

157 FERC ¶ 61,065
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

PJM Interconnection, L.L.C.	Docket Nos. ER13-1944-003 ER13-1944-004
Midcontinent Independent System Operator, Inc.	ER13-1943-004 ER13-1943-005
PJM Interconnection, L.L.C. Duquesne Light Company	ER13-1924-002
Midcontinent Independent System Operator, Inc.	ER13-1945-004 (not consolidated)

ORDER ON REHEARING AND COMPLIANCE FILINGS

(Issued October 28, 2016)

1. On April 5, 2016, the Commission issued an order¹ conditionally accepting, subject to additional compliance, the separate compliance filings made by PJM Interconnection, L.L.C. (PJM) and PJM Transmission Owners and by Midcontinent Independent System Operator, Inc. (MISO) and MISO Transmission Owners.² Those compliance filings were made in response to a December 18, 2014 order³ that rejected, in

¹ *PJM Interconnection, L.L.C.*, 155 FERC ¶ 61,008 (2016) (Second 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.

³ *PJM Interconnection, L.L.C.*, 149 FERC ¶ 61,250 (2014) (First Compliance Order).

part, and conditionally accepted, in part, the filings MISO and PJM made to comply with the interregional transmission coordination and cost allocation requirements of Order No. 1000.⁴

2. On May 5, 2016, PJM, PJM Transmission Owners, and MISO Transmission Owners submitted separate requests for rehearing of the Second Compliance Order. On June 20, 2016, PJM and MISO separately submitted, pursuant to section 206 of the Federal Power Act (FPA),⁵ revisions to the MISO-PJM Joint Operating Agreement (MISO-PJM JOA) to comply with the Second Compliance Order (Third Compliance Filings).⁶

3. For the reasons discussed below, we deny the requests for rehearing and conditionally accept the Third Compliance Filings, subject to further compliance filings, as discussed below.⁷

I. Notice of Filings and Responsive Pleadings

4. Notice of the Third Compliance Filings was published in the *Federal Register*, 81 Fed. Reg. 42,344 (2016), with interventions and protests due on or before July 11, 2016. On July 5, 2016, Entergy Services, Inc. filed a motion to intervene.

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 16 U.S.C. § 824e (2012).

⁶ Tariff records filed by the entities are listed in the appendix to this order.

⁷ Specifically, we accept, subject to compliance, the following rate schedules: Midcontinent Independent System Operator, Inc., FERC FPA Electric Tariff, MISO Rate Schedules, [Section 9.4, Allocation of Costs of Network Upgrades, 35.0.0](#), effective January 1, 2014; Midcontinent Independent System Operator, Inc., FERC FPA Electric Tariff, MISO Rate Schedules, [Section 9.4, Allocation of Costs of Network Upgrades, 36.0.0](#), effective May 30, 2016; PJM Interconnection, L.L.C., FERC FPA Electric Tariff, Interregional Agreements, [9.4, MISO-JOA 9.4 Allocation of Costs of Network Upgrades, 2.2.0](#), effective January 1, 2014.

5. On April 28, 2016, MISO, MISO Transmission Owners, PJM, and PJM Transmission Owners filed a motion for a 45-day extension of time until June 20, 2016, to comply with the Second Compliance Order. The Commission granted this motion on May 4, 2016.

6. On June 13, 2016, PJM Transmission Owners submitted a motion for an extension of time in which to submit the compliance filings required by the Second Compliance Order until 30 days after the Commission issued an order on pending motions for clarification and requests for rehearing of the Second Compliance Order. The Commission denied this motion on June 20, 2016.

II. Discussion

A. Procedural Matters

7. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedures, 18 C.F.R § 385.214 (2016), the timely, unopposed motion to intervene serves to make Entergy Services, Inc. a party to these proceedings.

B. Substantive Matters

8. We deny the requests for clarification and rehearing filed by PJM, PJM Transmission Owners, and MISO Transmission Owners, as explained below. In addition, we find that MISO and PJM have partially complied with the directives in the Second Compliance Order. Accordingly, we conditionally accept the Third 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. Cost Allocation

9. In their Second Compliance Filings,⁸ PJM and MISO proposed to revise the MISO-PJM JOA to include three types of interregional transmission projects: (1) Interregional Reliability Projects, (2) Interregional Market Efficiency Projects, and (3) Interregional Public Policy Projects. In so doing, MISO and PJM proposed to allocate the costs of Interregional Reliability Projects and Interregional Public Policy Projects between their two transmission planning regions using an avoided-cost only cost allocation method. An avoided cost-only method is a cost allocation method that relies exclusively on the avoided costs of displaced regional transmission projects to account

⁸ MISO Compliance Filing, Docket No. ER13-1943-003 (July 31, 2015); PJM Compliance Filing, Docket No. ER13-1944-002 (July 31, 2015) (collectively, Second Compliance Filings).

for the benefits and allocate the cost of an interregional transmission project based on each transmission planning region's pro rata share of the total cost of the regional transmission projects that are rendered unnecessary by the interregional transmission project.⁹ In the Second Compliance Order, the Commission concluded that MISO and PJM's proposal satisfied Interregional Cost Allocation Principles 2, 3, 4, and 6 of Order No. 1000. As discussed in the following paragraphs, the Commission conditionally accepted the Second Compliance Filings, subject to revisions to address Interregional Cost Allocation Principles 1 and 5.

a. Interregional Cost Allocation Principle 1

i. Second Compliance Order

10. In the Second Compliance Order, the Commission concluded that MISO and PJM's proposed avoided cost-only cost allocation method did not comply with Interregional Cost Allocation Principle 1¹⁰ because it considered only the avoided costs of displacing regional transmission projects that the MISO Board of Directors and PJM Board of Managers had not selected for the purposes of regional cost allocation as the more efficient or cost-effective solution.¹¹ The Commission found that, 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.¹²

11. Moreover, the Commission found that MISO and PJM did 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

⁹ Second Compliance Order, 155 FERC ¶ 61,008 at P 46.

¹⁰ Interregional Cost Allocation Principle 1 requires that the cost of a new interregional transmission facility must be allocated to each transmission planning region in a manner that is at least roughly commensurate with the estimated benefits of that interregional transmission facility. Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 622.

¹¹ Second Compliance Order, 155 FERC ¶ 61,008 at P 50.

¹² *Id.*

against which the interregional transmission project was being measured had not been selected and approved by the MISO Board of Directors and PJM Board of Managers as the more efficient or cost-effective solution. The Commission therefore concluded that MISO and PJM had not demonstrated 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, the Commission directed MISO and PJM to revise the MISO-PJM JOA to state that MISO and PJM will allocate the costs of an interregional transmission project based upon the total avoided costs of regional transmission projects included in the then-current regional transmission plan that would be displaced by the proposed interregional transmission project.¹³

ii. Rehearing Request

(a) Summary

12. MISO Transmission Owners request rehearing of the Commission's conclusion that the MISO-PJM JOA must be revised to allow interregional transmission projects to displace transmission projects that have already been selected in the relevant regional transmission plan for purposes of cost allocation. They assert that the MISO tariff does not explicitly provide for recovery of development and construction costs incurred prior to the abandonment of a transmission project and, therefore, that a transmission developer may lose its investment in a transmission project that is selected in MISO's regional transmission plan but then subsequently displaced by an interregional transmission project.¹⁴ MISO Transmission Owners assert that, because the Commission did not consider the potential that transmission developers could lose tens of millions of dollars in sunk development costs in a displaced transmission project, it did not engage in reasoned decision-making or show that the revisions required in the Second Compliance Order are just and reasonable.¹⁵

¹³ *Id.* P 51.

