

155 FERC ¶ 61,008
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Cheryl A. LaFleur, Tony Clark,
and Colette D. Honorable.

PJM Interconnection, L.L.C.	Docket Nos. ER13-1944-001 ER13-1944-002
Midcontinent Independent System Operator, Inc.	ER13-1943-002 ER13-1943-003
PJM Interconnection, L.L.C. Duquesne Light Company	ER13-1924-001
Midcontinent Independent System Operator, Inc.	ER13-1945-001 (not consolidated)

ORDER ON REHEARING AND COMPLIANCE

(Issued April 5, 2016)

1. On December 18, 2014, the Commission issued an order¹ accepting, subject to additional compliance filings, the filings made by PJM Interconnection, L.L.C. (PJM) and PJM Transmission Owners and rejected in part and conditionally accepted in part, subject to further compliance filings, the filings made by Midcontinent Independent System Operator, Inc. (MISO) and MISO Transmission Owners (First Compliance Filings).² These separately submitted filings included revisions to Article IX of the

¹ *PJM Interconnection, L.L.C.*, 149 FERC ¶ 61,250 (2014) (First Compliance Order).

² Unless otherwise noted, we refer to MISO and MISO Transmission Owners jointly as MISO and PJM and PJM Transmission Owners jointly as PJM.

MISO-PJM Joint Operating Agreement (MISO-PJM JOA)³ to comply with the interregional transmission coordination and cost allocation requirements of Order No. 1000.⁴

2. On January 20, 2015, MISO Transmission Owners⁵ submitted a request for rehearing of the First Compliance Order. On July 31, 2015, MISO and PJM separately submitted, pursuant to section 206 of the Federal Power Act (FPA),⁶ revisions to the MISO-PJM JOA to comply with the First Compliance Order (Second Compliance

³ Article IX of the MISO-PJM JOA governs Coordinated Regional Transmission Expansion Planning between MISO and PJM.

⁴ *Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 (2011), *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132, *order on reh'g and clarification*, Order No. 1000-B, 141 FERC ¶ 61,044 (2012), *aff'd sub nom. S.C. Pub. Serv. Auth. v. FERC*, 762 F.3d 41 (D.C. Cir. 2014).

⁵ MISO Transmission Owners for this request for rehearing consist of Ameren Services Company, as agent for Union Electric Company, Ameren Illinois Company and Ameren Transmission Company of Illinois; Arkansas Electric Cooperative Corporation; Big Rivers Electric Corporation; Central Minnesota Municipal Power Agency; City Water, Light & Power; Cleco Power, LLC; Dairyland Power Cooperative; East Texas Electric Cooperative; Entergy Arkansas, Inc.; Entergy Louisiana, LLC; Entergy Gulf States Louisiana, L.L.C.; Entergy Mississippi, Inc.; Entergy New Orleans, Inc.; Entergy Texas, Inc.; Great River Energy; Hoosier Energy Rural Electric Cooperative, Inc.; Indianapolis Power & Light Company; MidAmerican Energy Company; Minnesota Power; Missouri River Energy Services; Montana-Dakota Utilities Co.; Northern Indiana Public Services Co.; Northern States Power Company, a Minnesota corporation, and Northern States Power Company, a Wisconsin corporation, subsidiaries of Xcel Energy Inc.; Northwestern Wisconsin Electric Company; Otter Tail Power Company; Prairie Power Inc.; South Mississippi Electric Power Association; Southern Illinois Power Cooperative; Southern Indiana Gas & Electric Company; Southern Minnesota Municipal Power Agency; Wabash Valley Power Association, Inc.; and Wolverine Power Supply Cooperative, Inc. Entergy Arkansas, Inc.; Entergy Louisiana, LLC; Entergy Gulf States Louisiana, L.L.C.; Entergy Mississippi, Inc.; Entergy New Orleans, Inc. and Entergy Texas, Inc. join only Sections III.A and III.B of this request for rehearing.

⁶ 16 U.S.C. § 824e (2012).

Filings).⁷ In this order, we deny rehearing. We also conditionally accept MISO and PJM's respective Second Compliance Filings, subject to further compliance filings, as discussed below.

I. Background

3. In Order No. 1000, the Commission adopted a package of reforms addressing transmission planning and cost allocation that, taken together, are designed to ensure that Commission-jurisdictional services are provided at just and reasonable rates and on a basis that is just and reasonable and not unduly discriminatory or preferential. In particular, the Commission determined that the transmission planning requirements of Order No. 890⁸ were too narrowly focused geographically and failed to provide for adequate analysis of benefits associated with interregional transmission facilities.⁹ Therefore, in Order No. 1000, the Commission required that each public utility transmission provider: (1) establish further procedures with each of its neighboring transmission planning regions to coordinate and share the results of the respective regional transmission plans to identify possible interregional transmission facilities that may address transmission needs more efficiently or cost effectively than separate regional transmission facilities and jointly evaluate those identified interregional transmission facilities;¹⁰ and (2) describe the methods by which it will identify and evaluate interregional transmission facilities, include a description of the type of transmission studies that will be conducted to evaluate conditions on neighboring systems, and explain

⁷ MISO and PJM state that they have collaborated in drafting their transmittal letters and are submitting parallel tariff language to comply with the Commission's directives in the First Compliance Order. *See* MISO Transmittal Letter at 2; PJM Transmittal Letter at 2.

⁸ *Preventing Undue Discrimination and Preference in Transmission Service*, Order No. 890, FERC Stats. & Regs. ¶ 31,241, *order on reh'g*, Order No. 890-A, FERC Stats. & Regs. ¶ 31,261 (2007), *order on reh'g*, Order No. 890-B, 123 FERC ¶ 61,299 (2008), *order on reh'g*, Order No. 890-C, 126 FERC ¶ 61,228, *order on clarification*, Order No. 890-D, 129 FERC ¶ 61,126 (2009).

⁹ The Commission defined an interregional transmission facility as one that is located in two or more transmission planning regions. Order No. 1000-A, 139 FERC ¶ 61,132 at P 494 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 482 n.374).

¹⁰ Order No. 1000-A, 139 FERC ¶ 61,132 at P 494 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 493 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 396)).

in its open access transmission tariff (OATT) how stakeholders and transmission developers can propose interregional transmission facilities for the public utility transmission providers in neighboring transmission planning regions to evaluate jointly.¹¹

4. The interregional cost allocation reforms in Order No. 1000 also required each public utility transmission provider, together with the public utility transmission providers in its own transmission planning region and a neighboring transmission planning region, to have a common method or methods for allocating the costs of a new interregional transmission facility among the beneficiaries of that transmission facility in the two neighboring transmission planning regions in which the transmission facility is located.¹² The Commission required that each public utility transmission provider's interregional cost allocation method or methods satisfy six interregional cost allocation principles.¹³ To be eligible for interregional cost allocation, an interregional transmission facility must be selected in the relevant transmission planning regions' regional transmission plans for purposes of cost allocation.¹⁴

II. Notice of Filings and Responsive Pleadings

5. Notice of MISO and PJM's July 31, 2015 compliance filings was published in the *Federal Register*, 80 Fed. Reg. 47,483 (2015), with interventions and protests due on or before August 21, 2015. On August 3, 2015, Dayton Power and Light Company filed a timely motion to intervene. On August 11, 2015, Illinois Commerce Commission filed a notice of intervention. On August 21, 2015, ITC Companies (ITC) and Northern Indiana Public Service Company (NIPSCO) filed a joint protest.¹⁵

6. On September 11, 2015, PJM filed an answer to ITC and NIPSCO's protest. On September 25, 2015, ITC and NIPSCO submitted an answer to PJM's answer.

¹¹ *Id.* PP 493 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 398), 522.

¹² Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 578, 582, *order on reh'g*, Order No. 1000-A, 139 FERC ¶ 61,132 at P 626.

¹³ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 603.

¹⁴ *Id.* P 400.

¹⁵ The ITC Companies consist of: International Transmission Company d/b/a ITC Transmission, Michigan Electric Transmission Company, LLC, and ITC Midwest LLC.

III. Discussion

A. Procedural Matters

7. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedures, 18 C.F.R. § 385.214 (2015), the notice of intervention and timely, unopposed motion to intervene serve to make the entities that filed them parties to these proceedings.

8. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2), prohibits an answer to a protest and/or answer unless otherwise ordered by the decisional authority. We will accept PJM's answer and ITC and NIPSCO's answer because they have provided information that assisted us in our decision-making process.

B. Substantive Matters

9. We deny MISO Transmission Owners' request for rehearing, as discussed below. In addition, we find that MISO and PJM partially comply with the directives in the First Compliance Order. Accordingly, we conditionally accept the Second Compliance Filings, subject to MISO and PJM making additional compliance filings, within 30 days of the date of issuance of this order, as discussed below.

1. Evaluation of Interregional Transmission Facilities Driven by Public Policy Requirements

a. First Compliance Order

10. In the First Compliance Order, the Commission found that MISO and PJM's proposed procedures for joint evaluation of identified interregional transmission facilities partially complied with Order No. 1000.¹⁶ However, the Commission found that MISO and PJM did not propose to consider regional transmission needs driven by public policy requirements as part of their evaluation of an interregional transmission facility under the MISO-PJM JOA. Accordingly, the Commission directed MISO and PJM to submit revisions to the MISO-PJM JOA's interregional transmission coordination procedures so that an interregional transmission facility that may resolve regional transmission needs driven by public policy requirements can be considered by each respective regional transmission planning process.¹⁷

¹⁶ First Compliance Order, 149 FERC ¶ 61,250 at P 89.

