has an estimated in-service date by the ~~4th~~ ~~3rd~~ summer peak season from the summer peak season~~year~~ in which the project is approved ~~by the last Board of the~~ RTOs; ~~and~~

Commented [G\C\J3]: We advocate for an estimated in-service date by the 4th summer peak season rather than the 3rd to account for any state/local approval delays or construction delays that are out of the TO(s) control.

- iv. ~~Have~~ has an estimated installed cost less than \$20 million in study year dollars; and
- v. Has a net benefit to cost ratio of at least 1.00; ~~is~~ determined to have expected future congestion relief of equal to the simple sum of net annual congestion, due to upgrade of the targeted flowgate, over the ~~fourteen~~ year period after the study year, that is equal to or greater than the estimated installed cost of the upgrade, including appropriate long term costs, in study year dollars; ~~where:~~

- i. ~~E~~ expected relief is the amount of a flowgate's anticipated reduction of historical congestion net of any anticipated increases in congestion on nearby flowgates based on the RTO analysis
- ii. ~~N~~ net annual congestion is the estimated average annual historical congestion over the ~~three~~ two year period prior to the study year, with each targeted flowgate's annual congestion amount reduced by the party's estimated value of auction congestion hedge due to feasible Stage 1A ARR on the targeted flowgate.
- i.

Commented [G\C\J4]: If you are going to include hedging you need to increase the years of benefit to the guaranteed ARR allocation period.

Commented [G\C\J5]: 2 years might be more agile approach if there is residual congestion after an upgrade, possibly on a new constraint in the same vicinity

Commented [T\M6]: Allocation of infeasible ARRs will create congestion funding shortfall and flowgates may appear to be over-hedged in the calculation. Assuming flowgates are over-hedged or over-allocated can show negative benefits to relieving congestion. In practice the RTOs may allocate fewer ARRs or consider the shortfall reduction that upgrades may bring as an additional benefit.

~~ii-vi.~~ with input from IPSAC, ~~is~~ recommended by the JRPC as a TMEP and approved by the Boards of each RTO

(b) Market Efficiency Projects

... {MATERIAL OMITTED}

9.4.3.1.2.1 Determination of Benefits to Each RTO from an Interregional Market Efficiency Project:

(a) Targeted Market Efficiency Projects

The RTOs shall jointly evaluate the benefits to the combined markets and to each RTO for each potential TMEP resulting from Section 9.3.5.2(c), according to the following process:

- (i) ~~Determine the GLDFs of each RTO on the targeted constraints~~
- (ii) With input from ~~IPSAC~~ the TO(s) where the project is located, determine the estimated total installed project cost in study year dollars
- (iii) Compare the estimated expected future congestion relief to the estimated project total installed capital cost in study year dollars. The estimated congestion relief shall equal or exceed the total installed capital cost in study year dollars; ~~where:~~
 - a. ~~E~~ expected future congestion relief is the sum of each RTO's expected congestion relief, which is also equal to each RTO's benefit. Adjustments to add back in Market to Market payments may be needed to ensure each RTO's

contribution to total congestion is accurately accounted for, adjusted by Market to Market settlement payments.

- (iv) based on the average of the previous three years of Determine the benefit to cost ratio, for each potential TMEP, calculated as 5 times the estimated historical, annual, total congestion cost relief (net of estimated Auction Revenue Right congestion hedges from the PJM and MISO markets) divided by the estimated total installed capital cost in study year dollars

(b) Market Efficiency Projects

{MARKET EFFICIENCY AND PUBLIC POLICY PROJECT MATERIAL AND COST SHARE MATERIAL OMITTED}

Commented [TM7]: The RTOs have not made it completely clear if the initial balancing congestion they are referring to already includes m2m adjustments (That would then have to be adjusted back) or not.