¹⁴ MISO Transmission Owners Rehearing Request at 8, 11-15.

¹⁵ *Id.* at 13.

(b) **Commission Determination**

13. We deny MISO Transmission Owners' request for rehearing, substantially for the reasons given in the Second Compliance Order. As explained in that order, the Commission has previously determined that an avoided cost-only approach is not a permissible Order No. 1000 cost allocation method for regional transmission projects.¹⁶ Nevertheless, the Commission has also concluded that an avoided cost-only approach may be a permissible Order No. 1000 cost allocation method for interregional transmission projects, at least provided that it "consider[s] 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."¹⁷

14. That distinction is a function of Order No. 1000's differing requirements with respect to regional and interregional transmission projects. Although Order No. 1000 requires public utility transmission providers to conduct *regional* transmission planning, it does not require them to conduct *interregional* transmission planning.¹⁸ Instead, Order No. 1000 requires public utility transmission providers to identify and jointly evaluate whether interregional transmission facilities may more efficiently or cost-effectively address the transmission needs than would the transmission projects selected in their regional and local transmission plans.¹⁹ In other words, Order No. 1000 requires that public utility transmission providers consider whether an interregional transmission project is a more efficient or cost-effective solution than transmission projects that would otherwise be built pursuant to neighboring transmission planning regions' regional or local transmission plans.²⁰

¹⁶ Second Compliance Order, 155 FERC ¶ 61,008 at P 47.

¹⁷ *Id.* P 47 (emphasis added); *see Midcontinent Independent Sys. Operator, Inc.*, 150 FERC ¶ 61,045, at PP 177-180 (2015) (same); *see also Midcontinent Independent Sys. Operator, Inc.*, 153 FERC ¶ 61,247, at PP 36-43 (2015) (denying a similar MISO Transmission Owners' request for rehearing on the same issue with respect to MISO's interregional transmission coordination with the enrolled transmission providers in the Southeastern Regional Transmission Planning Process region).

¹⁸ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 146, 399.

¹⁹ *Id.* P 399.

²⁰ *Midcontinent Independent Sys. Operator, Inc.*, 150 FERC ¶ 61,045 at P 180; Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at PP 148, 399.

15. As noted, the Commission has explained previously that an avoided cost-only cost allocation method may satisfy Order No. 1000's interregional cost allocation principles.²¹ That is because, by evaluating an interregional transmission project's potential to avoid the costs that would otherwise be incurred pursuant to the transmission planning regions' regional and local transmission plans, an avoided-cost only method evaluates whether an interregional transmission project can more efficiently or cost-effectively address the needs identified in the regional or local transmission plans, as Order No. 1000 requires.²² Thus, a cost allocation method that considers avoided costs only may be an adequate cost allocation method for Order No. 1000's *interregional transmission coordination* requirements, even if it is not an adequate cost allocation method for Order No. 1000's *regional transmission planning* requirements.²³

16. However, as the Commission explained in the Second Compliance Order, for an avoided cost-only method to satisfy Interregional Cost Allocation Principle 1, it must consider *all* transmission projects whose costs could potentially be avoided by an interregional transmission project, including those projects that have already been selected in the relevant regional transmission plans for purposes of cost allocation.²⁴ Failing to consider the costs of already-selected projects would mean that the interregional transmission coordination process considers only a subset of the needs identified in the regional and local transmission plans. That result would run afoul of Interregional Cost Allocation Principle 1 because it would fail to fully account for an interregional transmission project's ability to more efficiently or cost-effectively satisfy the needs identified in the relevant regional transmission plans.²⁵

17. In addition, the Commission concluded in the Second Compliance Order that MISO and PJM had not demonstrated how their proposal would comply with Interregional Cost Allocation Principle 1 because MISO and PJM had not explained on what basis they could conclude that a proposed interregional transmission project is the more efficient or cost-effective solution to a regional transmission need if the regional

²¹ Second Compliance Order, 155 FERC ¶ 61,008 at P 47; *Midcontinent Independent Sys. Operator, Inc.*, 150 FERC ¶ 61,045 at PP 176, 179.

²² Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 399.

²³ Second Compliance Order, 155 FERC ¶ 61,008 at P 47.

²⁴ *Id.* PP 49-50.

²⁵ *Id.* P 50.

transmission project against which the interregional transmission project is being measured has not been selected as the more efficient or cost-effective solution.²⁶

18. MISO Transmission Owners' arguments do not require a contrary conclusion. We recognize that developing new transmission projects is an occasionally uncertain endeavor and that transmission developers incur real costs in pursuit of projects that may ultimately be displaced in the interregional coordination procedures. Nevertheless, it is a consequence of Order No. 1000's interregional transmission coordination requirements that some regional transmission projects that may otherwise have been built will be replaced by more efficient or cost-effective interregional transmission projects as a result of the interregional transmission coordination procedures. MISO Transmission Owners' arguments regarding the costs associated with developing transmission projects do not change our conclusion that, for those interregional transmission coordination procedures to comply with the requirements of Order No. 1000, an avoided cost-only cost allocation method must consider the benefits of displacing transmission projects that have already been selected for cost allocation in the relevant regional transmission plan.²⁷

19. To the extent that MISO Transmission Owners are requesting that the Commission mandate full cost recovery for transmission projects selected in a regional transmission plan but displaced by an interregional transmission project,²⁸ we reject their request as outside the scope of the Order No. 1000 compliance proceedings, which do not address the cost recovery issues.²⁹ If MISO Transmission Owners continue to believe that these costs are not treated appropriately under MISO's tariff, they may pursue changes through the MISO stakeholder process and make a filing to amend the MISO tariff or else file a complaint with the Commission pursuant to FPA section 206.³⁰

²⁶ *Id.* P 51.

²⁷ *Id.* P 47; *see Midcontinent Independent Sys. Operator, Inc.*, 150 FERC ¶ 61,045 at PP 177-180.

²⁸ MISO Transmission Owners Rehearing Request at 14.

²⁹ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 563 (stating that Order No. 1000 "sets forth the Commission's requirements regarding the development of regional and interregional cost allocation methods and does not address matters of cost recovery").

³⁰ *See* Order No. 1000-A, 139 FERC ¶ 61,132 at P 616 (stating that, although cost recovery is outside the scope of Order No. 1000, "cost recovery may be considered as part of a region's stakeholder process in developing a cost allocation method or methods to comply with Order No. 1000" and addressed that region's Order No. 1000 compliance filings).