¹⁷ First Compliance Order, 149 FERC ¶ 61,250 at PP 89, 94.

b. Request for Rehearing**i. Summary**

11. MISO Transmission Owners request rehearing of the Commission's finding that MISO and PJM's proposal does not allow for consideration of regional transmission needs driven by public policy requirements. They argue that this finding is unsupported by substantial evidence and is contrary to the record.¹⁸ MISO Transmission Owners state that, in the First Compliance Filings, MISO acknowledged that it did not establish a specific project type for transmission needs driven by public policy requirements but demonstrated that a project type specific to public policy requirements was not required because existing project types already allow for consideration of regional transmission needs driven by public policy requirements. MISO Transmission Owners state that MISO's expert witness testified in the First Compliance Filings that:

the joint evaluation of proposed [Cross-Border Market Efficiency Projects] will use jointly developed future scenarios that will include the transmission needs driven by public policy requirements that have been identified through MISO's and PJM's respective regional planning processes. Inclusion of each region's public policy-driven transmission needs in the jointly developed future scenarios used to identify and evaluate [Cross-Border Market Efficiency Projects] will capture the potential economic benefits provided by the resources included in the [Regional Transmission Organizations' (RTOs')] respective regional planning processes to address transmission needs driven by these public policy requirements. In addition, when MISO considers the [Cross-Border Market Efficiency Project] for approval as [a Market Efficiency Project], the evaluation will include multiple future scenarios that would include the public policy requirement-driven transmission needs identified through the MISO regional planning process, established in Attachment FF of MISO's [OATT (MISO Tariff)].¹⁹

¹⁸ MISO Transmission Owners Request for Rehearing at 10.

¹⁹ MISO Transmission Owners Request for Rehearing at 10-11 (citing First Compliance Filing, Curran Testimony at 11-12).

12. MISO Transmission Owners also argue that the MISO-PJM JOA, as revised, requires MISO and PJM to use planning models that are developed in accordance with the procedures established by the Joint RTO Planning Committee.²⁰ They state that the Joint RTO Planning Committee will develop joint study models consistent with the models and assumptions used for the regional planning cycle most recently completed. Further, MISO Transmission Owners assert that MISO's transmission expansion plan expressly considers transmission needs driven by public policy requirements and provides a process by which stakeholders may propose transmission projects that are justified based on consideration of such needs.²¹ MISO Transmission Owners conclude that no further modifications to the MISO-PJM JOA are required to meet the requirements of Order No. 1000 to provide for consideration of public policy requirement-driven projects in the transmission planning and allocation of costs for interregional transmission projects at the MISO-PJM seam.

ii. Commission Determination

13. We deny MISO Transmission Owners' request for rehearing. We continue to find that MISO and PJM's proposal in their First Compliance Filings does not allow for consideration of regional transmission needs driven by public policy requirements. The Commission explained that MISO and PJM's compliance proposal involved interregional transmission planning, which is not required by Order No. 1000. However, the Commission stated that, given that MISO and PJM had chosen to conduct interregional transmission planning, their proposal was inconsistent with, the Commission's statement in Order No. 1000-A that "consideration of transmission needs driven by Public Policy Requirements is an essential part of the evaluation of an interregional transmission project, not as part of interregional transmission coordination, but rather as part of the relevant regional transmission planning processes."²²

14. Although MISO Transmission Owners assert that existing project types already allow for consideration of regional transmission needs driven by public policy requirements and that MISO's transmission expansion plan expressly considers transmission needs driven by public policy requirements, we continue to find that, in the

²⁰ MISO Transmission Owners Request for Rehearing at 11 (citing First Compliance Filing, Proposed JOA § 9.3.5.2(b)(vi)).

²¹ MISO Transmission Owners Request for Rehearing at 11 (citing MISO Tariff, Att. FF, at § 9.3.5.2(b)(vi)).

²² First Compliance Order, 149 FERC ¶ 61,250 at P 94 (citing Order No. 1000-A, 139 FERC ¶ 61,132 at P 500).

First Compliance Filings, MISO and PJM did not propose to consider regional transmission needs driven by public policy requirements as part of the evaluation of an interregional transmission facility, as required by Order No. 1000. The First Compliance Order found that MISO and PJM's evaluation of proposed interregional transmission facilities using the Cross Border Baseline Reliability and/or Cross Border Market Efficiency criteria that focus exclusively on regional reliability and regional economic needs does not comply with the evaluation requirements of Order No. 1000 because MISO and PJM do not have a way in their respective regional transmission processes to evaluate proposed interregional transmission facilities that address regional transmission needs driven by public policy requirements not captured by the Cross Border Baseline Reliability and Cross Border Market Efficiency Project categories.²³ In the First Compliance Filings, MISO and PJM proposed interregional transmission planning, which is not required by Order No. 1000.²⁴ Also, contrary to the MISO Transmission Owners' assertion, the fact that the proposed joint evaluation of proposed Cross-Border Market Efficiency Projects "will use jointly developed future scenarios that will include the transmission needs driven by public policy requirements that have been identified through MISO's and PJM's respective regional planning processes"²⁵ does not demonstrate compliance with the requirement in Order No. 1000 to consider regional transmission needs driven by public policy requirements as part of their evaluation of an interregional transmission facility.²⁶ As noted in the example provided in the First Compliance Order, the criteria require that, among other things, a Cross Border Market Efficiency Project satisfy MISO's regional criteria for a market efficiency project,²⁷

²³ First Compliance Order, 149 FERC ¶ 61,250 at P 94.

²⁴ *See, e.g.*, Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 399 (clarifying that "the interregional transmission coordination requirements that [the Commission] adopt[s] do not require formation of interregional transmission planning entities or creation of a distinct interregional transmission planning process to produce an interregional transmission plan").

²⁵ MISO Transmission Owners Request for Rehearing at 10-11 (quoting First Compliance Filing, Curran Testimony at 11-12).

²⁶ *See* First Compliance Order, 149 FERC ¶ 61,250 at PP 93-94.

²⁷ To qualify as a Cross-Border Market Efficiency Project, a transmission project must: (1) have an estimated transmission project cost of \$20,000,000 or greater; (2) be evaluated as part of a Coordinated System Plan or joint study process; (3) meet a threshold benefit to cost ratio of 1.25; (4) qualify as an economic transmission enhancement or expansion under the terms of the PJM Regional Transmission Expansion

(continued...)

which does not consider regional transmission needs driven by public policy requirements. Thus, an interregional transmission facility that primarily satisfies a regional transmission need driven by public policy requirements, but does not meet the criteria for a market efficiency project in MISO, cannot be evaluated at the regional level.²⁸ Therefore, we continue to find that the proposal in the First Compliance Filings does not comply with Order No. 1000 because MISO and PJM's proposal failed to identify and evaluate interregional transmission facilities that provide benefits associated with meeting public policy requirements.

15. Similarly, contrary to MISO Transmission Owners' assertion, section 9.3.5.2(b)(vi) of Attachment FF of the MISO Tariff does not fulfill the requirement in Order No. 1000 to consider regional transmission needs driven by public policy requirements as part of their evaluation of an interregional transmission facility. While section 9.3.5.2(b)(vi) of Attachment FF states that the Joint RTO Planning Committee will develop joint study models and assumptions used for the regional planning cycle, the proposed revisions to the MISO-PJM JOA in the First Compliance Filings did not expressly allow for the consideration of regional transmission needs driven by public policy requirements as part of the evaluation of an interregional transmission facility. For instance, MISO and PJM proposed in the First Compliance Filings that the Coordinated System Plan study scope design would "include, as appropriate, evaluation of the transmission system against the reliability criteria, operational performance criteria, and economic performance criteria applicable to [MISO and PJM]."²⁹ The omission of regional transmission needs driven by public policy requirements from the scope design of the Coordinated System Plan is incongruous with Order No. 1000's requirement for "consideration of transmission needs driven by Public Policy Requirements [to be] an essential part of the evaluation of an interregional transmission project."³⁰ For these reasons, we deny MISO Transmission Owners' request for rehearing.

Plan and also qualify as a market efficiency transmission project under the MISO Tariff; and (5) address one or more constraints for which at least one dispatchable generator in the adjacent market has a generator load distribution factor of five percent or greater with respect to serving load in that adjacent market. First Compliance Order, 149 FERC ¶ 61,250 at n.57.

²⁸ See First Compliance Order, 149 FERC ¶ 61,250 at n.184.

²⁹ PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.3.5.2(b)(v) (Coordinated System Plan Study Process) (1.0.0).

