



Federal Energy Regulatory Commission
February 19, 2015
Open Commission Meeting
Staff Presentation
Item E-3 & E-4

"Good morning Chairman and Commissioners. Item E-3 is a draft order addressing several proceedings related to the allocation of costs associated with the operation of System Support Resource Units, or SSR Units, in the American Transmission Company, LLC (or ATC) pricing zone within the MISO region. A generation resource may be designated as an SSR Unit when MISO determines that the resource, which would otherwise be retired or suspended, is needed to remain in operation to maintain system reliability. If MISO makes this determination, MISO and the market participant that owns the generation resource enter into an agreement to ensure that the resource continues to operate, as needed. This SSR agreement is filed with the Commission and specifies the terms and conditions of the service, including the compensation to be provided to the resource for its continued operation. For each SSR agreement filed with the Commission, a separate rate schedule must be filed to provide for recovery of the costs identified in the SSR agreement.

"On July 29, 2014, the Commission granted the complaint of the Wisconsin Public Service Commission, and found that it is unjust, unreasonable, unduly discriminatory, or preferential for MISO to allocate SSR costs to all load-serving entities within the ATC pricing zone on a pro rata basis where evidence has shown that such cost allocation does not follow cost causation principles. The draft order affirms on rehearing the requirement that SSR costs must instead be allocated to the load-serving entities that require the operation of the SSR Unit for reliability purposes, consistent with MISO's Tariff governing the allocation of SSR costs in the rest of MISO's footprint. In this regard, the draft order grants clarification and finds fault with the application of MISO's general SSR cost allocation practice, which first identifies the Local Balancing Authorities that benefit to any extent from the operation of the SSR Unit, and then allocates costs on a pro rata basis to all load-serving entities within the boundaries of those benefitting Local Balancing Authorities, without consideration of whether those load-serving entities in fact benefit in a manner proportionate to their pro rata share of the Local Balancing Authorities' coincident peak. The draft order finds that, as applied to three SSR Units located within the ATC pricing zone, MISO's current practice fails to allocate SSR costs directly to the load-serving entities that benefit from the operation of those SSR Units, as required by MISO's Tariff. Therefore, the draft order directs MISO to develop and file with the Commission a new study method that will identify the load-serving entities that benefit from the operation of the three SSR Units at issue and allocate SSR costs directly to those entities. The order also finds that implementation of any refund requirements for these SSR Units will be addressed in a future order addressing MISO's new study method.

"The draft order also rejects a related filing by MISO that would revise the allocation of the costs for the three SSR Units at issue to reflect new Local Balancing Authority boundaries in the ATC pricing zone, and dismisses a complaint contesting this proposed cost allocation, given the finding that MISO must allocate SSR costs directly to benefitting load-serving entities without reliance on Local Balancing Authority boundaries. The draft order also denies rehearing of several prior Commission orders addressing proposed SSR agreements and associated rate schedules in the ATC pricing zone.

"Item E-4 is a draft order dismissing as moot two complaints objecting to the formation of a new Local Balancing Authority in the Michigan Upper Peninsula, and to the corresponding cost allocation implications for the three SSR Units located within the ATC pricing zone. The

draft order finds that the creation of the new Local Balancing Authority will not affect the allocation of SSR costs, given the Commission's findings in Item E-3.

"This concludes our presentation of Items E-3 and E-4. We are happy to answer any questions you may have."