20. Finally, we note that, by proposing to both evaluate and allocate the costs of an interregional transmission project based solely on the displacement of regional transmission projects, MISO and MISO Transmission Owners created the situation about which MISO Transmission Owners now protest. As the Commission has observed, Order No. 1000 did not require the adoption of any particular cost allocation method, much less the avoided cost-only method that MISO and PJM have proposed here.³¹ However, as explained above, the Commission has determined that, to comply with Order No. 1000, an avoided cost-only method *must* consider the benefits associated with displacing transmission projects that have been selected in the relevant regional transmission plans for purposes of cost allocation. Thus, Order No. 1000 does not require MISO and PJM to consider the benefits of displacing transmission projects that have been selected in the relevant regional transmission plans for purposes of cost allocation, but they are required to do so as long as they continue to rely on an avoided cost-only method for allocating the costs of an interregional transmission project.

iii. Third Compliance Filings

(a) Summary

21. MISO and PJM propose to revise the MISO-PJM JOA to state that MISO and PJM will quantify the benefits of Interregional Reliability Projects and Interregional Public Policy Projects based upon the total avoided costs of regional transmission projects included in the then-current regional transmission plan that would be displaced if the proposed Interregional Reliability Project or Interregional Public Policy Project was included in the plan.

(b) Commission Determination

22. We find that these proposed revisions comply with the Commission's directives in the Second Compliance Order and accept them.

b. Interregional Cost Allocation Principle 5 – Avoided Cost Calculation

i. Second Compliance Order

23. In the Second Compliance Order, the Commission found the provisions MISO and PJM proposed that describe the avoided cost calculation for interregional transmission

³¹ *Midcontinent Independent Sys. Operator, Inc.*, 153 FERC ¶ 61,247 at P 40.

projects did not fully comply with Interregional Cost Allocation Principle 5.³² The Commission determined that MISO and PJM's proposal did not make transparent the types of transmission facilities that will be considered in the avoided cost calculation for Interregional Reliability Projects, Interregional Public Policy Projects, and Interregional Market Efficiency Projects. With respect to Interregional Reliability Projects, the Commission observed that the MISO-PJM proposal provided that the avoided cost calculations for those projects would be determined based on "reliability projects" in MISO's and PJM's regional transmission planning processes. However, the Commission explained that only PJM had a "reliability project" category in its regional transmission planning process that encapsulates all projects selected in its regional transmission plan for purposes of cost allocation that address reliability needs. The Commission found that MISO, by contrast, can satisfy a reliability need in its regional transmission planning process through both Baseline Reliability Projects and Multi-Value Projects. Accordingly, the Commission directed MISO and PJM to revise MISO-PJM JOA section 9.4.3.1.1 to make clear that the term "reliability projects" in that section includes both MISO's Multi-Value Projects and Baseline Reliability Projects.³³

24. Similarly, the Commission observed that MISO and PJM's proposal provided that the avoided cost calculation for Interregional Public Policy Projects would be determined based on "public policy projects" in MISO's and PJM's regional transmission planning processes, but neither MISO nor PJM had such a category of regional transmission projects that can be selected in their respective regional transmission planning process for purposes of cost allocation.³⁴ The Commission explained that, instead, MISO captured transmission needs driven by public policy requirements in its analysis of Multi-Value Projects, while PJM considered transmission needs driven by public policy requirements at the assumption stage for both its economic and reliability project categories.³⁵ Accordingly, 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

³² Interregional Cost Allocation Principle 5 requires that the cost allocation method and data requirements for determining benefits and identifying beneficiaries of 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.

³³ Second Compliance Order, 155 FERC ¶ 61,008 at P 52.

³⁴ *Id.* P 53.

³⁵ *Id.* P 52 (citing *PJM Interconnection L.L.C.*, 142 FERC ¶ 61,214, at PP 110-111 (2013) (PJM First Regional Compliance Order)).

requirements, the Commission directed MISO and PJM to submit revisions to MISO-PJM JOA section 9.4.3.1.3 to clarify that “public policy projects” encompass Multi-Value Projects in MISO and economic and reliability projects in PJM.³⁶

25. Finally, with respect to Interregional Market Efficiency Projects, the Commission noted that the proposal required that an Interregional Market Efficiency Project qualify as a market efficiency project under the MISO tariff but that MISO has two categories of transmission facilities that reflect economic benefits: Market Efficiency Projects and Multi-Value Projects. Accordingly, the Commission directed MISO and PJM to revise MISO-PJM JOA section 9.4.3.1.2 to allow an Interregional Market Efficiency Project to qualify as a Market Efficiency Project or a Multi-Value Project.³⁷

ii. Rehearing Request

(a) Summary

26. PJM requests rehearing of the Commission’s determination that the avoided cost calculation for Interregional Public Policy Projects must include both displaced economic and reliability projects selected in PJM’s Regional Transmission Expansion Plan (RTEP). PJM states that Schedule 6 of the PJM Operating Agreement provides for “single driver” projects to meet reliability, economic, and public policy needs as well as a Multi-Driver Project category for projects that are a combination of one or more of those three types of transmission needs. PJM states that, although a Multi-Driver Project can include a public policy component, the public policy component must be identified through the State Agreement Approach, which provides that a state or states may ask PJM to study a transmission project to address public policy requirements and include that project in the RTEP if the state or states agree voluntarily to assume responsibility for the project’s costs.³⁸ PJM also asserts that, pursuant to Schedule 12 of the PJM Tariff, each distinct driver has its own cost allocation method.³⁹ PJM further asserts that it plans transmission projects driven by public policy transmission needs through its State Agreement Approach.⁴⁰

³⁶ *Id.*

³⁷ *Id.* P 61.

³⁸ PJM Rehearing Request at 6-7.

³⁹ *Id.* at 7.

⁴⁰ *Id.* at 8.

27. PJM also states that “the fact that PJM performs scenario analyses for consideration of transmission needs driven by public policy requirements is irrelevant for purposes of identifying which regional project selected in the RTEP for purposes of cost allocation can be displaced for a more efficient or cost effective Interregional Public Policy Project under the MISO-PJM JOA.”⁴¹ PJM further states that it uses the sensitivity studies, modeling assumption variations, and scenario planning analyses only to accelerate or enhance the scope of a transmission project, and the need for the transmission project will have first been justified based on reliability needs and market efficiency considerations. PJM states that the use of such analyses should not be confused with applying drivers to resolve reliability violations, market constraints, or public policy requirements. Rather, according to PJM, it supplements its reliability analysis with a range of scenario analyses to ensure that planning decisions result in the optimal project, placed in service at the right time.⁴² PJM goes on to state that the sensitivity or scenario analyses may use very different assumptions from the analyses PJM uses to identify mandatory PJM RTEP transmission enhancements. Consequently, according to PJM, the sensitivity and scenario analyses are used to modify criteria-driven enhancements or expansions or generate projects developed under the State Agreement Approach.⁴³

28. PJM thus requests clarification and believes the more correct interpretation of the Commission’s directive regarding public policy projects in PJM would be that an Interregional Public Policy Project may displace a public policy project in PJM that is developed through the State Agreement Approach. If the Commission does not so clarify, PJM requests rehearing of the directive that the avoided cost calculation for Interregional Public Policy Projects must include displaced reliability and economic projects in PJM.⁴⁴

29. In addition, PJM asks the Commission to clarify that, regardless of what drivers are addressed by an interregional transmission project, MISO and PJM should use the regional transmission project that is displaced as the basis for the cost allocation. PJM contends that for each type of interregional transmission project—reliability, efficiency, public policy—the costs should be allocated based on the avoided costs of regional transmission projects of the same type within MISO and PJM. According to PJM, this means that “Interregional Public Policy Projects can arise only from the existence of a

⁴¹ *Id.* at 10.