³⁰ Order No. 1000-A, 139 FERC ¶ 61,132 at P 500.

c. Second Compliance Filings

i. Summary

16. In the Second Compliance Filings, MISO and PJM propose several revisions to the MISO-PJM JOA's interregional transmission coordination procedures to comply with the Commission's directive that an interregional transmission facility that may resolve regional transmission needs driven by public policy requirements can be considered by each respective regional transmission planning process.³¹ These revisions expressly reference public policy-related needs within the scope and assumptions and models for the Coordinated System Plan study and provide for the exchange and consideration of information relating to such transmission projects.³² MISO and PJM's proposed revisions also provide for a new category of interregional transmission facilities, Interregional Public Policy Projects, that must: (1) be selected both in the MISO and PJM regional planning processes and be eligible for each region's cost allocation process; and (2) by agreement of the Joint RTO Planning Committee displace one or more regional transmission projects addressing public policy in MISO or one or more public policy projects in PJM as defined in their respective tariffs and more efficiently or cost-effectively meet applicable public policy criteria than the displaced regional transmission project(s).³³

17. In addition, MISO and PJM's proposed revisions in the Second Compliance Filings provide that, through their respective regional transmission planning processes, MISO and PJM, respectively, will evaluate proposals to determine whether the proposed Interregional Public Policy Project addresses public policy-related needs that are currently being addressed by public policy projects in its regional transmission planning

³¹ First Compliance Order, 149 FERC ¶ 61,250 at PP 89, 94. *See* PJM, Interregional Agreements, MISO-JOA, art. IX, §§ 9.2.1 (Annual Data and Information Exchange Requirement), 9.2.2 (Data and Information Exchange Upon Request), 9.3 (Coordinated System Planning), 9.3.5.2(b)(v) and (vi) (Development of the Coordinated System Plan), 9.4.3.1.3 (Interregional Public Policy Project Criteria), 9.4.3.2.3 (Cost Allocation for an Interregional Public Policy Project) (2.1.0).

³² MISO Compliance Filing, Docket No. ER13-1943-003, at 12; PJM Compliance Filing, Docket No. ER13-1944-002, at 8.

³³ PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.4.3.1.3 (Interregional Public Policy Project Criteria) (2.1.0).

process and, if so, which public policy projects in that regional transmission planning process could be displaced by the proposed Interregional Public Policy Project.³⁴

ii. Commission Determination

18. Because MISO and PJM propose a new project category and evaluation criteria for interregional transmission projects that resolve regional transmission needs driven by public policy requirements (i.e., Interregional Public Policy Project) and propose to revise the MISO-PJM JOA to expressly reference public policy-related needs as being included in the scope, assumptions and models for the Coordinated System Plan study, we find that the Second Compliance Filings comply with the Commission's directive to submit interregional transmission coordination procedures allowing an interregional transmission facility that may resolve regional transmission needs driven by public policy requirements to be considered by each respective regional transmission planning process.

2. Cost Allocation

a. First Compliance Order

19. In the First Compliance Order, the Commission rejected MISO's proposal to remove the Cross-Border Baseline Reliability Project cost allocation method from the MISO-PJM JOA.³⁵ The Commission agreed that, as currently defined in the MISO-PJM JOA, a Cross-Border Baseline Reliability Project cannot be selected in MISO's regional transmission plan for purposes of cost allocation.³⁶ But the Commission stated that MISO may not remove the current cost allocation for these projects because the Commission previously directed MISO and PJM to develop the *ex ante* cost allocation method for Cross-Border Baseline Reliability Projects set forth in the currently effective MISO-PJM JOA.

20. The Commission also found that PJM Transmission Owners' proposal to use the existing Cross-Border Market Efficiency Projects and Cross-Border Baseline Reliability Projects cost allocation methods was consistent with Interregional Cost Allocation

³⁴ PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.4.3.1.3 (Interregional Public Policy Project Criteria) (2.1.0).

³⁵ First Compliance Order, 149 FERC ¶ 61,250 at P 174.

³⁶ First Compliance Order, 149 FERC ¶ 61,250 at P 174 (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 109 FERC ¶ 61,168, at P 60 (2004)).

Principles 1, 2, 3, 4, and 5.³⁷ However, because MISO's Baseline Reliability Projects cannot be selected in MISO's regional transmission plan for purposes of cost allocation, the Commission found Cross-Border Baseline Reliability Projects were unsatisfactory as an interregional transmission project category for the purpose of complying with the requirements of Order No. 1000.³⁸ As a result of this conflict, the Commission stated that the existing cost allocation methods in the MISO-PJM JOA did not provide for the allocation of costs for interregional reliability transmission solutions and that MISO and PJM's proposed modifications to the MISO-PJM JOA did not provide an Order No. 1000-compliant allocation of costs for interregional reliability transmission solutions.

21. In the First Compliance Order, the Commission noted that public utility transmission providers are permitted, but not required, to designate different types of transmission facilities, such as transmission facilities needed for reliability, congestion relief, or achieving public policy requirements.³⁹ The Commission further stated that, unless public utility transmission providers decide to have a different cost allocation method for each different type of interregional transmission facility, then they must have one interregional cost allocation method that applies to all three types of interregional transmission facilities. While the Commission conditionally accepted the First Compliance Filings' proposed Cross-Border Market Efficiency Project cost allocation method, the Commission found that, to comply with Interregional Cost Allocation Principle 6, MISO and PJM must also have an interregional cost allocation method(s) for transmission projects that address regional reliability needs and transmission needs driven by public policy requirements.⁴⁰ Accordingly, the Commission directed MISO and PJM to submit a further compliance filing to: (1) revise their currently existing Cross-Border Baseline Reliability Project and/or Cross-Border Market Efficiency Project cost allocation method(s), or propose a new interregional cost allocation method(s), that applies to interregional transmission projects addressing regional reliability transmission needs and are eligible to be selected in both MISO's and PJM's regional transmission plans for purposes of cost allocation; and (2) revise their currently existing Cross-Border Baseline Reliability Project and/or Cross-Border Market Efficiency Project cost allocation method(s), or propose a new interregional cost allocation method(s), that applies to interregional transmission projects addressing regional transmission needs

³⁷ First Compliance Order, 149 FERC ¶ 61,250 at P 185.

³⁸ First Compliance Order, 149 FERC ¶ 61,250 at P 191.

³⁹ First Compliance Order, 149 FERC ¶ 61,250 at P 190 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 685, 686).

⁴⁰ First Compliance Order, 149 FERC ¶ 61,250 at P 190.

driven by public policy requirements and are eligible to be selected in both MISO's and PJM's regional transmission plans for purposes of cost allocation or provide a detailed description of how their revised cost allocation method(s) accounts for regional transmission needs driven by public policy requirements.⁴¹

b. Request for Rehearing

i. Summary

(a) Cross-Border Baseline Reliability Projects

22. MISO Transmission Owners request rehearing of the Commission's denial of MISO's proposal to remove the Cross-Border Baseline Reliability Project cost allocation in the MISO-PJM JOA. They argue that the MISO-PJM JOA contradicts the interregional cost allocation principles established by Order No. 1000 and, by refusing to permit MISO to amend the MISO-PJM JOA to conform to Order No. 1000, the Commission effectively changed its policies without providing a reasoned explanation.⁴² MISO Transmission Owners note that Order No. 1000 established the principle that "an interregional transmission facility must be selected in both of the relevant regional transmission planning processes for purposes of cost allocation in order to be eligible for interregional cost allocation pursuant to a cost allocation method required under this Final Rule."⁴³ MISO Transmission Owners point out that, because the Commission accepted MISO's revisions providing that Baseline Reliability Projects located in a single MISO pricing zone are not eligible for cost allocation on a regional basis, Baseline Reliability Projects located in MISO are ineligible for cost allocation on a regional basis.⁴⁴ MISO Transmission Owners add that the MISO-PJM JOA is also inconsistent with Order No. 1000's requirement that such a transmission project first be selected for regional cost allocation because the MISO-PJM JOA provides that the costs of Cross-Border Baseline Reliability Projects could be allocated on an interregional basis without first requiring

⁴¹ First Compliance Order, 149 FERC ¶ 61,250 at P 193.

⁴² MISO Transmission Owners Request for Rehearing at 5.

⁴³ MISO Transmission Owners Request for Rehearing at 6 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 582).

⁴⁴ MISO Transmission Owners Request for Rehearing at 6 (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 142 FERC ¶ 61,215 (2013)).

that the transmission project be selected for regional cost allocation by both MISO and PJM.⁴⁵

23. MISO Transmission Owners also argue that there is no presumption in Order No. 1000 in favor of existing agreements.⁴⁶ MISO Transmission Owners claim that, while the Commission recognized that, through the MISO-PJM JOA, MISO and PJM had in place an existing cross-border allocation method that allows cost allocation to one RTO of a facility located entirely within the other RTO, Order No. 1000 left open the issue of whether that existing method fulfills other principles discussed in Order No. 1000.⁴⁷ MISO Transmission Owners point out that the Commission stated that it would not necessarily require MISO and PJM to change the MISO-PJM JOA method but offered them the opportunity to justify the method if they believed that the method was consistent with Order No. 1000.⁴⁸ MISO Transmission Owners argue that it is necessary to modify the MISO-PJM JOA because MISO concluded that the cross-border allocation method, which permits interregional cost allocation for facilities even though those facilities are not eligible for regional allocation, was inconsistent with Order No. 1000.

24. MISO Transmission Owners acknowledge that, in 2004, the Commission ordered MISO and PJM to develop a proposal for allocating to each RTO's customers the cost of new transmission facilities that are built in one RTO but provide benefits to customers in the other RTO.⁴⁹ MISO Transmission Owners state that this directive led to the development of the Cross-Border Baseline Reliability Project cost allocation. MISO Transmission Owners also acknowledge that the removal of that method may be contrary to the 2004 Order but argue that it was done because "MISO has shown that the benefits of a Baseline Reliability Project are realized primarily in the pricing zone in which the

⁴⁵ MISO Transmission Owners Request for Rehearing at 7.