⁴² *Id.* at 10-11.

⁴³ *Id.* at 11 n.36.

⁴⁴ *Id.* at 12.

correlative regional project driven by public policy needs,” which, PJM asserts, means “regional projects [that] flow from the State Agreement Approach.”⁴⁵

(b) **Commission Determination**

30. We deny PJM’s request for clarification and its request for rehearing. PJM may not exclude its regional reliability and economic transmission projects from the avoided cost calculation for Interregional Public Policy Projects because PJM relied on its transmission planning process for regional reliability and economic transmission projects to comply with the Order No. 1000 requirement to consider transmission needs driven by public policy requirements in its regional transmission planning process.⁴⁶ PJM suggests that its State Agreement Approach is the means by which it meets the Order No. 1000 requirement to consider transmission needs driven by public policy requirements in its regional transmission planning process.⁴⁷ That suggestion, however, is inconsistent with PJM’s description in, and the Commission’s acceptance of, PJM’s Order No. 1000 compliance filings. For example, as explained in the Commission’s March 22, 2013 order addressing PJM’s proposal to comply with the regional transmission planning and cost allocation requirements of Order No. 1000, PJM submitted a proposed State Agreement Approach, “which PJM states is an additional option to further meet potential states’ public policy needs and is not directly tied to meeting Order No. 1000’s requirements regarding the ‘consideration’ of transmission needs driven by public policy requirements.”⁴⁸ PJM also stated that it did “not seek a specific Order No. 1000 review of its [State Agreement Approach proposal].”⁴⁹

⁴⁵ *Id.* at 11.

⁴⁶ PJM First Regional Compliance Order, 142 FERC ¶ 61,214 at P 441 (stating that “PJM identifies reliability transmission needs and economic constraints that result from the incorporation of public policy requirements into PJM’s sensitivity analyses, and then allocates the costs of the solutions to such transmission needs in accordance with the type of benefits they provide”).

⁴⁷ *See, e.g.*, PJM Rehearing Request at 2, 11 (“PJM already has a Commission-accepted process under the State Agreement Approach by which to develop and include a public policy project in its regional transmission expansion plan (“RTEP”) for purposes of cost allocation.”)

⁴⁸ PJM First Regional Compliance Order, 142 FERC ¶ 61,214 at P 124.

⁴⁹ *Id.* P 142.

31. In response, the Commission found that “PJM’s proposed State Agreement Approach is not needed for PJM to comply with the provisions of Order No. 1000 addressing transmission needs driven by public policy requirements,” and “PJM’s State Agreement Approach supplements, but does not conflict [with] or otherwise replace, PJM’s process to consider transmission needs driven by public policy requirements as required by Order No. 1000.”⁵⁰ The Commission explained that, as a result, it need not find that the State Agreement Approach and corresponding cost allocation method comply with Order No. 1000.⁵¹ In the same order, the Commission rejected arguments that PJM must have a cost allocation method for regional transmission projects that address transmission needs driven by public policy requirements that is separate from PJM’s cost allocation method for reliability and economic transmission projects. The Commission explained that “PJM identifies reliability transmission needs and economic constraints that result from the incorporation of public policy requirements into PJM’s sensitivity analyses, and then allocates the costs of the solutions to such transmission needs in accordance with the type of benefits they provide.”⁵² Furthermore, the Commission noted that transmission projects identified through the State Agreement Approach “will be included in the RTEP either as a Supplemental Project or a state public policy transmission project if the state(s) agrees to voluntarily assume responsibility for the allocation of all costs of the transmission project.”⁵³

32. Contrary to PJM’s assertion in its rehearing request, the Commission evaluated PJM’s compliance with the Order No. 1000 requirement to consider transmission needs driven by public policy requirements by “focus[ing] . . . on PJM’s proposal to rely on its existing tariff provisions providing for consideration of transmission needs driven by public policy requirements by incorporating public policy requirements into its needs analysis.”⁵⁴ The Commission found that, “[b]y incorporating public policy requirements and initiatives at the assumptions stage of the RTEP process and as part of its enhancement and expansion studies, PJM considers how public policy requirements and

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *Id.* P 441.

⁵³ *Id.* P 124.

⁵⁴ *Id.* P 109.

initiatives contribute to transmission system needs.”⁵⁵ The Commission also explained that “by considering public policy requirements in developing the transmission enhancement and expansion studies, including in future scenarios, PJM factors transmission needs driven by public policy requirements into the selection of the optimal reliability and market efficiency transmission projects.”⁵⁶

33. Therefore, as the Commission reiterated in the Second Compliance Order, PJM considers transmission needs driven by public policy requirements at the assumption stage for both its economic and reliability project categories.⁵⁷ PJM does not have a separate Order No. 1000-compliant category of regional transmission projects selected in the RTEP for purposes of cost allocation that address transmission needs driven by public policy requirements. The State Agreement Approach is separate from the process PJM relied upon to comply with the Order No. 1000 requirement to consider transmission needs driven by public policy projects in its regional transmission planning process. For those reasons, we affirm the finding that MISO and PJM must revise the MISO-PJM JOA to make clear that “public policy projects” used in the avoided cost calculation for Interregional Public Policy Projects includes displaced economic projects and reliability projects selected in the PJM RTEP for purposes of cost allocation.

34. We note, once again, that the requirement for PJM to include reliability and economic projects in the avoided cost calculation for interregional transmission projects is a result of PJM’s own decision about how to comply with the requirements of Order No. 1000. In Order No. 1000, the Commission observed that a region could identify transmission needs driven by public policy by considering those needs separately from reliability needs and economic considerations or as part of a process that identifies needs driven by public policy requirements in conjunction with reliability needs and economic considerations.⁵⁸ PJM chose the latter option. So long as PJM continues to conduct its Order No. 1000 public policy planning at the assumptions stage of the RTEP process, then economic and reliability projects must be considered as transmission projects whose costs may be avoided by an Interregional Public Policy Project.

⁵⁵ *Id.* P 111; *see also PJM Interconnection, L.L.C.*, 147 FERC ¶ 61,128, at PP 53, 55-56 (2014) (“[B]y incorporating public policy requirements and initiatives into the assumptions stage of the Regional Plan process, PJM affirmatively considers, with stakeholder input, the effect that public policy requirements may have on regional transmission needs.”).

⁵⁶ *PJM Interconnection, L.L.C.*, 142 FERC ¶ 61,214 at P 119.

⁵⁷ Second Compliance Order, 155 FERC ¶ 61,008 at P 53.

⁵⁸ Order No. 1000, FERC Stats. & Regs. ¶ 31,323 at P 220.

35. We reject PJM’s request to clarify that, regardless of what drivers are addressed by an interregional transmission project, MISO and PJM should use the regional transmission project that is displaced as the basis to allocate the cost of the interregional transmission project within each region. Under the MISO–PJM JOA, different types of interregional transmission projects must meet the qualification requirements for specific types of MISO and PJM regional transmission projects to be eligible to use the interregional cost allocation method.⁵⁹ Therefore, the regional cost allocation method that should apply to the portion of costs allocated to each transmission planning region pursuant to the interregional cost allocation method is the relevant regional cost allocation method in each region. For example, if an Interregional Reliability Project qualifies as a Multi-Value Project in MISO and a regional reliability project in PJM, MISO’s portion of the cost of the Interregional Reliability Project would be further allocated within MISO using the Multi-Value Project cost allocation method and PJM’s portion of the costs would be further allocated within PJM pursuant to the regional reliability project cost allocation method.

iii. Third Compliance Filings

(a) Interregional Reliability Projects

(1) Summary

36. MISO and PJM propose to revise MISO-PJM JOA section 9.4.3.1.2 to state that “Reliability projects in the MISO regional transmission planning process include Baseline Reliability Projects and, to the extent the project driver is reliability, Multi-Value Projects.”⁶⁰ MISO states that it is necessary to restrict the inclusion of Multi-Value Projects as reliability projects to those projects in which reliability is the driver rather than including Multi-Value Projects that may have economic or public policy drivers.⁶¹

(2) Commission Determination

37. We find that MISO and PJM’s proposed revisions partially comply with the requirement to make clear that “reliability projects” used in the avoided cost calculation

⁵⁹ See MISO-PJM JOA § 9.4.4.1.2 (Interregional Reliability Project Criteria); *Id.* § 9.4.4.1.3 (Interregional Market Efficiency Project Criteria); *Id.* § 9.4.4.1.4 (Interregional Public Policy Project Criteria) (2.2.0).

⁶⁰ *Id.* § 9.4.3.1.2 (2.2.0).

⁶¹ See MISO Transmittal Letter at 7.

for Interregional Reliability Projects include MISO's Multi-Value Projects and Baseline Reliability Projects.⁶² Specifically, although MISO and PJM have revised the MISO-PJM JOA to state that reliability projects in the MISO regional transmission planning process include Baseline Reliability Projects and Multi-Value Projects, we find that MISO and PJM have defined the eligible Multi-Value Projects too narrowly and in a manner that is inconsistent with the description of Multi-Value Projects in the MISO tariff.

38. MISO and PJM's proposal limits the type of Multi-Value Project that will be included in the avoided cost calculation for each type of interregional transmission project to those for which reliability needs are "the" driver. However, as MISO states in its transmittal letter and as outlined in the MISO tariff,⁶³ Multi-Value Projects may address specified combinations of public policy, economic, and/or reliability needs.

39. The MISO tariff outlines three types of Multi-Value Projects – Criterion 1, Criterion 2, and Criterion 3. Criterion 3 describes Multi-Value Projects that address reliability needs. Specifically, the MISO tariff states:

Criterion 3. A Multi Value Project must address at least one Transmission Issue associated with a projected violation of a NERC or Regional Entity standard and at least one economic-based Transmission Issue that provides economic value across multiple pricing zones. The project must generate total financially quantifiable benefits, including quantifiable reliability benefits, in excess of the total project costs based on the definition of financial benefits and Project Costs provided in Section II.C.7 of Attachment FF.^[64]

40. MISO and PJM's proposed language in the MISO-PJM JOA is inconsistent with this Multi-Value Project language in the MISO tariff because it implies that each Multi-Value Project must have a single driver (reliability, or economics, or public policy) rather than a combination of these drivers, such as reliability and economic drivers under Criterion 3. Accordingly, we direct MISO and PJM to submit, within 30 days of date of issuance of this order, a further compliance filing to revise MISO-PJM JOA section 9.4.3.1.2 to state that ["Reliability projects in the MISO regional transmission planning

⁶² Second Compliance Order, 155 FERC ¶ 61,008 at P 52.

⁶³ MISO Transmittal Letter at 7; MISO, FERC Electric Tariff, Attachment FF, § II.C.2 (a)-(c) (49.0.0).

⁶⁴ See MISO, FERC Electric Tariff, Attachment FF, § II.C.2 (a)-(c) (49.0.0).

process include Baseline Reliability Projects and Multi-Value Projects that meet Criterion 3 according to MISO's Tariff. *See* MISO, FERC Electric Tariff, Attachment FF, § II.C.2 (a)-(c) (49.0.0).”]

(b) **Interregional Public Policy Projects**

(1) **Summary**

41. In the Third Compliance Filing, MISO and PJM propose to revise MISO-PJM JOA section 9.4.3.1.4 to state that

Public policy projects in the MISO regional transmission planning process include, to the extent that the project driver is public policy, Multi-Value Projects. Public policy projects in the PJM regional transmission planning process include both economic and reliability projects.^[65]

42. MISO states that it is necessary to consider only Multi-Value Projects for which public policy was a driver and to exclude economic and reliability Multi-Value Projects.⁶⁶

(2) **Commission Determination**

43. We find that the proposed revisions partially comply with the requirement to make clear that “public policy projects” used in the avoided cost calculation for Interregional Public Policy Projects include Multi-Value Projects in MISO and both economic and reliability projects in PJM.⁶⁷ We find MISO and PJM have complied by revising the MISO-PJM JOA to state that public policy projects in the PJM regional transmission planning process include both economic and reliability projects. However, we find that MISO and PJM have not complied with the directive to revise the MISO-PJM JOA to make clear that Multi-Value Projects must be included in the avoided cost calculation for Interregional Public Policy Projects. Similar to our finding above with respect to Interregional Reliability Projects, we find the proposed language in the MISO-PJM JOA inappropriately restricts the type of Multi-Value Project that will be included in the avoided cost calculation for Interregional Public Policy Projects and is not consistent with the description of Multi-Value Projects in the MISO tariff. Specifically, MISO and PJM

⁶⁵ MISO-PJM JOA, § 9.4.3.1.4 (2.2.0).

⁶⁶ *See* MISO Transmittal Letter at 7-8.

⁶⁷ Second Compliance Order, 155 FERC ¶ 61,008 at P 53.

propose language that limits the type of Multi-Value Project that will be included in the avoided cost calculation to projects for which public policy is “the” driver. However, as MISO states in its transmittal letter and as outlined in the MISO tariff,⁶⁸ Multi-Value Projects may address specified combinations of public policy, economic, and/or reliability needs. Criterion 1 describes Multi-Value Projects that address transmission needs driven by public policy requirements. Specifically, the MISO tariff states:

Criterion 1. A Multi Value Project 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.