⁴⁶ MISO Transmission Owner Request for Rehearing at 6-7 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 795) (noting that "[w]hether an existing process was approved previously by the Commission is not dispositive of whether that process complies with this Final Rule").

⁴⁷ MISO Transmission Owner Request for Rehearing at 6 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 662).

⁴⁸ MISO Transmission Owners Request for Rehearing at 7 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 795).

⁴⁹ MISO Transmission Owners Request for Rehearing at 7 (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 109 FERC ¶ 61,168, at P 60 (2004) (2004 Order)).

project is located.”⁵⁰ MISO Transmission Owners argue that, between compliance with the 2004 Order and Order No. 1000, MISO chose to act in accordance with the Commission’s most recent guidance: Order No. 1000 and the Commission’s order accepting the removal of Baseline Reliability Projects from regional cost allocation.⁵¹ MISO Transmission Owners contend that, under those orders, interregional cost allocation of transmission projects located solely within MISO or PJM are no longer permitted unless both RTOs select the transmission project for regional cost allocation. MISO Transmission Owners add that, because MISO can no longer select those transmission projects for regional cost allocation, there cannot be interregional cost allocation for Cross-Border Baseline Reliability Projects.⁵² MISO Transmission Owners conclude, therefore, that the only way to comply with Order No. 1000 and the current MISO Tariff is to revise the MISO-PJM JOA to remove the interregional allocation for Cross-Border Baseline Reliability Projects located in a single RTO, as MISO proposed.

(b) Tie-Line Projects

25. MISO Transmission Owners argue that the Commission erred by failing to address the justness and reasonableness of MISO’s proposal to allocate tie-line projects on an interregional basis and to establish a voluntary process for allocating costs of reliability projects located in an RTO.⁵³ MISO Transmission Owners state that, in the First Compliance Filings, MISO proposed to divide the costs of tie-lines between RTOs and to recover the costs incurred by the affected MISO Transmission Owner(s) from the pricing zone(s) in accordance with the MISO Tariff.⁵⁴ They state that, under this proposal, the affected MISO and PJM Transmission Owners would work together to reach an

⁵⁰ MISO Transmission Owners Request for Rehearing at 7 (citing *Midwest Indep. Transmission Sys. Operator, Inc.*, 142 FERC ¶ 61,215 at P 520).

⁵¹ MISO Transmission Owners Request for Rehearing at 7-8.

⁵² MISO Transmission Owners Request for Rehearing at 8.

⁵³ MISO Transmission Owners Request for Rehearing at 8 (citing *Entergy Servs., Inc.*, 116 FERC ¶ 61,275, at P 32 (2006); *California Independent System Operator Corp.*, 106 FERC ¶ 63,026, at P 57 (2004); *New England Power Co.*, 52 FERC ¶ 61,090, at 61,336 (1990), *reh’g denied*, 54 FERC ¶ 61,055, *aff’d*, *Town of Norwood v. FERC*, 962 F.2d 20 (D.C. Cir. 1992); *City of Bethany v. FERC*, 727 F.2d 1131, 1136 (D.C. Cir. 1984)).

⁵⁴ MISO Transmission Owners Request for Rehearing at 8 (citing MISO First Compliance Filing at 29-32).

agreement on cost sharing. MISO Transmission Owners state that, if no agreement can be reached, then if there is no such reliability benefit in the RTO in which it is to be located, the affected Transmission Owners may elect not to proceed.⁵⁵ MISO Transmission Owners explain that, if the transmission project is needed to address reliability within that RTO, then the Transmission Owner may either proceed with a Baseline Reliability Project under the appropriate tariff or work with the RTO to identify an alternative network upgrade to address the reliability issue.⁵⁶ MISO Transmission Owners claim that this proposal addressed the conflict between Order No. 1000 and the MISO Tariff provisions governing Baseline Reliability Projects on one hand and the prior version of the MISO-PJM JOA on the other hand, while providing maximum flexibility in funding cross-border projects. MISO Transmission Owners argue that, in Order No. 1000, the Commission gave MISO and PJM the opportunity to justify the interregional cost allocation method in the MISO-PJM JOA and that the Commission cannot now reject it without evaluating the merits of the proposal.⁵⁷

ii. Commission Determination

26. We deny MISO Transmission Owners' request for rehearing. MISO Transmission Owners argue that the Commission erred by failing to address the justness and reasonableness of MISO's proposal to allocate tie-line projects on an interregional basis and to establish a voluntary process for allocating costs of reliability projects located in one RTO. However, as the Commission has previously stated, compliance filings must be limited to the specific directives in the Commission's order.⁵⁸ Among other things, in Order No. 1000, the Commission required that, pursuant to FPA section 206, each public utility transmission provider submit a compliance filing revising its open access transmission tariff to demonstrate that it meets the requirements set forth in the

⁵⁵ MISO Transmission Owners Request for Rehearing at 8-9 (citing MISO First Compliance Filing at 29-32).

⁵⁶ MISO Transmission Owners Request for Rehearing at 9.

⁵⁷ MISO Transmission Owners Request for Rehearing at 9-10 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 662; First Compliance Order, 149 FERC ¶ 61,250 at P 174).

⁵⁸ *See, e.g., Sierra Pacific Power Co.*, 80 FERC 61,376, at 62,271 (1997) ("The sole purpose of a compliance filing is to make the revisions directed by the Commission."); *accord, Delmarva Power & Light Co.*, 63 FERC ¶ 61,321, at 63,160 (1993) ("the sole relevant issue in reviewing [a] compliance filing is whether it complies with the directions in the [order].").

Final Rule with respect to interregional transmission coordination procedures and an interregional cost allocation method(s).⁵⁹ We continue to find that MISO's proposal to remove the Cross-Border Baseline Reliability Project cost allocation method from the MISO-PJM JOA is not required for compliance with the interregional cost allocation requirements for interregional transmission facilities in Order No. 1000.⁶⁰ As noted in the First Compliance Order, MISO's proposal to allocate tie-line projects on an interregional basis was intended to replace the currently effective Cross-Border Baseline Reliability Project cost allocation method in the MISO-PJM JOA.⁶¹ Because we find that MISO may not remove the currently effective Cross-Border Baseline Reliability Project cost allocation method in the MISO-PJM JOA, we do not need to address MISO's proposal to replace that cost allocation method in this compliance proceeding. Therefore, the Commission directed MISO to retain the existing cost allocation method for Cross-Border Baseline Reliability Projects.

27. Consistent with our denial here of MISO Transmission Owners' request for rehearing, we direct MISO and PJM to submit, within 30 days of the date of issuance of this order, further compliance filings to restore the existing Cross-Border Baseline Reliability Project category and cost allocation method to the MISO-PJM JOA. We note that in the next section of this order, we conditionally accept MISO's proposal to establish a new "Interregional Reliability Project" category to comply with the interregional cost allocation requirements of Order No. 1000. This project category should be in addition to the Cross-Border Baseline Reliability Project category, not a replacement of the existing Cross-Border Baseline Reliability Project category.

c. Second Compliance Filings

i. Summary

28. MISO and PJM propose to revise the MISO-PJM JOA to include three different categories of interregional transmission projects eligible for interregional cost allocation: Interregional Reliability Projects, Interregional Market Efficiency Projects, and Interregional Public Policy Projects.⁶² MISO and PJM state that Interregional Reliability

⁵⁹ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 792.

⁶⁰ First Compliance Order, 149 FERC ¶ 61,250 at 174.

⁶¹ First Compliance Order, 149 FERC ¶ 61,250 at P 128.

⁶² MISO Compliance Filing, Docket No. ER13-1943-003, at 12; PJM Compliance Filing, Docket No. ER13-1944-002, at 15.

Projects and Interregional Market Efficiency Projects replace the Cross-Border Baseline Reliability Project and Cross-Border Market Efficiency Project categories, respectively, in the existing MISO-PJM JOA.

29. MISO and PJM propose criteria to provide that Interregional Reliability Projects and Interregional Public Policy Projects must be selected in both MISO's and PJM's regional planning processes and be eligible for each region's cost allocation processes.⁶³ They also propose that Interregional Reliability Projects and Interregional Public Policy Projects must be determined by the Joint RTO Planning Committee to displace one or more reliability or public policy transmission projects, respectively, in either or both MISO and PJM and more efficiently or cost-effectively meet applicable criteria in those regions. Regarding the displacement of regional transmission projects by Interregional Reliability Projects and Interregional Public Policy Projects, MISO and PJM will only analyze proposed regional transmission projects that have not yet been approved by MISO's and PJM's respective Boards and made part of each region's respective regional transmission plans. Additionally, MISO and PJM propose non-substantive changes to the section of the MISO-PJM JOA governing the qualification of Interregional Market Efficiency Projects.⁶⁴

30. MISO and PJM propose a new cost allocation method that applies to Interregional Reliability Projects and Interregional Public Policy Projects.⁶⁵ They propose that the costs for Interregional Reliability Projects or Interregional Public Policy Projects will be allocated to each RTO based on the avoided costs of the regional transmission facilities in each region that are displaced by the Interregional Reliability Project or Interregional Public Policy Project. Specifically, MISO and PJM propose that the costs of an Interregional Reliability Project or Interregional Public Policy Project will be divided between the two regions based on the ratio of the present value of the estimated costs of such region's displaced reliability or public policy transmission projects, respectively, to the total of the present value of the estimated costs of the displaced reliability or public

⁶³ PJM Compliance Filing, Docket No. ER13-1944-002, at 16, 17; PJM, Interregional Agreements, MISO-JOA, art. IX, §§ 9.4.3.1.1, 9.4.3.1.3 (2.1.0).