44. MISO and PJM’s proposed revision to the MISO-PJM JOA is inconsistent with the Multi-Value Project language in the MISO tariff quoted in the previous section because it implies that each Multi-Value Project must have a single driver (reliability, or economics, or public policy) rather than a combination of these drivers, as the tariff language provided above makes clear. Accordingly, we direct MISO and PJM to submit, within 30 days of date of issuance of this order, a further compliance filing to revise MISO-PJM JOA section 9.4.3.1.4 to state that

Public policy projects in the MISO regional transmission planning process include Multi-Value Projects that meet Multi-Value Project Criterion 1 under the terms of Attachment FF to MISO’s OATT. Public policy projects in the PJM regional transmission planning process include both economic and reliability projects.

⁶⁸ MISO Transmittal Letter at 7; *see* MISO, FERC Electric Tariff, Attachment FF, § II.C.2 (a)-(c) (49.0.0).

(c) **Interregional Market Efficiency Projects**(1) **Summary**

45. MISO and PJM propose to revise MISO-PJM JOA section 9.4.3.1.3 to state that Interregional Market Efficiency Projects must meet the following criteria: “(iv) qualifies . . . as a Market Efficiency Project or, to the extent the project driver is economics, a Multi-Value Project under the terms of Attachment FF of the Midwest ISO OATT.”⁶⁹ MISO states that it is necessary to restrict the Multi-Value Projects to those driven by economics in order to exclude projects driven only by reliability or public policy.⁷⁰

(2) **Commission Determination**

46. We find that MISO and PJM’s proposed revisions partially comply with the requirement to revise the MISO-PJM JOA to allow an Interregional Market Efficiency Project to qualify as Market Efficiency Project or a Multi-Value Project under Attachment FF of MISO’s tariff.⁷¹ Specifically, we find that MISO and PJM have complied by revising the MISO-PJM JOA to state that an Interregional Market Efficiency Project can qualify as a Market Efficiency Project. However, we find that the proposed revision to the MISO-PJM JOA for Interregional Market Efficiency Projects inappropriately restricts the type of Multi-Value Project that will be included in the avoided cost calculations and is inconsistent with the description of Multi-Value Projects in the MISO tariff. MISO and PJM’s proposal limits the type of Multi-Value Project that will be included in the avoided cost calculation for each type of interregional transmission project under the MISO-PJM JOA to those for which economic efficiency is the only driver. However, as explained in MISO’s transmittal letter and the MISO tariff,⁷² Multi-Value Projects may address one of three specified combinations of public policy, economic, and/or reliability needs. Criterion 2 and Criterion 3 describe Multi-Value Projects that address economic needs. Specifically, the MISO tariff states:

⁶⁹ MISO-PJM JOA, § 9.4.3.1.3 (2.2.0).

⁷⁰ See MISO Transmittal Letter at 8-9.

⁷¹ Second Compliance Order, 155 FERC ¶ 61,008 at P 61.

⁷² MISO Transmittal Letter at 7; MISO, FERC Electric Tariff, Attachment FF, § II.C.2 (a)-(c) (49.0.0).

Criterion 2. A Multi Value Project 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 are not additive and are considered a single type of economic value.

Criterion 3. A Multi Value Project must address at least one Transmission Issue associated with a projected violation of a NERC or Regional Entity standard and at least one economic-based Transmission Issue that provides economic value across multiple pricing zones. The project must generate total financially quantifiable benefits, including quantifiable reliability benefits, in excess of the total project costs based on the definition of financial benefits and Project Costs provided in Section II.C.7 of Attachment FF.^[73]

47. MISO and PJM's proposed revisions are inconsistent with these sections of the MISO tariff because they do not reflect Multi-Value Projects that qualify as such under Criterion 3 (i.e., are driven by both reliability and economic needs). Accordingly, we direct MISO and PJM to submit, within 30 days of date of issuance of this order, a further compliance filing to revise MISO-PJM JOA section 9.4.3.1.3 to state that Interregional Market Efficiency Projects must meet the following criteria: "(iv) . . . also qualifies as a Market Efficiency Project or a Multi-Value Project that meets Multi-Value Project Criterion 2 or Criterion 3 under the terms of Attachment FF of the Midwest ISO OATT."

c. Interregional Cost Allocation Principle 5 - Discount Rates

i. Second Compliance Order

48. In the Second Compliance Order, the Commission observed that MISO and PJM's proposal for determining the discount rate(s) to be used for calculating the avoided costs of Interregional Public Policy Projects and Interregional Reliability Projects was unclear and, therefore, did not comply with Interregional Cost Allocation Principle 5.⁷⁴ Although PJM identified a single discount rate to be used in valuing the avoided costs within PJM,

⁷³ See MISO, FERC Electric Tariff, Attachment FF, § II.C.2 (a)-(c) (49.0.0).

⁷⁴ Second Compliance Order, 155 FERC ¶ 61,008 at P 54.

the proposal stated that the discount rate in MISO would vary based on whether the displaced project was an Interregional Reliability Project or an Interregional Public Policy Project. The Commission concluded that, without further explanation, this unexplained difference in the applicable discount rates violated Interregional Cost Allocation Principle 5's transparency and documentation requirements. Accordingly, the Commission directed MISO and PJM "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."⁷⁵

ii. Third Compliance Filings

49. In the Third Compliance Filings, MISO and PJM do not propose to revise the MISO-PJM JOA to comply with this directive. Instead, in its transmittal letter, MISO explains that the reason that the discount rates are different for Interregional Reliability Projects and Interregional Public Policy Projects is that the cost estimates are developed by different entities at the regional level. MISO states that regional reliability projects have historically been Baseline Reliability Projects, the costs of which are allocated to the local pricing zone of the transmission owner building the project. Therefore, according to MISO, the transmission owner proposing the regional reliability project determines the project's cost and, with it, the discount rate. MISO states that it does not prepare its own cost estimate and discount rate for these reliability projects. MISO states that regional public policy projects are Multi-Value Projects that are developed through the MISO Transmission Expansion Planning process (MTEP) and are subject to Attachment FF's competitive selection process. MISO states that, because these projects are subject to its competitive transmission development process, MISO prepares the original cost estimate as provided in Attachment FF. MISO states that it uses the cost estimate to approve the project for inclusion in the MTEP before the selection of a developer. MISO states that, because it is supplying the cost estimates without knowing which developer will be selected for the project, MISO must calculate the discount rate.⁷⁶

iii. Commission Determination

50. We find that MISO and PJM have complied with the directive in the Second Compliance Order. MISO has adequately explained the reasons for the differences in applicable discount rate(s) used by MISO for determining the avoided costs of regional transmission projects displaced by Interregional Reliability Projects and Interregional Public Policy Projects.

⁷⁵ *Id.*

⁷⁶ *See* MISO Transmittal Letter at 9-10.

2. Cross-Border Baseline Reliability Projects

a. First and Second Compliance Orders

51. 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. The Commission agreed with MISO that, under the current MISO tariff, Baseline Reliability Projects are not eligible for regional cost allocation in MISO's regional transmission plan. The Commission also agreed that a Baseline Reliability Project must be selected for regional cost allocation in the MISO regional transmission plan before it can be selected as a Cross-Border Baseline Reliability Project. Accordingly, the Commission agreed with MISO's conclusion that Cross-Border Baseline Reliability Projects are not currently eligible for interregional cost allocation and that, as a result, they are not a satisfactory means for complying with the interregional cost allocation requirements of Order No. 1000.

52. Nevertheless, the Commission denied MISO's proposal to remove the Cross-Border Baseline Reliability Project category from the MISO-PJM JOA. The Commission explained that this project category was a cost allocation method that had been added to the MISO-PJM JOA pursuant to an earlier Commission order and that nothing in Order No. 1000 required its elimination, even if it did not satisfy Order No. 1000's interregional cost allocation requirements.⁷⁷ Accordingly, the Commission concluded that MISO had not provided an adequate justification for removing the Cross-Border Baseline Reliability Project cost allocation method from the MISO-PJM JOA.

53. In the Second Compliance Order, the Commission denied MISO Transmission Owners' request for rehearing of the Commission rejection of MISO's proposal to remove the Cross-Border Baseline Reliability Project category from the MISO-PJM JOA.⁷⁸ The Commission explained that compliance filings must be limited to the specific directives in the Commission's order and that they are not an appropriate venue for broader tariff revisions.⁷⁹ The Commission also affirmed its conclusion that nothing in Order No. 1000 required the elimination of the Cross-Border Baseline Reliability Project cost allocation method and that, therefore, MISO may not remove the Cross-Border Baseline Reliability Project cost allocation method from the MISO-PJM JOA.

⁷⁷ First Compliance Order, 149 FERC ¶ 61,250 at P 174.

⁷⁸ *Id.*

⁷⁹ Second Compliance Order, 155 FERC ¶ 61,008 at P 26; *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.").

54. As noted, in their Second Compliance Filings, PJM and MISO proposed to revise the MISO-PJM JOA to establish, *inter alia*, an “Interregional Reliability Project” project category to comply with the interregional cost allocation requirements of Order No. 1000. The Commission conditionally accepted the proposal to create the new interregional transmission project categories, including the Interregional Reliability Project category. Nevertheless, the Commission stated that “[t]his 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.”⁸⁰

i. Rehearing Request

(a) Summary

55. MISO Transmission Owners and PJM Transmission Owners request rehearing of the Commission’s directive that the Interregional Reliability Project category must be in addition to the Cross-Border Baseline Reliability Project category. PJM Transmission Owners contend that, in proposing the Interregional Reliability Project category, MISO and PJM did not intend to create a new interregional transmission project category. Instead, they assert, the Interregional Reliability Project cost allocation method was intended to replace the Cross-Border Baseline Reliability Category to make the terminology and cost allocation method more consistent with Order No. 1000.⁸¹

56. MISO Transmission Owners agree that MISO and PJM intended that the Interregional Reliability Project category would replace, rather than supplement, the Cross-Border Baseline Reliability Project category. They contend that the two categories are largely identical and that the only substantive difference was unintentional. They argue that retaining both categories in the MISO-PJM JOA will “introduce unnecessary confusion into the interregional transmission planning and cost allocation process for the MISO-PJM seam, contrary to the objectives of Order No. 1000.”⁸²

(b) Commission Determination

57. We deny the requests for rehearing. As the Commission has previously explained, a “compliance filing is not an opportunity to make changes not directed or otherwise

⁸⁰ Second Compliance Order, 155 FERC ¶ 61,008 at P 27.

⁸¹ PJM Transmission Owners Rehearing Petition at 9.

⁸² MISO Transmission Owners Rehearing Petition at 9.

authorized—especially if the effect is to undo a Commission directive.”⁸³ In both the First and Second Compliance Orders, the Commission determined that Order No. 1000 did not require the removal of the Cross-Border Baseline Reliability Project category.⁸⁴ As a result, the Commission concluded that MISO’s request to remove the Cross-Border Baseline Reliability Project category from the MISO-PJM JOA fell outside the scope of this compliance proceeding and denied the request.

58. Furthermore, in both the First and Second Compliance Orders, the Commission observed that the Cross-Border Baseline Reliability Project category remained necessary for the MISO-PJM JOA to comply with a previous Commission order, which directed MISO and PJM to develop a method for allocating the benefits of a transmission project that is built entirely in one region, but that provides benefits to both. For that reason as well, the Commission explained that the Order No. 1000 compliance proceedings are not an appropriate forum to consider a request to remove the Cross-Border Baseline Reliability Project category from the MISO-PJM JOA.

59. Nothing in MISO Transmission Owners’ and PJM Transmission Owners’ rehearing requests calls the Commission’s previous findings into question and, accordingly, we affirm those determinations. Instead, the MISO Transmission Owners’ and PJM Transmission Owners’ rehearing requests contend that the MISO and PJM tariffs would be clearer and more easily administered if the Cross Border Baseline Reliability Category was removed. However, those considerations, even assuming that they are valid, are not germane to these compliance filings, which, as noted, are limited to the requirements of Order No. 1000.

60. Finally, because the Commission previously determined that the Cross-Border Baseline Reliability Project category is not sufficient to comply with Interregional Cost Allocation Principle 6, we continue to find that the Interregional Reliability Project category is necessary to comply with Order No. 1000. As a result, we continue to find that both cost allocation categories must remain in the MISO-PJM JOA. We note that MISO and PJM remain free to make an appropriate filing under section 205 of the FPA to remove the Cross-Border Baseline Reliability Project category from the MISO-PJM JOA, although any such filing would need to address the Commission’s earlier directive

⁸³ *Southern Company Servs., Inc.*, 63 FERC ¶ 61,217, at 62,596 (1993); *Sierra Pacific Power Co.*, 80 FERC ¶ 61,376 at 62,271 (“The sole purpose of a compliance filing is to make the revisions directed by the Commission.”); *see also* Second Compliance Order, 155 FERC ¶ 61,008 at P 26 & n.58.