⁶⁴ *See* PJM Compliance Filing, Docket No. ER13-1944-002, at 17; PJM, Interregional Agreements, MISO-JOA, art. IX, §§ 9.4.3.1.2 (Interregional Market Efficiency Project Criteria) (2.1.0).

⁶⁵ MISO Compliance Filing, Docket No. ER13-1943-003, at 13-14; PJM Compliance Filing, Docket No. ER13-1944-002, at 9; PJM, Interregional Agreements, MISO-JOA, art. IX, §§ 9.4.3.2.1, 9.4.3.2.3 (2.1.0).

policy transmission projects in both regions.⁶⁶ MISO and PJM state that the displaced estimated costs will be determined by MISO and PJM in accordance with their respective procedures for defining project estimated costs and the applicable discount rates will be the discount rates developed by MISO and PJM for use in their respective planning processes. The costs allocated to each region will then be allocated regionally pursuant to each region's cost allocation process.

31. MISO and PJM note that the cost allocation method for Cross-Border Market Efficiency Projects (now referred to as Interregional Market Efficiency Projects), which the Commission accepted in the First Compliance Order, remains unchanged.⁶⁷

32. PJM asserts that the proposed cost allocation methods are consistent with Order No. 1000's six Interregional Cost Allocation Principles, noting that the Commission has approved similar avoided-cost methods.⁶⁸ PJM argues that the proposed avoided-cost method is consistent with Interregional Cost Allocation Principle 1 because the costs of Interregional Reliability Projects and Interregional Public Policy Projects will be allocated in proportion to the quantifiable benefits of avoided or displaced transmission projects within each region.⁶⁹ PJM states that the benefits of Interregional Reliability Projects and Interregional Public Policy Projects will be quantified based on the costs of the regional facilities in PJM and MISO that could be displaced by the proposed interregional facility.

33. PJM argues that the cost allocation proposal meets Interregional Cost Allocation Principles 2 and 4.⁷⁰ PJM states that Interregional Reliability and Interregional Public Policy Projects are only eligible for interregional cost allocation if they are included in

⁶⁶ MISO Compliance Filing, Docket No. ER13-1943-003, at 13; PJM and PJM Compliance Filing, Docket No. ER13-1944-002, at 17; PJM, Interregional Agreements, MISO-JOA, art. IX, §§ 9.4.3.2.1, 9.4.3.2.3 (2.1.0).

⁶⁷ *See* MISO Compliance Filing, Docket No. ER13-1943-003, at 14; PJM Compliance Filing, Docket No. ER13-1944-002, at 10; PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.4.3.2.2 (Cost Allocation for an Interregional Market Efficiency Project) (2.1.0).

⁶⁸ PJM Compliance Filing, Docket No. ER13-1944-002, at 10 (citing *ISO New England, Inc.*, 151 FERC ¶ 61,133 (2015) (Northeastern Protocol Order)).

⁶⁹ PJM Compliance Filing, Docket No. ER13-1944-002, at 11.

⁷⁰ PJM Compliance Filing, Docket No. ER13-1944-002, at 12-13.

each region's regional transmission plan and MISO or PJM can avoid involuntary interregional cost allocation by not selecting the interregional transmission project in their respective regional plans. PJM also contends that the cost allocation proposal meets Interregional Cost Allocation Principle 3 because it does not establish a benefit/cost threshold for interregional cost allocation.⁷¹

34. PJM argues that the cost allocation proposal meets Interregional Cost Allocation Principle 5 because the benefits under the avoided-cost approach are readily quantifiable, the cost allocation method and data requirements for determining benefits and identifying beneficiaries are transparent, and there is sufficient documentation to allow stakeholders to determine how the cost allocation method was applied to a proposed facility.⁷² Finally, PJM asserts that the cost allocation proposal meets Interregional Cost Allocation Principle 6 because there are different cost allocation methods for each of the different types of interregional transmission projects.⁷³

ii. Protest

35. ITC and NIPSCO argue that the Second Compliance Filings fail to comply with the First Compliance Order and Order No. 1000 generally with respect to the proposals for selection and cost allocation of interregional transmission projects. Specifically, ITC and NIPSCO state that the Second Compliance Filing fails to comply with Order No. 1000's requirement that adjoining RTOs develop a formal procedure to identify and jointly evaluate interregional transmission facilities that are proposed to be located in neighboring transmission planning regions for the purpose of facilitating the identification of interregional solutions that may resolve each region's needs more efficiently or cost-effectively.⁷⁴ ITC and NIPSCO state that, under MISO and PJM's proposal, a reliability or public policy transmission project can only be selected for interregional cost allocation between both RTOs if it eliminates the need for a regional reliability or public policy transmission project, respectively, which precludes consideration of the full range of potential benefits an interregional transmission project may provide. ITC and NIPSCO contend that, because an interregional transmission

⁷¹ PJM Compliance Filing, Docket No. ER13-1944-002, at 14.

⁷² PJM Compliance Filing, Docket No. ER13-1944-002, at 14.

⁷³ MISO Compliance Filing, Docket No. ER13-1943-003, at 13; PJM Compliance Filing, Docket No. ER13-1944-002, at 14-15.

⁷⁴ ITC and NIPSCO Protest at 10 (citing Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 435).

project must also fit into one of the three segregated project categories in each RTO's regional transmission planning process, transmission projects that provide a sufficient level of benefit to meet a cost-benefit threshold when all types of benefits are considered will consistently be rejected simply because they do not provide a sufficient level of a single benefit type measured in isolation. ITC and NIPSCO also argue that, under MISO and PJM's proposal, an interregional transmission project must provide the same type of benefit in each RTO, and, therefore, transmission projects that provide, for example, reliability benefits to one region and economic benefits to another, would be rejected.⁷⁵

36. Additionally, ITC and NIPSCO claim that a transmission project's benefits, other than avoidance of regional transmission project costs (e.g., reduction in market-to-market payments, improvements in generator deliverability and state renewable portfolio support), will not be considered under MISO and PJM's proposal. They assert that the costs of interregional transmission projects that are approved based on avoided project costs, but which also provide benefits beyond avoided project cost, will be allocated only to customers who would have paid for the avoided regional transmission projects, giving other beneficiaries a free ride.⁷⁶

37. ITC and NIPSCO state that, under MISO and PJM's proposal, transmission projects that are targeted to address interregional transmission issues must first meet separate, inconsistent regional transmission project criteria, using different models with identification of system constraints on each side of the RTOs' seam, before considering interregional transmission issues.⁷⁷ ITC and NIPSCO refer to this process as the "triple hurdle."⁷⁸ They argue that, under this approach, the threshold for a transmission project to obtain approval is effectively the most restrictive criterion from each of the three hurdles.⁷⁹ ITC and NIPSCO state that MISO and PJM may ultimately consider a single proposed interregional transmission project to be different regional transmission project types in their respective transmission planning processes. They claim that this approach would result in the application of two sets of thresholds that would serve to reject a beneficial interregional transmission project for failure to provide the same type of

⁷⁵ ITC and NIPSCO Protest at 11.

⁷⁶ ITC and NIPSCO Protest at 11-12.

⁷⁷ ITC and NIPSCO Protest at 12.

⁷⁸ ITC and NIPSCO Protest at 14.

⁷⁹ ITC and NIPSCO Protest at 12-13.

benefit on each side of the seam.⁸⁰ ITC and NIPSCO also argue that MISO's and PJM's respective regional transmission planning processes consider different periods for measuring the benefits of a transmission project. They explain that MISO considers benefits over a 20-25 year timeframe, PJM considers benefits over 15 years, and the interregional transmission planning process considers a 10-20 year timeframe. ITC and NIPSCO contend that, due to these inconsistencies, a single interregional transmission project considered by each RTO to provide the same single benefit type is treated as having three different levels of benefits depending on the study process.

38. ITC and NIPSCO also argue that, because Interregional Public Policy Projects must displace regional Multi-Value Projects in MISO, the interregional transmission projects will rarely have any chance for approval, which leaves potential Interregional Public Policy Projects subject to an irregular and infrequent Multi-Value Project approval timeline in MISO.⁸¹ ITC and NIPSCO assert that, unlike Market Efficiency Projects and Baseline Reliability Projects that receive regular approvals, MISO has approved only one portfolio of Multi-Value Projects to date and there is no projected second portfolio on the horizon. ITC and NIPSCO contend that, under MISO and PJM's proposal, it is not possible to identify an Interregional Public Policy Project for the purpose of interregional cost allocation if MISO does not consider a regional Multi-Value Project or PJM does not consider a public policy project in the same time frame.

39. ITC and NIPSCO assert that the existing regional transmission project categories in MISO and PJM are unsuited for application to interregional transmission projects.⁸² ITC and NIPSCO request that the Commission direct MISO and PJM to develop a single Interregional Project category that considers the full range of potential project benefits on an additive basis.⁸³ ITC and NIPSCO claim that such an approach will consider a greater share of potential transmission project benefits and will result in the approval of beneficial transmission projects.⁸⁴ Furthermore, ITC and NIPSCO request that the Commission find that the Interregional Project category should not contain any voltage or cost thresholds for transmission project consideration.