⁸⁴ First Compliance Order, 149 FERC ¶ 61,250 at P 174; Second Compliance Order, 155 FERC ¶ 61,008 at P 26.

requiring that MISO and PJM establish that category of transmission project. We express no opinion here on the merits of such a filing.

ii. Third Compliance Filings

(a) Summary

61. In the Third Compliance Filings, MISO and PJM propose to restore the Cross-Border Baseline Reliability Project provisions to MISO-PJM JOA section 9.4.3.1.1 and the Cross-Border Baseline Reliability Project cost allocation provisions to MISO-PJM JOA section 9.4.3.2.1.⁸⁵ MISO and PJM note that restoring the Cross-Border Baseline Reliability Project provisions while retaining the Interregional Reliability Project provisions makes it likely that a given interregional transmission project could be eligible for cost allocation under two different methods. MISO and PJM also state that, if an interregional transmission project qualifies as both a Cross-Border Baseline Reliability Project and an Interregional Reliability Project, they will apply the Interregional Reliability Project cost allocation method. They state that they will use the Cross-Border Baseline Reliability Project cost allocation method only for an interregional transmission project that qualifies as a Cross-Border Baseline Reliability Project but not as an Interregional Reliability Project.⁸⁶

(b) Commission Determination

62. We find that MISO and PJM have complied with this directive from the Second Compliance Order by restoring the Cross-Border Baseline Reliability Project provisions to MISO-PJM JOA section 9.4.3.1.1 and the Cross-Border Baseline Reliability Project cost allocation provisions to MISO-PJM JOA section 9.4.3.2.1. We also accept MISO and PJM's proposal to use the Interregional Reliability Project cost allocation method for interregional transmission projects that could qualify as either an Interregional Reliability Project and a Cross-Border Baseline Reliability Project and to use the Cross-Border Baseline Reliability Project cost allocation method only for interregional transmission projects that do not qualify as Interregional Reliability Projects. However, MISO and PJM have not proposed revisions to the MISO-PJM JOA to implement this proposal. Therefore, we direct MISO and PJM to submit, within 30 days of the date of issuance of this order, further compliance filings with revisions to the MISO-PJM JOA to make clear

⁸⁵ MISO-PJM JOA, §§ 9.4.3.1.1 (Cross-Border Baseline Reliability Project Criteria), 9.4.3.2.1 (Cost Allocation for Cross-Border Baseline Reliability Projects) (2.2.0).

⁸⁶ MISO Transmittal Letter at 5-6; PJM Transmittal at 3-4.

when the Cross-Border Baseline Reliability Project cost allocation method will apply and when the Interregional Reliability Project cost allocation method will apply.

3. Other Issues

63. In its filing, MISO submitted two versions of the MISO-PJM JOA section 9.4: version 35.0.0 with an effective date of January 1, 2014 (identical to PJM's filing) and version 36.0.0 with an effective date of May 30, 2016. In this order, we are addressing changes submitted in redline in version 35.0.0.⁸⁷ MISO's version 35.0.0 is identical to PJM's filing and includes the revisions at issue here. MISO's version 36.0.0 includes not only the changes at issue here but also other revisions that the Commission has approved in other dockets and is thus the most current version of section 9.4. We note that PJM does not have a version of section 9.4 of the MISO-PJM JOA similar to MISO's version 36.0.0 that incorporates all of the revisions that the Commission has approved. Accordingly, we direct PJM to submit, within 30 days of the date of issuance of this order, a compliance filing that includes an updated version of section 9.4 of the MISO-PJM JOA incorporating all of the revisions that the Commission has approved.

The Commission orders:

(A) The requests for rehearing by PJM, PJM Transmission Owners, and MISO Transmission Owners are hereby denied, as discussed in the body of this order.

(B) MISO and PJM's compliance filings are hereby conditionally accepted,⁸⁸ subject to further compliance filings, as discussed in the body of this order.

⁸⁷ See MISO, FERC Electric Tariff, MISO Rate Schedules. MISO-PJM Joint Operating Agreement, § 9.4 (35.0.0).

⁸⁸ As noted, we accept, subject to compliance, the following rate schedules: Midcontinent Independent System Operator, Inc., FERC FPA Electric Tariff, MISO Rate Schedules, [Section 9.4, Allocation of Costs of Network Upgrades, 35.0.0](#), effective January 1, 2014; Midcontinent Independent System Operator, Inc., FERC FPA Electric Tariff, MISO Rate Schedules, [Section 9.4, Allocation of Costs of Network Upgrades, 36.0.0](#), effective May 30, 2016; PJM Interconnection, L.L.C., FERC FPA Electric Tariff, Interregional Agreements, [9.4, MISO-JOA 9.4 Allocation of Costs of Network Upgrades, 2.2.0](#), effective January 1, 2014.

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(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.

Appendix: eTariff Records

The following table contains the eTariff records that are addressed in this Order on Compliance Filings. Shorthand eTariff record citations are only provided for those records that are explicitly addressed in this Order on Compliance Filings.

Filing Party Short Cite	Docket No.	Tariff Record Citation	Shorthand Tariff Record Citation
MISO	ER13-1943-005	MISO, MISO Rate Schedules, Rate Schedule 5 (Midwest ISO-PJM Joint Operating Agreement) (31.0.0).	MISO, MISO-PJM JOA (31.0.0)
MISO	ER13-1943-005	MISO, MISO Rate Schedules, Rate Schedule 5, art. IX, § 9.4.3.1.1 (Cross-Border Baseline Reliability Project Criteria) (35.0.0).	MISO, MISO-PJM JOA, § 9.4.3.1.1 (35.0.0).
MISO	ER13-1943-005	MISO, MISO Rate Schedules, Rate Schedule 5, art. IX, § 9.4.3.1.2 (Interregional Reliability Project Criteria) (35.0.0).	MISO, MISO-PJM JOA, § 9.4.3.1.2 (35.0.0).
MISO	ER13-1943-005	MISO, MISO Rate Schedules, Rate Schedule 5, art. IX, § 9.4.3.1.3 (Interregional Market Efficiency Project Criteria) (35.0.0).	MISO, MISO-PJM JOA, § 9.4.3.1.3 (35.0.0).
MISO	ER13-1943-005	MISO, MISO Rate Schedules, Rate Schedule 5, art. IX, § 9.4.3.1.4 (Interregional Public Policy Project Criteria) (35.0.0).	MISO, MISO-PJM JOA, § 9.4.3.1.4 (35.0.0).

MISO	ER13-1943-005	MISO, MISO Rate Schedules, Rate Schedule 5, art. IX, § 9.4.3.2.1 (Cost Allocation for Cross-Border Baseline Reliability Projects) (35.0.0).	MISO, MISO-PJM JOA, § 9.4.3.2.1 (35.0.0).
PJM	ER13-1944-004	PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.4.3.1.1 (Cross-Border Baseline Reliability Project Criteria) (2.2.0).	PJM, MISO-PJM JOA, § 9.4.3.1.1 (2.2.0).
PJM	ER-13-1944-004	PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.4.3.1.2 (Interregional Reliability Project Criteria) (2.2.0).	PJM, MISO-PJM JOA, § 9.4.3.1.2 (2.2.0).
PJM	ER13-1944-004	PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.4.3.1.3 (Interregional Market Efficiency Project Criteria) (2.2.0).	PJM, MISO-PJM JOA, § 9.4.3.1.3 (2.2.0).
PJM	ER13-1944-004	PJM, Interregional Agreements, MISO-JOA, art. IX, § 9.4.3.1.4 (Interregional Public Policy Project Criteria) (2.2.0).	PJM, MISO-PJM JOA, § 9.4.3.1.4 (2.2.0).
PJM	ER13-1944-004	PJM, Interregional	PJM, MISO-PJM JOA, § 9.4.3.2.1

Agreements, MISO-JOA, (2.2.0).
art. IX, § § 9.4.3.2.1 (Cost
Allocation for Cross-
Border Baseline
Reliability Projects)
(2.2.0).

Document Content(s)

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