⁸⁰ ITC and NIPSCO Protest at 14.

⁸¹ ITC and NIPSCO Protest at 14-15.

⁸² ITC and NIPSCO Protest at 16.

⁸³ ITC and NIPSCO Protest at 17.

⁸⁴ ITC and NIPSCO Protest at 18.

iii. Answers

40. PJM argues that ITC and NIPSCO's protest is a collateral attack on the Commission's findings in the First Compliance Order.⁸⁵ PJM states that, in the First Compliance Order, the Commission found that a transmission project must be selected in both of the relevant regional transmission planning processes in order to qualify as an interregional transmission project and be eligible for interregional cost allocation.⁸⁶ PJM also notes that the Commission accepted PJM and MISO's proposal for evaluating Interregional Market Efficiency Projects. Therefore, PJM argues that ITC and NIPSCO's attacks on the transmission planning process and their proposal to adopt a new transmission planning process for the MISO and PJM seam go beyond the scope of both this compliance proceeding and the requirements of Order No. 1000.⁸⁷ Furthermore, PJM states that many of ITC and NIPSCO's claims are attacks on the regional transmission planning process that the Commission has found just and reasonable and compliant with Order No. 1000.

41. PJM contends that, by asserting that the proposed revisions fail to consider the full range of benefits provided by an interregional transmission project, ITC and NIPSCO seek to require the adoption of a multi-driver type approach to interregional transmission planning and cost allocation for the MISO-PJM seam.⁸⁸ PJM notes that, while a transmission provider may adopt such an approach in its planning process, there is no requirement to do so.⁸⁹

42. PJM notes that, ITC and NIPSCO's argument that the failure to consider the benefits of an interregional transmission project beyond the avoided regional project costs will create in a free ride for some beneficiaries, was rejected by the Commission

⁸⁵ PJM and PJM Transmission Owners Answer at 4.

⁸⁶ PJM and PJM Transmission Owners Answer at 4 (citing First Compliance Order, 149 FERC ¶ 61,250 at P 7).

⁸⁷ PJM and PJM Transmission Owners Answer at 5.

⁸⁸ PJM and PJM Transmission Owners Answer at 5.

⁸⁹ PJM and PJM Transmission Owners Answer at 5-6 (citing *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214, at P 119 (2013)).

when it approved the use of the avoided cost method to allocate the costs of interregional transmission projects.⁹⁰

43. PJM claims that ITC and NIPSCO's arguments that MISO and PJM's proposed revisions requiring an Interregional Public Policy Project to displace a regional public policy project in either MISO or PJM will hamper the opportunity to develop such projects are misplaced.⁹¹ PJM notes that Order No. 1000-A states that a transmission provider is not required to order public policy projects but merely to consider transmission needs driven by public policy projects in its transmission planning process.⁹²

44. In their answer to PJM, ITC and NIPSCO assert that PJM mischaracterizes both the scope of the Commission directives in the First Compliance Order and the arguments raised in their protest.⁹³ ITC and NIPSCO respond that their protest is not a collateral attack on the First Compliance Order because the Second Compliance Filings are the first instances in which MISO and PJM presented a proposal for considering the three categories of benefits of interregional transmission projects and the first instance in which the triple hurdle approach could be addressed. ITC and NIPSCO state that they advocate only that the MISO and PJM regional processes adopt a parallel interregional transmission projects category that utilizes the same criteria as the interregional transmission process in order to avoid the problems created by the triple hurdle.⁹⁴ ITC and NIPSCO assert that the precedent cited by PJM addresses cost allocation only, not interregional joint transmission project evaluation and the criteria used therein, and thus is inapplicable to the arguments contained in their protest.⁹⁵

⁹⁰ PJM and PJM Transmission Owners Answer at 7 (citing Northeastern Protocol Order, 151 FERC ¶ 61,133 at PP 175-176).

⁹¹ PJM and PJM Transmission Owners Answer at 8.

⁹² PJM and PJM Transmission Owners Answer at 8-9 (citing Order No. 1000-A, 139 FERC ¶ 61,132 at PP 318, 320).

⁹³ ITC and NIPSCO Answer at 4.

⁹⁴ ITC and NIPSCO Answer at 5.

⁹⁵ ITC and NIPSCO Answer at 7 (citing Northeastern Protocol Order, 151 FERC ¶ 61,133 at P 77).

iv. **Commission Determination**

45. We find that MISO and PJM's proposal to adopt a three-category cost allocation method to correspond to the three different categories of interregional transmission projects eligible for interregional cost allocation partially complies with the cost allocation requirements for interregional transmission facilities in Order No. 1000. Therefore, we conditionally accept MISO and PJM's proposal, subject to our acceptance of a further compliance filing(s), as discussed below.

(a) **Interregional Reliability Projects and Interregional Public Policy Projects**

46. MISO and PJM propose to allocate the costs of Interregional Reliability Projects and Interregional Public Policy Projects to each RTO based on an "avoided-cost only method," meaning a cost allocation method that relies exclusively on the avoided-costs of displaced regional transmission projects to account for the benefits of interregional transmission projects associated with regional transmission needs driven by reliability and public policy requirements. We find that MISO and PJM's proposal to use an avoided cost-only method for the allocation of costs associated with Interregional Reliability and Interregional Public Policy Projects complies with Interregional Cost Allocation Principles 2, 3, 4, and 6. However, as discussed below, we find that the proposed cost allocation methods for Interregional Reliability Projects and Interregional Public Policy Projects do not comply with Interregional Cost Allocation Principles 1 and 5.

47. As an initial matter, the Commission has previously concluded that an avoided cost-only method was not permissible as the sole cost allocation method for *regional* transmission projects proposed for selection in the regional transmission plan for purposes of cost allocation. As explained in the SERTP-MISO First Compliance Order,⁹⁶ the Commission concluded that an avoided cost-only method is permissible as the sole cost allocation method for *interregional* transmission projects proposed for interregional cost allocation. The Commission stated that the relationship between the regional transmission planning process and the interregional transmission coordination procedures is central to the finding that an avoided cost-only method can comply with the Interregional Cost Allocation Principles.⁹⁷ The Commission explained that Order No. 1000's interregional coordination requirements build upon and complement the

⁹⁶ *Midcontinent Independent Sys. Operator, Inc.*, 150 FERC ¶ 61,045, at PP 177-180 (2015) (SERTP-MISO First Compliance Order).

⁹⁷ SERTP-MISO First Compliance Order, 150 FERC ¶ 61,045 at P 180.

reforms required in the regional transmission planning processes; as a result, use of an avoided cost-only cost allocation method at the interregional level would consider as benefits the cost savings that result when a regional transmission facility selected in a regional transmission plan for purposes of cost allocation is avoided due to the selection of a more efficient or cost-effective interregional transmission facility.⁹⁸

48. In Order No. 1000, the Commission required that each public utility transmission provider identify interregional transmission facilities that may be more efficient or cost-effective than regional transmission facilities using its regional transmission planning process and expected public utility transmission providers to consider all types of *regional* transmission needs driven by regional reliability, economic and/or public policy requirements.⁹⁹ Moreover, in Order No. 1000-A, the Commission explained that, “consideration of transmission needs driven by Public Policy Requirements is an essential part of the evaluation of an interregional transmission project; not as part of interregional transmission coordination, but rather as part of the relevant regional transmission planning processes.”¹⁰⁰ Because of this obligation to identify and evaluate interregional transmission projects to the extent that they might be more efficient or cost-effective in addressing *regional* transmission needs driven by reliability, economic, and/or public policy requirements, Interregional Cost Allocation Principle 1 requires that the interregional cost allocation method must account for all benefits that were identified in the regional transmission planning processes. While it is possible that an avoided cost-only method may comply with Interregional Cost Allocation Principle 1, we find that MISO and PJM’s proposal does not comply with Interregional Cost Allocation Principle 1.

49. MISO and PJM propose that Interregional Public Policy Projects and Interregional Reliability Projects only displace transmission projects that have not yet been approved in MISO’s and PJM’s regional transmission plans. We find that MISO and PJM’s proposal to exempt a regional transmission project from potentially being displaced by an interregional transmission project if the regional transmission project has already been approved in the MISO and PJM regional transmission plan fails to sufficiently consider all of the benefits that may accrue from an interregional transmission project.

⁹⁸ *Id.*

⁹⁹ *Id.* P 368.

¹⁰⁰ Order No. 1000-A, 139 FERC ¶ 61,132 at P 500.

50. Under MISO and PJM's proposal, the costs being avoided are solely those of regional transmission projects that the MISO Board of Directors and PJM Board of Managers have *not* selected as the more efficient or cost-effective solution. By excluding from potential displacement all regional transmission projects that have *already* been selected in MISO's and PJM's regional transmission plans for purposes of cost allocation, MISO and PJM's proposal would sever a key aspect of the relationship between the regional transmission planning process and interregional transmission coordination upon which the Commission relied in finding that an avoided cost-only interregional cost allocation method could comply with the Interregional Cost Allocation Principles. For example, if MISO and PJM do not complete their evaluations of a regional transmission project by selecting it in the regional transmission plan for purposes of cost allocation, it is unlikely that the use of an avoided cost-only method will properly account for the benefits of an interregional transmission project.

51. Moreover, MISO and PJM do not explain on what basis they could conclude that a proposed interregional transmission project is the more efficient or cost-effective solution to a regional need if the regional transmission project against which the interregional transmission project is being measured has not been selected and approved by the MISO Board of Directors and PJM Board of Managers as the more efficient or cost-effective solution. MISO and PJM have not demonstrated, therefore, how an avoided cost-only method that would allocate the costs of an interregional transmission project to beneficiaries of a regional transmission project that has not been selected in the regional transmission plan for purposes of cost allocation, would allocate costs of an interregional transmission project in a manner that is at least roughly commensurate with estimated benefits, as required by Interregional Cost Allocation Principle 1. Accordingly, we direct MISO and PJM to submit, within 30 days of the date of issuance of this order, a further compliance filing that revises the MISO-PJM JOA to state that MISO and PJM will quantify benefits of an interregional transmission project based upon the total avoided costs of regional transmission projects included in the then-current regional transmission plan for purposes of cost allocation that would be displaced if the proposed interregional transmission project was included in the plan.

52. In addition, MISO and PJM's proposed avoided cost-only cost allocation method for Interregional Reliability Projects and Interregional Public Policy Projects does not fully comply with Interregional Cost Allocation Principle 5, which requires that the cost allocation method and data requirements for determining benefits and identifying beneficiaries for an interregional transmission facility must be transparent with adequate documentation to allow a stakeholder to determine how they were applied to a proposed interregional transmission facility.¹⁰¹ Specifically, MISO and PJM must revise the

¹⁰¹ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 668.

avoided cost-only method to make transparent the types of transmission facilities that will be considered in the avoided cost calculation for Interregional Reliability Projects and Interregional Public Policy Projects.

MISO and PJM's proposed cost allocation method for Interregional Reliability Projects states that the avoided cost-only calculation:

...will be determined by the ratio of the present value(s) of the estimated costs of such region's displaced reliability projects as agreed to by the RTOs to the total of the present value(s) of the estimated costs of the displaced *reliability projects* in both regions that have selected the Interregional Reliability Project in their respective regional plans.^[102]

MISO and PJM's proposed Interregional Reliability Project(s) criteria further notes that such a project will be evaluated to determine whether it:

addresses reliability needs that are currently being addressed with *reliability projects* in its regional transmission planning process and, if so, which *reliability projects* in that regional transmission planning process could be displaced by the proposed Interregional Reliability Project.^[103]

PJM's regional transmission planning process has a category of "reliability projects" that encapsulates all projects selected in its regional transmission plan for the purposes of cost allocation that address reliability needs.¹⁰⁴ Therefore, it is clear which regional projects in PJM could potentially be displaced by a proposed Interregional Reliability Project.

¹⁰² PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.4.3.2.1 (Cost Allocation for an Interregional Reliability Project) (2.1.0) (emphasis added).

¹⁰³ PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.4.3.1.1 (Interregional Reliability Project Criteria) (2.1.0) (emphasis added).

¹⁰⁴ See *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,128, at n.677 (2014) ("Reliability Projects are defined as Required Transmission Enhancements included in the Regional Plan to address reliability violations or operational adequacy and performance issues. PJM, Intra-PJM Tariffs, OATT, Schedule 12, § (b)(i)(A)(2)(a) (Regional Facilities and Necessary Lower Voltage Facilities) (5.0.0)"). See also definitions of "Immediate-need Reliability Projects," "Long-lead Projects" and "Short-term Projects."

This is not the case for MISO's regional transmission planning process. MISO acknowledges that that an Interregional Reliability Project can displace a Baseline Reliability Project.¹⁰⁵ In addition, the Commission found that in MISO's regional transmission planning process, transmission projects with reliability benefits selected in the regional transmission plan for purposes of cost allocation are covered by Multi-Value Projects.¹⁰⁶ Therefore, to make clear which MISO transmission projects can be included in the avoided cost calculation for an Interregional Reliability Project, we direct MISO and PJM to submit a further compliance filing, within 30 days of the date of issuance of this order, to revise section 9.4.3.1.1 (Interregional Reliability Project Criteria) to make clear that "reliability projects" include MISO's Multi-Value Projects and Baseline Reliability Projects.

53. Similarly, MISO and PJM's proposed cost allocation method for Interregional Public Policy Projects states that the avoided cost calculation will be based on "public policy projects" in MISO's and PJM's regional transmission planning processes, but neither MISO nor PJM have such a category of regional transmission projects that can be selected in their respective regional transmission planning process for purposes of cost allocation. Instead, MISO captures transmission needs driven by public policy requirements in its analysis of Multi-Value Projects,¹⁰⁷ while PJM considers transmission needs driven by public policy requirements at the assumption stage for both its economic and reliability project categories.¹⁰⁸ Therefore, to make clear that the avoided cost calculation for an Interregional Public Policy Project can include any transmission project in MISO's and PJM's regional transmission plans that addresses transmission needs driven by public policy requirements, we direct MISO and PJM to submit a further compliance filing, within 30 days of the date of issuance of this order, making revisions to section 9.4.3.1.3 (Interregional Public Policy Project Criteria) of the MISO-PJM JOA to make clear that "public policy projects" include Multi-Value Projects in MISO and both economic and reliability projects in PJM.

54. Additionally, we find that MISO and PJM's proposal for determining the applicable discount rate(s) used by MISO to calculate avoided costs for Interregional Public Policy and Interregional Reliability Projects is unclear and, therefore, does not

¹⁰⁵ MISO Compliance Filing at n.72.

¹⁰⁶ *Midwest Indep. Transmission Sys. Operator, Inc.*, 142 FERC ¶ 61,215 at P 519.

¹⁰⁷ MISO Compliance Filing at n.72.

¹⁰⁸ *See PJM Interconnection LLC*, 142 FERC ¶ 61,214 at PP 110-111.

comply with Interregional Cost Allocation Principle 5.¹⁰⁹ In PJM, the proposed discount rate used to calculate the costs of regional reliability projects displaced by Interregional Reliability Projects and regional reliability or economic projects that are displaced by Interregional Public Policy Projects, will be those included in the assumptions reviewed by the PJM Board of Managers each year for use in the economic planning process. In MISO, however, the proposed discount rates used to calculate the avoided costs—and therefore, the benefits—of Interregional Reliability Projects and Interregional Public Policy Projects differ. Specifically, the proposed discount rate for regional reliability projects displaced by proposed Interregional Reliability Projects will be the rate proposed by the Transmission Owner that produces the cost estimate for displaced regional reliability projects. The proposed discount rate for regional projects addressing transmission needs driven by public policy requirements that are displaced by proposed Interregional Reliability Projects are those developed by MISO for cost estimates under review by the MISO Board of Directors. MISO and PJM do not explain why MISO proposes to use different discount rates to calculate the avoided costs of regional projects that are displaced by Interregional Reliability Projects and Interregional Public Policy Projects. We find that, without further explanation, MISO and PJM’s proposal regarding the discount rates used by MISO does not comply with Interregional Cost Allocation Principle 5. Accordingly, we direct MISO and PJM to submit, within 30 days of the date of issuance of this order, a further compliance filing to explain the differences in applicable discount rate(s) used by MISO for determining the avoided costs of regional transmission projects displaced by, and therefore the benefits of, Interregional Reliability and Public Policy Projects.

55. We find that the proposed avoided cost method for Interregional Reliability Projects and Interregional Public Policy Projects complies with Interregional Cost Allocation Principles 2 and 4 because the costs of an interregional transmission facility will be allocated between the MISO and PJM transmission planning regions if that transmission facility is selected for purposes of cost allocation in the regional transmission plans of each respective region. Further, the costs of an interregional transmission facility will only be allocated to the transmission planning regions in which that transmission facility is located.

¹⁰⁹ Interregional Cost Allocation Principle 5 specifies that the cost allocation method and data requirements for determining benefits and identifying beneficiaries for an interregional transmission facility must be transparent with adequate documentation to allow a stakeholder to determine how they were applied to a proposed interregional transmission facility. Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 668.

56. In addition, we find that MISO and PJM's proposed avoided cost allocation method for Interregional Reliability Projects and Interregional Public Policy Projects complies with Interregional Cost Allocation Principle 3 because it does not apply an interregional benefit-to-cost ratio. In Order No. 1000, the Commission stated that Interregional Cost Allocation Principle 3 did not require the use of a benefit-to-cost ratio threshold.¹¹⁰

57. Finally, we find that, as part of MISO and PJM's three-category interregional cost allocation method, the cost allocation method for Interregional Reliability and Interregional Public Policy Projects complies with Cost Allocation Principle 6.

58. We reject as outside the scope of this proceeding ITC and NIPSCO's protest concerning the "triple hurdle," which they claim requires interregional transmission projects to meet separate, inconsistent regional transmission project criteria and be evaluated by significantly different regional models. In the First Compliance Order, the Commission found that a project must be selected in both of the relevant regional transmission planning processes in order to qualify as an interregional transmission project and be eligible for interregional cost allocation.¹¹¹ Thus, it is appropriate for an interregional transmission project to be subject to each region's evaluation process for selecting a proposed interregional transmission facility for purposes of cost allocation. We also decline to require MISO and PJM to develop a single interregional transmission project category, which will consider the full range of potential transmission project benefits on an additive basis. Order No. 1000 requires that a pair of regional transmission planning regions adopt identical criteria for identifying and selecting more efficient or cost-effective interregional transmission solutions. We further note that these and other similar issues have been raised by NIPSCO in its complaint in Docket No. EL13-88-000 and are being considered in that proceeding.

(b) Interregional Market Efficiency Projects

59. We find that MISO and PJM's proposed cost allocation method for Interregional Market Efficiency Projects (formerly called Cross-Border Market Efficiency Projects), which is unchanged from their original proposal, partially complies with Order No. 1000. MISO and PJM propose to allocate the cost of Interregional Market Efficiency Projects

¹¹⁰ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 647; Order No. 1000-A, 139 FERC ¶ 61,132 at P 693.

¹¹¹ First Compliance Order, 149 FERC ¶ 61,250 at P 7.

using a benefit metric based on Adjusted Production Costs and Net Load Payments.¹¹² We continue to find, as outlined in the First Compliance Order, that this proposed cost allocation method complies with Interregional Cost Allocation Principles 1, 2, 3, 4, and 6.¹¹³ However, upon further consideration, we find that MISO and PJM's proposed cost allocation method for Interregional Market Efficiency Projects does not fully comply with Interregional Cost Allocation Principle 5, which requires that the cost allocation method and data requirements for determining benefits and identifying beneficiaries for an interregional transmission facility must be transparent with adequate documentation to allow a stakeholder to determine how they were applied to a proposed interregional transmission facility.¹¹⁴ Specifically, MISO and PJM must revise the cost allocation method to make transparent the types of transmission facilities that will be considered in the benefit metric calculation for Interregional Market Efficiency Projects.

60. The MISO-PJM JOA states that, for all projects that meet the criteria for Interregional Market Efficiency Projects, the costs “will be allocated to the respective RTOs in proportion to the net present value of the total benefits calculated for each RTO pursuant to Section 9.4.3.1.2.1.(a).”¹¹⁵ In addition, MISO and PJM's criteria for Interregional Market Efficiency Projects require that an Interregional Market Efficiency Project must qualify “as an *economic transmission enhancement or expansion* under the terms of the PJM RTEP and also qualif[y] as a *market efficiency project* under the terms of Attachment FF of the [MISO Tariff].”¹¹⁶ Finally, MISO and PJM's proposal states that, using the cost allocated to each RTO pursuant to the MISO-PJM JOA:

each RTO will evaluate the project using its internal criteria to determine if it qualifies as an *economic transmission enhancement or expansion* under the terms of the PJM RTEP

¹¹² PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.4.3.1.2.1 (Determination of Benefits to Each RTO from an Interregional Market Efficiency Project) (2.1.0).

¹¹³ First Compliance Order, 149 FERC ¶ 61,250 at P 185.

¹¹⁴ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 668.

¹¹⁵ PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.4.3.2.2 (Cost Allocation for an Interregional Market Efficiency Project) (2.1.0) (emphasis added).

¹¹⁶ PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.4.3.1.2(iv) (Interregional Market Efficiency Project Criteria) (2.1.0) (emphasis added).

and also qualifies as a *market efficiency project* under the terms of Attachment FF of the [MISO Tariff].^[117]

61. For PJM, the requirement to qualify as an “economic transmission enhancement or expansion” is appropriate because PJM’s regional transmission planning process includes a category of projects that encapsulates all projects selected in its regional transmission plan for the purposes of cost allocation that have address economic constraints and thus are evaluated for economic benefits.¹¹⁸ MISO has two categories of transmission facilities evaluated for economic benefits: Market Efficiency Projects and Multi-Value Projects.¹¹⁹ Therefore, in order for the proposed Interregional Market Efficiency Project

¹¹⁷ PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.4.3.1.2.1(c) (Determination of Benefits to Each RTO from an Interregional Market Efficiency Project) (2.1.0) (emphasis added).

¹¹⁸ See *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,128 at PP 186-187; n. 402 (accepting PJM’s proposed definition “Economic-based Enhancement or Expansion” and finding that an “Economic-based Enhancement or Expansion transmission project proposal is designed to relieve transmission constraints that have an economic impact”; which is a need that is distinguishable from other projects that can be proposed in PJM’s regional transmission planning process). See also *PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,128 at n.678 (“Economic Projects are defined as Required Transmission Enhancements included in the Regional Plan to relieve economic constraints. PJM, Intra-PJM Tariffs, OATT, Schedule 12, § (b)(i)(A)(2)(b) (Regional Facilities and Necessary Lower Voltage Facilities) (5.0.0)”).

¹¹⁹ See *Midwest Indep. Transmission Sys. Operator, Inc.*, 142 FERC ¶ 61,215 (2013). An MVP must be developed through the transmission expansion planning process for the purpose of enabling the Transmission System to reliably and economically deliver energy in support of documented energy policy mandates or laws that have been enacted or adopted through state or federal legislation or regulatory requirement that directly or indirectly govern the minimum or maximum amount of energy that can be generated by specific types of generation. The MVP must be shown to enable the transmission system to deliver such energy in a manner that is more reliable and/or more economic than it otherwise would be without the transmission upgrade. MISO, FERC Electric Tariff, Attachment FF, § II.C.2.a (42.0.0). An MVP must provide multiple types of economic value across multiple pricing zones with a Total MVP Benefit-to-Cost ratio of 1.0 or higher where the Total MVP Benefit-to-Cost ratio is described in Section II.C.7 of this Attachment FF. The reduction of production costs and the associated reduction of LMPs resulting from a transmission congestion relief project

(continued...)

cost allocation method to fully capture economic benefits as part of MISO and PJM's proposed three-category cost allocation method and comply with Interregional Cost Allocation Principle 5, an Interregional Market Efficiency Project must also be able to qualify as a Multi-Value Project under MISO's Tariff or as a Market Efficiency Project. Therefore, we direct MISO and PJM to submit, within 30 days of the date of issuance of this order, further compliance filings to revise section 9.4.3.1.2 (Interregional Market Efficiency Project Criteria) to allow Interregional Market Efficiency Projects to qualify as a Market Efficiency Project *or* a Multi-Value Project under Attachment FF of MISO's Tariff.

3. Other Compliance Directives

a. First Compliance Order and Second Compliance Filings

62. In the First Compliance Order, the Commission directed MISO and PJM to revise the MISO-PJM JOA to: (1) adopt identical language to govern the interregional transmission coordination between MISO and PJM, with any differences limited to those needed to reflect that the discussion is from the perspective of either MISO or PJM; and (2) include a common interregional cost allocation method.¹²⁰ In their Second Compliance Filings, MISO and PJM propose revisions eliminating the differences between PJM and MISO's coordination language in the MISO-PJM JOA and propose a common interregional cost allocation method.¹²¹

63. In addition, in the First Compliance Order, the Commission directed MISO and PJM to revise the definition of cross-border allocation projects consistent with the definition of interregional transmission facility in Order No. 1000 to explicitly allow for transmission projects that are located in two or more transmission planning regions.¹²² In their Second Compliance Filings, MISO and PJM propose and define a new term, Interregional Projects, to indicate that the interregional transmission planning process and

are not additive and are considered a single type of economic value. MISO, FERC Electric Tariff, Attachment FF, § II.C.2.b (42.0.0).

¹²⁰ First Compliance Order, 149 FERC ¶ 61,250 at P 37.

¹²¹ MISO Compliance Filing, Docket No. ER13-1943-003, at 10; PJM Compliance Filing, Docket No. ER13-1944-002, at 3-4.

¹²² First Compliance Order, 149 FERC ¶ 61,250 at P 40.

the related cost allocation methods apply to transmission facilities located in one RTO *and* transmission facilities that cross the seam and are located in both RTOs.¹²³

64. Finally, in the First Compliance Order, the Commission directed MISO and PJM to either: (1) clarify how and where stakeholders and transmission developers can propose interregional transmission projects for joint evaluation through MISO's and PJM's regional transmission planning process, or (2) allow stakeholders and transmission developers to propose interregional transmission projects and explain how the process is transparent so that stakeholders and transmission developers understand why their interregional transmission project does or does not move forward in the process.¹²⁴ In their Second Compliance Filings, MISO and PJM propose revisions that allow stakeholders and transmission developers to submit proposals for Interregional Projects to remedy issues identified in the Coordinated System Plan study and require the regions to provide explanations why the proposed Interregional Projects did not move forward in the process in the final Coordinated System Plan study report.¹²⁵

b. Commission Determination

65. We find that MISO and PJM have complied with these directives in the First Compliance Order.

The Commission orders:

(A) MISO Transmission Owners' request for rehearing is hereby denied, as discussed in the body of this order.

(B) MISO and PJM's compliance filings are hereby conditionally accepted, subject to further compliance filings, as discussed in the body of this order.

¹²³ MISO Compliance Filing, Docket No. ER13-1943-003, at 10; PJM Compliance Filing, Docket No. ER13-1944-002, at 5; PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.4.3.1 (Criteria for Project Designation as an Interregional Project) (2.1.0).

¹²⁴ First Compliance Order, 149 FERC ¶ 61,250 at P 65.

¹²⁵ MISO Compliance Filing, Docket No. ER13-1943-003, at 10-11; PJM Compliance Filing, Docket No. ER13-1944-002, at 6-7; PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.3.5.2(b) (Coordinated System Plan Study Process) (1.1.0).

(C) MISO and PJM are hereby directed to submit further compliance filings, within 30 days of the date of this order, as discussed in the body of this order.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.